

# Creating Value through Change

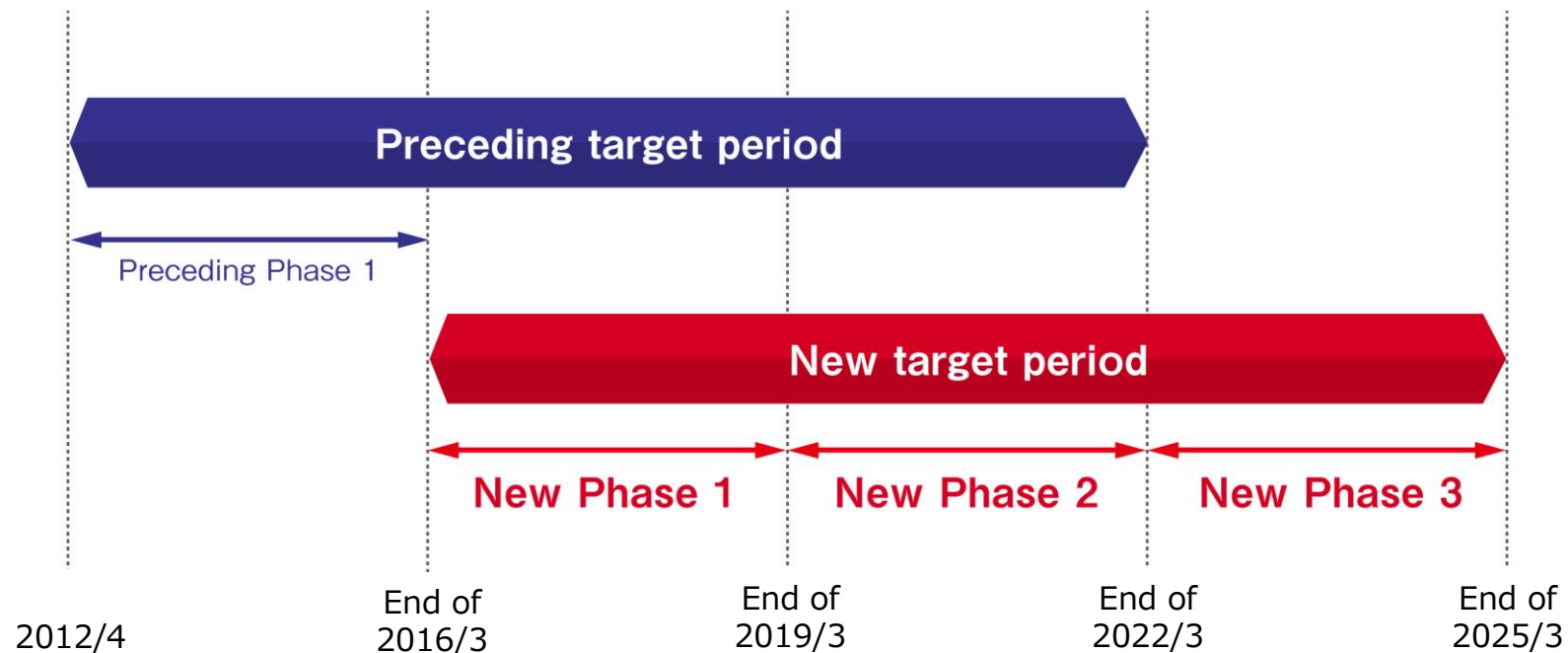


NOMURA REAL ESTATE  
GROUP

# ■ Positioning of This Plan

**We have formulated this business plan to realize upgraded growth based on the financial foundation that was streamlined through the implementation of the preceding Phase 1.**

- Placing a growth model that emphasizes “Continuous expansion of revenue with ensured high asset efficiency” as a cornerstone, we have set financial goals up to FY25/3 and have deployed growth strategies for their achievement.
- The target period is divided into three phases, and the respective milestones are planned for each phase in anticipation of realizing stepwise growth.



## To realize our ideal and our growth model, We endeavor to implement three key strategies.

### Our Ideal

Utilizing what people and communities mutually respect to engage in urban development that anticipates the future, and nurturing an affluent time to live in together with communities while creating new value for society.

### Our Growth Model

Implementing a growth model that emphasizes continuous expansion of revenue with ensured high asset efficiency by appropriately responding to changes in the social environment.



\*Service & Management Sector  
Fee business fields under a non-asset approach such as "Investment Management," "Property Brokerage & CRE" and "Property & Facility Management"

# ■Key Strategy (1)—Expand business volume and business domains in the Development Sector

- Realize growth in the housing sales and leasing businesses through expansion of product categories, business areas and business methods.
- Increase both “revenue from property sales,” which also contributes to the improvement of asset efficiency, and stable “rental revenue.”

## Specific measures

### Product category

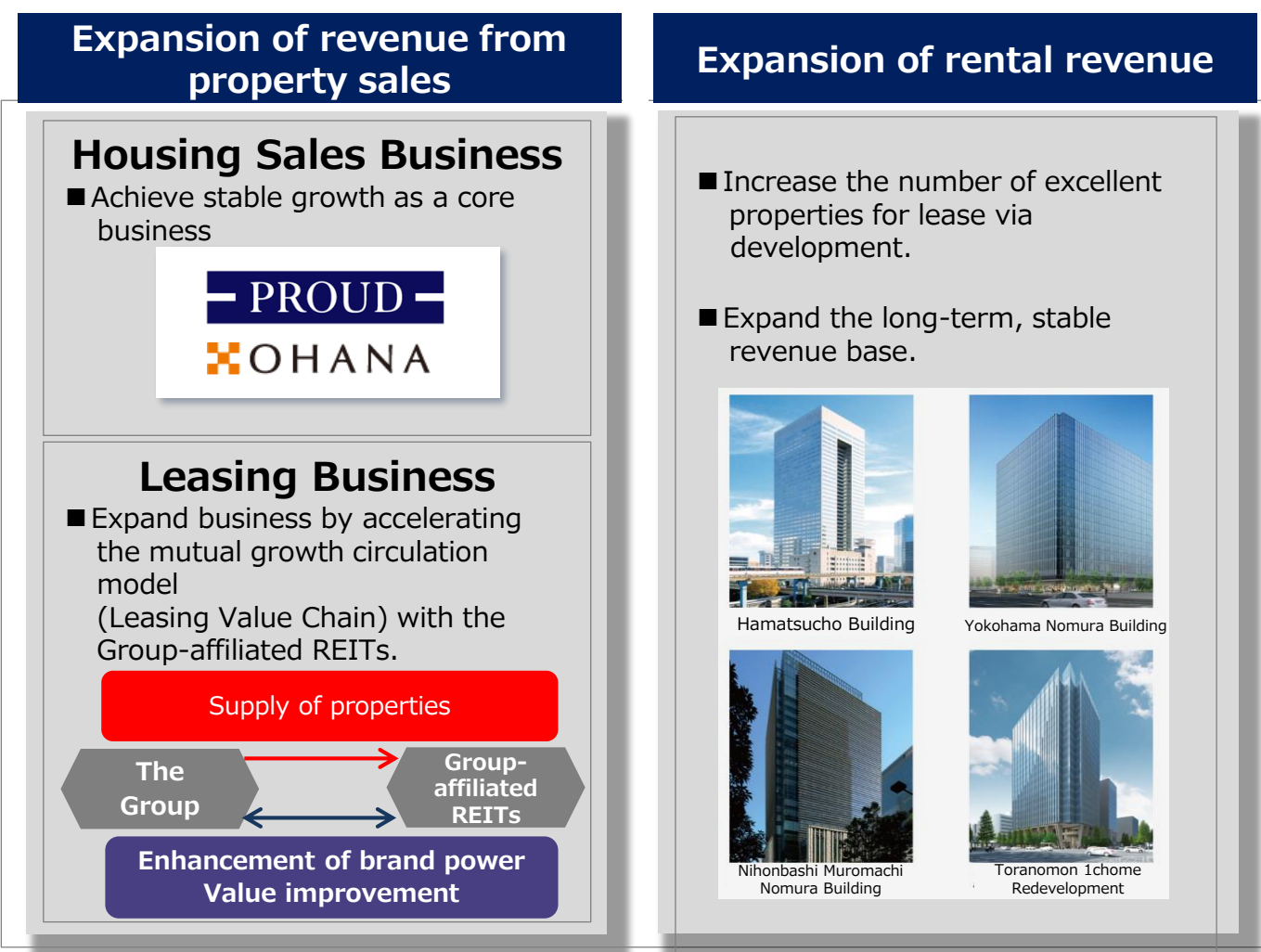
Accelerate development of the existing asset-type business and expand into new asset-type domains.

### Business area

Implement area strategy by seizing market changes, enhancing business operations in Tokyo’s downtown areas, and developing new markets in Japan and overseas.

### Business method

Utilize diverse methods such as large-scale redevelopment, rebuilding and complex development.

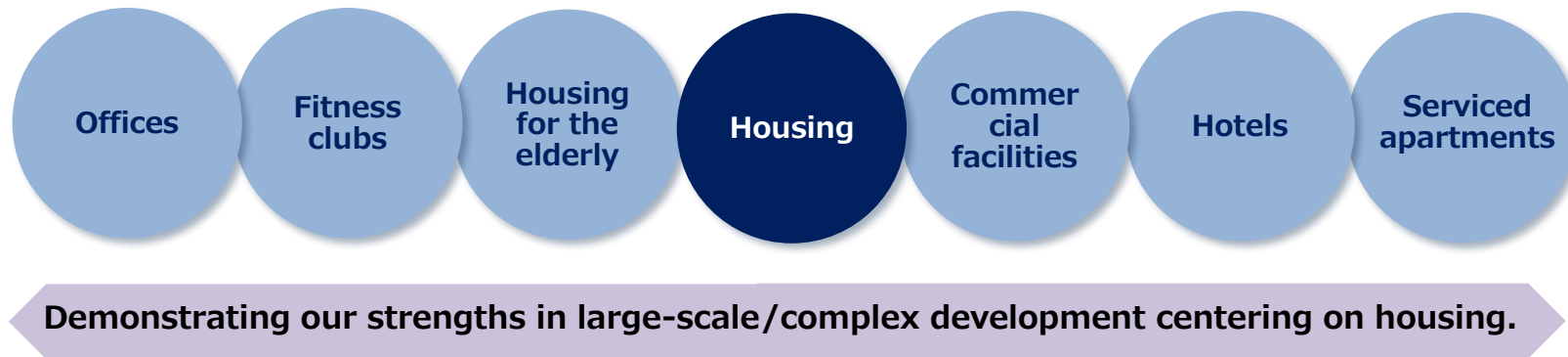




# ■Key Strategy (1)—Expand business volume and business domains in the Development Sector

~Focus on the urban-type Compact Town concept~

- Maximum leverage of business methods taking advantage of Group strengths such as complex development and/or large-scale redevelopment centering on metropolitan areas.
- Advance the urban-type Compact Town concept initiative highlighting multifunctionality and superior comfort.



## Urban development via area development

「Funabashi Morino City」

**PROUD**  
Funabashi  
condominium



Shopping  
center



Community



Environment-  
friendliness

Site slated for  
housing  
for the elderly



General  
hospital

※Promoted business models  
such as the Wellness City

## Urban development in front of railway stations in metropolitan areas and regional nucleated cities

### Musashikoganei Station South Exit Redevelopment Project

Houses for  
sale

Commercial  
facilities

## Urban development in central Tokyo

### Nishiazabu 3-chome Redevelopment Project

Houses for  
sale

Lease  
housing

Offices

Commercial  
facilities

Hotels

# ■Key Strategy (2)—Demonstrate differentiation and a competitive edge in the Service & Management Sector\*

- **Demonstrate a competitive edge through the creation and/or provision of diverse services meeting market needs.**
- **Improve asset efficiency and increase business opportunities for development by expanding the fee business.**

## Reinforcement measures



### Investment Management Business

- ◆ Product structuring and global response to cope with rising investment and management needs



### Property Brokerage & CRE Business

- ◆ Solution services such as CRE proposals for corporations
- ◆ Consulting services such as asset management and inheritance for individuals



### Property & Facility Management Business

- ◆ Operational capability to meet customer needs at diverse facilities such as offices and commercial complexes

**Housing Customer Relationship activities, acquisition of external know-how and M&As to expand business domains**

## Accelerate Group growth by establishing a competitive edge

### Service & Management Sector

- Expansion of non-asset-type business (fee business)
- Improvement of real estate management capability



### Entire Group

- Realization of high asset efficiency
- Expansion of business opportunities in the Development Sector

\*Service & Management Sector: Fee business fields under a non-asset approach such as "Investment Management," "Property Brokerage & CRE" and "Property & Facility Management"

## ■Key Strategy (3)—Increase and reinforce the customer base via Group-wide collaboration

- Create synergies through the collaboration of Group companies and different business divisions to provide customers with high value by leveraging the collective strengths of the Group.
- Establish and enhance our business base for customers who select Group products and/or services depending on tailored, respective needs.
- Increase business opportunities and maximize the profit of the entire Group.



### Enhancement of Group-wide collaboration



※\*Housing-related membership of the Group

## ➤ Improve corporate value by pursuing an optimum balance among efficiency, financial soundness and return to shareholders.

### Asset efficiency

- ◆ Asset efficiency that represents the highest level of any major company in the industry

**ROA**  
above **5%**

### Capital efficiency

- ◆ Capital efficiency that meets shareholders expectations

**ROE**  
at the  
**10%**  
level

### Financial soundness

- ◆ Financial foundation that ensures flexible investment for growth
- ◆ A ratio level that enables business investment to continue even in the case of urgent changes in the operating environment

**Shareholders' equity ratio**  
at the  
**30% level**

### Total return ratio

- ◆ Return to shareholders in the form of dividends taking into account stability and continuity based on sustainable revenue growth

**Dividend payout ratio**  
of  
approximately  
**30%**



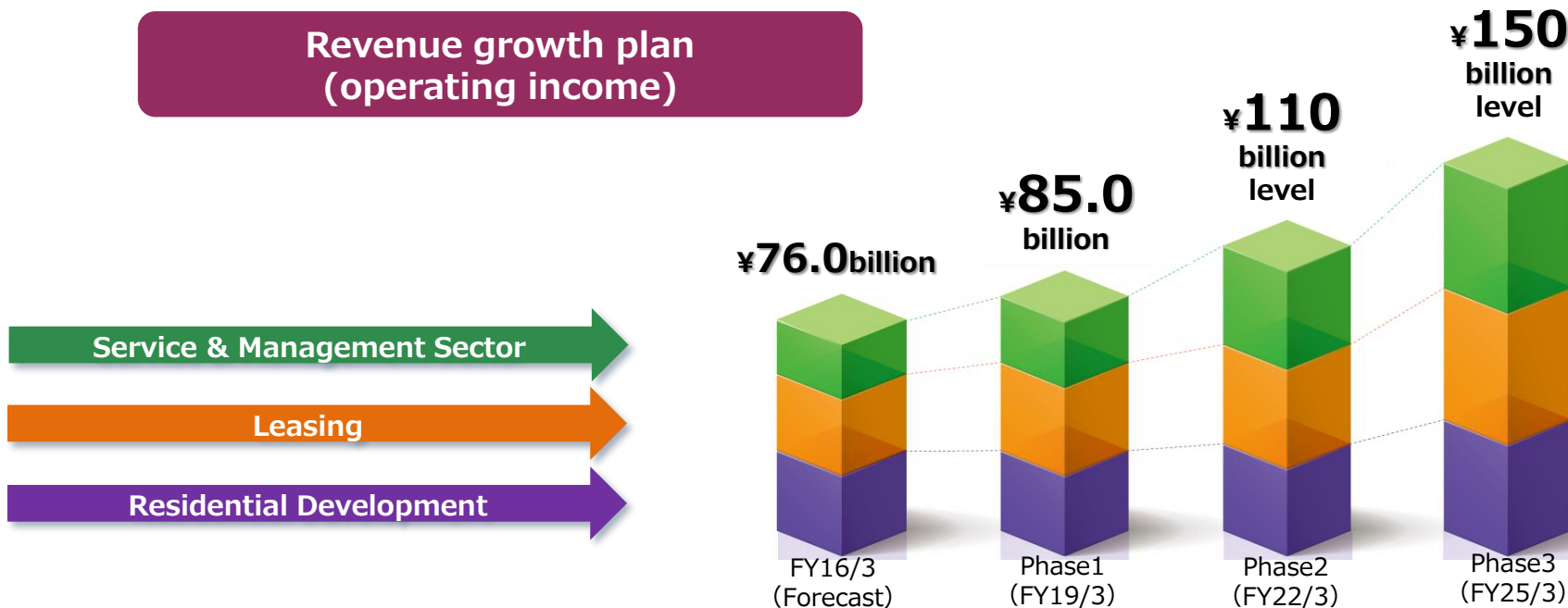
# ■ Long-Term Revenue Goals

- Realize sustainable revenue growth while maintaining a stable financial foundation and high asset efficiency.

Long-term revenue goal  
(fiscal year ending 2025/3)



Revenue growth plan  
(operating income)



➤ **Steadily expand revenue under the mid- to long-term financial and capital policies.**

## Operating income by segment

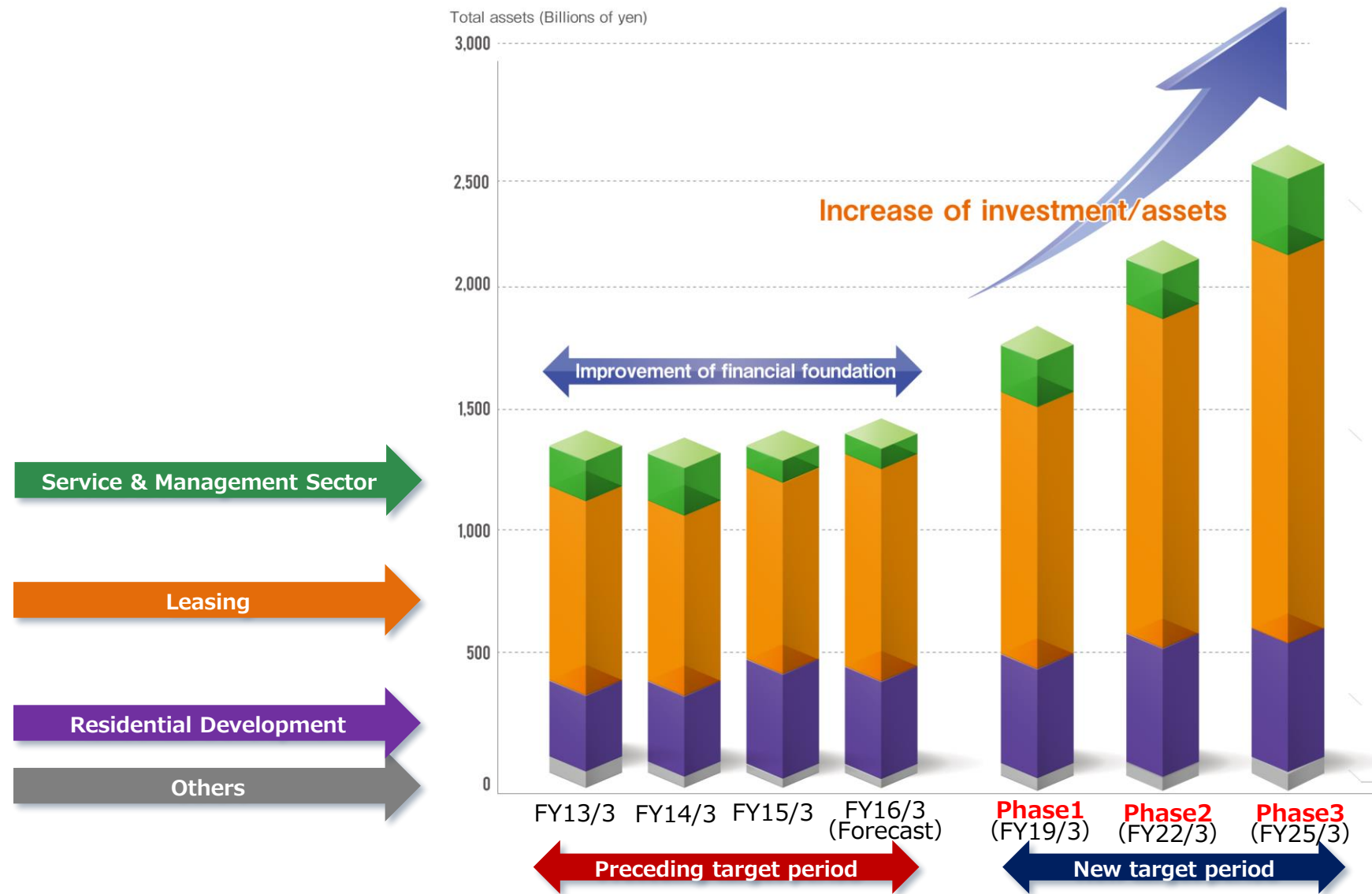
(Billions of yen)

	FY16/3 Forecast①	FY19/3 Planned ②	Changes (②-①)
Operating revenue	575.0	<b>700.0</b>	+125.0
Operating income	76.0	<b>85.0</b>	+9.0
Residential Developmnt	31.5	<b>30.0</b>	-1.5
Leasing	30.0	<b>35.0</b>	+5.0
Service & Management Sector	19.5	<b>23.5</b>	+4.0
Investment Management	7.0	<b>6.5</b>	-0.5
Property Brokerage & CRE	8.0	<b>10.5</b>	+2.5
Property & Facility Management	4.5	<b>6.5</b>	+2.0
Adjustments	-5.0	<b>-3.5</b>	+1.5

# Investment Plan

## ➤ Proactive increase of investment based on a solid financial foundation

- ◆ Increase total assets by more than ¥1 trillion within the target period
- ◆ Expand the volume of properties for lease and increase investment in property development for sale.



# Investment Plan

- Net investment\* of ¥400 billion to ¥500 billion for each and a total of ¥1.4 trillion is planned for the entire target period.
- Higher asset efficiency is expected to be ensured while maintaining a recovery-to-investment ratio of approximately 75%.
- Strategic investment is planned with the assumption of M&As to be implemented mainly in the Service & Management Sector.

	Phase 1 (FY17/3-FY19/3)	Phase 2 (FY20/3-FY22/3)	Phase 3 (FY23/3-FY25/3)	Total (FY17/3-FY25/3)
(Billions of yen)				
<b>Residential Development Business</b>				
Investment	950.0	1100.0	1200.0	3250.0
Recovery	900.0	1000.0	1100.0	3000.0
Net investment	50.0	100.0	100.0	250.0
Recovery-to-investment ratio	95%	91%	92%	92%
<b>Leasing Business</b>				
Investment	400.0	600.0	800.0	1800.0
Recovery	150.0	300.0	400.0	850.0
Net investment	250.0	300.0	400.0	950.0
Recovery-to-investment ratio	38%	50%	50%	47%
<b>Strategic investment</b>	50.0~100.0	50.0~100.0	50.0~100.0	200.0
<b>Total</b>				
Investment	1425.0	1775.0	2050.0	5250.0
Recovery	1050.0	1300.0	1500.0	3850.0
Net investment	375.0	475.0	550.0	1400.0
Recovery-to-investment ratio	74%	73%	73%	73%

※Net investment = Investment - Recovery

# Growth Strategies by Business Segment



- Aim for sustainable growth as a core business by developing businesses compatible with environmental changes

## Development Business

Expand market shares for existing businesses and enhance earning power

- ◆ Ensure business volume by taking advantage of various business methods (complex development/redevelopment/renaissance of apartment complexes)
- ◆ Deploy products that will rouse demand by grasping changes in customer needs using our integrated development and sales operation
- ◆ Differentiate from competitors by practicing a consistent brand strategy

Increase business volume by showing a presence in new business areas

### <Nucleated cities in Japan>

- ◆ Implement area strategy in tune with changes in urban structure
- ◆ Leverage business know-how and brand strategy
- ◆ Set up an alliance system

### <Influential cities overseas>

- ◆ Implement an investment strategy centering on growth in Asia
- ◆ Utilize know-how from domestic businesses
- ◆ Discover leading local partners and establish good relations with them

## Operating income plan

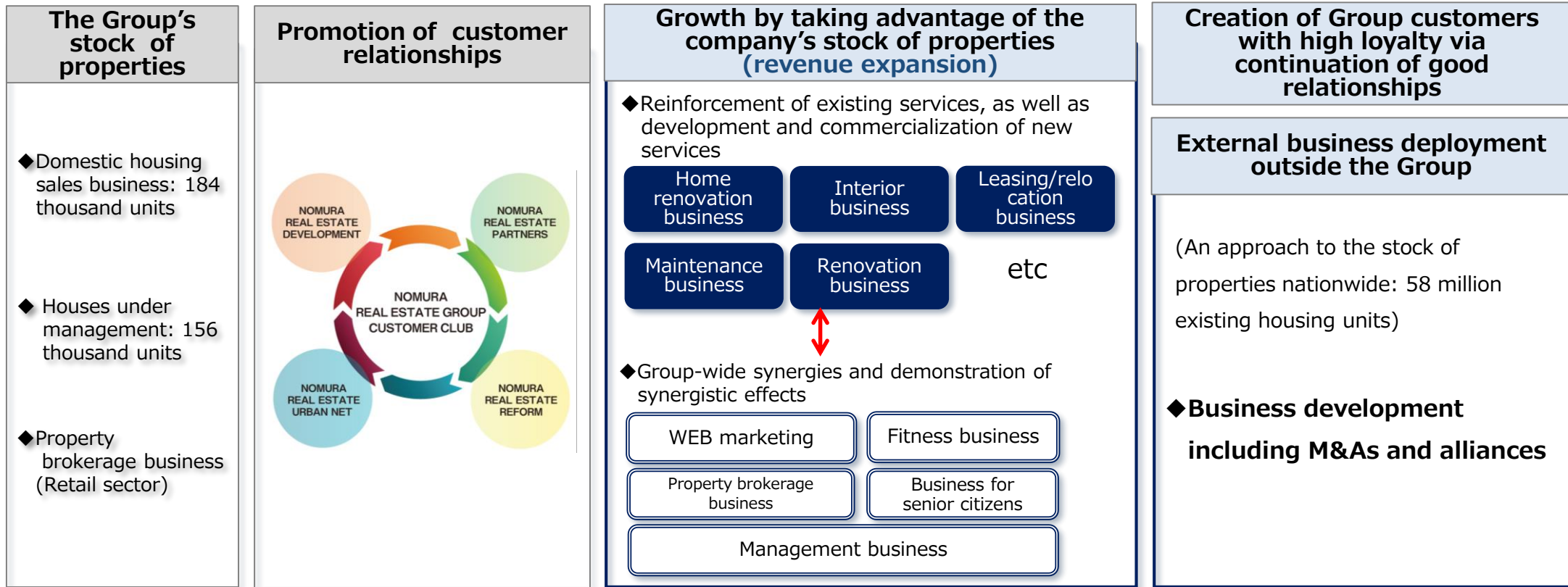
FY25/3

**¥34.0 billion to ¥38.0 billion**

FY25/3

approximately **¥6.0 billion**

## Real estate stock-based business



Operating income plan for the stock-based business (FY25/3)

Approximately  
**¥4.0 billion**

## Operating income plan

FY16/3

**¥31.5 billion**

FY19/3

**¥30.0 billion**



FY25/3

**¥44.0 billion to ¥48.0 billion**

## ➤ Firmly establish a position as an urban developer with business structuring power capable of forming a diversified product lineup

### Asset-type

#### Expand the commercial property business

- ◆ Develop facilities by leveraging affinity with the Residential Development Business
- ◆ Operate facilities that pursue B2C customer orientation



Urban-type commercial facilities (GEMS, etc.)



Community-based shopping centers

#### Diversify development in addition to the existing four sectors including new fields



Offices



Commercial facilities



Logistics facilities



Lease housing



Hotels



Serviced apartments

### Business method

#### Strengthen the complex development business

- ◆ Pursue optimum composition of facilities that maximizes asset value
- ◆ Anticipate the development of the urban-type Compact Town

#### Expand the redevelopment and rebuilding businesses

- ◆ Conduct redevelopment/rebuilding of the Group's assets
- ◆ Rebuild after acquiring assets of the Group-affiliated REITs for resale



Nishi-Azabu 3chome Redevelopment Project



Major large-scale redevelopment and complex development projects

**Demonstrate business structuring power as an integrated developer and develop excellent properties for lease with high added value**

## Business model

◆Increase rental revenue and revenue from property sales by expanding the volume of the development business

<Acquisition and development of excellent properties for lease>

Investment of **¥1.8 trillion**  
within the target period

Approx.  
50%

### ◆Held by the company

- Establish portfolios of excellent properties for lease
- Stable rental revenue



Shibaura 1-chome Redevelopment



PMO



GEMS

## Solid revenue base

~Coexistence of high asset efficiency and revenue growth~

### ◆Sale

- Revenue from property sales that will contribute to high asset efficiency

↓ Leasing Value Chain

Held by the  
Group-affiliated REITs



Landport



PROUD FLAT



Toranomon 1-chome Redevelopment

## Operating income plan

FY16/3

**¥30.0 billion**

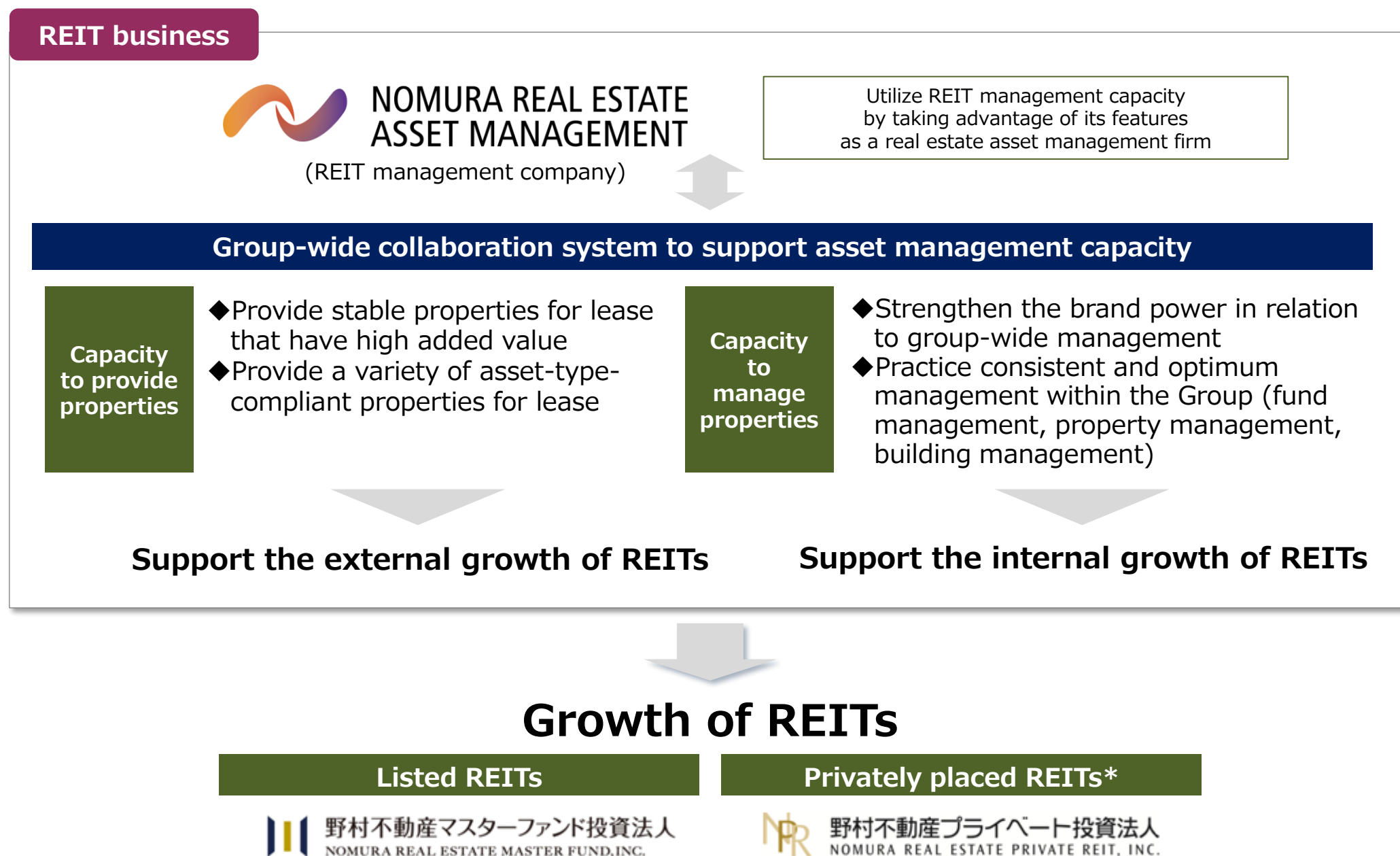
FY19/3

**¥35.0 billion**

FY25/3

**¥52.0 billion to ¥56.0 billion**

## ➤ Expand the stable revenue base primarily focusing on REITs



\* Non-listed REITs bound for qualified institutional investors



➤Realize revenue growth through the ongoing supply of new products that are compatible with changes in the market and investor needs

Privately placed fund business

Stock fund business

Continually supply new funds that are precisely in tune with investor needs  
Strengthen responses to global investment needs

Offer funds targeting new asset-type domains (healthcare, hotels, etc.)

Offer customized funds for domestic and foreign institutional investors.

Offer funds for which the investment targets are domestic and overseas real estate funds

- ◆Fund of J-REITs
- ◆Fund of global REITs
- ◆Fund of overseas open-end funds\*
- ◆(\*Funds for which the investment targets are non-listed REITs being managed primarily in Western countries)

Operating income plan

FY16/3

¥7.0 billion ※

FY19/3

¥6.5 billion

FY25/3

¥12.0 billion to ¥13.0 billion

➤ Accelerate business growth through the expansion/enhancement of the business base and provision of aggressive services compatible with customer attributes/needs

### Business strategy of the Retail Sector

#### Fusion of face-to-face services and the utilization of ICT

##### Reinforcement of face-to-face services

- ◆ Set up a 100-store branch network by the end of FY22/3
- ◆ Penetrate the brand value of Nomura no Chukai +(Plus)
- ◆ Increase and improve service menus
- ◆ Improve consulting capability regarding assets and inheritance

##### Further utilization of ICT

- ◆ Increase and enrich services available through the nomu.com website
- ◆ Evolve customer communication methods
- ◆ Introduce new business models

### Business strategy of the Wholesale Sector

#### Sophisticated, customer-oriented CRE proposals

##### Thorough customer orientation

- ◆ Strengthen sales structure to create a sustainable relationship with customers
- ◆ Understand customer needs in response to their attributes

##### Offering sophisticated CRE proposals

- ◆ Exert highly professional consulting capabilities
- ◆ Leverage the wide range of know-how and resources that the Group owns

Listed corporations

Unlisted corporations

Institutional investors

Public corporations and corporations in the public interest

Leverage the Nomura Real Estate Group Customer Club and strengthen alliance with Nomura Securities and enhance cross-border transactions

Maximize customer satisfaction through the provision of increased and improved service menus

Contribute to maximizing the corporate value of every customer

Market share expansion

Customer base expansion

### Operating income plan

FY16/3

¥8.0 billion ※

FY19/3

¥10.5 billion

FY25/3

¥16.0 billion to ¥18.0 billion

## ➤ Expand business base and evolve service menus

### Expansion of business base

#### Expansion of business base (stock of properties under management)

Housing: 160 thousand  
units→220 thousand units

Commercial buildings:  
730 units→1,000 units



Strengthening of  
Group-wide  
collaboration  
(Development Sector/  
Group-affiliated REITs)

Customer  
satisfaction  
improvement



Evolution of  
service menus

Increase of  
asset-type  
services



### Evolution of service menus

#### Aiming to be the bearer of the “Town Management” concept

Reinforce services in highly operational  
fields

Service  
fields mainly  
for users

Service for  
the elderly

Fitness/  
Health-  
related  
service

Condomi-  
um private  
spaces  
service

Concierge  
service

Public  
facility  
operation

Energy  
service

Service  
sectors  
mainly for  
owners

#### Property Management (PM) business

Leasing  
operation

Operation of  
condominium  
associations

Large-scale  
repair works

#### Building Management (BM) business

Building  
maintenance  
and  
management

Cleaning

Security

### Operating income plan

FY16/3

¥4.5 billion

FY19/3

¥6.5 billion

FY25/3

¥12.0 billion to ¥13.0 billion

# **New Initiatives toward Growth Acceleration**

# Overseas Business

➤ **Aggressive expansion overseas business by leveraging know-how in regarding product and service planning nurtured through domestic businesses.**

Development Sector

- ◆ Conduct housing sales and leasing businesses mainly in Asian countries, where real estate-related needs are rising along with economic growth
- ◆ Alliance with leading local partners
- ◆ Invest **¥300.0 billion** within the target period

Service & Management Sector

- ◆ Develop asset management and property brokerage business to meet cross-border investment needs
- ◆ Strengthen alliance with the Nomura Group, which has a broad range of relations with diverse investors

Inbound investment needs

**Asset management**  
Offer products and management services taking advantage of domestic fund structuring and managing capability.


**Property brokerage**  
Offer an abundant number of investment properties taking advantage of our domestic store and information networks.



Outbound investment needs

**Asset management**  
Offer products and asset management services through our alliance with overseas asset management firms.

**Property brokerage**  
Support Japanese corporations intending to show a presence overseas by utilizing overseas operating bases and through collaboration with overseas business partners.




Project sample:  
Residential development business in Vietnam

A condominium-for-sale development project in Ho Chi Minh city

Joint venture business with leading local developers, etc.

Number of housing units: More than 2,100 units



# ■Senior Citizen and Health-Related Service

➤Provide senior citizen and health-related services to help create desirable environments in which customers can live safe and comfortable lives.

## ■Service for Senior Citizens and Health-Related Service

**Develop housing for the elderly and offer secure and comfortable facility operation services with the aim of ensuring residents' health**

- ◆ Leverage "housing" know-how nurtured in the Residential Development Business
- ◆ Provide original operation services with the aim of supporting the concept of "continuing to remain healthy"
- ◆ Respond to diversified needs by deployment of both leasing and sale business models



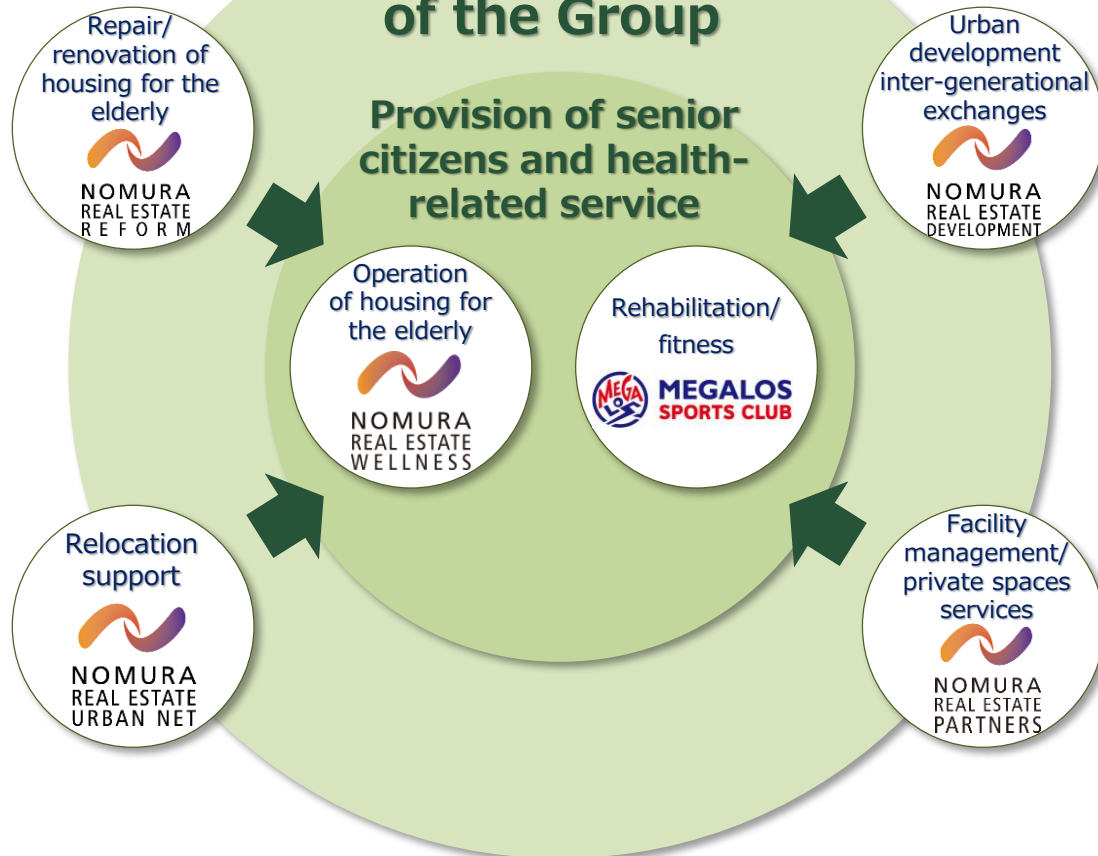
Site slated for housing for the elderly at Funabashi

## Urban development for communities that help senior citizens to live vigorous lives

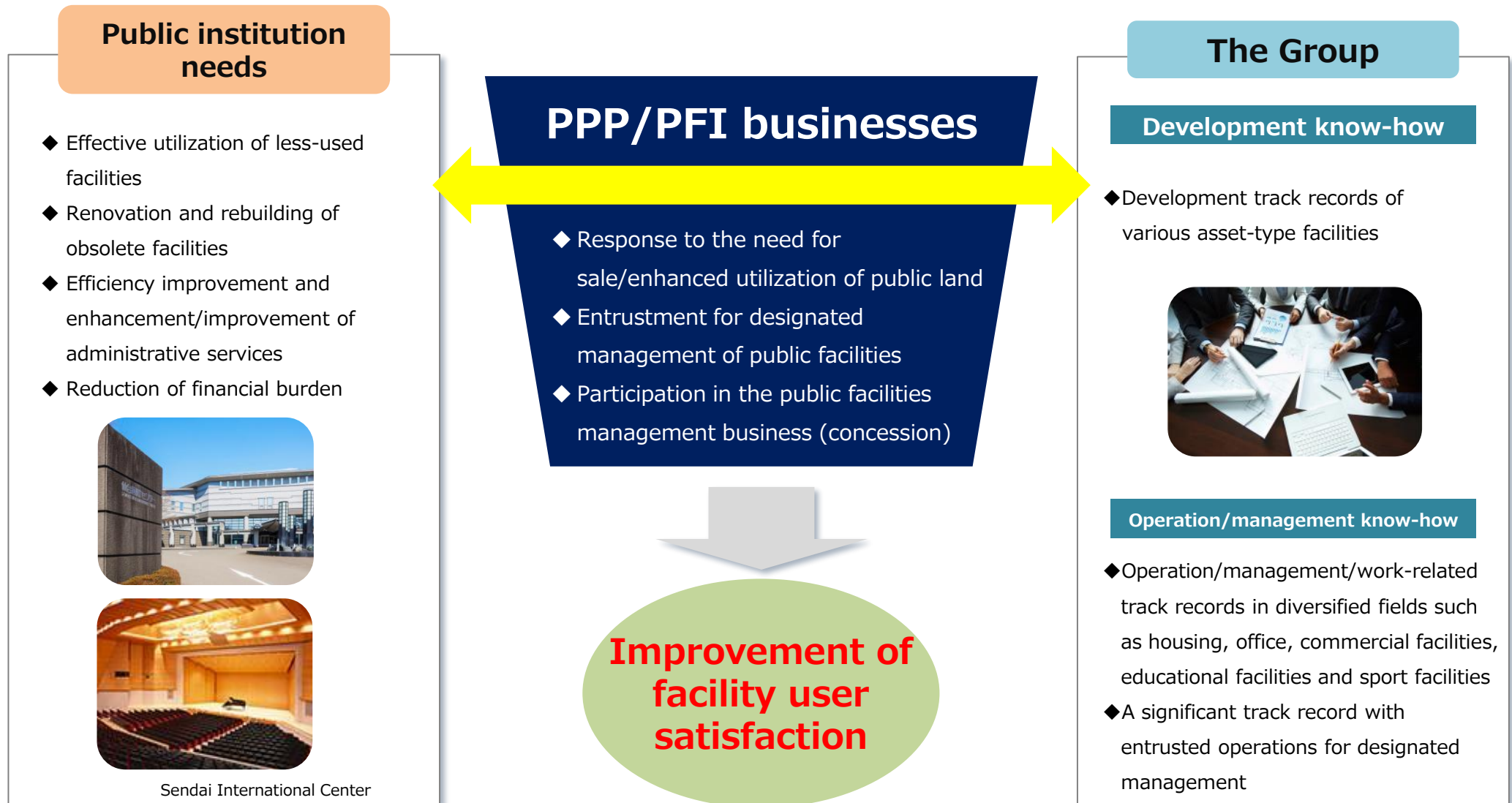
- ◆ Create local communities that support inter-generational and/or local exchanges
- ◆ Help people maintain/improve physical functions through the provision of home nursing care and/or rehabilitation/fitness services
- ◆ Respond to "the changes in people's living styles" by leveraging the collective strengths of the Group



**Meeting diverse needs by demonstrating the collective strengths of the Group**



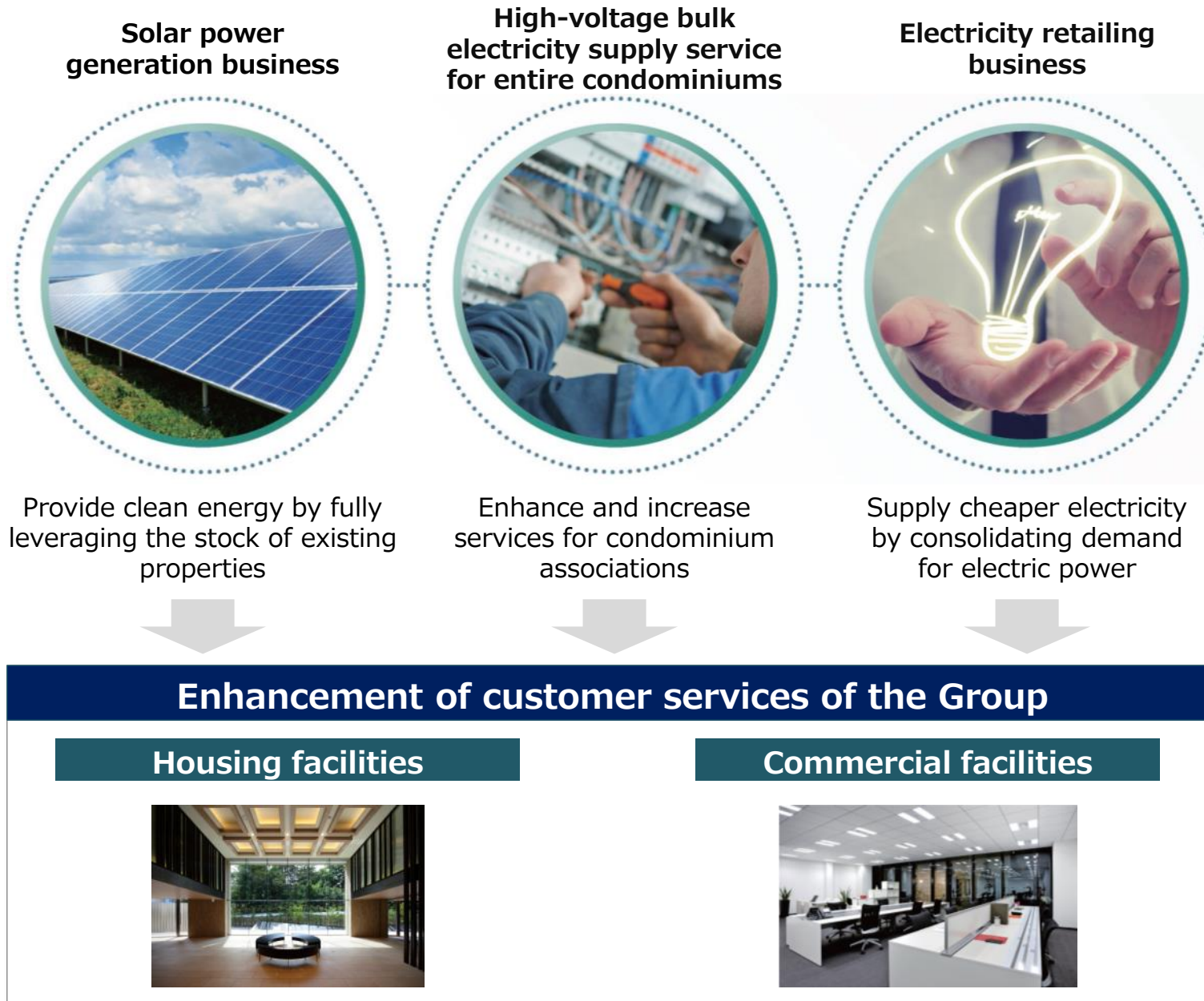
## ➤ Aggressively promote the PPP/PFI\* businesses with the collective strengths of the Group to resolve issues at public institutions



※ PPP/PFI: A Public-Private Partnership (PPP) is a scheme in which the public and private sector work together to provide a public service. A Private Finance Initiative (PFI) is a scheme by which private-sector capital and management expertise and technologies are utilized to construct, maintain and manage public facilities.

# ■ Energy Management

## ➤ Develop energy-related businesses, and strive to enhance environmental considerations and customer services





# Strategic Investment

➤ Accelerate speed of growth with strategic investment such as M&As and business alliances.

By end of  
2025/3

**Invest ¥200 billion**

## Investment objectives

- ◆ Increase business opportunities mainly in the Service & Management Sector and deploy businesses in new domains
- ◆ Demonstrate synergies jointly with existing businesses
- ◆ Acquire external know-how and resources to accommodate recent trends including changes of social environment and diversification of customer needs
- ◆ Concretize new business fields through R&D efforts



**Implement strategic investment through a dedicated staff system**

## Major investment targets/ Investment effects requested



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