

CSR

Message from the CEO



We provide richness in everyday life, work, and relationships to help solve social issues in countries and cities. That is the duty of the real estate industry.

The Nomura Real Estate Group Mission Creating “New Value, Real Value” to provide richness in everyday life, work, and relationships

Our Group Vision

New Value, Real Value

Integrating all that is precious to people and communities, we build cities—dynamic stages that connect today with tomorrow’s possibilities— and embrace every moment of life’s pursuits. We create new value, social value, and, above all, real value.

With my background in securities and finance, I inevitably focus on the profitability that comes from real estate. It is obvious that profitability is an essential part of increasing corporate value, but I believe that the most important part is the history and ideas that have been connected to a piece of land or a building. I think that the real estate industry’s mission is to contribute to the future by creating new value in line with the times and making use of what we have generated so far.

Resolving social issues from country to country

The real estate industry is one that affects and is affected by many factors, either directly or indirectly. These factors include a country's or city's economy, demographics, business performance, society, and environment. With continuing globalization, these influences are growing in a situation where information spreads quickly. That is why I firmly believe that the real estate industry should be at the forefront when it comes to tackling social issues for countries and cities as well as for the people's everyday life, work, and relationship.

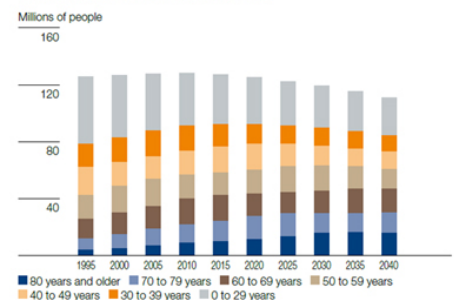
I feel that international society requires actions to promote stronger responsibility for corporate business activities such as the Sustainable Development Goals (SDGs), which were established by the United Nations in 2015. In turn, providing richness in everyday life, work, and relationships will help solve social issues in countries and cities. I believe that to be the duty of the real estate industry.

It is crucial to grow through the expansion of business opportunities in both the mature domestic markets and the growing overseas markets.

The domestic market, which is the main market of the Group, is already a mature market, and concerns are rising that market scale will shrink over the long term amid the declining birth rate and aging population. At the same time, specifically because Japan is a mature market, the requirements are of a high level and the social issues are even more complex. In this sort of market, it is important to focus on corporate growth by working at the forefront of tackling social issues, expanding business opportunities, and continuing to refine our strengths and expertise.

In Japan, I am focused on changes in lifestyle. The population of Japan has declined for the seventh consecutive year from 2010, while the proportion of people aged 65 and over account for 27.7%^{*1} of the total population, marking a record high and showing a rapid shift to a super-aged society. Combined with such factors as an expected decline in the working age population, this demographic shift is receiving global attention as an issue for developed countries. In the future, cutting-edge technologies, such as robots and AI, as well as the employment structure changes, will be necessary to maintain economic activity. Both factors will bear a strong influence on lifestyle.

Changing Demographics (Domestic)



Source: Ministry of Internal Affairs and Communications, Current Population Estimates as of October 1, 2017
^{*} Population as of October 1 for each year (including foreigners residing in Japan); 2015 values derived from 2015 Population Census, Population by Age and Nationality (reference table) by the Statistics Bureau of the Ministry of Internal Affairs and Communications

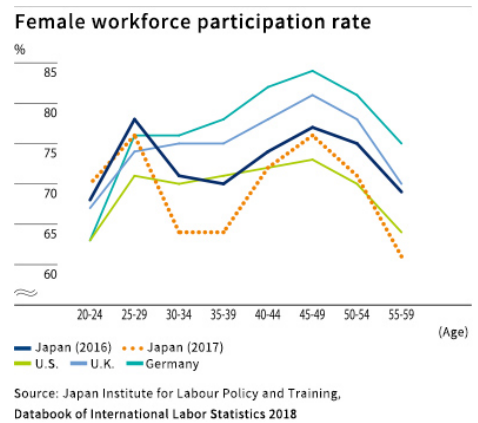
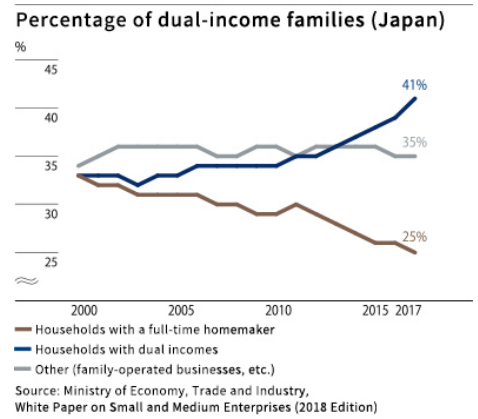
Against that backdrop, we should look at the ratio of working couples in Japan. The ratio of dual-income households was 32.8% of the population in 2000, increasing to 40.6% in 2017^{*2}. Further, looking at trends in female participation in the workforce, the M curve has been improved considerably, but there is still much room for improvement if we look at other countries around the world. In

Japan, a country where the labor force is shrinking, the success of women in the workplace is directly connected to national strength. I believe that both the country and industry are entering an era where working couples will make up the greater part of the workforce by creating a women-friendly working environment. Another factor to look at is the number of senior workers. While the mega trend of population decline is receiving all the attention, in terms of the next 10 to 20 years we should be more focused on the rapid increase in the number of senior citizens. Thanks to developments in medicine, life expectancy is rising. That, coupled with higher pension eligibility ages, has resulted in a greater motivation among senior citizens to work. Japanese companies are generally responding by extending or abolishing retirement ages in order to secure this labor force. Furthermore, as the number of dual-income households increases, so does the importance of shorter commuting and greater convenience because of the need to balance work and life in a limited timeframe. To accommodate the growing elderly population, the demand for urban-type compact towns is increasing because shopping, hospitalization, entertainment, and other services can be reached within walking distance.

Changes in lifestyle have led to transformation in the way people live and work, not only in metropolitan areas but also in regional core cities. I fully believe that our abundance of upcoming redevelopment and rebuilding projects and our urban-type compact towns, the result of efforts made over many years, are a key solution to these social issues.

*1. Ministry of Internal Affairs and Communications, Current Population Estimates as of October 1, 2017

*2. Ministry of Internal Affairs and Communications, Labor Force Survey 2018

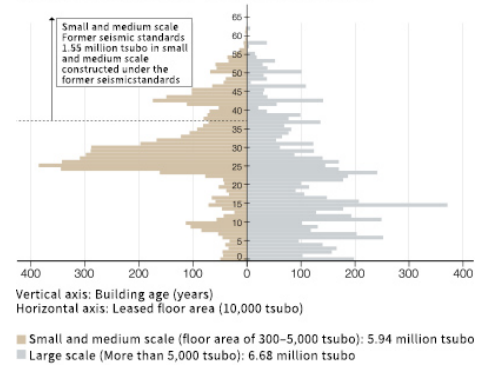


The rebuilding of buildings constructed under old earthquake resistance standards is a key growth market that helps resolve social issues.

We are not just tackling social issues related to lifestyle changes—issues related to offices and logistics are also a priority. An example of these social issues is earthquake resistant buildings under old standards. Much of the urban infrastructure in the Tokyo metropolitan area was developed to meet the needs that arose from the Tokyo Olympic construction boom in 1964. Even now, more than 50 years later, the 23 wards of Tokyo have small and medium-sized old earthquake resistant buildings spreading over a total area of about 5.12 million m² (1.55 million tsubo). As a result of the 2011 Great East Japan Earthquake, the awareness of issues related to safety and security has increased, but the progress of redevelopment and rebuilding remains slow. On the other hand, looking at business opportunities, we can assume with confidence that the demolition of old buildings will accelerate as small and medium-sized building owners grow older, subsequently leading to business succession and the inheritance of these buildings. Small and medium-sized companies, which employ 70%^{*3} of Japanese people, are performing steadily and the demand for human resources is strong. As a result, demand is growing for our PMO buildings, which provide safety and security. Amid these conditions, there is a great business opportunity and an opportunity to solve these social issues.

*3. Ministry of Economy, Trade and Industry, 2018 White Paper on Small and Medium Enterprises in Japan

Distribution of Age of Construction of Office Buildings in Tokyo's 23 Wards



In growing overseas markets, we must identify our strengths.

When we expand our perspective to the world, the United States, Europe, and other areas have matured real estate markets like Japan. In addition, there are also areas like Southeast Asia that are experiencing growth in their real estate markets right now. With regard to the Group's overseas expansion, we are working carefully to determine what people in these areas want and what we can provide for them. I feel that we are ready to accelerate further growth of our overseas business.

I believe there are three important factors in our overseas business potential; city power, local developers, and our strengths.

In terms of city power, we will focus on per capita GDP, especially in the Asian region. Since economic growth potential has a direct tie to business opportunities, city power becomes a major prerequisite in doing overseas real estate business.

As for local developers, we will make sure to confirm in advance whether we respect each other and how

we spread responsibilities to future benefit of both of us in order to build win-win relationships. Because the real estate business is primarily a local business, we would consider not only volume of future real estate pipeline but also the corporate culture of potential partners.

Finally, regarding our strengths, we can develop properties as well as provide our after-service expertise. Our ability to perform this role will be a great advantage, particularly in countries and regions where there is no practice for planning regular and long-term repairs on buildings in advance.

Changing viewpoints to Europe and other countries where real estate markets are mature, I believe that to enter the investment management business primarily through M&A gives more advantages than directly taking on real estate development in order to gather information for future business and acquire know-how. This approach can add to the potential for business development that comes afterward. We will continue to examine the characteristics of various countries and cities, assess the risks, and set our initiatives accordingly.

We will accelerate our ESG initiatives, an indispensable key to Company growth.

More and more investors consider Environmental, Social and Governance (ESG) implications when they make investments, as represented by Japan's Government Pension Investment Fund (GPIF), signing on to the United Nations' Principles for Responsible Investment (PRI) in 2015. I believe ESG initiatives are an indispensable key to our sustainable growth with our wide range of stakeholders.

With regard to governance, our Board of Directors received various third-party opinions and suggestions in the process of evaluating the effectiveness of our Board.

In addition, many institutional investors have appreciated our adopting of a monitoring-type board. In order to newly address the SDGs in terms of the environment and society, we have formulated policies and goals in line with our four existing key CSR themes: Safety / Security, Environment, Community, and Health and Well-being. This formulation is based on the recognition that global sustainability will have a major influence on our business. By adopting these international initiatives we will further contribute to the resolution of social issues and the enhancement of future economic value through proper business activities.

In regard to the social aspect of human resource management, we had previously made efforts to reform work style and promote diversity. However, in December 2017, we received corrective recommendations and guidance from the Labor Standards Inspection Office regarding the Discretionary Working System for Management-Related Work for Nomura Real Estate Development. Furthermore, we consider the death of an employee, recognized as a work-related accident by authorities, to be a serious matter. I strongly declare that employees are the Group's most important resource and that such a tragic event should never occur again. We aim for "health and wellbeing management," so that all personnel work creatively with a healthy body and mind, which will lead to sustainable corporate growth.

Sustainable growth through resolving social issues

Our Group companies collaborate with each other, sincerely caring about people's everyday life, work, and relationships and also providing various real estate-related services in our drive to achieve our Group Vision. I believe the Group enjoys a high reputation in society. All our employees follow a highly regarded five-point list of "What We Value"—taking a client-first approach; creating new value based on original ideas; always being a challenger; acknowledging our growth with society; and, we have add, promoting health and well-being at work. I am convinced that these five values are important elements in realizing the sustainable growth of corporate value for the Group going forward.

In addition to tackling the social issues of Japan, we are also listening to the voices of people who live, work, and stay in other countries and cities. I intend to ensure the Group's business will contribute to resolving their social issues and achieve sustainable growth. To all our shareholders and other stakeholders, we appreciate your continued understanding and support.

September 2018

Eiji Kutsukake

President and Representative Director, Group CEO
Nomura Real Estate Holdings, Inc.