

Message from the Chairman of the Sustainability Committee



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In 2016, I was appointed as the Chairman of the CSR Committee (the Sustainability Committee from April 2020) of the Nomura Real Estate Group, and in the following year as its Group COO to oversee the business execution of the entire Group. For me to be concurrently responsible for business execution and sustainability sends out a message to both within and outside the Group, that sustainability is inseparably integrated with every aspect of the Group's business, and that we are determined to resolve social issues through our business activities and promote a sustainable society, while also securing growth as a corporate entity.

The Group assumes an important social responsibility as a corporate entity engaged in real estate development and related services provision. Needless to say, it is crucial to be profitable as a company. However, if we are to continue growing by offering value to society, it is critically important for us to develop properties that generate long-standing value, without fixating on short-term earnings. Furthermore, we must keep providing essential real estate-related services that maintain and raise the value of cities. Our basic stance is to perpetually enhance the value of cities.

From a long-term perspective, this stance leads to building trust in the Group and its brand value, which in turn, reduces business risks and generates new business opportunities and earnings. I myself have experienced this firsthand during my long engagement in the real estate development business. In the Group's real estate projects, it takes many years to construct the buildings and subsequently complete urban development, including the creation of local communities. To enable people to lead a rich life at home and at work and gather, the Group needs to meet its key challenge of achieving "Sustainable Cities and Communities," which is also one of the Sustainable Development Goals (SDGs) upheld by the United Nations. In other words, we will create safe and comfortable cities and communities that are friendly to all human beings and the natural environment, as well as resilient against disasters. Through our high-quality real estate development and related services, we will continue offering diverse value to our customers and society, and also enhance our corporate value.

Initiatives for sustainability

In addition to pursuing short-term profit, companies are called on to tackle diverse social issues including those related to the environment, human rights, and labor toward the goal of achieving a sustainable society as upheld by the Paris Agreement and the SDGs. Investments based on environmental, social, and governance (ESG) indexes are expanding, as exemplified by the incorporation of ESG issues in the investment practices set forth by the Principles for Responsible Investment. Companies must endeavor to resolve various social issues to help achieve a sustainable society and fulfill their responsibility to future generations.

Although these social issues pose risks to the Group's business continuity, we can reduce the risks and generate new business opportunities by accurately ascertaining and dealing with their impact on our business. In addition, we must also promptly and appropriately announce the Group's business activities and initiatives to resolve social issues through value creation in order to get better understanding from our stakeholders. To this end, we should work harder to acquire relevant certifications, disclose related information, and strengthen our dialogue and engagement with stakeholders.

In our sustainability efforts, we have identified current and future social issues and are working on them under four key themes: Safety/Security, Environment, Community, and Health and Well-being. Targets have already been set for each key theme as well as for the specific material issues identified toward which efforts are underway. Going forward, we will further incorporate sustainable management into our Group-wide business strategy and develop our business with an even higher sense of purpose from a mid- to long-term perspective for the benefit of society in the next 30 to 50 years, that is, the next generations, while demonstrating the kind of value the Group provides, how it fulfills its responsibilities, and the type of corporate entity we want to be in the future.

Also, in each business unit of the Group, we are pursuing sustainability more in line with our business activities both in our day-to-day business operations and in our endeavor "to build cities—dynamic stages that connect today with tomorrow's possibilities—and "to embrace every moment of life's pursuits."

With the Company's corporate social responsibility (CSR) focused on achieving a sustainable society, including in areas such as labor and human rights in addition to the environment, we are stepping up our efforts toward sustainability in closer coordination with our business across the entire Group. In April 2020, we established the Sustainability Management Department, which plays a central role in strengthening collaboration between the Board of Directors, the Sustainability Committee and each Business Unit. The Group's compensation plan of directors incorporates, as one of the assessment criteria, performance in terms of sustainability in the respective business fields they oversee.

As a measure against the particularly pressing issue of climate change, we set, in the form of a non-financial key performance index (KPI), a Group target of reducing CO2 emissions by 30% compared with the fiscal year ended March 2014 level by 2030. Going forward, we are stepping up our efforts to address climate change and human rights issues.

In 2019, we signed the United Nations Global Compact to express our commitment to resolving social issues concerning the environment, human rights, labor, and other matters to help achieve a sustainable society. In addition, we jointly worked with our suppliers on industry-wide material issues, including

problems responding to the Technical Intern Training Act in Japan and local residents involved in timber procurement. Deeming that our relationship of trust and collaboration with our suppliers constitutes the foundation of the Group's business continuity, we will practice our CSR Procurement Guidelines more exhaustively and strengthen our engagement with our suppliers.

Initiatives toward further improvement

Safety and security

With regard to safety and security, in light of recent abnormal weather, intensification of disasters, and other issues, we are promoting various initiatives in areas from design and construction to operations and management. In the KAMEIDO PROJECT currently being developed, which is large-scale mixed-use development combining housing, commercial facilities and schools, the "Attractive 30" initiative has been adopted. Under that initiative, the cycle of large-scale repairs can be lengthened by using a quake-absorbing structure and durable materials and construction methods in constructing new buildings as well as introducing the large-scale repair work product "re:Premium." This enables reduction of the building management, maintenance and life cycle costs to residents, leading to long-term safety and security. We are also promoting initiatives for strengthening resilience of the entire community, for example, by installing flood barriers, providing flood protection sheets for emergencies, and utilizing a gas cogeneration system.

Environment

For climate change, we will expand the scope of our existing CO2 emissions reduction targets for Scopes 1 and 2 to include Scope 3, revise our mid- to long-term target toward the 2050 Zero Emission goal, and obtain approved Science Based Targets (SBT). As property sales account for a high percentage of the Group's operating revenue, we are aware of our serious responsibility for properties after they have been sold as well as properties we own. We will also further promote the concept of Net Zero Energy Houses (ZEH), promote the use of renewable energy, and make environmental efforts from a long-term perspective by taking measures after sales of properties as well as in the development phase. Furthermore, Nomura Real Estate Asset Management, which manages real estate funds such as J-REITs at the Investment Management Business Unit, announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in July 2020, and the Company itself also announced its support in September 2020, in order more clearly to express our stance, which could lead to reducing business risks and obtaining new business opportunities by assessment and analysis on risks and opportunities of climate change.

Community

For community, based on the BE UNITED concept which nurtures civic pride through residents' fondness for and pride in their city, we have given the name ACTO to the urban development initiative in which we strive to activate the surrounding local communities as well as the towns for the purpose of realizing the BE UNITED concept. We will provide a place open to everyone and expand a variety of communities both within and outside towns. As a first project, we introduced this initiative at PROUD CITY Hiyoshi and started operation of facilities in July 2020. To expand ACTO gradually, we also introduced it at the KAMEIDO PROJECT. Under ACTO, we will strengthen cooperation with various people in the community so that residents and those in the community will develop a fondness for their town, solve local issues, and activate and develop the town to permanently increase value.

Health and well-being

In the housing field, health and well-being are critical issues. "Yukai-full," a next-generation air-conditioning system, has been newly introduced at a number of properties including the KAMEIDO PROJECT, which is large-scale mixed-use development. "Yukai-full" is a unit-by-unit central air-conditioning system that takes advantage of the double floor structure of condominiums and provides temperature-controlled air 24 hours a day, every day of the year throughout the entire living space including the hallway and restrooms. The system constantly provides a comfortable space as it is hard to produce changes in temperature, even if residents move around the rooms. Furthermore, initiatives such as the exercise program provided by OUKAS, a senior housing facility with support services aimed at enabling people to enjoy a long and healthy life, which received Good Design Award last year, are highly evaluated. With regard to office buildings, it is the Group's policy to acquire CASBEE-Wellness Office certification, a certification system to support maintenance and improvement of the health and well-being of building users. We will continue to promote initiatives to improve health and well-being by taking the light and air environment into consideration, securing space for refreshment, introducing shower facilities, and other measures.

Response to COVID-19

We are taking Group-wide measures against COVID-19, giving top priority to securing the health and safety of our employees, customers, tenants, suppliers, and other stakeholders. When the Japanese government issued an emergency declaration and prefectural governments made self-restraint requests, we responded by closing our MEGALOS fitness clubs, all our housing sales galleries, and all the "Nomura no chukai + (PLUS)" retail branches. The Group has long upheld wellness management with the aim of offering a work environment where all employees can work energetically, accommodating diverse work styles including working from home and teleworking and flexible working so as to place the health and safety of employees first. Anticipating the post-COVID-19 world, we will promote new work styles that provide safety and well-being, and raise productivity.

For further growth

While consistently valuing the bonds with customers through the development of high-quality products and services, the Group is continuously enhancing its corporate value and competitiveness by creating new value toward the goals of “building cities—dynamic stages that connect today with tomorrow’s possibilities” and “embracing every moment of life’s pursuits.” Also, with an eye toward the next 30 or even 50 years as a real estate group, we are aspiring to grow together with society and to continue being a corporate entity that contributes to achieving a sustainable society. We will live up to the expectations and trust of our customers, business partners, employees, and all other stakeholders toward a bright future society.