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Notice of the Mid- to Long-term Business Plan Prepared by the Nomura Real Estate Group

Nomura Real Estate Holdings, Inc. announces that it has recently formulated the new Mid- to Long-term Business Plan, *New Value, Real Value* (referred to as "the current business plan"), for the period from FY20/3 through FY28/3.

Background and Purpose of this Plan

The Group formulated a mid- to long-term business plan, *Creating Value through Change* (referred to as "the previous business plan"), in November 2015, for the period from FY17/3 through FY25/3. The plan was promoted with the goal of achieving ¥700.0 billion in operating revenue, ¥85.0 billion in operating profit, and mid- to long-term indicators of ROA 5% or more, ROE at the 10% level, shareholders' equity ratio at the 30% level, and a dividend payout ratio of approximately 30%.

In terms of actual results, operating revenue was ¥668.5 billion and operating profit was ¥79.1 billion for FY19/3, falling short of our target, with an ROA of 4.7% and an ROE of 8.9%.

However, we have maintained our shareholders' equity ratio at the targeted 30% level and achieved a dividend payout ratio of over 30% in FY19/3, through continuous increases in the amount of dividends per share. Furthermore, we acquired treasury shares and achieved a total return ratio of 50.6% in FY18/3 and 41.4% in FY19/3.

Moreover, we have steadily expanded our business within each business unit and have built the basis for future growth in terms of our overseas business and strategic investment (M&A,

capital alliances), both of which have been positioned as initiatives to accelerate company growth.

Regarding Mid- to Long-term business conditions surrounding the Group, there are social issues such as the progress of a super-aging society, a declining population, and a labor shortage in Japan.

In addition, the increase in the number of single and dual-income households, the diversification of lifestyles and workstyles, and the evolution of digital technologies are expected to become increasingly prominent.

Furthermore, we recognize the need to focus on robust economic growth overseas, especially in Asian countries, as well as the increase in inbound trade.

Based on this recognition of the environment and the achievements and challenges of the previous plan, we have formulated the current business plan to further create value for society and realize sustainable profit growth while maintaining high asset and capital efficiency.

The current plan has been divided into three phases and aims to realize a gradual growth.

- Phase 1: FY20/3 through FY22/3
- Phase 2: FY23/3 through FY25/3
- Phase 3: FY26/3 through FY28/3

Summary of the Mid- to Long-term Business Plan

—New Value, Real Value—

(from FY20/3 to FY28/3)

I. Group Initiatives for Value Creation

1. Our Group Vision "New Value, Real Value"

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.

2. Value Creation Themes for the Current Business Plan

(1) Realization of enriched lifestyles and workstyles

- Realize enriched lifestyles and workstyles by providing products and services that are one step ahead of customer needs.
- Extend the value we have created through our distinguished marketing and positioning, such as PROUD, PMO, and OUKAS, to new business fields.

(2) Multifunctional urban development toward exceptional convenience, comfort, and safety

- Provide exceptional convenience, comfort, and safety to lifestyles through multifunctional urban development.
- Promote multifunctional urban development in various areas and schemes such as urban compact towns, station-front redevelopment.

(3) Urban development and community building concerning the future of the global environment and local communities

- Create sustainable cities and communities that are environmentally friendly and that grow together with local communities.
- Utilize digital technology to create a more convenient and comfortable future.

(4) Global expansion of high-quality products and services

- Globally expand high-quality products and services cultivated in Japan, mainly in Asia.
- Thoroughly implement concepts incorporating the needs of overseas markets and develop businesses with local partners that cater to the lifestyles and workstyles of each country.

II. Management Indicators

1. Profit Plan

	Phase 1 (FY22/3)	Phase 2 (FY25/3)	Phase 3 (FY28/3)
Business profit*	¥85.0 billion	¥100.0 billion	¥120.0–140.0 billion

*In consideration of profit from overseas business and amortization related to M&A, we have established "business profit" as an indicator for profit targets.
Business profit = operating profit + share of profit (loss) of entities accounted for using equity method + amortization of intangible assets associated with corporate acquisitions

(By business unit)

	Phase 1 (FY22/3)	Phase 2 (FY25/3)
Residential Development	¥30.0 billion	¥36.0 billion
Commercial Real Estate	¥33.0 billion	¥36.0 billion
Investment Management	¥9.0 billion	¥12.0 billion
Property Brokerage & CRE	¥11.0 billion	¥14.0 billion
Property & Facility Management	¥8.0 billion	¥9.0 billion

2. Financial and Capital Policies (Mid- to long-term policies)

<Asset efficiency> ROA	<Capital efficiency> ROE	<Shareholder returns> Total return ratio
5% or more	10% or more	approximately 40-50% (Phase 1)

	FY19/3	Phase 1	Phase 2	Phase 3
ROA	4.7%	4–5% range	5% or more	
ROE	8.9%	8–9% range	10% or more	

III. Business Portfolio Strategy

- Achieve a portfolio that balances high asset efficiency and profit stability by utilizing the characteristics of each business.

(1) Property sales business

Develop housing sales and property development businesses actively in Japan and overseas, increase development profit, and achieve a high ROA.

(2) Leasing business

Build a highly competitive leasing property portfolio and stabilize leasing profit via superior leasing property development and strategic property replacement.

(3) Service & Management

Expand business through M&A and strategic partnerships in addition to current business growth, and increase profit not affected by asset risk and achieve a high ROA.

(4) Overseas business

As a growth driver under the current business plan, we will develop overseas businesses by utilizing the expertise we have acquired in Japan. We will also expand the overseas business profit ratio to 15–20% in FY28/3.

IV. Investment Plan

- New investment amount of ¥5.5 trillion under this plan (over a period of nine years).
- Control net increase in total assets to ¥640 billion by focusing on asset efficiency and increasing asset turnover.

(Billions of yen)

		Phase 1	Phase 2	Phase 3	Total for the target period
Total investment	Domestic	1,600.0	1,800.0	1,800.0	5,200.0
	Overseas	50.0	100.0	150.0	300.0
Total		1,650.0	1,900.0	1,950.0	5,500.0

Total assets	2,000.0	2,200.0	2,400.0	—
Net increase in total assets (compared with 19/3)	＋240.0	+440.0	+640.0	—

For details regarding our Mid- to Long-Term Business Plan, please follow this link.