

Bringing Tomorrow Today — NOMURA REAL ESTATE GROUP



# BEARING FRUIT...

**ANNUAL REPORT 2012**

For the Year Ended March 31, 2012

# NOMURA REAL ESTATE GROUP PROFILE

The Nomura Real Estate Group comprises Nomura Real Estate Development and other Group companies, and operates in the Residential Development Business, Building Business, Investment Management & Development Business, Property Brokerage & Consignment Sales Business, and Other Business. Nomura Real Estate Holdings strategically manages the overall Group as its holding company, and works to improve the corporate value of the overall Group by providing products and services matched to markets in each area in which Group companies operate.

## Residential Development Business

This business segment engages in the development and sales of condominiums, detached housing, residential lots and other properties, as well as housing management and maintenance under contract from management associations after the sale of condominiums.

The Residential Development Business supplies condominium and detached housing primarily in the Tokyo metropolitan area under the core PROUD brand. By leveraging its integration in development and sales, the Group seeks to further improve its site selection, product planning and sales capabilities, as well as its management quality. Through these strategic measures, the Group seeks to enhance brand value.

- Nomura Living Support Co., Ltd.
- PRIME X. Co., Ltd.

- Nomura Real Estate Reform Co., Ltd.



NOMURA REAL ESTATE HOLDINGS



Nomura Real Estate Development Co., Ltd.

- Nomura Real Estate Asset Management Co., Ltd.

## Investment Management & Development Business

This business segment engages in the development and sales of profit-generating property for the real estate investment market, asset management under consignment from investment corporations, and asset management for real estate and real estate securitized instruments private funds.

In October 2011, three real estate investment management companies in the Nomura Real Estate Group merged and became one of the largest investment management companies in Japan with more than ¥1 trillion in assets under management.

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## Building Business

This business segment engages in development, construction, leasing, operation and management of office buildings, commercial facilities and other properties, as well as consulting on CRE utilization.

The Building Business owns and leases office buildings such as Shinjuku Nomura Building, Toshiba Building and Yokohama Business Park, as well as commercial facilities such as Lazona Kawasaki Plaza.

- Nomura Building Management Co., Ltd.
- NREG TOSHIBA BUILDING Co., Ltd.
- YBP Heating and Cooling Supply Co., Ltd.
- NREG TOSHIBA FUDOSAN FACILITIES Co., Ltd.
- Nomura Amenity Service Co., Ltd.

The Nomura Real Estate Group is engaged in developing three lines of business; namely 1) the Residential Development Business, which develops condominiums and detached housing for sale under the core PROUD brand, 2) the Urban Development Business, which develops office buildings for rent and other properties with revenue streams, and 3) the Institutional Sales Business, which engages in institutional property brokerage and providing strategic corporate real estate (CRE) support.

- MEGALOS Co., Ltd.
- Geo-Akamatsu Co., Ltd.

- Nomura Real Estate Urban Net Co., Ltd.

## Property Brokerage & Consignment Sales Business

The business segment engages in real estate brokerage targeting individuals and corporations, and sells condominiums and detached housing under consignment from other real estate subdivision businesses outside the Group.

The segment's individual brokerage operation is focusing on expanding its sales office network primarily in the Tokyo metropolitan area and on promoting an Internet strategy. The corporate real estate (CRE) brokerage operation conducts business through a direct networking channel involving more than 5,000 companies cultivated over a long period of time.

## Other Business

This business segment engages in the operation of fitness clubs, construction design and supervision, and planning, design and management of commercial facilities.

In the fitness club operations, MEGALOS manages 26 facilities mainly in the Tokyo metropolitan area. The fitness club operations seek to expand their facilities network by leveraging Group synergies in gathering information on land for opening new facilities, as well as in the maintenance and management of facilities. Elsewhere within the Other Business segment, Geo-Akamatsu provides a wide range of services related to commercial facilities, including their planning, operation and management.

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### Forward-looking Statements:

This annual report contains forward-looking statements about the future plans, strategies and performance of Nomura Real Estate Holdings, Inc. ("the Company") and its consolidated subsidiaries ("the Group"). These forward-looking statements are not historical facts. They are estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks and uncertainties, which include economic trends, intensification of competition in the real estate industry, the legal and taxation systems, and other regulations. As such, actual results may differ from those projected.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

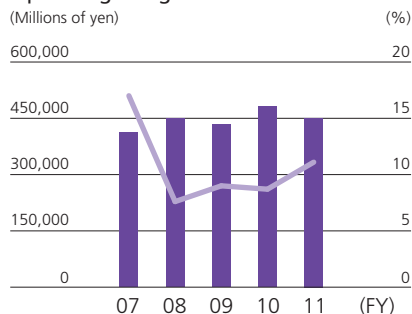
Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31

	2007	2008	2009	2010
For the Year:				
Operating revenue . . . . .	¥367,237	¥411,493	¥ 448,656	¥ 434,226
Gross profit . . . . .	108,668	130,391	100,764	105,576
Operating income. . . . .	54,374	69,822	34,013	39,275
Net income. . . . .	26,297	35,255	13,770	4,660
Cash flows from operating activities . . . . .	(89,850)	7,639	(108,031)	19,266
Cash flows from investing activities . . . . .	(26,787)	(13,348)	(141,789)	(24,571)
Cash flows from financing activities . . . . .	100,863	8,791	295,508	13,098
Per Share Data (yen):				
Net income. . . . .	¥ 200.47	¥ 236.09	¥ 92.21	¥ 25.69
Cash dividends. . . . .	20.00	30.00	40.00	25.00
Balance Sheet Data (as of March 31):				
Total assets. . . . .	¥836,303	¥891,700	¥1,385,532	¥1,405,424
Total net assets. . . . .	214,466	235,551	281,376	349,437
Interest-bearing debt . . . . .	394,885	408,016	778,074	759,637
Ratios (%):				
Return on assets (Note 2) . . . . .	6.6	7.9	2.5	2.8
Return on equity. . . . .	19.2	15.8	5.9	1.7
Operating margin. . . . .	14.8	17.0	7.6	9.0
Dividend payout ratio. . . . .	10.0	12.7	43.4	97.3
Equity ratio. . . . .	25.5	26.1	17.0	21.4

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2012, which was ¥82.19 = U.S.\$1.00.

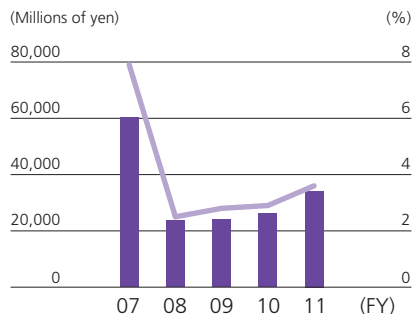
2. Return on assets = (Operating income + Non-operating income) / Total assets at end of fiscal year

## Operating Revenue and Operating Margin



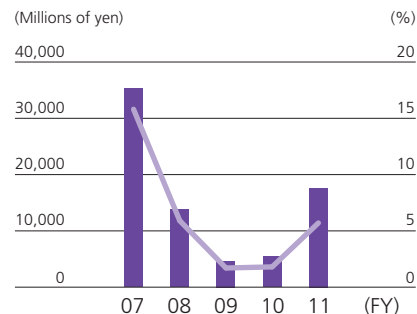
■ Operating revenue (left axis)  
— Operating margin (right axis)

## Operating Income and ROA



■ Operating income (left axis)  
— Operating ROA (right axis)

## Net Income and ROE



■ Net income (left axis)  
— ROE (right axis)

FY2011: Year ended March 31, 2012

	(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
2011	2012	2012
¥ 480,983	¥ 450,807	\$ 5,484,938
107,222	114,910	1,398,103
42,083	49,939	607,609
5,472	17,591	214,037
33,948	43,877	533,848
(33,731)	7,809	95,017
(7,486)	(63,296)	(770,119)
¥ 28.74	¥ 92.38	\$ 1.12
25.00	25.00	0.30
¥1,474,331	¥1,402,624	\$17,065,639
357,366	376,486	4,580,689
816,910	758,562	9,229,372
2.9	3.7	—
1.8	5.7	—
8.7	11.1	—
87.0	27.1	—
20.7	22.6	—

## Key Points of Operating Results

### Operating revenue

Operating revenue decreased year on year mainly due to a significant decrease in the number of units the Residential Development Business sold. This decrease was partly offset by an increase in gains from property sales and a full-year contribution of revenues from additional equity acquired in the joint ownership of buildings in fiscal 2010.

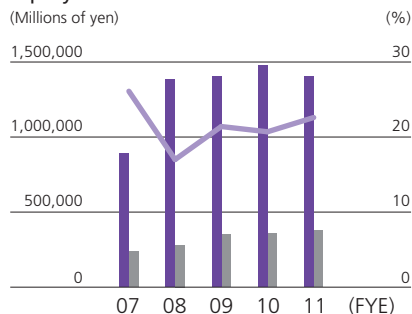
### Operating income

Operating income increased mainly due to an improvement in profit margins on housing sales and a full-year contribution of revenues from additional equity acquired in the joint ownership of office properties in fiscal 2010 despite losses that were recorded on property sales and inventory evaluation.

### Net income

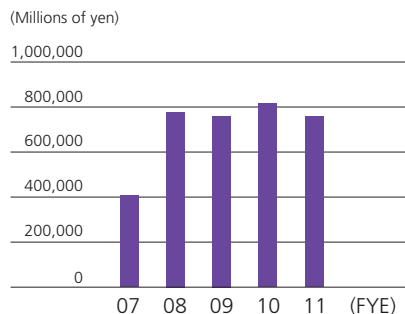
Net income increased substantially due to the absence of an extraordinary loss on valuation of equity investments related to commercial-mortgage backed securities (CMBS) recorded in fiscal 2010, and as a consequence of a reversal of deferred tax assets and liabilities due to the lowering of corporate income taxation rates. This came despite the Group recording an extraordinary impairment loss on certain leased assets.

### Total Assets, Net Assets and Equity Ratio

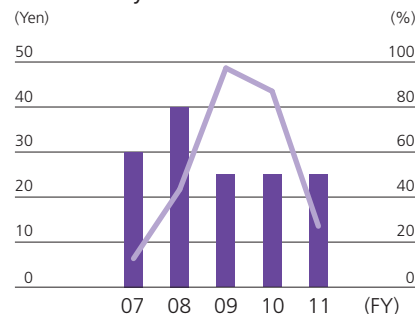


■ Total assets (left axis) ■ Net assets (left axis)  
— Equity ratio (right axis)

### Interest-bearing Debt



### Consolidated Cash Dividends and Dividend Payout Ratio



■ Cash dividends per share (left axis)  
— Consolidated dividend payout ratio (right axis)

# SEGMENT INFORMATION

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31

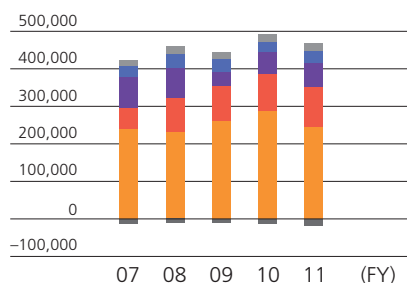
	(Millions of yen)				(Thousands of U.S. dollars) (Note 1)	
	2008	2009	2010	2011	2012	2012
Operating Revenue:	¥411,493	¥448,656	¥434,226	¥480,983	¥450,807	\$5,484,938
Residential Development Business . . . . .	238,802	231,629	259,070	286,135	244,521	2,975,066
Building Business . . . . .	56,889	90,400	95,238	100,389	105,701	1,286,061
Investment Management & Development Business . . .	80,555	78,078	36,189	56,047	63,995	778,620
Property Brokerage & Consignment Sales Business . . .	30,183	39,764	33,964	28,955	34,303	417,362
Other Business . . . . .	16,837	19,836	19,657	20,967	19,081	232,163
Eliminations or Corporate . . . . .	(11,773)	(11,051)	(9,892)	(11,510)	(16,794)	(204,334)
Operating Income:	¥ 69,822	¥ 34,013	¥ 39,275	¥ 42,083	¥ 49,939	\$ 607,609
Residential Development Business . . . . .	26,067	11,787	10,735	15,803	23,823	289,847
Building Business . . . . .	9,414	15,769	21,587	22,644	25,346	308,381
Investment Management & Development Business . . .	34,778	10,117	8,498	6,773	2,539	30,894
Property Brokerage & Consignment Sales Business . . .	6,392	1,554	2,690	1,220	1,926	23,431
Other Business . . . . .	1,514	1,101	432	652	722	8,789
Eliminations or Corporate . . . . .	(8,343)	(6,315)	(4,667)	(5,010)	(4,416)	(53,733)
Return on Assets (%) (Note 2) . . . . .	7.9	2.5	2.8	2.9	3.7	—
Residential Development Business . . . . .	10.0	3.7	3.5	5.0	6.9	—
Building Business . . . . .	4.6	2.9	4.0	3.6	4.1	—
Investment Management & Development Business . . .	10.8	2.8	2.1	1.8	0.8	—
Property Brokerage & Consignment Sales Business . . .	8.8	2.7	6.0	3.1	7.3	—
Other Business . . . . .	5.6	3.9	1.6	2.3	2.6	—
Inventories . . . . .	¥454,621	¥481,489	¥458,921	¥433,386	¥396,857	\$4,828,534
Residential Development Business . . . . .	222,761	287,410	276,399	280,211	293,012	3,565,058
Building Business . . . . .	11,342	3,215	5,921	7,287	7,521	91,507
Investment Management & Development Business . . .	171,819	138,364	138,341	114,948	82,551	1,004,388
Property Brokerage & Consignment Sales Business . . .	42,508	46,371	32,676	25,280	8,255	100,444
Other Business . . . . .	6,318	6,132	6,059	6,265	6,183	75,222
Eliminations or Corporate . . . . .	(128)	(3)	(475)	(605)	(665)	(8,085)

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2012, which was ¥82.19 = U.S.\$1.00.

2. ROA of each segment = Segment operating income / Segment assets at end of fiscal year

## Operating Revenue

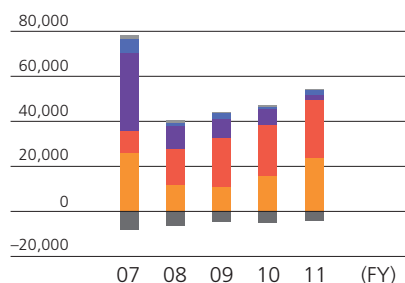
(Millions of yen)



■ Residential Development Business  
 ■ Building Business  
 ■ Investment Management & Development Business  
 ■ Property Brokerage & Consignment Sales Business  
 ■ Other Business  
 ■ Eliminations or corporate

## Operating Income

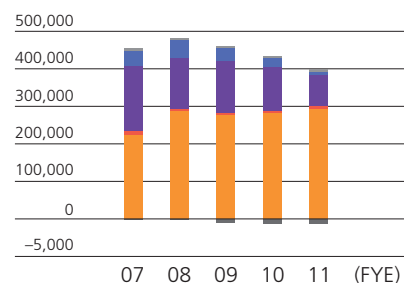
(Millions of yen)



■ Residential Development Business  
 ■ Building Business  
 ■ Investment Management & Development Business  
 ■ Property Brokerage & Consignment Sales Business  
 ■ Other Business  
 ■ Eliminations or corporate

## Inventories

(Millions of yen)



■ Residential Development Business  
 ■ Building Business  
 ■ Investment Management & Development Business  
 ■ Property Brokerage & Consignment Sales Business  
 ■ Other Business  
 ■ Eliminations or corporate



## MESSAGE FROM THE PRESIDENT

Fiscal 2011 was impacted by the Great East Japan Earthquake. Customer awareness with regard to housing shifted substantially in the direction of greater safety and security. Going forward, the Nomura Real Estate Group will continue to be thoroughly customer-oriented in providing products and services of an even higher quality, and in seeking to further enhance its corporate value.

President



## The Next Growth Stage

We are crafting a clear, long-term vision with a view to the future and formulating strategies aimed at even further growth.

### HOUSING SALES MARKET IN FISCAL 2011

**With consumer awareness shifting significantly toward safety and security, we will continue to be thoroughly customer-oriented and strive to raise the value of the PROUD brand even further.**

The housing sales market in fiscal 2011 was one in which customer awareness was affected dramatically by the Great East Japan Earthquake. In our Residential Development Business, for example, we were about to begin sales at PROUD Tower Shinonome Canal Court, the first skyscraper condominium development to debut after the earthquake. This development drew considerable attention with industry and the media questioning whether or not customers would embrace a skyscraper condominium constructed in a waterfront area where soil liquefaction was conceivably a concern. After conducting a survey of customer concerns, the Nomura Real Estate Group addressed anxieties by reviewing its product planning and enhancing soil liquefaction countermeasures and disaster preparedness even further. Furthermore, the sales department set up a special disaster preparedness booth at the showroom to talk to potential customers in detail about the building's safety and security. As a result of these efforts, PROUD Tower Shinonome Canal Court has received a favorable response from buyers, with condominium units offered in the first series selling out immediately. We were able to perceive how customer awareness was changing significantly toward demanding security and safety in a dwelling.

In the housing sales market, contract rates remained of a high level as demand was firmly rooted in a market underpinned by low interest rates and government assistance in the form of an extension of the gift tax exemption and other programs. At the same time, we actively worked to further strengthen the value of the PROUD brand, the mainstay brand of the Nomura Real Estate Group's Residential Development Business. With integrated development and sales, we are honing our site selection, product planning and sales capabilities, and working to provide a full slate of after-sales services for customers. As a result of these ongoing activities, PROUD has become well known as a high-grade condominium brand. Going forward, we will continue raising the value of the PROUD brand and leveraging this strength to the full extent.

### REAL ESTATE INVESTMENT MARKET AND OFFICE MARKET

**The real estate investment and office markets have both bottomed out, and recovery is anticipated going forward.**

Conditions in the real estate investment market cannot be called good. However, while J-REIT fund prices sagged as a result of investors adopting a risk avoidance stance due to the European debt crisis and other factors, we have seen some positive signs in the market recently, such as the public offering of a number of REITs. In such surrounding, the Nomura Real Estate Group integrated three asset management companies into a single company, a move that will enable us to strengthen operational capacities and human resources development as we work to bolster investor services by offering a broad range of investment products and services through one company in a more convenient "one-stop" format.

In property development, we promoted the Premium Midsize Office (PMO) business. PMO is a proprietary brand of midsize buildings that offer quality equivalent to that of large-scale locations. Our PMO business has earned high praise for accommodating latent corporate need for single-floor offices ranging in space from 330 to 660 m<sup>2</sup>.

In the office market, a number of large projects have been completed in central Tokyo while vacancy rates continue to be high amid a softening trend in rent levels. There have been some signs of improvement, however, such as tenants that have agreed to renew their contracts without downward rent revisions. The Toshiba Building, in which we increased our stake in fiscal 2010, and the new Nihonbashi Muromachi Nomura Building, which went into operation, contributed to earnings for the entire term. Additionally, the vacancy rate for our Building Business has stayed at a low level. It was 2.4% as of March 31, 2012.



## REVIEW OF FISCAL 2011 BUSINESS RESULTS

**Housing sales decreased by approximately 1,000 units due to the impact of the Great East Japan Earthquake, but earnings improved thanks primarily to improving profit margins in the Residential Development Business and a full year's contribution from the Toshiba Building in the Building Business, in which we increased our stake in fiscal 2010.**

In the mainstay Residential Development Business, housing sales decreased by approximately 1,000 units compared to fiscal 2010 as a consequence of construction schedules that were revised substantially following the Great East Japan Earthquake, which disrupted procurement of construction materials and caused a shortage in power supply. On the other hand, our gross margin ratio of housing sales for both condominiums and detached houses rose to 23.3%, the highest it has been since we were listed on the Tokyo Stock Exchange, as a consequence of sales accrued on land that was acquired at comparatively high profitability after the 2008 global financial crisis.

In addition, the Toshiba Building and Nihonbashi Muromachi Nomura Building contributed to earnings for the full term. Steady sales activities along with the meticulous management and operation of buildings enabled our Building Business to maintain a low vacancy rate of 2.4% as of March 31, 2012.

As a result, in fiscal 2011, revenues declined but earnings increased compared to fiscal 2010.

## INITIATIVES TO RAISE CORPORATE VALUE

**We are crafting a long-term vision and new medium-term business plan while reinforcing the Nomura Real Estate Group's management structure to paint a picture of the Group's future.**

Fiscal 2012 will be the first year of our new medium-term business plan; however, before the plan was formulated we began a re-examination of the management organization to strengthen the Group's management structure, the main point of which was the introduction of a system of executive officers. Under this new system, executive officers are put in charge of developing cohesive strategies for businesses that are grouped together based on common characteristics and placed under their command.

Currently, within the framework of this new management structure, we are working to establish a long-term vision for the future to go along with the new medium-term business plan. This

represents an attempt to clearly define the aspirations for the Nomura Real Estate Group and set quantitative targets in the medium-term business plan in line with this trajectory.

Although I cannot speak in detail because we are still in the process of formulating a new medium-term business plan, a key aspect of the plan will be to grow the PROUD brand into the No. 1 brand in the industry, and to secure that status by establishing a rock-solid position for it at the top. To achieve this, an important consideration will be how to build a value chain that will encourage customers to continue doing business with the Nomura Real Estate Group into the future. In Japan, the new housing market has been overwhelmingly dominant; however, moving forward there will be growth in the used housing market, specifically in terms of changing dwellings and renovations. We intend to enhance our traditional after-sales services on an ongoing basis and incorporate the customer feedback we obtain through these services into future design and sales activities. With an integrated system for development, sales and management, we have pursued housing safety, security, and quality. We recognize the importance of pooling the collective strengths of the Group in strengthening our ongoing business relationships with customers even further.

## HUMAN RESOURCE DEVELOPMENT AND OTHER CSR MANAGEMENT INITIATIVES

**Nomura Real Estate Holdings issued a CSR Report in January 2012, stating its goal of promoting corporate social responsibility (CSR) activities centered on four key themes, beginning with human resource development.**

In January 2012, Nomura Real Estate Holdings issued its first CSR Report. We believe that helping to find solutions to the various challenges facing society and improving people's lives through business activities constitute the foundation of a company's existence, and that CSR management is a core priority. As such, we will continue to actively raise quality and service levels based on a philosophy of putting customers first, engage in environmental initiatives, rigorously ensure regulatory compliance, and develop human resources. Human resources, in particular, are the pride of Nomura Real Estate Holdings and our most important asset. We recognize that one of the major tasks of management is determining how to fully utilize our exceptional personnel. Skill development programs, training sessions and various other systems that support individual employee development have been introduced and implemented to establish an environment in which individuals can maximize their potential.

**BUSINESS OUTLOOK FOR FISCAL 2012**

**Housing sales are projected to reach a record-high of 5,800 units, and we expect both revenues and earnings to rise.**

We are projecting operating revenue of ¥523.0 billion and operating income of ¥55.0 billion on a consolidated basis in fiscal 2012, which would represent increases in both revenues and earnings in comparison to fiscal 2011. As was mentioned earlier, housing sales in the Residential Development Business in fiscal 2011 was limited to 4,028 units as a result of revised construction schedules following the earthquake; however, housing sales are projected to reach a record high of 5,800 units in fiscal 2012. With market conditions being favorable, of the 5,800 units projected for the fiscal year, roughly 60% have already been contracted as of the start of the term; and I think it's fair to say that acquiring land will be a major factor in maintaining strong performance in the Residential Development Business going forward. In fiscal 2011, we acquired land for approximately 6,500 units, and we have been able to build up our inventory of land for fiscal 2012 and beyond to roughly 20,000 units.

In the Building Business, we are projecting slightly lower earnings due to the impact of large-scale renovation projects that are underway for some properties. In the Investment Management & Development Business, we have promoted the liquidation of inventory assets in property development operations over the past number of years; and as a result, the business cycle is headed toward a return to normal. Going forward, we will continue to invest in PMO properties among other quality opportunities.

We also intend to focus effort on the corporate real estate (CRE) business field. The trend in recent years has been companies moving from owning real estate to utilizing it and focusing more on re-examining their balance sheets. The CRE business provides a solution to this set of needs. For instance, our consolidated subsidiary, NREG TOSHIBA BUILDING, primarily engages in CRE for the Toshiba Group and achieved impressive results. We intend to draw on the wisdom of the Nomura Real Estate Group to accumulate CRE expertise, and expand this business to other companies outside of the Toshiba Group.

**PROFIT DISTRIBUTION AND DIVIDEND POLICY**

**We plan to increase the annual dividend per share to ¥30 in light of our performance forecasts for fiscal 2012.**

Nomura Real Estate Holdings' basic policy on the distribution of profits to shareholders is to aim for a payout ratio of approximately 30% over the medium to long term in line with business performance while comprehensively considering the operating environment, capital investment plans, internal reserve levels and other relevant factors. The annual dividend for fiscal 2012 is slated to be ¥30 per share, which would be a five-yen increase, due to the fact that performance is steadily recovering, led by our mainstay Residential Development Business.

**MESSAGE TO SHAREHOLDERS AND INVESTORS**

**The Nomura Real Estate Group will pursue higher corporate value by further solidifying its unique and thoroughly customer-oriented business model.**

As I mentioned earlier, the Great East Japan Earthquake changed customer awareness in a big way. As the times change, people's needs and values will change as well, and new needs will emerge. In response, the Group will constantly ask how it can accommodate this diversification in society's needs and continue to provide innovative products and services. Moreover, we will pursue higher corporate value as a real estate group that goes beyond conventional frameworks and anticipates the changing times while further solidifying our unique and thoroughly customer-oriented business model. I would like to thank all our shareholders and investors for their continuing support.

President



## FEATURE



The Nomura Real Estate Group is achieving sustained growth by accurately identifying customer needs and market trends. This feature spotlights operations that are particularly oriented to such needs and trends.

# 1

### **Residential Development Business**

PROUD Tower Shinonome Canal Court  
on the Tokyo Waterfront

## AWARENESS OF MARKET NEEDS IS BEARING FRUIT



# 2

### **Property Development Business**

Development of Premium Midsize  
Office (PMO) Brand

# 3

### **Investment Management Business**

Integration of Three Asset  
Management Companies

## 1

## Residential Development Business

## PROUD Tower Shinonome Canal Court on the Tokyo Waterfront

In housing sales, the mainstay business of the Nomura Real Estate Group, we have worked to identify customer needs and raise brand value under an integrated system for development, sales and management. Here, we look at PROUD Tower Shinonome Canal Court as an example of how the Group successfully accommodates customer needs.

## PROUD Tower Shinonome Canal Court on the Tokyo Waterfront Sells Out Immediately

Nomura Real Estate put a total of 461 units up for sale in three phases\* for PROUD Tower Shinonome Canal Court, a 52-floor, 180-meter-high condominium with 600 units located on the Tokyo waterfront, and all the units in each of the three phases sold out immediately.

\* December 2011, February 2012, and May 2012

## Giving Tangible Form to Customer Needs after the Great East Japan Earthquake

The property was the first condominium complex on the Tokyo waterfront to be supplied following the Great East Japan Earthquake, and so many customers expressed apprehension. "Isn't soil liquefaction an issue in a waterfront area?" "What measures will be taken for power outages?" "Are there disaster preparedness facilities?" We conducted a variety of measures to address such concerns, which were uncovered via a customer questionnaire conducted after the earthquake. To address the soil liquefaction issue, we reduced liquefaction risk by newly expanding the scope of foundation improvement work to limit land deformation in

earthquakes. We also established disaster preparedness storerooms at nine locations throughout the building, and installed emergency generators to enable emergency elevators to run during power outages for approximately 20 additional hours beyond the legally required four hours. Other disaster preparedness measures included reinforcing the base of select interior materials with steel sheeting to prevent furniture from toppling over. In addition to carrying out these measures, we proactively explained safety and security features to potential customers, which was also a factor that transformed anxiety about the property into enthusiasm for it.

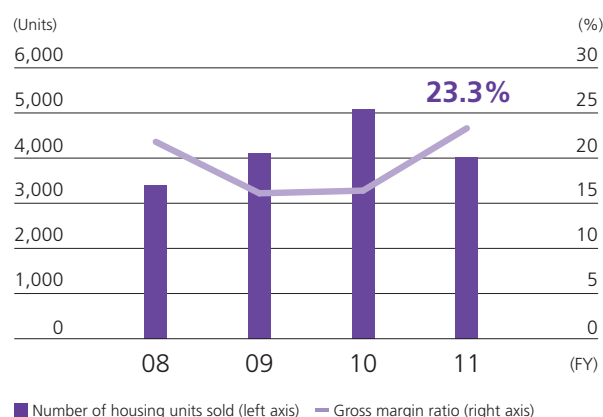
## The Pursuit of Convenience and Comfort

In addition to liquefaction and disaster preparedness measures, another factor responsible for the appeal of the property to customers was the living environment, which combines convenient access to downtown areas with convenient lifestyle amenities. The condominium's location makes it convenient for commuting, and it is also close to retail facilities open 24 hours a day and houses a daycare center on the premises. These factors make the property very appealing for families, its target segment.

## Gross Margin Ratio Rises to 23.3%, Highest Since Going Public

Housing sales (condominiums and detached housing) in fiscal 2011, ended March 31, 2012, totaled 4,028 units, a year-on-year decline of 1,049 units that was the result of revising construction schedules in the aftermath of the Great East Japan Earthquake. At the same time, properties with high profitability acquired after the onset of the global financial crisis made a significant contribution for the year, and as a result the gross margin ratio rose to 23.3%, its highest level since we listed our stock publicly in 2006.

In fiscal 2012, ending March 31, 2013, we are projecting record-high housing sales of 5,800 units (condominiums and single-family detached houses) as PROUD Tower Sagami-Ono, PROUD Funabashi and other properties hit the market. The contract rates as of the start of fiscal 2012 stands at a solid 59.8%.







PROUD Tower Shinonome Canal Court located on the Tokyo waterfront

Moreover, the property is also equipped with environmentally conscious facilities, such as a solar power generation system, that embody the PROUD ECO Vision of “Reduce,” “Create,” and “Utilize.” PROUD Tower Shinonome Canal Court is the first condominium in Tokyo to earn a 3-star overall rating in the Tokyo Metropolitan Government’s Tokyo Apartment Environmental Performance Indication Program (fiscal 2009 standard).

### Taking Feedback from Customers Leads to Sustained Growth

Our stance toward faithfully incorporating customer wants and needs has been cultivated with the PROUD brand, which the Nomura Real Estate Group has continued to develop. PROUD Tower Shinonome Canal Court sold out immediately, we believe, because we listened to customers and put their needs into tangible form.

We intend to continue expanding the business by faithfully identifying customer needs and giving form to them.



Conveniently located within five kilometers of downtown areas

## 2

## Property Development Business

## Development of Premium Midsize Office (PMO) Brand

Expanding Operations by Meeting Customers' Office Needs

## PMO Business Provides New Category of Office Building

Responding to customer demand for midsize office buildings with quality equivalent to that of a large-scale office building, Nomura Real Estate, through its PMO business, is developing office buildings with exactly those specifications: midsize with quality equivalent to that of large-scale office buildings. The PMO business started in 2008 with the PMO Nihonbashi Honcho building and now encompasses properties in three central Tokyo wards. In addition to the highly polished buildings themselves, the PMO business pursues customer satisfaction in terms of both facilities and service by providing thorough building management, a diverse range of services and meticulous support. Quality not before available in smaller buildings is provided by the PMO business, and this fact has translated into robust support from customers, with completed buildings maintaining high occupancy rates.

In fiscal 2011, a total of five buildings were sold, including PMO Hatchobori II and PMO Akihabara, and land for development was acquired in Tamachi, Kanda Tsukasamachi and Ginza 8chome. To date, we have planned and developed 15 buildings in three wards in central Tokyo. Going forward, we will work to strengthen the brand while expanding the business.



## PMO Property List

	Name	Location	Leased floor area	Completion	Status
1	PMO Nihonbashi Honcho	Nihonbashi Honcho, Chuo-ku	2,540 m <sup>2</sup>	June 2008	Sold
2	PMO Hatchobori	Hatchobori, Chuo-ku	2,074 m <sup>2</sup>	May 2009	Sold
3	PMO Iwamotocho	Iwamotocho, Chiyoda-ku	1,041 m <sup>2</sup>	May 2009	Sold
4	PMO Higashi Nihonbashi	Higashi-nihonbashi, Chuo-ku	1,859 m <sup>2</sup>	October 2009	Sold
5	PMO Akihabara	Iwamotocho, Chiyoda-ku	3,037 m <sup>2</sup>	January 2010	Sold
6	PMO Nihonbashi Odenmacho	Nihonbashi Odenmacho, Chuo-ku	2,054 m <sup>2</sup>	March 2010	In full operation
7	PMO Hatchobori II	Hatchobori, Chuo-ku	3,174 m <sup>2</sup>	June 2010	Sold
8	PMO Akihabara II	Higashi-kanda, Chiyoda-ku	2,700 m <sup>2</sup>	January 2011	In full operation
9	PMO Nihonbashi 2chome	Nihonbashi, Chuo-ku	1,341 m <sup>2</sup>	July 2011	In full operation
10	PMO Nihonbashi Muromachi Project	Nihonbashi Muromachi, Chuo-ku	Around 3,800 m <sup>2</sup>	January 2013 (scheduled)	In construction
11	PMO Yaesu-dori Project	Hatchobori, Chuo-ku	Around 4,900 m <sup>2</sup>	May 2013 (scheduled)	In construction
12	PMO Tamachi Project	Shiba, Minato-ku	Around 3,900 m <sup>2</sup>	September 2013 (scheduled)	In planning
13	PMO Kanda Tsukasamachi Project	Kanda Tsukasamachi, Chiyoda-ku	Around 3,400 m <sup>2</sup>	September 2013 (scheduled)	In planning
14	PMO Ginza 8chome Project	Ginza, Chuo-ku	Around 1,900 m <sup>2</sup>	February 2014 (scheduled)	In planning
15	PMO Nihonbashi Kayabacho Project*	Nihonbashi Kayabacho, Chuo-ku	Around 3,400 m <sup>2</sup>	August 2014 (scheduled)	In planning

\* Property for acquisition in the fiscal year ending March 31, 2013



## 3

## Investment Management Business

## Integration of Three Asset Management Companies

We are working to meet the broad investment needs of investors and facilitate growth in our Investment Management Business.

## Asset Management with Diverse Products and Services

In October 2011 we integrated Nomura Real Estate Investment Management Co., Ltd., Nomura Real Estate Asset Management Co., Ltd., and Nomura Real Estate Capital Management Co., Ltd., which were asset management companies in the Nomura Real Estate Group, and reinitiated the business as the new Nomura Real Estate Asset Management Co., Ltd. The consolidation has allowed us to integrate asset management expertise and management functions that had been dispersed throughout the Nomura Real Estate Group and thereby build a system for quickly and precisely meeting diverse asset management needs.

The company, which is one of the largest asset and investment management companies in Japan with assets under management exceeding ¥1 trillion, will take advantage of its market recognition and presence to further enhance its property information collection capabilities and integrate the handling of real estate financial products, such as REITs and private equity funds, in order to plan and develop new products tailored to investor needs.

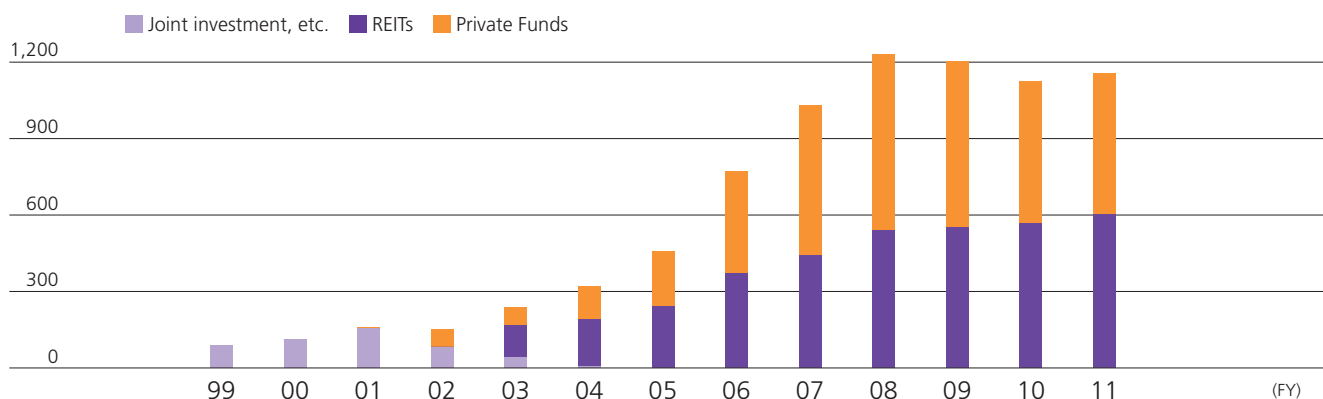
Moreover, in connection with real estate financial products, which are growing increasingly diverse and sophisticated, we are integrating related investment management and operations expertise to consolidate knowledge and experience in the company, which should help us develop personnel with more advanced expertise and extensive investment management experience and raise returns for client investors.

Under an investor-oriented (profits-of-investors-first) philosophy, we will strive to provide investment opportunities to investors and maximize returns.

## Trend in Assets Under Management

(¥ billion)

1,500



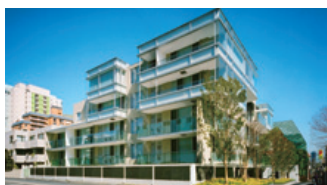
# SEGMENTS AT A GLANCE

## Main Business

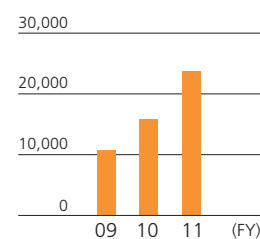
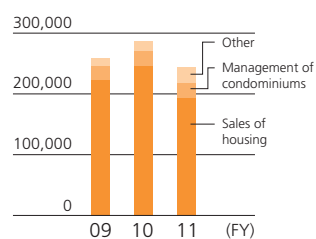
Operating revenue  
(Millions of yen)

Operating income  
(Millions of yen)

### Residential Development Business



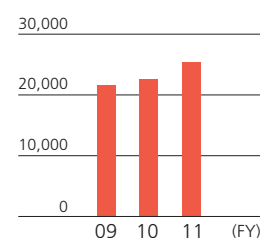
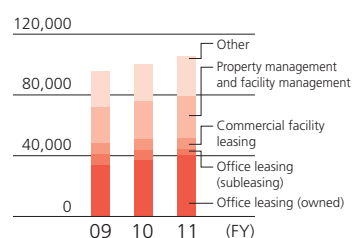
- Sales of housing
- Management of condominiums



### Building Business



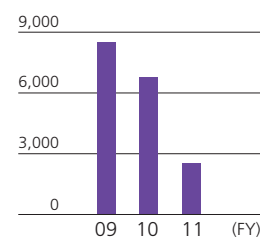
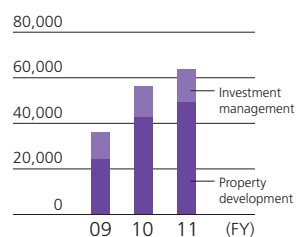
- Office leasing (owned)
- Office leasing (subleasing)
- Commercial facility leasing
- Property management and facility management



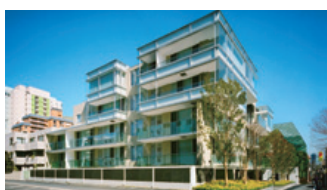
### Investment Management & Development Business



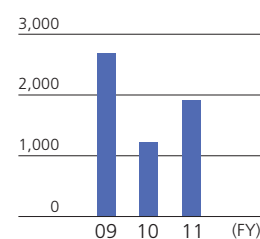
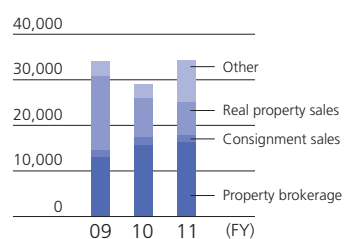
- Property development
- Investment management



### Property Brokerage & Consignment Sales Business



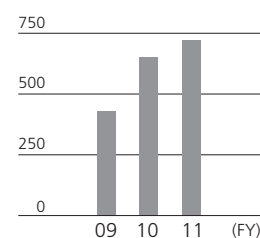
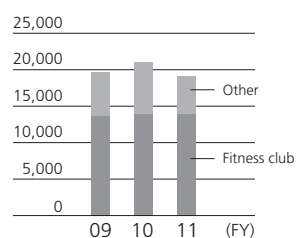
- Property brokerage
- Consignment sales
- Real property sales



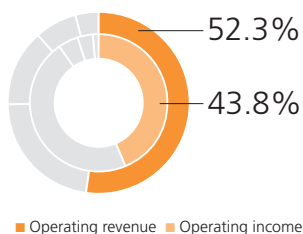
### Other Business



- Fitness club operation
- Architectural planning and management
- Planning of commercial facilities



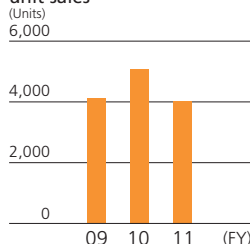
## Composition of operating revenue and operating income (%)



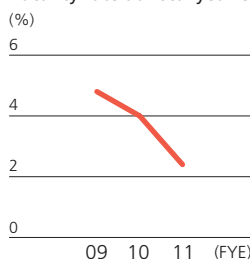
■ Operating revenue ■ Operating income

## Operating-related indices

## Condominium and detached housing unit sales



## Vacancy rate at fiscal year-end

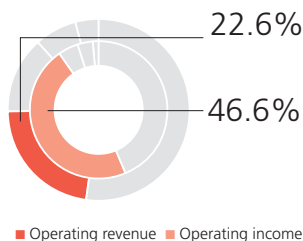


09 10 11 (FYE)

## Fiscal 2011 topics

The housing sales segment implemented strategies to boost the value of the PROUD brand and strove to further strengthen site selection, product planning, and sales capabilities by leveraging the strengths from the integration of development and sales. As a result, the combined number of condominiums and detached houses sold was 4,028 units, including PROUD CITY Akabane, PROUD CITY Inagekaigan and PROUD SEASON Inagekaigan.

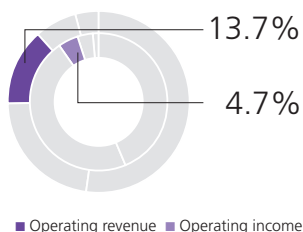
The condominium management segment strengthened its initiatives for enhancing customer satisfaction while actively receiving consignment orders for managing condominiums from both inside and outside the Group. As a result, revenues increased from condominiums under management reaching 130,987 units.



■ Operating revenue ■ Operating income

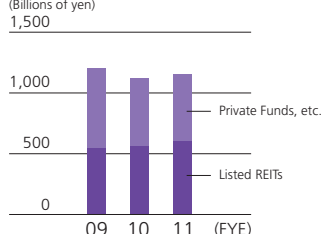
The Building Business strove to improve utilization rates by expanding marketing activities closely tailored to tenant needs. As a result, the vacancy rate at the end of the fiscal year improved 1.6 percentage points year on year, to 2.4%. Nihonbashi Muromachi Nomura Building, which was completed in September 2010, and the acquisition of additional equity in joint ownership of Toshiba Building contributed to income.

The property management and building management operations continued to work on earnings commissions and receiving orders for interior renovations from tenants.



■ Operating revenue ■ Operating income

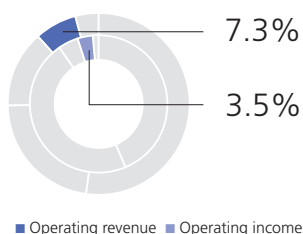
## Assets under management at fiscal year-end



09 10 11 (FYE)

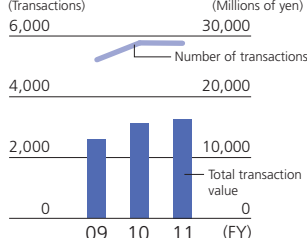
The property development segment worked on furthering the property development business while promoting the sales of real estate investment products. The segment recorded the sales of five properties, including PMO Hatchobori II and PMO Akihabara.

The investment management segment focused on the stable management of the various funds operated by the Nomura Real Estate Group. In October 2011, the three real estate asset management companies within the Group merged, primarily in order to strengthen capacities for gathering information on real estate properties, expand investment opportunities and enhance management capability.



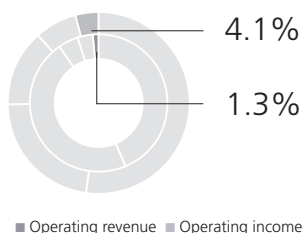
■ Operating revenue ■ Operating income

## Number of transactions and total transaction value of brokerage



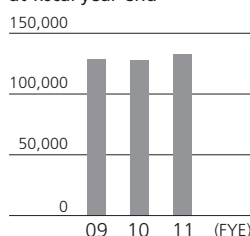
09 10 11 (FY)

The property brokerage segment worked on enhancements to its nomu.com Internet media website, while actively promoting proposal-based marketing. The segment also developed a branch network closely tied to local communities to further strengthen retail operations. This included new openings of the Fuchu Center and Higashi-totsuka Center in the Tokyo area, as well as the Esaka Center as a new sales base in the Osaka area.



■ Operating revenue ■ Operating income

## Number of MEGALOS Members at fiscal year-end



09 10 11 (FYE)

The fitness club segment implemented various campaigns and events to recruit new members and improve membership retention. The segment also opened new clubs MEGALOS Katsushika and MEGALOS Kaminagaya.

Note: Operating income for each business does not include "eliminations or corporate" in segment information.  
The shares of consolidated operating income by business have been calculated based on operating income for each segment.



# MAJOR COMPLETED OR ACQUIRED PROPERTIES IN FISCAL 2011



1



2

## PROUD

- |  |   |
|--|---|
| <p><b>1</b> PROUD CITY Inagekaigan Residence I<br/>Mihama-ku, Chiba City, Chiba Prefecture</p>   | <p><b>5</b> PROUD TOWER Shakujii Koen<br/>Nerima-ku, Tokyo</p>                                    |
| <p><b>2</b> PROUD CITY Inagekaigan Season-gai-ku<br/>Mihama-ku, Chiba City, Chiba Prefecture</p> | <p><b>6</b> PROUD Ogikubo<br/>Suginami-ku, Tokyo</p>  |
| <p><b>3</b> PROUD Tsunashima<br/>Kohoku-ku, Yokohama City, Kanagawa Prefecture</p>               | <p><b>7</b> PROUD SEASON Higashi-Funabashi Garden Avenue<br/>Funabashi City, Chiba Prefecture</p> |
| <p><b>4</b> PROUD TOWER Kobe Kenchomae<br/>Chuo-ku, Kobe City, Hyogo Prefecture</p>              | <p><b>8</b> PROUD Yokohama-Nakayama<br/>Midori-ku, Yokohama City, Kanagawa Prefecture</p>         |



3



4



5



6



7



8

## CLOSE UP

### OHANA—The New Brand in Housing



# OHANA

"OHANA" is a Hawaiian word that means a place bound by family, close friends, and parent-and-child ties, where people are accepted just as they are.



#### The 5 Product Concepts of OHANA

<b>Location</b>	Well-suited to family living (Emphasis on living environment, transportation convenience and amenities)
<b>Space</b>	Easy living for families (Emphasis on both private and common areas)
<b>Affordability</b>	Emphasis on price and running costs
<b>Convenience and Consideration</b>	Emphasis on consideration for mothers and convenience after moving in
<b>Safety and Security</b>	Emphasis on disaster prevention, personal safety and maintenance

We have been promoting PROUD as our housing brand since 2002. In August 2011, however, we launched a new housing brand, OHANA.

The business philosophy behind OHANA is to supply safe and comfortable housing to the market that families can buy for a reasonable price of between ¥20 million and ¥40 million. Guided by this philosophy, we intend to develop this brand mainly in suburban areas, while holding down costs mainly through alliances.

We have already completely sold two properties, which will be recorded in sales in fiscal 2012. One is OHANA Yasaka-Hagiyama-Cho (141 units: Higashimurayama City, Tokyo). The other is OHANA Hiratsuka-Momohama (134 units: Hiratsuka City, Kanagawa Prefecture). We are steadily acquiring land, with plans to supply 1,000 units annually going forward.



OHANA Yasaka-Hagiyama-Cho



OHANA Hiratsuka-Momohama

#### OHANA Projects

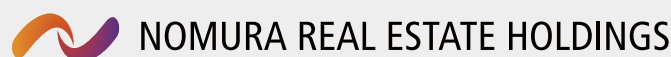
Fiscal 2012	Fiscal 2013	Fiscal 2014
<b>OHANA Yasaka-Hagiyama-Cho</b> (141 units; Higashimurayama City, Tokyo)	<b>Toyota-Tamadaira Project</b> (151 units; Hino City, Tokyo)	<b>Kita-Toda Project</b> (274 units; Toda City, Saitama Prefecture)*
<b>OHANA Hiratsuka-Momohama</b> (134 units; Hiratsuka City, Kanagawa Prefecture)	<b>Tamagawajosui Project</b> (323 units; Higashiyamato City, Tokyo)	<b>Kamifukuoka Project</b> (365 units; Fujimino City, Saitama Prefecture)*
—	<b>Soka-Yatsuka Project</b> (127 units; Soka City, Saitama Prefecture)	—

\* Land acquired in fiscal 2012



# OVERVIEW OF THE NOMURA REAL ESTATE GROUP

Bringing Tomorrow Today — NOMURA REAL ESTATE GROUP



## Group Philosophy of the Nomura Real Estate Group

The Group Philosophy is a commitment to both ourselves and to our customers and society. By showing this commitment and continuously delivering a level of customer satisfaction at least commensurate with it, we are determined to be a group that people can count on even more than in the past.

## Group Message

# Bringing Tomorrow Today

The Group Message crystallizes the philosophy of the Nomura Real Estate Group.

## Group Mission

We hold each and every meeting in high esteem and are grateful for the fruit it has born. Our enthusiasm due to the dynamism of group effort and highly creative individuals enables us to produce the best quality service and product. Giving back to the customers and society is also a high priority for us.

The Group Mission is positioned at the core of the philosophy of the Nomura Real Estate Group. It expresses the shared mission, sense of identity and goals for which the Nomura Real Estate Group everlastingly works.

## Group Spirit

Aim to be a unique business group with creativity  
 The spirit of placing customers first  
 To the future with a youthful spirit and enthusiasm  
 Pursuit of a trustworthy brand  
 Corporate citizenship

The Group Spirit is the Group's attitude toward achieving its mission, and represents the value that all members of the Nomura Real Estate Group should continually share, and treasure.





### Nomura Real Estate Development Co., Ltd.

<http://www.nomura-re.co.jp/english/index.html>

Nomura Real Estate Development operates in three fields of business: residential development, which includes condominium and detached housing development and sales under the PROUD brand; corporate real estate (CRE), which involves real property development and brokerage services for corporate clients; and investment management, which targets high-profit investment.



### Nomura Building Management Co., Ltd.

<http://www.nomura-bm.co.jp/>  
(Japanese only)

Nomura Building Management handles facility management and efficient property management, as well as the renewal of building interiors. The company provides expertise regarding all aspects of management of buildings.



### Nomura Real Estate Asset Management Co., Ltd.

<http://www.nre-am.co.jp/english/index.html>

In October 2011, three investment management companies in the Nomura Real Estate Group merged and became one of the largest real estate investment management companies in Japan with more than ¥1 trillion in assets under management. Nomura Real Estate Asset Management provides one-stop shopping for a broad variety of financial products and investment management services that meet a wide range of real estate investment needs, including privately placed real estate funds, to listed real estate investment trusts (REIT), debt investment in domestic real estate, overseas real estate fund of funds, and discretionary investment management contracts with institutional investors.



### Nomura Living Support Co., Ltd.

<http://www.nomura-ls.co.jp/>  
(Japanese only)

Nomura Living Support responds to a broad range of customer needs, from managing condominiums to interior coordination and consultation. This company is responsible for the management and maintenance aspects of the Nomura Real Estate Group's residential development, sales and management operations.



### Nomura Real Estate Urban Net Co., Ltd.

<http://www.nomura-un.co.jp/>  
(Japanese only)

This company's services, which include residential real estate brokerage, assist residential relocation and commercial real estate brokerage. The company also provides consignment sales business.



### NREG TOSHIBA BUILDING Co., Ltd.

[http://www.toshiba-building.co.jp/building/index\\_j.htm](http://www.toshiba-building.co.jp/building/index_j.htm)  
(Japanese only)

NREG TOSHIBA BUILDING offers services spanning the development, leasing and management of office buildings, commercial facilities, warehouses, condominiums and other properties, as well as property brokerage and consulting on corporate real estate (CRE) utilization.



### MEGALOS Co., Ltd.

<http://www.megalos.co.jp/>  
(Only in Japanese)

Under the philosophy of “transforming customer satisfaction into happiness,” MEGALOS plans, develops and manages fitness facilities offering top-of-the-line service and equipment that are housed in the best facilities in each area.



### PRIME X. Co., Ltd.

<http://www.prime-x.co.jp/>  
(Only in Japanese)

Based on the accumulated real estate expertise of the Nomura Real Estate Group, Prime X develops Internet advertising businesses that specialize in business in the real estate and housing industries.

Prime X delivers proposals that maximize customer benefits, ranging from the creation of corporate websites and project homepages to creating and managing membership organizations, and handling project sales promotions.



### YBP\* Heating and Cooling Supply Co., Ltd.

\* YBP=Yokohama Business Park

This company is responsible for the supply of heating and cooling services to Yokohama Business Park, a large-scale business facility, through its district heating and cooling system.

Using a “best-mix” system that combines gas and electricity, the company uses energy efficiently to curtail costs and minimize environmental impact.



### Nomura Real Estate Reform Co., Ltd.

<http://www.nomura-rf.co.jp/>  
(Only in Japanese)

Nomura Real Estate Reform meets the growing demand for renovation by applying the expertise in condominium renovation accumulated by Nomura Living Support. The company actively offers renovation proposals to customers who live in houses or condominiums sold by the Nomura Real Estate Group, as well as to customers who have purchased properties brokered by the Group.



### Geo-Akamatsu Co., Ltd.

<http://www.geo-akamatsu.co.jp/>  
(Only in Japanese)

Geo-Akamatsu provides a full range of property consulting and other services that maximize its 40 years of accumulated expertise. These services include surveys of commercial facilities, project planning, leasing, commercial space design and property management.

## GROUP COMPANY PROFILE

### NREG TOSHIBA BUILDING Co., Ltd.

NREG TOSHIBA BUILDING joined the Nomura Real Estate Group in December 2008, with the aim of leveraging the Group's expertise to effectively utilize, develop and add value to real estate owned by the Toshiba Group as part of a CRE\* strategy. The corporate philosophy of NREG TOSHIBA BUILDING is to contribute socially and culturally by creating rich lifestyles for people through the provision of housing, offices and commercial facilities. Guided by this corporate philosophy, the company is involved with a wide range of businesses connected with real estate, including leasing, property management, land development, condominium sales, brokerage, and consulting.

\* CRE (Corporate Real Estate): This is a real estate strategy formed from a management perspective that aims to maximize corporate value by effectively utilizing corporate real estate.

\* Source: Ministry of Land, Infrastructure, Transport and Tourism  
"Overview of Guidelines (Proposal) for Implementing a CRE Strategy,"  
March 2008



LAZONA Kawasaki Plaza  
(Location: Saiwai-ku, Kawasaki City, Kanagawa Prefecture/  
Floor space: 98,035 m<sup>2</sup>)



Umeda Sky Building  
(Location: Kita-ku, Osaka City, Osaka Prefecture/  
Floor space: 34,192 m<sup>2</sup>)



Toshiba Building  
(Location: Minato-ku, Tokyo/ Floor space: 158,732 m<sup>2</sup>)

#### Head Office

Toshiba Building, 1-1, Shibaura 1-chome, Minato-ku,  
Tokyo 105-6691

#### Chairman and Representative Director

Toshiaki Takahashi

#### President and Representative Director

Kazuyoshi Yamamori

#### Established

June 1, 1972

#### Capital

¥14,372 million (as of March 31, 2012)

#### Number of Employees

130

#### Website

[http://www.toshiba-building.co.jp/building/index\\_j.htm](http://www.toshiba-building.co.jp/building/index_j.htm)  
(Japanese only)



# CORPORATE SOCIAL RESPONSIBILITY

## Four Key CSR Themes

Based on our Group message of “Bringing Tomorrow Today,” the Nomura Real Estate Group promotes CSR activities centered on four key CSR themes with emphasis on the spirit of corporate citizenship that has been handed down since our founding. We will create new value for society by addressing social issues through our daily business activities, with the aim of fulfilling our obligations to all stakeholders.



## Stakeholder Relations

### ■ Together with Customers

The Nomura Real Estate Group is involved in a range of initiatives to further facilitate communication with customers and incorporate feedback from them into business activities. We are striving to create new value for society, offering products and services that are not only safe and secure but also of a higher level of quality.

#### Integrated Construction, Sales and Management System

The Nomura Real Estate Group has adopted an integrated system for construction, sales and management that unites these three functions as a team in promoting business, and that consolidates a series of processes, from site acquisition to after-sales service and management after residents move in. Customer views and opinions are fed back into the system through company representatives and utilized to provide higher-quality products and services rooted in safety and security.

#### Disaster Preparedness at Managed Properties

The Nomura Real Estate Group is actively working on initiatives to provide support for safe and secure condominium living in order to enhance the awareness of condominium residents for disaster preparedness. As one part of this initiative, Nomura Living Support provides support for disaster preparedness measures, helping condominium associations formulate and implement disaster preparedness drills and earthquake response manuals. The company has also created the *Disaster Preparedness Guidebook*, a set of guidelines for dealing with earthquakes and power outages, and distributes it free of charge to all condominium associations contracted for management.

### ■ Together with Employees

We are focused on ensuring pleasant working conditions, enhancing health management programs and conducting human resource development so that diverse values are respected by all and individual abilities are demonstrated to the maximum extent.

## Support for Childcare

The Group has instituted childcare leave, shortened working hours for childcare, and nursing care leave programs in order to promote a workplace where every employee can choose an optimal working arrangement to demonstrate his or her abilities. For example, at Nomura Real Estate Development and Nomura Living Support, there is a childcare leave program for employees with children up to three years of age and a childcare program with shorter working hours that can be used until children of employees start elementary school. These programs are intended to help prevent employees from having to relinquish their jobs due to childcare responsibilities.

### ■ Together with Communities and Society

We actively conduct a variety of initiatives to help create better communities and a better society through our business operations.

## Great East Japan Earthquake Initiatives

The Nomura Real Estate Group donated a total of ¥50 million through the Central Community Chest of Japan to help people directly affected by the Great East Japan Earthquake and aid in the region's recovery.

In addition, each Group company has their own initiatives for providing assistance in recovery from the Great East Japan Earthquake. Nomura Real Estate Development, for example, has instituted a volunteer leave program to support employees in their effort to provide assistance to the disaster-stricken region. As a way to support people directly impacted by the Great East Japan Earthquake, Nomura Living Support has recruited live-in “Smile” supporters (building managers) for Tokyo metro area properties on a priority basis from among those affected by the disaster, and managers were hired for two properties.

#### Educational Support Activities at Yokohama Business Park: Local Elementary School Students Participate in Biotope Tours and Rice-growing Classes

Yokohama Business Park (YBP) has a biotope\* designed to teach children about the importance of nature. In the tours of the biotope conducted on an ongoing basis, representatives from the Kanagawa Prefectural Fisheries Technology Center give a presentation on fish identification and the children observe killifish and loach fish swimming in the biotope pond.

In addition, rice-growing classes are held from May to November every year in cooperation with local farmers. YBP also holds events such as the Exhibit of Urban Design for Firefly Habitats. Through these activities, YBP proactively interacts with local children and helps maintain safe and secure communities.

\* Area with environmental conditions that provide a living place for plants and animals



The Exhibit of Urban Design for Firefly Habitats

## Environmental Measures

### ■ Group Environmental Philosophy

In April 2010, Nomura Real Estate Holdings formulated the Nomura Real Estate Group Environmental Philosophy at a meeting of the Environmental Committee\*, which sought to engage in environmental issues at the Group level. This Group Environmental Philosophy represents our basic philosophy on promoting environmentally sensitive initiatives in each area of business.

\* The Environmental Committee was subsumed by the CSR Committee in April 2011.

### Nomura Real Estate Group Environmental Philosophy

The Group has a mission of utilizing the power and blessings of nature to create communities and spaces in harmony with the environment in order to pass down the Earth's beauty to future generations.

We will pursue the realization of ideal environmental quality with a strong will and increased sensitivity to the environment.

### ■ PROUD ECO Vision

Nomura Real Estate Development has established the PROUD ECO Vision, an environmental concept for harmonizing comfortable living and the environment at PROUD condominiums.

The PROUD ECO Vision standardizes diverse energy efficiency technologies and designs, and seeks harmony with nature while pursuing comfort for residents. It also seeks to tie these measures in with the larger society's environmental efforts. This vision of "eco" is pursued based on three standpoints: "Reduce," "Create," and "Utilize."



#### Reduce

We bolster thermal insulation as a means to realize energy consumption cuts and adopt an array of energy-saving equipment as a standard.

#### Create

We actively utilize renewable energies through solar panels, wind generators and other facilities and are also involved in systems for reusing rainwater.

#### Utilize

Environmental sensitivity is achieved through various energy-efficient design considerations and systems, including passive design for controlling radiant heat, airflow velocity (ventilation) and humidity levels.

### ■ Installation of "enecoQ" Condominium Energy

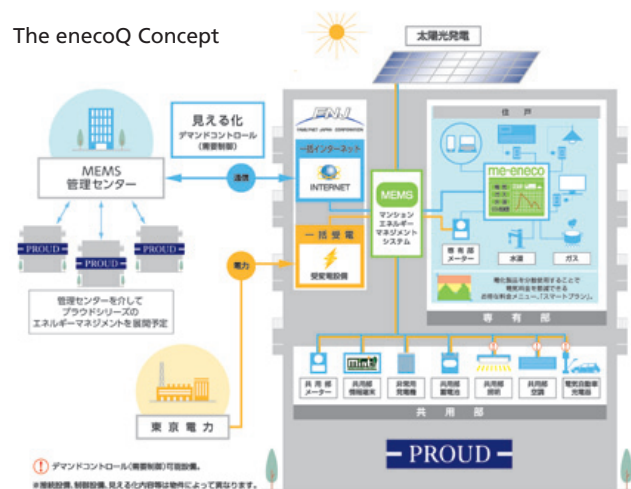
#### Management System Commences at PROUD Properties

Given increasing awareness of energy efficiency and electricity conservation since the Great East Japan Earthquake, the idea of using electricity wisely is gaining widespread traction.

In response, the Nomura Real Estate Group has partnered with FamilyNet Japan Corp. and developed the new "enecoQ" Mansion Energy Management System (MEMS), which combines electric power and the Internet in an attempt to shift peak power consumption.

The system was first installed at PROUD CITY Motosumiyoshi, and plans call for steady adoption at PROUD condominiums above a certain size (at least 100 units) in the Tokyo metro area, including PROUD Funabashi, in an effort to reduce environmental impact.

#### The enecoQ Concept



**enecoQ**  
エネコック

enecoQ Features

1. High-voltage power received under blanket contracts combined with Internet utilization
2. Use of "smart plans," unique electricity billing plans based on demand
3. Establishment of proprietary MEMS Management Center, which enables remote operations to be conducted for common areas and other spaces

### CSR Site

Nomura Real Estate Holdings is involved in a variety of initiatives to fulfill its corporate social responsibilities. More detailed information can be found in our CSR Report and on our website.

Nomura Real Estate Holdings CSR website:

<http://www.nomura-re-hd.co.jp/english/csr/index.html>

# CORPORATE GOVERNANCE

## Basic Viewpoints Regarding Corporate Governance

The Company believes that it must be governed in a way that continuously maximizes corporate value over the long term, while consideration is given to the interest of shareholders and all other stakeholders related to the Nomura Real Estate Group. Furthermore, we aim to enhance the earning power of the entire Group, and while acting as a holding company in managing and supervising the business activities of our subsidiaries, we will strive to build a highly transparent management organization.

## Corporate Governance System

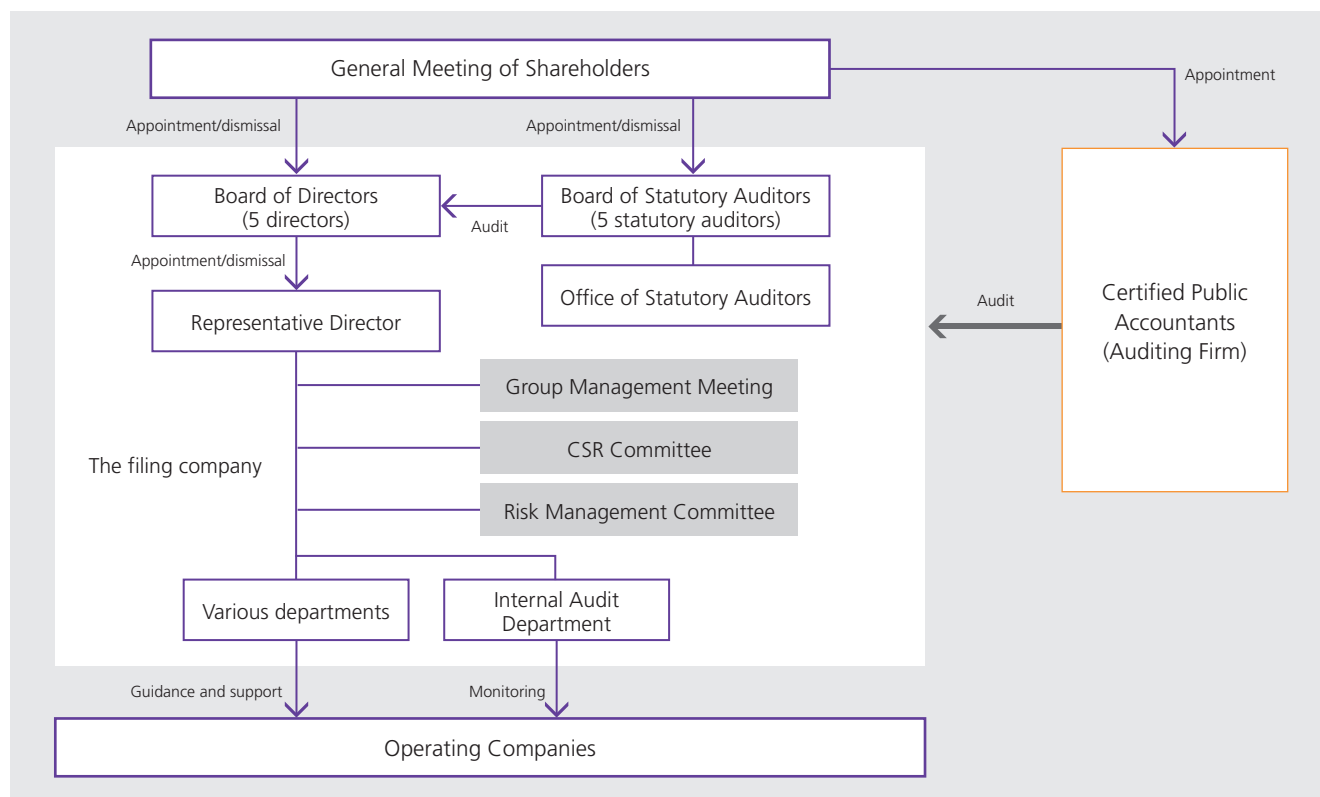
The Company's Board of Directors comprises five directors. The Board of Directors with the executive officers in attendance decides important corporate matters and supervises the execution of business operations by directors and executive officers. Statutory auditors attend meetings of the Board of Directors and provide their opinions as the need arises. Furthermore, the Company has introduced a system of executive officers with an aim to strengthen Group management, to separate and enhance the business execution function from the decision-making and supervisory functions of the Board of Directors. Each executive officer appointed by the Board of Directors is delegated management authority based on the Company's internal rules and other stipulations to execute business under the direction of the president & CEO and policies approved by the Board of Directors of the Company.

The Board of Statutory Auditors comprises five statutory auditors, three of whom are external auditors. The Board formulates such matters as audit policies and the division of auditing roles, and receives reports and conducts discussions regarding important matters relating to audits carried out on the basis of those policies and divided roles.

The Company has adopted a statutory auditor system. The Company believes that management supervision should be conducted primarily by statutory auditors. The Company enhances the effectiveness of its audit activities through measures that include the establishment of an Office of Statutory Auditors and the assignment of specialized staff to assist the statutory auditors. Furthermore, the majority of statutory auditors are external statutory auditors, which preserves their independence from management and creates a structure that enables them to perform operational audits appropriately. The Company also has established risk management, compliance and internal audit systems, each of which report regularly to the Board of Directors. Such reports enable the Board to effectively supervise directors' execution of duties.

As a holding company, the Company convenes Group Management Meetings, comprised of the Company's directors and the presidents of major subsidiaries as members. The purpose of these meetings is to unify intentions to promote group management and verify the progress of the budgets of each operating company and the execution status of other business operations.

## Corporate Governance System





## Internal Audit System and Statutory Auditor System

### ■ Internal Audit System

The Nomura Real Estate Group has established an internal audit department at each group company, with the exception of some small companies. Each department is supervised under the direct jurisdiction of the Group company president or an officer who does not hold an additional office in a business operations division, which allows the department to maintain organizational independence.

In addition, we have established the Internal Audit Department in the Company that, in collaboration with the auditing firm, supervises the internal audit functions of the entire Group and performs monitoring, evaluation and auditing in each division within the Company.

### ■ Statutory Auditor Audit System

The Company has appointed full-time staff in the Office of Statutory Auditors to support statutory auditor audits. Each statutory auditor attends meetings of the Board of Directors and other important meetings and audits the execution of the duties of directors while cooperating with the Internal Audit Department and the auditing firm as needed.

Statutory Auditor Mitsuru Nakajima's considerable degree of professional insight is backed by many years of business experience in finance and accounting.

### ■ Accounting Audits

The Company has concluded an auditing contract with Ernst & Young ShinNihon LLC (the auditing firm). In addition to regular accounting audits by the auditing firm, the Company discusses and verifies accounting issues with the auditing firm as needed and strives to follow appropriate accounting procedures.

All of the certified public accountants that carry out work of the auditing firm have no more than seven years of continued experience in auditing the Company, and the auditing firm has adopted autonomous measures to ensure that its employees who carry out work do not participate for longer than a designated period in the Company's account auditing.

Assistants associated with accounting audit operations comprise six certified public accountants, seven assistant certified public accountants, etc., and nine other staff.

## Compensation of Directors and Statutory Auditors

### ■ Policy and Decision-making Method Regarding the Amount and Calculation of Compensation and Other Remuneration for Directors and Statutory Auditors

At the second annual General Meeting of Shareholders on June 26, 2006, it was resolved that the maximum annual compensation limit for directors and statutory auditors would be ¥650 million and ¥120 million, respectively.

The Company's compensation of directors and statutory auditors consists of fixed monthly compensation and variable compensation, comprising bonuses and stock-related compensation. Bonuses

are determined according to the Company's business performance during the relevant fiscal year, as well as to individual contribution to that performance. Stock-related compensation, in the form of stock options, is designed to align executives' interests with those of the Company's shareholders, and to further enhance corporate value. Stock options are either market-value stock options, on which the exercise price (the amount payable when the right is exercised) is determined on the basis of market prices, or share compensation stock options, which have exercise prices of ¥1 per share. Stock-related compensation is not provided for statutory auditors.

### Total Compensation of Directors and Statutory Auditors by Type of Remuneration (Fiscal 2011)

	Total compensation (¥ million)	Total compensation by type of remuneration (¥ million)				
		Basic compensation	Stock option	Bonus	Retirement benefits	Headcount
Directors	280	178	25	76	—	6
Statutory auditors (excluding external statutory auditors)	62	49	—	12	—	2
External directors and auditors	40	34	—	6	—	3
Total	383	261	25	96	—	11

Notes: 1. The annual General Meeting of Shareholders on June 26, 2006 resolved that the maximum annual compensation limit for directors and statutory auditors would be ¥650 million and ¥120 million, respectively.

2. The compensation and other remuneration that external statutory auditors Yasuaki Fukui and Mitsuru Nakajima received from the parent company of Nomura Real Estate Holdings and its subsidiaries in the year under review totaled ¥21 million.

## Compensation of Accounting Auditors

### ■ Policy for Deciding the Compensation of Accounting Auditors

The Company takes factors such as the days spent performing accounting audits, and the scale and business characteristics of the Company comprehensively into consideration in reaching an appropriate decision regarding the compensation of its auditing firm's certified public accountants and other accounting audit personnel.

Compensation paid to the auditing firm's certified public accountants for fiscal 2011 was as follows.

### Compensation of Certified Public Accountants in Detail (Fiscal 2011)

	Compensation paid for audit certification activities (¥ million)	Compensation paid for non-audit activities (¥ million)
The Company	58	2
Consolidated subsidiaries	113	31
Total	171	33

## Risk Management

### ■ Risk Management System

The Company has established a Risk Management Committee whose members include officers in charge of administrative operations at the Company and Group companies, for the purpose of promoting risk management activities within the Group. The Committee deliberates matters relating to risk management, compliance, and information security for the entire Group, and also cooperates and provides guidance with regard to countermeasures when risks occur.

The Group's businesses handle large quantities of personal information in various operations due to business requirements. They endeavor to comply with various laws and regulations pertaining to this personal information, such as the Law Concerning Protection of Personal Information, and also handle information in the proper manner. Moreover, the Group has established internal rules, such as "Information Security Provisions," and "Rules for Handling Personal Information," which set forth guidelines on handling personal information and appointing information security managers, among other matters. In these ways, the Group strives to train and educate employees.

### ■ Formulation of Risk Management Regulations

The Nomura Real Estate Group believes that ensuring sound management by properly addressing risks is fundamental to corporations. Accordingly, the Group has established Risk Management Regulations as its fundamental risk management guidelines. Risk

management is predicated on the crucial task of understanding risk. The Group has thus established timely and proper reporting rules, including prompt escalation of situational reports to management after unforeseen incidents have occurred, in addition to regularly monitoring risks.

## Compliance

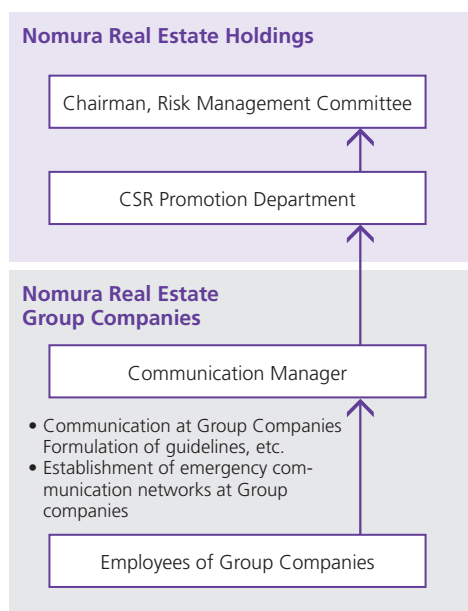
### ■ Compliance Systems

The Nomura Real Estate Group regards compliance, including the observance of laws and regulations and corporate ethics, as one of the most important management issues. As a set of relevant guidelines, it has formulated the Nomura Real Estate Group Code of Action. To promote continuous educational and awareness activities for executives and employees of the entire Group, we have established a CSR Committee and CSR Promotion Department in the Company. It provides advice, guidance and support to Group companies. In addition, Compliance Officers and Compliance Leaders have been appointed at Group companies in an effort to ensure that compliance pervades throughout the Group.

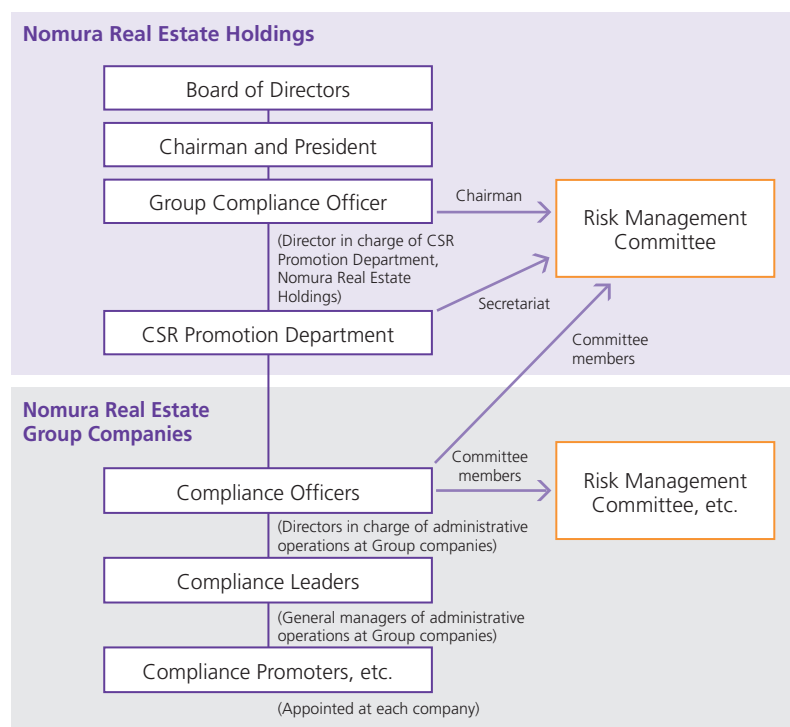
### ■ Nomura Real Estate Group Risk Hotline

The Nomura Real Estate Group Risk Hotline serves as a point of contact for whistle-blowing by Group employees. Two internal reporting channels are available: one to internal directors and the other to outside legal counsel. In the event that a compliance issue cannot be resolved in the workplace or in other related circumstances, employees may choose to consult with either point of contact.

### Flow of Communication



### Nomura Real Estate Group Compliance Promotion Framework



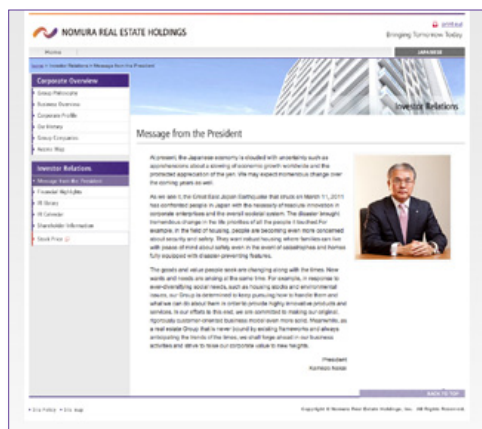
## Investor Relations Activities

### ■ Communication with Analysts and Institutional Investors

The Company holds earnings briefings twice a year (at around the time of announcing annual and semi-annual results) where it explains business results and forward-looking matters such as management policies. The Company also communicates actively with institutional investors overseas through the overseas investor relations (IR) activities it conducts periodically.

### ■ Information Transmitted via the IR Website

The Nomura Real Estate Holdings' IR website was upgraded in April 2012. The Company's consolidated financial statements, earnings briefing materials, annual reports and other IR-related information are provided through this website.



Nomura Real Estate Holdings IR Website:  
<http://www.nomura-re-hd.co.jp/english/ir/index.html>

## Matters Concerning Parent Company

The relationship between the Company and Nomura Land and Building Co., Ltd. (NLB) and Nomura Holdings Inc., the Company's parent companies, are as follows.

### 1. Capital relationship

NLB held a 50.8 % shareholding in Nomura Real Estate Holdings as of March 31, 2012. Nomura Holdings Inc. is the parent company of NLB, and correspondingly also the parent company of Nomura Real Estate Holdings. Going forward, the shareholding ratio of the parent company of Nomura Real Estate Holdings could conceivably fluctuate as a result of events such as the parent companies selling their shares in Nomura Real Estate Holdings, or the infusion of capital in Nomura Real Estate Holdings.

### 2. Personal relationships

Mitsuru Nakajima, a part-time statutory auditor of the Company, is concurrently a director of NLB. Apart from him, no directors, officers or employees of the Company are concurrently serving at or on secondment from another company.

The relationship between Nomura Real Estate Group and its parent companies does not exert any influence on the Nomura Real Estate Group's free marketing activities or management decisions. Furthermore, the parent companies and their subsidiaries apart from the Nomura Real Estate Group do not compete with the Group's business operations.

The Company performs business management independently from the parent company based on the Company's own responsibility.

# BOARD OF DIRECTORS AND STATUTORY AUDITORS

(As of June 28, 2012)



President  
**Kamezo Nakai**



Director  
**Seiji Matsumoto**



Director  
**Takao Orihara**



Director  
**Yukoh Yoshida**



Director  
**Hiroyuki Kimura**



Statutory Auditor  
**Yoji Kurihara**



Statutory Auditor  
**Shigeaki Yoshioka**



Statutory Auditor\*  
**Shigeru Matsushima**



Statutory Auditor\*  
**Mitsuru Nakajima**



Statutory Auditor\*  
**Satoshi Ogishi**

\* Shigeru Matsushima, Mitsuru Nakajima and Satoshi Ogishi are external statutory auditors as provided for in Article 2, Item 16 of the Companies Act.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Trends in the Real Estate Industry

The condominium market in the Tokyo metropolitan area during calendar year 2011 saw sales decrease 0.1% year on year, to 44,499 units. Contract rates at average first month were down 0.6 of a percentage point, to 77.8%. Despite these marginal declines, the market remained at a high level. While the impact of the Great East Japan Earthquake temporarily constrained supply, the business environment was firm, with real demand solid, underpinned by government policy support in the form of low interest rates and extended exemptions from gift taxes.

In the real estate investment market, the fund procurement environment continued to improve and J-REITs were active in increasing capital by public offerings. Regarding investment unit prices, while some investors avoided risk because of the European debt crisis and other factors, there were signs of a recovery on expectations for the benefits of additional monetary easing by the Bank of Japan.

In the office market, the office building vacancy rate in the five wards of central Tokyo remained at a high level of 9.0% at the end of December 2011. Rent levels also remained soft. Given these conditions, the business environment is expected to remain difficult for the time being.

## Analysis of Operating Results

Against this backdrop, the Nomura Real Estate Group recorded a ¥9,723 million impairment loss, reflecting the fact that some leased assets in property, plant and equipment saw a decline in profitability. However, the Group's mainstay Residential Development Business achieved a large year-on-year increase in earnings for two main reasons. One was a significant improvement in profitability. The other was a full year's contribution to earnings from office buildings that began operating in the previous fiscal year. Consolidated operating revenue declined ¥30,176 million, or 6.3%, to ¥450,807

million. However, operating income rose ¥7,855 million, or 18.7%, to ¥49,939 million, and net income rose ¥12,120 million, or 221.5%, to ¥17,591 million.

Net income rose ¥4,571 million due to the reversal of deferred tax assets and deferred tax liabilities as a result of a reduction in the corporate income tax rate.

## Operating Results by Segment

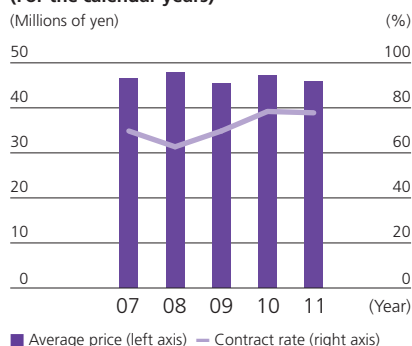
### ■ Residential Development Business

In the Residential Development Business segment, we implemented strategies to boost the value of the PROUD brand and strove to further strengthen site selection, product planning, and sales capabilities by leveraging the strengths from the integration of development and sales. Condominium sales during the fiscal year under review included PROUD CITY Akabane (Kita-ku, Tokyo), PROUD CITY Inagekaigan (Mihama-ku, Chiba City, Chiba Prefecture), and PROUD TOWER Kobe Kenchomae (Chuo-ku, Kobe City, Hyogo Prefecture), while sales of detached houses included PROUD SEASON Higashi-Funabashi Garden Avenue (Funabashi City, Chiba Prefecture), and PROUD SEASON Inagekaigan (Mihama-ku, Chiba City, Chiba Prefecture).

In housing management operations, we stepped up measures to increase customer satisfaction, and at the same time actively solicited external consignment orders, in addition to managing residences within the Group, as we worked to boost earnings.

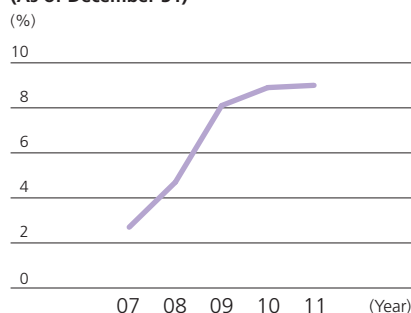
Residential Development Business segment operating revenue declined ¥41,614 million, or 14.5%, year on year, to ¥244,521 million, while operating income rose ¥8,019 million, or 50.7%, to ¥23,823 million. The higher earnings on lower operating revenue were mainly attributable to a decrease in unit sales accompanying the postponement of construction work on some properties because of the Great East Japan Earthquake, but an increase in profit margins on properties sold.

**Average prices and contract rates for condominiums in the Tokyo metropolitan area (For the calendar years)**



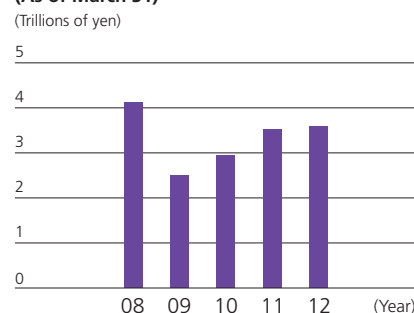
Source: Real Estate Economic Institute Co., Ltd.

**Vacancy rates in the five wards of central Tokyo (As of December 31)**



Source: Miki Shoji Co., Ltd.

**J-REIT market capitalization (As of March 31)**



Source: The Association for Real Estate Securitization

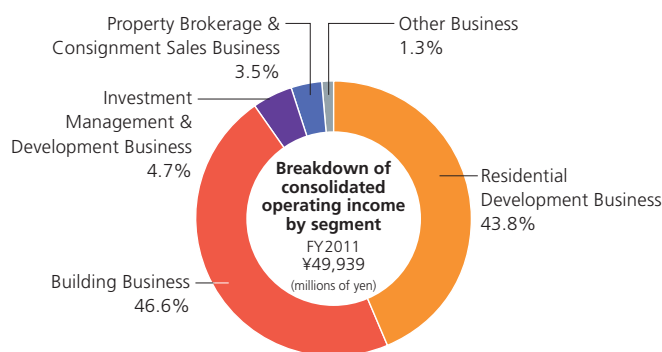
## ■ Building Business

In the Building Business segment, amid a persistently challenging business environment, we worked to increase utilization rates by stepping up sales activities to meet tenant needs. As a result of these efforts, the vacancy rate at the end of the fiscal year declined 1.6 percentage points year on year, to 2.4%. Full-year revenue contributions from Nihonbashi Muromachi Nomura Building (Chuo-ku, Tokyo), which was completed in September 2010, and from Toshiba Building (Minato-ku, Tokyo), where we acquired an additional ownership interest, contributed to our performance. In the property management and building management business, the Company continued to earn commissions and receive tenant orders for interior works.

As a result, Building Business segment operating revenue rose ¥5,312 million, or 5.3%, year on year, to ¥105,701 million, while operating income rose ¥2,701 million, or 11.9%, to ¥25,346 million.

## ■ Investment Management & Development Business

In property development operations, the Company promoted the development business and product sales. We also actively developed the Premium Mid size Office (PMO) brand of mid size office buildings with the quality of large-scale buildings. During the fiscal year under review, we booked sales of five properties, including PMO Hatchobori II (Chuo-ku, Tokyo) and PMO Akihabara (Chiyoda-ku, Tokyo).



	(Millions of yen)	
Residential Development Business	23,823	(43.8%)
Building Business	25,346	(46.6%)
Investment Management & Development Business	2,539	(4.7%)
Property Brokerage & Consignment Sales Business	1,926	(3.5%)
Other Business	722	(1.3%)

Note: Since operating income for each business does not include "eliminations or corporate" in segment information, the sum of operating income of the businesses presented in the pie chart differs from the total amount shown in the center of the pie chart. The shares of consolidated operating income by business have been calculated based on operating income for each segment.

In investment management operations, we focused on the stable management of the various funds operated by the Nomura Real Estate Group. On October 1, 2011, we integrated three Group asset management companies in order to enhance our ability to gather information on properties, expand investment opportunities and improve our management capabilities, and Nomura Real Estate Asset Management Co., Ltd. was established.

Investment Management & Development Business segment operating revenue rose ¥7,948 million, or 14.2%, year on year, to ¥63,995 million, while operating income declined ¥4,233 million, or 62.5%, to ¥2,539 million. This increase in sales with a decline in profits was mostly because we promoted sales of products with lower profit margins.

## ■ Property Brokerage & Consignment Sales Business

The Company promoted strategic use of Internet media in its property brokerage operations and actively promoted proposal-based businesses. We also developed our branch network closely tied to local communities to further strengthen retail operations by opening the new branches. In April 2011, we opened the Fuchu Center (Fuchu, Tokyo) and Higashi-Totsuka Center (Totsuka-ku, Yokohama, Kanagawa Prefecture). In August 2011, we opened the Esaka Center (Suita City, Osaka) as a new sales base in the Osaka area.

Property Brokerage & Consignment Sales Business segment operating revenue rose ¥5,347 million, or 18.5%, year on year, to ¥34,303 million, while operating income rose ¥705 million, or 57.9%, to ¥1,926 million. This increase in sales and profits was mostly because of the transfer of some real property to other segments and higher commissions in property brokerage operations.

## ■ Other Business

In the fitness club business segment, the Company implemented various campaigns and events to recruit new members and improve membership retention. We also opened two new clubs: MEGALOS Katsushika (Katsushika-ku, Tokyo) in September 2011, and MEGALOS Kaminagaya (Konan-ku, Yokohama, Kanagawa Prefecture) in December 2011.

Other Business segment operating revenue declined ¥1,885 million, or 9.0%, year on year, to ¥19,081 million, while operating income rose ¥69 million, or 10.6%, to ¥722 million.



Major operating-related indices for each business are shown in the table below.

Years ended March 31	2008	2009	2010	2011	2012
<b>Residential Development Business:</b>					
Condominium sales (units) . . . . .	3,463	3,135	3,696	4,497	3,397
Detached housing sales (units) . . . . .	347	255	415	580	631
Gross margin ratio of housing sales (%) . . . . .	22.7	21.8	16.1	16.4	23.3
Completed housing units held in inventories (units) . .	275	265	535	113	114
Rental condominium sales for investors (units) . . . . .	747	621	248	138	739
Condominiums under management (units) . . . . .	103,102	110,365	121,212	127,567	130,987
<b>Building Business:</b>					
Vacancy rate at year-end (Offices, commercial facilities) (%)* . . . . .	2.2	2.6	4.8	4.0	2.4
<b>Investment Management &amp; Development Business:</b>					
Assets under management (millions of yen) . . . . .	1,031,528	1,235,611	1,204,546	1,126,601	1,153,898
<b>Property Brokerage &amp; Consignment Sales Business:</b>					
Brokerage (number of transactions) . . . . .	4,047	4,184	5,219	5,774	5,762
Brokerage-total transaction value (millions of yen) . . .	406,635	293,047	386,446	425,274	452,950
<b>Other Business:</b>					
Members of MEGALOS . . . . .	120,543	129,944	128,365	127,707	133,033

\* Figures shown for fiscal 2007 and earlier were calculated by including the leased floor area of residential projects.

## Analysis of Financial Position

As of March 31, 2012, total assets stood at ¥1,402,624 million, down ¥71,706 million from a year earlier. This was mostly because real estate for sale and other inventory assets (down ¥36,529 million), and property, plant and equipment (down ¥22,856 million) declined.

Total liabilities decreased ¥90,827 million to ¥1,026,138 million. This was mostly because of decreases in long-term loans payable (down ¥25,694 million), commercial papers (down ¥20,000 million), deposits received (down ¥14,813 million) and short-term loans payable (down ¥12,653 million).

Net assets rose ¥19,120 million year on year to ¥376,486 million. This was mostly because retained earnings increased ¥12,831 million.

## Cash Flows

### ■ Cash flows from operating activities

Net cash provided by operating activities amounted to ¥43,877 million, an increase of ¥9,929 million from the previous fiscal year. This was primarily due to declines in property for sale and other inventory assets.

### ■ Cash flows from investing activities

Net cash provided by investing activities amounted to ¥7,809 million, a change of ¥41,540 million from the net cash used in the previous fiscal year. This mostly reflected proceeds from sales of property, plant and equipment and intangible assets, proceeds from sales and liquidation of investment securities, and proceeds from collection of lease and guarantee deposits.

### ■ Cash flows from financing activities

Net cash used in financing activities amounted to ¥63,296 million, an increase of ¥55,810 million from the previous fiscal year. This mostly reflected repayments of long-term loans payable and a net decrease in short-term loans payable, and a decrease in commercial papers.

### Basic Policy Concerning Profit Distribution, and Dividends for Fiscal 2011 and Fiscal 2012

The Company's basic policy regarding the distribution of profits to shareholders is to aim at a payout ratio of approximately 30% over the medium to long term, in accordance with annual business performance, comprehensively considering the operating environment, capital investment plans, retained earnings, and other relevant factors.

In fiscal 2011, we paid a year-end dividend of ¥12.50 per share, as forecast. Combined with the interim dividend paid previously, the total annual dividend was ¥25.00 per share.

For fiscal 2012, ending March 31, 2013, the Company intends to pay interim and year-end dividends of ¥15.00, for a total annual dividend of ¥30.00, which would represent a ¥5.00 year-on-year increase.

### Consolidated Performance Outlook for Fiscal 2012

In fiscal 2012, the Company projects ¥523,000 million in operating revenue, ¥55,000 million in operating income, and ¥19,000 million in net income.

### Risks Affecting the Business of Nomura Real Estate Group

We believe that the following major risks have the potential to significantly impact the operating results and financial condition of the Nomura Real Estate Group, as well as the stock prices. It should be noted that matters concerning the future in this document have been determined based on information available to the Group on the scheduled submitting date of the fiscal 2011 annual securities report.

#### (1) Trends in the real estate market

The Group's performance for the fiscal year under review resulted in increased profit compared to the previous fiscal year. However, fears over the impact of the European debt crisis and stagnation in overseas economies continue to create uncertainty.

In the future, certain events could still cause a decline in purchasing sentiment among customers of the Residential Development Business and the Property Brokerage & Consignment Sales Business, our core businesses. These events include the current economic slowdown, an associated deterioration in corporate earnings, a decline in consumer spending, a rise in interest rates, or an excess supply in the real estate market. There may also be falls in selling prices or increases in inventories due to a decline in purchasing sentiment, or losses on valuation of inventories. For the Building

Business and the Investment Management & Development Business, moreover, such events could also spark declines in office rents, increases in vacancy rates, falls in asset values, or drops in profit ratios. In addition, declining investment unit prices and weakening demand for investment funds are possibilities in the REIT market. Such events could have an adverse impact on the Group's business performance.

#### (2) Changes to real estate-related legislation or the tax system

A number of laws and regulations apply to the various businesses of the Nomura Real Estate Group, which will be subject to new regulations as it expands its operational scope in the future. Going forward, the Group may face new obligations and expense burdens if the Building Standards Law, the Building Lots and Buildings Transaction Business Law, the Financial Instruments and Exchange Law, or other real estate-related laws are revised, or if new legislation is implemented. Such events could adversely affect the Group's business performance.

Furthermore, if the tax system related to real estate is revised, this could lead to an increase in expenses for holding, acquisition, and sales of assets, or a decline in the purchasing sentiment of customers. It could also prompt a change in the facility strategies of companies and revisions of their investment plans. Such events could have an adverse impact on the Group's business performance.

#### (3) Licenses and permits for major businesses

The Group obtains licenses and permits, such as real estate brokerage and construction licenses, when carrying out business activities.

Currently, there are no reasons for any of these licenses or permits to be cancelled. However, in the future, if such licenses or permits are cancelled for whatever reason, this could adversely affect the Group's business performance.

#### (4) Impact of interest-bearing debt

The balance of interest-bearing debt at March 31, 2012 stood at ¥758,562 million, down ¥58,347 million from a year earlier (equivalent to 54.1% of total assets, 1.3 percentage points less than at the end of the previous fiscal year). When raising funds by borrowing, the Group attempts to deal with the risk of a short-term rise in interest rates mainly by taking out long-term, fixed-rate loans. However, an increase in borrowing costs due to a rise in market interest rates could have a negative impact on the Group's business performance and financial condition.

**(5) M&A**

The Company has positioned M&A as an important strategy for long-term growth, and aims at boosting Group enterprise value by implementing M&A that can be expected to generate synergies while making the most of the advantages offered by the holding company system.

However, in the event of changes in the operating environment, the expected growth of the acquired company, or the synergy expected from the acquisition, may not be realized. This could have an adverse impact on the Group's business performance.

**(6) Natural disasters**

Natural disasters, such as earthquakes and wind and flood damage, as well as sudden accidents, could lead to damage or destruction of real estate owned or managed by the Group. Such incidents could have a negative impact on the Group's business performance and financial condition.

**(7) Personal information**

In the course of carrying out its operations, the various businesses of the Group handle large quantities of personal information. The Group endeavors to comply with various laws and regulations pertaining to personal information, such as the Law Concerning Protection of Personal Information, and also handle information in the proper manner. Moreover, Group companies have produced various documents, such as "Information Security Provisions," "Rules for Handling Personal Information" and "Guidelines for Entrusting the Handling of Personal Information." In these ways, the Group strives to train and educate employees and protect the interests of customers.

In the event of external leakage of personal information due to unforeseen circumstances, however, confidence in the Group could be lost, leading to a decrease in sales and the incurrence of expenses to pay compensation for damages. This could have an adverse impact on the Group's business performance.

**(8) Soil pollution**

Under the Soil Contamination Countermeasures Law, owners of land are obliged to evaluate and report on the soil pollution status of their properties with respect to the presence of specific harmful substances, and also to take measures to remove such polluting substances.

When considering purchases of land for business use, the Group conducts historical and pollution assessments in advance. If the presence of pollution is confirmed, the Group either cancels the

acquisition or engages specialists to remove such pollution. However, it is possible that the aforementioned assessments fail to confirm the full extent of soil pollution, or that the seller is unable to fulfill his or her guarantee against defects even if soil pollution is detected. Detection of soil pollution on land purchased by the Group, therefore, could lead to changes in the Group's original business schedules or to the incurrence of the additional expenses, which could have a negative impact on its business performance or financial condition.

**(9) Asbestos**

Some of the buildings owned by the Group have been sprayed with materials that include asbestos. The Group has engaged third-party organizations to assess such buildings. According to the results of those assessments, the said materials are showing no signs of age-related degradation and are in stable condition. In the future, however, it is possible that asbestos may be scattered if age-related degradation occurs. Such an event could require removal or containment of the asbestos in question, resulting in the incurrence of additional costs that could have an adverse effect on the Group's business performance or financial condition.

**(10) Concentration of revenues in fourth quarter**

In the Residential Development Business, which accounts for more than 50% of the Group's revenues, housing sales are registered as sales when properties are handed over to the customers. In many cases, however, the completion and handover occur in February or March of each year, in accordance with the requirements of customers taking up residence. For this reason, a large proportion of the Group's revenues is concentrated in the fourth quarter of each fiscal year.

**(11) Capital Relationship with the Parent Companies**

The Company's parent companies are Nomura Holdings, Inc. and NOMURA LAND AND BUILDING Co., Ltd. As of March 31, 2012, Nomura Land and Building owned 50.8% of the Company's shares, while Nomura Holdings owned 100% of the shares of Nomura Land and Building. This holding percentage could change in the event of a sale of the Company's shares by the parent companies or a capital increase of the Company.

# CONSOLIDATED BALANCE SHEETS

Nomura Real Estate Holdings, Inc. and its subsidiaries  
March 31, 2011 and 2012

ASSETS	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2011	2012	2012
<b>Current Assets:</b>			
Cash and deposits (Notes 2(3) and 3)	¥ 52,068	¥ 45,458	\$ 553,087
Notes and accounts receivable—trade	14,271	13,187	160,446
Short-term investment securities (Notes 2(3), 3 and 4)	30,000	25,000	304,173
Real estate for sale (Note 6)	210,565	124,840	1,518,921
Real estate for sale in process	122,781	197,638	2,404,641
Land held for development	99,760	74,131	901,947
Equity investments (Notes 3 and 4)	60,948	41,895	509,738
Deferred tax assets (Note 10)	21,197	18,505	225,149
Other	25,424	44,868	545,906
Allowance for doubtful accounts	(89)	(190)	(2,310)
Total current assets	636,925	585,332	7,121,698
<b>Investments and Other Assets:</b>			
Investment securities (Notes 3 and 4)	43,140	45,949	559,061
Lease and guarantee deposits (Note 3)	23,791	23,622	287,403
Deferred tax assets (Note 10)	23,601	24,698	300,501
Other	4,251	3,468	42,200
Allowance for doubtful accounts	(19)	(19)	(237)
Total investments and other assets	94,764	97,718	1,188,928
<b>Property, Plant and Equipment:</b>			
Land (Notes 6 and 15)	483,929	471,901	5,741,590
Buildings and structures (Notes 6 and 15)	321,780	318,068	3,869,907
Construction in progress (Note 6)	6,851	11,369	138,325
Machinery and equipment (Note 6)	8,397	8,453	102,849
Other	606	1,607	19,557
	821,563	811,398	9,872,228
Accumulated depreciation	(88,990)	(101,682)	(1,237,154)
Net property, plant and equipment	732,573	709,716	8,635,074
<b>Intangible Assets</b>	10,069	9,858	119,939
<b>Total Assets</b>	¥1,474,331	¥1,402,624	\$17,065,639

See notes to consolidated financial statements.



	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
LIABILITIES AND NET ASSETS	2011	2012	2012
<b>Current Liabilities:</b>			
Notes and accounts payable–trade	¥ 43,081	¥ 36,352	\$ 442,287
Short-term loans payable (Notes 3, 5 and 6)	160,896	148,243	1,803,660
Commercial papers	20,000	—	—
Income taxes payable (Note 10)	10,099	6,109	74,328
Deposits received	29,288	14,475	176,120
Provision for bonuses	4,135	4,336	52,754
Provision for directors' bonuses	176	268	3,258
Provision for loss on business liquidation	113	77	936
Provision for loss on disaster	2,608	413	5,028
Accounts payable–other	5,840	4,946	60,175
Accrued interest	2,357	2,318	28,202
Accrued consumption taxes	2,056	3,353	40,798
Advances received	19,485	27,734	337,444
Other	10,975	8,725	106,157
Total current liabilities	311,109	257,349	3,131,147
<b>Noncurrent Liabilities:</b>			
Bonds payable	33,000	33,000	401,509
Long-term loans payable (Notes 3, 5 and 6)	603,014	577,319	7,024,204
Lease and guarantee deposits received (Note 6)	55,360	55,643	677,000
Deferred tax liabilities (Note 10)	83,640	72,318	879,886
Deferred tax liabilities for land revaluation	5,034	4,370	53,176
Provision for retirement benefits (Note 7)	15,849	15,619	190,034
Provision for loss on subleasing business	2,002	1,583	19,263
Other	7,957	8,937	108,731
Total noncurrent liabilities	805,856	768,789	9,353,803
Total Liabilities	1,116,965	1,026,138	12,484,950
<b>Net Assets:</b>			
Shareholders' equity (Note 11):			
Capital stock	115,574	115,626	1,406,812
Capital surplus	92,904	92,955	1,130,983
Retained earnings	91,497	104,328	1,269,361
Treasury stock	(2)	(2)	(26)
Total shareholders' equity	299,973	312,907	3,807,130
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(1,076)	(2,040)	(24,820)
Deferred gains or losses on hedges	354	405	4,931
Revaluation reserve for land	5,962	6,625	80,607
Foreign currency translation adjustments	(677)	(831)	(10,116)
Total accumulated other comprehensive income	4,563	4,159	50,602
Subscription rights to shares	647	713	8,676
Minority interests	52,183	58,707	714,281
Total Net Assets	357,366	376,486	4,580,689
<b>Total Liabilities and Net Assets</b>	<b>¥1,474,331</b>	<b>¥1,402,624</b>	<b>\$17,065,639</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF INCOME

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years Ended March 31, 2011 and 2012

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2011	2012	2012
<b>Operating Revenue:</b>	¥480,983	¥450,807	\$5,484,938
Operating revenue	480,983	450,807	5,484,938
<b>Operating Expenses:</b>	438,900	400,868	4,877,329
Operating cost	373,761	335,897	4,086,834
Selling, general and administrative expenses	65,139	64,971	790,495
<b>Operating Income</b>	42,083	49,939	607,609
<b>Other Income and Expenses:</b>	(23,783)	(24,971)	(303,820)
Interest income	65	63	761
Dividends income	455	1,093	13,303
Equity in earnings of affiliates	17	5	66
Gain on sales of property and equipment (Note 8)	11,066	218	2,649
Reversal of provision for loss on disaster	—	300	3,645
Interest expenses	(14,903)	(14,329)	(174,341)
Loss on valuation of equity investments	(14,767)	—	—
Impairment loss (Note 9)	(852)	(9,723)	(118,294)
Loss on disaster	(2,612)	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	(684)	—	—
Other, net	(1,568)	(2,598)	(31,609)
<b>Income before Income Taxes and Minority Interests</b>	18,300	24,968	303,789
<b>Income Taxes (Note 10):</b>			
Income taxes—current	15,884	10,918	132,842
Income taxes—deferred	(7,753)	(10,091)	(122,782)
Total income taxes	8,131	827	10,060
Income before minority interests	10,169	24,141	293,729
Minority interests in income	4,697	6,550	79,692
<b>Net Income</b>	¥ 5,472	¥ 17,591	\$ 214,037

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years Ended March 31, 2011 and 2012

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2011	2012	2012
Income before Minority Interests	¥10,169	¥24,141	\$293,729
Other Comprehensive Income (Note 18):			
Valuation difference on available-for-sale securities	1,104	(961)	(11,698)
Deferred gains or losses on hedges	75	50	615
Revaluation reserve for land	(37)	663	8,071
Share of other comprehensive income of affiliates accounted for using the equity method	(252)	(154)	(1,877)
Total other comprehensive income	890	(402)	(4,889)
Comprehensive Income (Note 18)	¥11,059	¥23,739	\$288,840
(Breakdown)			
Comprehensive income attributable to owners of the parent	¥ 6,362	¥17,187	\$209,123
Comprehensive income attributable to minority interests	4,697	6,552	79,717

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years Ended March 31, 2011 and 2012

Millions of yen												
	Number of shares issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for- sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2010	190,331,000	¥115,528	¥92,858	¥ 89,357	¥ (2)	¥(2,181)	¥280	¥5,999	¥(425)	¥520	¥47,503	¥349,437
Issuance of new shares	56,000	46	46	—	—	—	—	—	—	—	—	92
Dividends from surplus	—	—	—	(3,332)	—	—	—	—	—	—	—	(3,332)
Net income	—	—	—	5,472	—	—	—	—	—	—	—	5,472
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	1,105	75	(37)	(252)	126	4,680	5,697
Balance at March 31, 2011	190,387,000	¥115,574	¥92,904	¥ 91,497	¥ (2)	¥(1,076)	¥355	¥5,962	¥(677)	¥646	¥52,183	¥357,366
Issuance of new shares	69,900	52	51	—	—	—	—	—	—	—	—	104
Dividends from surplus	—	—	—	(4,760)	—	—	—	—	—	—	—	(4,760)
Net income	—	—	—	17,591	—	—	—	—	—	—	—	17,591
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	(964)	50	663	(154)	67	6,524	6,186
Balance at March 31, 2012	190,456,900	¥115,626	¥92,955	¥104,328	¥ (2)	¥(2,040)	¥405	¥6,625	¥(831)	¥713	¥58,707	¥376,486

	(Thousands of U.S. dollars) (Note 1)										
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2011	\$1,406,184	\$1,130,355	\$1,113,242	\$(25)	\$(13,097)	\$4,316	\$72,536	\$ (8,239)	\$7,865	\$634,908	\$4,348,045
Issuance of new shares	628	628	—	—	—	—	—	—	—	—	1,256
Dividends from surplus	—	—	(57,918)	—	—	—	—	—	—	—	(57,918)
Net income	—	—	214,037	—	—	—	—	—	—	—	214,037
Purchases of treasury stock	—	—	—	(1)	—	—	—	—	—	—	(1)
Net changes of items other than shareholders' equity	—	—	—	—	(11,723)	615	8,071	(1,877)	811	79,373	75,270
Balance at March 31, 2012	\$1,406,812	\$1,130,983	\$1,269,361	\$(26)	\$(24,820)	\$4,931	\$80,607	\$(10,116)	\$8,676	\$714,281	\$4,580,689

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 56,000 shares in the year ended March 31, 2011 due to a general offering and third party allotment, and increased by 69,900 shares in the year ended March 31, 2012 due to the exercise of stock options.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years Ended March 31, 2011 and 2012

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2011	2012	2012
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests	¥ 18,300	¥ 24,968	\$ 303,789
Depreciation and amortization	12,836	13,535	164,674
Impairment loss	852	9,723	118,294
Gain on sales of property, plant and equipment	(11,066)	(218)	(2,649)
Equity in earnings of affiliates	(17)	(5)	(66)
Increase (decrease) in allowance for doubtful accounts	(54)	101	1,231
Increase (decrease) in provision for retirement benefits	404	(230)	(2,800)
Decrease in provision for loss on business liquidation	(45)	(37)	(446)
Increase (decrease) in provision for loss on subleasing business	65	(419)	(5,100)
Increase (decrease) in provision for loss on disaster	2,608	(2,195)	(26,701)
Interest and dividends income	(520)	(1,156)	(14,064)
Interest expenses	14,903	14,329	174,341
Decrease in notes and accounts receivable—trade	1,525	1,084	13,187
Decrease in inventories	26,117	36,529	444,447
Decrease in equity investments	10,001	6,700	81,514
Increase (decrease) in notes and accounts payable—trade	5,315	(6,730)	(81,880)
Decrease in deposits received	(25,553)	(14,813)	(180,226)
Other, net	3,297	(9,002)	(109,529)
<b>Subtotal</b>	<b>58,968</b>	<b>72,164</b>	<b>878,016</b>
Interest and dividends income received	265	1,396	16,990
Interest expenses paid	(15,059)	(14,327)	(174,321)
Income taxes paid	(10,226)	(15,356)	(186,837)
<b>Net cash provided by operating activities</b>	<b>33,948</b>	<b>43,877</b>	<b>533,848</b>
<b>Cash Flows from Investing Activities:</b>			
Purchase of investment securities	(6,226)	(81)	(986)
Proceeds from sales and liquidation of investment securities	75	3,846	46,799
Payments for investments in subsidiaries resulting in change in scope of consolidation	(13,664)	—	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	2,169	—	—
Purchase of property, plant and equipment and intangible assets	(37,571)	(14,098)	(171,530)
Proceeds from sales of property, plant and equipment and intangible assets	18,820	15,070	183,361
Payments for loans receivable	—	(4)	(47)
Collection of loans receivable	128	18	213
Payments for lease and guarantee deposits	(1,032)	(1,995)	(24,275)
Proceeds from collection of lease and guarantee deposits	3,580	3,614	43,972
Repayments of lease and guarantee deposits received	(5,497)	(4,102)	(49,907)
Proceeds from lease and guarantee deposits received	5,367	2,515	30,602
Other, net	120	3,026	36,815
<b>Net cash provided by (used in) investing activities</b>	<b>(33,731)</b>	<b>7,809</b>	<b>95,017</b>
<b>Cash Flows from Financing Activities</b>			
Net increase (decrease) in short-term loans payable	29,000	(20,500)	(249,422)
Increase (decrease) in commercial papers	20,000	(20,000)	(243,339)
Repayments of finance lease obligations	(116)	(162)	(1,974)
Proceeds from long-term loans payable	76,850	98,392	1,197,135
Repayments of long-term loans payable	(130,769)	(116,240)	(1,414,289)
Proceeds from issuance of corporate bonds	12,928	—	—
Redemption of bonds	(12,010)	—	—
Proceeds from issuance of common stock	0	0	1
Proceeds from issuance of common stock to minority shareholders	4	—	—
Purchase of treasury stock	(0)	(0)	(1)
Cash dividends paid	(3,331)	(4,760)	(57,918)
Cash dividends paid to minority shareholders	(42)	(26)	(312)
<b>Net cash used in financing activities</b>	<b>(7,486)</b>	<b>(63,296)</b>	<b>(770,119)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(7,269)</b>	<b>(11,610)</b>	<b>(141,254)</b>
<b>Cash and Cash Equivalents at Beginning of the Fiscal Year</b>	<b>89,335</b>	<b>82,066</b>	<b>998,490</b>
<b>Cash and Cash Equivalents at End of the Fiscal Year (Note 2(3))</b>	<b>¥ 82,066</b>	<b>¥ 70,456</b>	<b>\$ 857,236</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nomura Real Estate Holdings, Inc. and its subsidiaries  
March 31, 2011 and 2012

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP, and translated into English for the benefit of readers outside Japan. In addition, the notes to the consolidated financial statements include information which may not be required under Japanese GAAP but is presented herein as additional information.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers using the prevailing exchange rate at March 31, 2012 of ¥82.19=U.S.\$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that the Company controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in the assets resulting from transactions among the consolidated companies has been eliminated.

### (2) Foreign Currency Translation

All current and non-current accounts denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect at the consolidated balance sheet date. Differences arising from such translation are recognized as gain or loss. The asset and liability accounts of the overseas subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of the subsidiaries and affiliates and the revenue and expense accounts are translated into yen at the average rates of exchange for the year. Differences arising from such translation are presented as "Foreign currency translation adjustments" in Net Assets.

### (3) Cash and Cash Equivalents

In preparing the Consolidated Statements of Cash Flows, cash on hand, readily-available deposits and short-term, highly-liquid investments with a maturity of three months or less at the time of purchase and with an insignificant risk of market value fluctuation are considered to be cash and cash equivalents.

A reconciliation between cash and deposits in the Consolidated Balance Sheets and cash and cash equivalents at March 31, 2012 and 2011 is presented in Note 12.

### (4) Recognition of Revenues

Revenues from sales of housing and other real estate are recognized upon delivery and acceptance by customers.

### (5) Inventories

Inventories are mainly stated at cost, determined by the specific identification cost method (the amounts of inventories in the accompanying Consolidated Balance Sheets are computed based on the write-down method reflecting decreased profitability).

Write-downs of inventories as a result of a decrease in profitability for the years ended March 31, 2011 and 2012 were ¥10,066 million and ¥8,382 million (\$101,985 thousand), respectively.

**(6) Short-term Investments and Investment Securities**

Held-to-maturity debt securities are stated at amortized cost by the straight-line method.

Available-for-sale securities with market value are stated at fair market value based on market quotations at the balance sheet date.

Unrealized gains and losses are reported, net of the applicable taxes, as a separate component of Net Assets. Cost of securities sold is determined by the moving-average method. Available-for-sale securities without market value are stated at cost by the moving-average method.

**(7) Property and Equipment (except for leased assets)**

Depreciation of property and equipment is computed mainly by the straight-line method.

Estimated useful lives used in the computation of depreciation are generally as follows:

Buildings and structures 2 to 65 years

**(8) Software (except for leased assets)**

Costs of software for internal use are amortized using the straight-line method over an estimated useful life of five years.

**(9) Leased Assets**

Leased assets are depreciated using the straight-line method, assuming the lease period to be the useful life and the residual value to be zero.

Finance leases, other than those that transfer ownership, that started on or before March 31, 2008, are accounted for as operating leases.

**(10) Amortization of Goodwill**

Goodwill is amortized using the straight-line method over a period of 14 to 20 years.

**(11) Allowance for Doubtful Accounts**

In order to prepare for possible bad debt losses on notes and accounts receivable and loans, allowance for doubtful accounts is provided at an amount calculated on the basis of a historical bad debt ratio for a certain reference period for normal claims, plus an estimated uncollectible amount determined on the basis of individual assessments for specific claims with potential losses.

**(12) Income Taxes**

Current income taxes are stated at the estimated amount payable during each fiscal year for corporation, enterprise and inhabitants' taxes in the Consolidated Statements of Income.

The tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes is recognized as deferred income taxes.

**(13) Provision for Retirement Benefits**

In order to provide for employees' retirement benefits, the Company and its subsidiaries account for the liability for retirement benefits based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year.

Prior service cost is accounted for as an expense calculated using the straight-line method based on a certain number of years (i.e., 10 years), which is equal to or less than the average remaining service period of the employees in service during the period in which it arises.

Actuarial gain or loss is included in the Consolidated Statements of Income from the year following the fiscal year in which the gain or loss is recognized on a straight-line basis over a 10-year period, which is shorter than the average remaining service period of the eligible employees.

**(14) Per Share Information**

Basic net income per share is computed by dividing the net income available for distribution to shareholders of common stock by the weighted-average number of shares of common stock outstanding during each fiscal year. Diluted net income per share is computed by dividing the net income available for distribution to the shareholders by the weighted-average number of shares of common stock outstanding during each fiscal year assuming full conversion of convertible bonds and full execution of warrants.

Net assets per share for the years ended March 31, 2011 and 2012 were ¥1,599.57 and ¥1,664.78 (\$20.26), respectively.

Net income per share for the years ended March 31, 2011 and 2012 was ¥28.74 and ¥92.38 (\$1.12), respectively.

Diluted net income per share for the years ended March 31, 2011 and 2012 was ¥28.70 and ¥92.29 (\$1.12), respectively.

**(15) Land Revaluation**

Under the "Law Concerning Revaluation Reserve for Land" promulgated on March 31, 1998, the Company revalued its land held for business use. The tax amount for the difference between the appraisal value and the carrying amount is accounted for as "Deferred tax liabilities for land revaluation" in Noncurrent Liabilities and the difference net of such tax amount is recorded as "Revaluation reserve for land" in Net Assets.

Method of revaluation:

The value of land is determined based on a reasonable adjustment to the assessed value of the fixed assets as stipulated in Item 3, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation" (Ordinance No. 119 enacted on March 31, 1998).

Date of revaluation: March 31, 2002

At March 31, 2011 and 2012, market value was not less than book value after revaluation.

**(16) Derivative Financial Instruments**

In principle, net assets and liabilities arising from derivative financial instruments are measured at fair value, with any changes in unrealized gain or loss credited or charged to income. Hedging transactions are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as assets or liabilities until the losses or gains on the underlying hedged items are recognized.

As to interest rate swaps that meet certain hedging criteria, the Company applies exceptional treatment where the Company does not record these instruments at fair value but charges or credits the net cash flows from these instruments to the interest arising from the hedged borrowings and corporate bonds. For currency swaps and foreign exchange forwards that meet certain hedging criteria, the Company records cash flows from securities and loans denominated in foreign currencies at an amount determined by the swaps and forwards, and no gain or loss is recognized.

**(17) Provision for Loss on Disaster**

In order to provide for the expected expenditure for recovery costs, etc. related to the Great East Japan Earthquake, the Company recognized a provision for loss on disaster at an estimated amount as of the end of the fiscal year.

**(18) Accounting Standard for Accounting Changes and Error Corrections**

Effective from the fiscal year under review, the Company adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 issued on December 4, 2009).

### 3. FINANCIAL INSTRUMENTS

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**(1) Policies on Financial Instruments**

It is the policy of the Company and its consolidated subsidiaries to limit its fund management to safe and highly liquid deposits while raising funds primarily through loans from financial institutions and the issuance of corporate bonds. Derivatives are utilized for hedging against the risks described below not for speculative purposes.



## (2) Details of Financial Instruments and Risks

Short-term investment securities comprise safe and highly liquid negotiable deposits held for the purpose of managing temporary surplus funds.

Equity investments and investment securities primarily consist of stocks, investment units, units in an investment trust, preferred investments and investments in silent partnerships held for the purpose of business promotion, all of which are exposed to market price fluctuation and issuer credit risk. Currency swaps and forward exchange contracts are used to hedge risks from exchange rate fluctuations on securities in foreign currencies. Interest rate swaps are used to hedge risks arising from fluctuations in interest rates on long-term borrowings.

Derivative transactions used by the Company are as follows:

Hedging instruments	Hedged items
Interest rate swap contracts	Borrowings
Currency swaps and foreign exchange forward contracts	Securities denominated in foreign currencies

The Company and its consolidated subsidiaries evaluate hedge effectiveness by comparing the cumulative changes in market fluctuations or in cash flows of the hedged items to the corresponding changes in the hedging derivative instruments.

## (3) Policies and Systems for Risk Management

The Company regularly checks the market value of equity investments and investment securities, as well as the financial conditions of their issuers.

The Finance Department conducts execution of derivative transactions and risk management based on the risk management policies and operational plan determined by the Director in charge of Finance. The Finance Department also reports the status of transactions and risk information to the Director on a regular basis. The consolidated subsidiaries conduct execution of derivative transactions and risk management in accordance with internal policies. The Company considers there is no substantial credit risk associated with these transactions because of the transactions being conducted only with highly creditworthy financial institutions.

Based on the reports from each division of the Company and the consolidated subsidiaries, the Finance Department of the Company creates and updates cash flow plans in a timely manner, managing liquidity risk through such methods as ensuring that a specific amount of on-hand liquidity is always available.

## (4) Supplemental Information on Fair Values

The fair values of financial instruments are based on their market prices. The fair values of financial instruments with no available market prices are determined by using prices calculated in a reasonable manner. However, as various factors are incorporated into these calculations, the resulting values may differ if different assumptions are provided.

### (5) Fair Values of Financial Instruments

The book values, fair values and differences of financial instruments as of March 31, 2012 are as follows. Items for which fair value is extremely difficult to determine have not been included.

	Book value		Fair value		Difference	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
<b>2012</b>						
(1) Cash and deposits	¥ 45,458	\$ 553,087	¥ 45,458	\$ 553,087	¥ —	\$ —
(2) Short-term investment securities	25,000	304,173	25,000	304,173	—	—
(3) Investment securities <sup>1</sup>	31,075	378,090	31,093	378,306	18	216
Total assets	101,533	1,235,350	101,551	1,235,566	18	216
(1) Short-term loans payable <sup>2</sup>	34,500	419,759	34,500	419,759	—	—
(2) Bonds payable	33,000	401,509	34,133	415,292	1,133	13,783
(3) Long-term loans payable	691,062	8,408,104	705,713	8,586,357	14,650	178,253
Total liabilities	758,562	9,229,372	774,346	9,421,408	15,783	192,036
Derivative transactions <sup>3</sup>	¥ 11	\$ 134	¥ 11	\$ 134	¥ —	\$ —

Notes: 1. Includes government bonds, etc. presented as lease and guarantee deposits on the Consolidated Balance Sheets.

2. Current portion of long-term loans payable is included in (3) Long-term loans payable.

3. For derivative transactions, stated values are the net amounts of receivables and payables arising from the transactions. Figures in parentheses are liability amounts.

#### Notes:

##### 1. Investments in non-consolidated subsidiaries and affiliates are as follows:

Investment securities (investments in silent partnership, etc.)      ¥23,339 million (\$283,960 thousand)

##### 2. Method of measuring the fair value of financial instruments

###### Assets

###### (1) Cash and deposits

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

###### (2) Short-term investment securities

As these instruments, primarily comprising negotiable deposits, are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

###### (3) Investment securities

For stocks and investment units, fair values are determined mainly at the price quoted on an exchange. For investment trusts, fair values are determined at an amount reasonably calculated based on a reasonable estimate of the management.

Please see Note 4. Securities for information on those securities in (2) and (3).

###### Liabilities

###### (1) Short-term loans payable

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

###### (2) Bonds payable

Market prices of the bonds issued by the Company.

###### (3) Long-term loans payable

For long-term loans payable, fair value is determined by discounting the total amount of principal and interest at the assumed interest rate on new loans of the same type. Long-term loans with floating interest rates are hedged by interest rate swaps subject to the exceptional treatment, and, therefore, the fair value is determined by discounting the total amount of interest and principal together with the interest rate swap at the interest rate assumed in a reasonable manner for new loans of the same type.

###### Derivatives

Please see Note 13. Derivative Financial Instruments for information on derivative transactions.

### 3. Financial instruments for which fair value is extremely difficult to determine

2012	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
Investment in silent partnership	¥57,570	\$700,446

Financial instruments for which there is no fair value and for which the fair value is extremely difficult to determine are not included in (3) Investment securities.

### 4. Redemption schedule for financial assets with maturities

2012	Within 1 year		1–5 years		5–10 years		Over 10 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	¥45,367	\$551,971	¥ —	\$ —	¥ —	\$ —	¥ —	\$ —
Short-term investment securities and investment securities	—	—	—	—	—	—	—	—
Held-to-maturity debt securities	—	—	—	—	—	—	—	—
Government and municipal bonds, etc.	5	61	297	3,614	498	6,065	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities	—	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—	—
Others	25,000	304,173	—	—	—	—	—	—
Total	¥70,372	\$856,205	¥297	\$3,614	¥498	\$6,065	¥—	\$—

### 5. Repayment schedule for bonds payable and long-term loans payable at March 31, 2012

	Within 1 year		1–2 years		2–3 years		3–4 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Bonds payable	¥ —	\$ —	¥ —	\$ —	¥ 10,000	\$ 121,669	¥ 3,000	\$ 36,501
Long-term loans payable	113,743	1,383,901	138,459	1,684,623	110,409	1,343,341	112,878	1,373,383
Total	¥113,743	\$1,383,901	¥138,459	\$1,684,623	¥120,409	\$1,465,010	¥115,878	\$1,409,884

	4–5 years		Over 5 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Bonds payable	¥ —	\$ —	¥ 20,000	\$ 243,339
Long-term loans payable	94,473	1,149,441	121,100	1,473,415
Total	¥94,473	\$1,149,441	¥141,100	\$1,716,754

## 4. SECURITIES

The following tables summarize the acquisition cost, book value and fair value of securities held by the Company as of March 31, 2011 and 2012.

### (1) Held-to-maturity Debt Securities with Fair Value

2011	(Millions of yen)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥307	¥313	¥ 6
Subtotal	307	313	6
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	431	429	(2)
Subtotal	431	429	(2)
Total	¥738	¥742	¥ 4

2012	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair value exceeds book value:						
Government and municipal bonds, etc.	¥729	¥747	¥18	\$8,869	\$ 9,087	\$218
Subtotal	729	747	18	8,869	9,087	218
Securities whose fair value does not exceed book value:						
Government and municipal bonds, etc.	76	76	(0)	929	927	(2)
Subtotal	76	76	(0)	929	927	(2)
Total	¥805	¥823	¥18	\$9,798	\$10,014	\$216

## (2) Available-for-sale Securities with Fair Value

2011	(Millions of yen)		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 136	¥ 426	¥ 290
Other	5,280	5,320	40
Subtotal	5,416	5,746	330
Securities whose book value does not exceed acquisition cost:			
Stocks	507	446	(61)
Other	49,659	47,831	(1,828)
Subtotal	50,166	48,277	(1,889)
Total	¥55,582	¥54,023	¥(1,559)

2012	(Millions of yen)			(Thousands of U.S. dollars)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 136	¥ 482	¥ 346	\$ 1,655	\$ 5,865	\$ 4,210
Other	3,144	3,244	100	38,251	39,464	1,213
Subtotal	3,280	3,726	446	39,906	45,329	5,423
Securities whose book value does not exceed acquisition cost:						
Stocks	507	376	(131)	6,167	4,576	(1,591)
Other	47,790	43,992	(3,798)	581,463	535,244	(46,219)
Subtotal	48,297	44,368	(3,929)	587,630	539,820	(47,810)
Total	¥51,577	¥48,094	¥(3,483)	\$627,536	\$585,149	\$(42,387)

## (3) Sales of Available-for-sale Securities

The table below presents sales of available-for-sale securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2011 and 2012.

Type	2011 (Millions of yen)			2012 (Thousands of U.S. dollars)		
	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥ 0	¥ 0	—	\$ 468	\$ 0	\$350
Other	—	—	—	60,835	1	—
Total	¥ 0	¥ 0	—	\$61,303	\$ 1	\$350



## 5. SHORT-TERM LOANS PAYABLE AND LONG-TERM LOANS PAYABLE

Short-term loans payable as of March 31, 2011 and 2012 mainly consisted of borrowings from banks with weighted-average interest rates of 0.5% in 2011 and 0.4% in 2012.

Long-term loans payable and bonds payable as of March 31, 2011 and 2012 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Unsecured bonds (1.7%), due 2014	¥ 10,000	¥ 10,000	\$ 121,669
Unsecured bonds (2.1%), due 2017	10,000	10,000	121,669
Unsecured bonds (2.0%), due 2020	10,000	10,000	121,669
Secured bonds (1.8%), due 2016	3,000	3,000	36,501
Long-term loans payable*			
Secured	52,619	41,301	502,507
Unsecured	656,291	649,761	7,905,598
Lease obligations**	415	1,385	16,854
Subtotal	742,325	725,447	8,826,467
Less amounts due within one year	(106,027)	(113,929)	(1,386,166)
	¥ 636,298	¥611,518	\$ 7,440,301

\* Long-term loans payable as of March 31, 2011 and 2012 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with weighted-average interest rates of 1.2% in 2011 and 1.1% in 2012.

\*\* The weighted-average interest rate for lease obligations is not shown because for some consolidated subsidiaries the lease obligations recorded in the Consolidated Balance Sheets are the amounts before deducting the interest equivalents included in the total lease commitments.

The following table shows the maturities of long-term loans payable subsequent to March 31, 2012.

Years ending March 31,	(Millions of yen)	(Thousands of U.S. dollars)
2013	¥113,743	\$1,383,901
2014	138,459	1,684,623
2015	110,409	1,343,341
2016	112,878	1,373,384
2017 and thereafter	215,573	2,622,856
	¥691,062	\$8,408,105

The following table shows the maturities of lease obligations subsequent to March 31, 2012.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2013	¥ 186	\$ 2,265
2014	149	1,815
2015	100	1,216
2016	73	882
2017 and thereafter	877	10,676
	¥1,385	\$16,854

## 6. PLEDGED ASSETS AND SECURED LIABILITIES

Pledged assets and secured liabilities at March 31, 2011 and 2012 are summarized as follows:

### (1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Pledged assets:			
Buildings and structures	¥ 8,751	¥ 8,758	\$106,562
Land	7,455	7,455	90,703
Other property and equipment	44	37	452
	¥16,250	¥16,250	\$197,717
Secured liabilities:			
Short-term loans payable (Including the current portion of long-term loans payable)	¥ 663	¥ 537	\$ 6,534
Long-term loans payable (Repayment periods of more than one year)	887	350	4,252
Lease and guarantee deposits received	82	74	912
Total	¥ 1,632	¥ 961	\$ 11,698

### (2) Pledged Assets and Secured Liabilities for Non-recourse Loans

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Pledged assets:			
Real estate for sale	¥ 4,609	¥ 4,484	\$ 54,552
Buildings and structures	16,614	10,346	125,878
Land	70,684	61,377	746,774
Construction in progress	13	43	526
Total	¥91,920	¥76,250	\$927,730
Secured liabilities:			
Short-term loans payable	6,203	233	2,837
Long-term loans payable	44,866	40,181	488,883
Total	¥51,069	¥40,414	\$491,720

These liabilities have arisen in relation to SHINJUKU MIRAI DEVELOPMENT, LLC and other companies, and the repayment obligations of these liabilities are limited to the assets of said companies including the pledged assets stated above. TJ Properties Special Purpose Company, Ltd. has, pursuant to the provisions of Article 128 of the Act on Securitization of Assets (Act No. 105 of 1998), pledged its assets as general security for specified corporate bonds of ¥3,000 million (\$36,501 thousand) and the repayment obligations of said company are limited to these pledged assets.

## 7. RETIREMENT BENEFITS

### (1) Outline of Retirement Benefit Plans

The Company does not have a retirement benefit plan. Among its consolidated subsidiaries that have adopted defined benefit plans, two subsidiaries have a lump-sum pension plan and a defined benefit corporate pension plan and one of them has also established a retirement benefit trust. Six subsidiaries have adopted only a lump-sum pension plan. Also, one consolidated subsidiary has a defined benefit lump-sum pension plan as well as a defined contribution pension plan. In certain cases, additional retirement benefit payments have been made.

In order to provide for employees' retirement benefits, the Company and its subsidiaries account for the liability for retirement benefits based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year. Prior service cost is accounted for as an expense calculated by using the straight-line method based on a certain number of years (i.e., 10 years), which is equal to or less than the average remaining service period of the employees in service during the period in which it arises. Actuarial gains and losses are accounted mainly for as an expense for an amount allocated to each period by using the straight-line method based on a certain number of years (i.e., 10 years), which is equal to or less than the average remaining service period of the employees in service during the fiscal year in which it arises, starting from the following fiscal year.

### (2) Details of Retirement Benefit Obligation

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
(1) Projected benefit obligation	¥(21,181)	¥(21,822)	\$(265,504)
(2) Plan assets at fair value	7,876	9,214	112,105
(3) Unfunded retirement benefit obligation (1)+(2)	(13,305)	(12,608)	(153,399)
(4) Unrecognized actuarial gain or loss	1,214	352	4,280
(5) Unrecognized prior service cost	(3,758)	(3,363)	(40,915)
(6) Provision for retirement benefits (3)+(4)+(5)	¥(15,849)	¥(15,619)	\$(190,034)

Note: Certain consolidated subsidiaries applied a simplified method to calculate their projected benefit obligation.

### (3) Details of Retirement Benefit Expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
(1) Service cost	¥1,488	¥1,307	\$15,900
(2) Interest cost	465	389	4,735
(3) Less: Expected return on plan assets	(146)	(157)	(1,909)
(4) Amortization of actuarial gain or loss	579	635	7,727
(5) Amortization of prior service cost	(298)	(396)	(4,813)
(6) Additional retirement benefit payments	38	71	866
(7) Other	152	160	1,948
Retirement benefit expenses	¥2,278	¥2,009	\$24,454

Notes: 1. Retirement benefit expenses of consolidated subsidiaries applying a simplified method are included in "(1) Service cost."

2. "(7) Other" shows the contributions paid to defined contribution pension plans. Certain consolidated subsidiaries use a simplified method to calculate their projected benefit obligation.

Assumptions used in accounting for the retirement benefit plans are summarized as follows:

	2011	2012
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%

## 8. GAIN ON SALES OF PROPERTY AND EQUIPMENT

The breakdown of gain on sales of property and equipment for the fiscal year ended March 31, 2012 is as follows:

	Gain on sales	
	(Millions of yen)	(Thousands of U.S. dollars)
Land	¥1,029	\$12,523
Buildings	(811)	(9,874)
Total	¥ 218	\$ 2,649

## 9. IMPAIRMENT LOSS

The Group recognized impairment loss on the following groups of assets for the fiscal year ended March 31, 2012:

Primary use	Type	Location
Leased assets	Buildings	Fukuoka-shi, Fukuoka Prefecture and other locations
Others	Land	
(16 locations in total)	Tangible fixed assets—others	

Assets of the Group are grouped into the smallest unit that generates identifiable cash flows that are largely independent of cash flows from other assets or groups of assets. The headquarters building and certain other assets are considered to be shared assets. As a result, with respect to sixteen groups of assets that the Group plans to sell or with negative operating profit for several consecutive periods, the carrying amount has been reduced to the recoverable amount and the amount of reduction has been recognized as an impairment loss of ¥9,723 million (\$118,294 thousand) in extraordinary loss for the fiscal year under review. The impairment loss is broken down into an impairment loss of ¥6,640 million (\$80,787 thousand) on land and an impairment loss of ¥3,083 million (\$37,507 thousand) on buildings and tangible fixed assets—others. The recoverable amount of these groups of assets is measured at the net realizable value or value in use and the net realizable value is, in turn, determined based on the expected sales price and the appraisal value provided by real estate appraisers. Value in use of the assets is calculated by discounting future cash flows at a rate of 4.8%.

## 10. INCOME TAXES

The statutory tax rate in Japan for the Company and its domestic subsidiaries was 40.7% for the years ended March 31, 2011 and 2012.

The table below presents an itemized breakdown of factors generating differences between the statutory tax rate and the effective tax rates of the Company and its consolidated subsidiaries for the years ended March 31, 2011 and 2012:

Significant differences between the statutory tax rate and the effective tax rate

	2011	2012
Statutory tax rate	40.7%	40.7%
Adjustments:		
Permanent differences including entertainment expenses	2.0	1.7
Effect of tax rate change	—	(32.6)
Valuation allowance	—	(7.6)
Other	1.7	1.1
Effective tax rates	44.4%	3.3%

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2011 and 2012:

Significant components of the Company's deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Deferred tax assets:			
Unrealized profits	¥ 14,258	¥ 14,133	\$ 171,958
Inventory write-downs	13,882	9,450	114,981
Impairment loss	—	3,145	38,268
Tax loss carryforwards	—	2,543	30,939
Provision for retirement benefits	6,466	5,666	68,935
Provision for loss on subleasing business	1,040	800	9,737
Provision for loss on disaster	1,058	—	—
Provision for bonuses	1,711	1,587	19,308
Loss on valuation of equity investments	10,469	9,536	116,025
Accrued enterprise taxes	912	—	—
Excess of depreciation	2,482	2,333	28,380
Revaluation of assets on consolidation	4,394	2,912	35,428
Valuation difference on available-for-sale securities	925	936	11,389
Other	7,306	6,258	76,145
Gross deferred tax assets	64,903	59,299	721,493
Valuation allowance	(8,376)	(5,188)	(63,124)
Total deferred tax assets	56,527	54,111	658,369
Deferred tax liabilities:			
Revaluation of assets on consolidation	(65,932)	(57,366)	(697,962)
Reserve for deferred income taxes	(27,698)	(24,135)	(293,654)
Other	(1,737)	(1,725)	(20,989)
Total deferred tax liabilities	(95,368)	(83,226)	(1,012,605)
Net deferred tax liabilities	¥(38,842)	¥(29,115)	\$ (354,236)

**Corporate income tax rate change and its effects on deferred tax assets and deferred tax liabilities**

Effective fiscal years which begin on or after April 1, 2012, the corporate tax rate will be reduced and the special reconstruction corporate tax will be imposed following the enactment of two new legal statutes promulgated on December 2, 2011; a corporate tax law partial amendment (Act No. 114 of 2011) and a reconstruction funding act in the aftermath of the Great East Japan Earthquake (Act No. 117 of 2011). In accordance with this reform, the statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, is reduced to 38.0% from 40.7% for temporary differences that are expected to be eliminated during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.6% for temporary differences that are expected to be eliminated during and after the fiscal year beginning on April 1, 2015.

Due to this tax rate change, net deferred tax liabilities (the amount after deducting deferred tax assets) decreased ¥7,952 million (\$96,752 thousand), income taxes-deferred decreased ¥8,146 million (\$99,121 thousand), and valuation difference on available-for-sale securities decreased ¥195 million (\$2,376 thousand) as of March 31, 2012, whereas net income after deducting minority interests increased ¥4,571 million (\$55,623 thousand) for the fiscal year ended March 31, 2012.



## 11. SHAREHOLDERS' EQUITY

Companies in Japan were previously subject to the Commercial Code of Japan (the "Code"); however, the Code was superseded by the Companies Act of Japan (the "Act") which went into effect on May 1, 2006.

Under the Act, all funds obtained through the issuance of common stock must be treated as common stock and, by resolution of the board of directors, an amount equivalent to less than half of those funds may be appropriated to the capital reserve (a component of capital surplus).

The Act provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

As of March 31, 2012, the Company's capital reserve amounted to ¥92,956 million (\$1,130,983 thousand), and no legal reserve was recorded.

## 12. SUPPLEMENTARY CASH FLOW INFORMATION

A reconciliation of cash and deposits in the Consolidated Balance Sheets as of March 31, 2011 and 2012 and cash, and cash equivalents in the Consolidated Statements of Cash Flows for the years then ended is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Cash and deposits	¥52,068	¥45,458	\$553,087
Short-term investment securities	30,000	25,000	304,173
Time deposits with maturities of more than three months	(2)	(2)	(24)
Cash and cash equivalents	¥82,066	¥70,456	\$857,236

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

### (1) Derivatives to which hedge accounting is not applied

There are no derivative transactions to which hedge accounting is not applied.

### (2) Derivatives to which hedge accounting is applied

#### (a) Currency-related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
			(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Deferral hedge accounting	Currency swaps	Securities denominated in foreign currencies	¥1,779	\$21,643	—	—	¥11	\$134
Total			¥1,779	\$21,643	—	—	¥11	\$134

Note: The fair value is determined based on the quoted price obtained from the counterparty financial institutions to the derivatives transactions.

#### (b) Interest rate-related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
			(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate/ Pay fixed rate	Long-term debt	¥546,443	\$6,648,534	¥453,570	\$5,518,552	(Note)	(Note)
Total			¥546,443	\$6,648,534	¥453,570	\$5,518,552	—	—

Note: The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the paid or received under the swap agreements is recognized and included in interest expenses of income of the long-term debt as hedged items. Accordingly, the fair value of the interest rate swaps is considered to be included in the fair value of the long-term debt.

## 14. LEASES

Details of significant lease transactions are as follows:

The table below presents the future lease payments and receipts of operating leases subsequent to March 31, 2011 and 2012.

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Operating leases			
Future lease payments:			
Due within 1 year	¥ 6,822	¥ 4,842	\$ 58,917
Due after 1 year	19,525	14,599	177,631
Total	¥26,347	¥19,441	\$236,548
Future lease receipts:			
Due within 1 year	¥14,314	¥12,295	\$149,589
Due after 1 year	77,528	62,175	756,477
Total	¥91,842	¥74,470	\$906,066

Note: The note for finance leases has been omitted due to lack of materiality.

## 15. REAL ESTATE FOR RENT

Some of the Company's subsidiaries own rental office buildings and rental facilities (including land) in Tokyo and other regions.

The book values in the Consolidated Balance Sheets, changes during the fiscal year under review, and fair values of real estate, of which some portions are used as rental property, are determined as follows:

### (1) Fair value of rental and other properties in the fiscal year ended March 31, 2012

	Book value				Fair value			
	March 31, 2011		Increase/Decrease		March 31, 2012		March 31, 2012	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Rental properties	¥691,968	\$8,419,121	¥(21,956)	\$(267,142)	¥670,012	\$8,151,979	¥679,413	\$8,266,368
Other properties used as rental properties	25,028	304,509	(243)	(2,957)	24,785	301,552	48,500	590,096

Notes: 1. Book values in the Consolidated Balance Sheets are the amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

2. Fair values as of March 31, 2012 are determined by the Company (including adjustments based on certain indexes) based primarily on their values according to real estate appraisal standards. However, if there have been no fluctuations in appraisal values or indexes considered to appropriately reflect market values since the recent appraisal or acquisition from third parties, the Company uses the appraisal values or amounts derived from the indexes as the fair values at March 31, 2012.

3. In the above table, Other properties used as rental properties includes portions used by the Company and certain consolidated subsidiaries.

### (2) Income and loss on rental properties in the fiscal year ended March 31, 2012

	Operating income		Others (gains (losses) on sale of property, etc.)	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Rental properties	¥27,571	\$335,450	¥(8,393)	\$(102,117)
Other properties used as rental properties	1,112	13,533	—	—

Notes: 1. As real estate of which some portions are used as rental property includes portions used by the Company and certain consolidated subsidiaries for providing services as well as management and administration, operating income for this type of real estate is not recorded.

2. Others include gain on sales of noncurrent assets (¥218 million (\$2,649 thousand)) and impairment loss (¥8,826 million (\$107,382 thousand)).

## 16. SEGMENT INFORMATION

The Company and its consolidated subsidiaries mainly operate in five business segments: (1) Residential Development, (2) Building, (3) Investment Management & Development, (4) Property Brokerage & Consignment Sales, and (5) Other.

Results by segment for the fiscal years ended March 31, 2011 and 2012 were as follows:

Results by segment for the fiscal year ended March 31, 2011

	(Millions of yen)							
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Operating revenue and operating income								
Operating revenue:								
External customers	¥285,494	¥ 93,027	¥ 55,488	¥27,293	¥19,681	¥ 480,983	¥ —	¥ 480,983
Inter-segment	641	7,362	559	1,662	1,286	11,510	(11,510)	—
Subtotal	286,135	100,389	56,047	28,955	20,967	492,493	(11,510)	480,983
Segment income	15,803	22,644	6,773	1,220	652	47,094	(5,010)	42,083
Segment assets	¥313,078	¥624,749	¥379,753	¥39,790	¥28,604	¥1,385,974	¥ 88,357	¥1,474,331
Other items								
Depreciation and amortization	¥ 329	¥ 10,088	¥ 989	¥ 179	¥ 1,026	¥ 12,610	¥ 225	¥ 12,836
Amortization of goodwill	29	236	—	—	—	265	—	265
Investment in affiliates accounted for using equity method	12	754	8,526	90	—	9,381	—	9,381
Increase in property, plant and equipment and intangible assets	342	49,104	17,905	340	544	68,235	(31,274)	36,961

Notes: 1. The "Other" category, which represents operating segments that are not included in reportable segments, includes fitness club and other businesses.

2. (1) The deduction of ¥5,010 million shown in the eliminations or corporate column for segment income includes a deduction of ¥84 million for the elimination of inter-segment transactions and a deduction of ¥4,926 million for corporate expenses not allocated to reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

(2) The addition of ¥88,357 million shown in the eliminations or corporate column for segment assets includes a deduction of ¥34,632 million for the elimination of inter-segment transactions and an addition of ¥122,989 million for corporate assets not allocated to reportable segments.

(3) The figure shown in the eliminations or corporate column for increase in property, plant and equipment and intangible assets is mainly attributable to reclassifications between segments.

3. The segment income by segment is reconciled to the operating income stated in the consolidated financial statements.

Results by segment for the fiscal year ended March 31, 2012

	(Millions of yen)							
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Operating revenue and operating income								
Operating revenue:								
External customers	¥243,801	¥100,149	¥ 62,808	¥25,897	¥18,152	¥ 450,807	¥ —	¥ 450,807
Inter-segment	720	5,552	1,187	8,406	929	16,794	(16,794)	—
Subtotal	244,521	105,701	63,995	34,303	19,081	467,601	(16,794)	450,807
Segment income	23,823	25,346	2,539	1,926	722	54,355	(4,416)	49,939
Segment assets	¥346,684	¥618,055	¥318,422	¥26,459	¥27,956	¥1,337,575	¥ 65,049	¥1,402,624
Other items								
Depreciation and amortization	¥ 332	¥ 10,472	¥ 1,195	¥ 206	¥ 1,108	¥ 13,313	¥ 222	¥ 13,535
Amortization of goodwill	29	236	—	—	—	265	—	265
Investment in affiliates accounted for using equity method	12	748	2,661	20	—	3,441	—	3,441
Increase in property, plant and equipment and intangible assets	463	8,126	4,014	254	2,258	15,115	23	15,138

(Thousands of U.S. dollars)								
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Operating revenue and operating income								
Operating revenue:								
External customers	\$2,966,310	\$1,218,499	\$ 764,182	\$315,088	\$220,859	\$ 5,484,938	\$ —	\$ 5,484,938
Inter-segment	8,756	67,562	14,438	102,274	11,304	204,334	(204,334)	—
Subtotal	2,975,066	1,286,061	778,620	417,362	232,163	5,689,272	(204,334)	5,484,938
Segment income	289,847	308,381	30,894	23,431	8,789	661,342	(53,733)	607,609
Segment assets	\$4,218,078	\$7,519,831	\$3,874,218	\$321,924	\$340,141	\$16,274,192	\$ 791,447	\$17,065,639
Other items								
Depreciation and amortization	\$ 4,043	\$ 127,407	\$ 14,540	\$ 2,508	\$ 13,481	\$ 161,979	\$ 2,695	\$ 164,674
Amortization of goodwill	357	2,866	—	—	—	3,223	—	3,223
Investment in affiliates accounted for using equity method	143	9,106	32,377	243	—	41,870		41,870
Increase in property, plant and equipment and intangible assets	5,631	98,870	48,839	3,093	27,466	183,899	287	184,186

Notes: 1. The "Other" category, which represents operating segments that are not included in reportable segments, includes fitness club and other businesses.

2. (1) The deduction of ¥4,416 million (\$53,734 thousand) shown in the eliminations or corporate column for segment income includes a deduction of ¥1,082 million (\$13,169 thousand) for the elimination of inter-segment transactions and a deduction of ¥5,499 million (\$66,902 thousand) for corporate expenses not allocated to reportable segments. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.

(2) The addition of ¥65,049 million (\$791,447 thousand) shown in the eliminations or corporate column for segment assets includes a deduction of ¥39,919 million (\$485,694 thousand) for the elimination of inter-segment transactions and an addition of ¥104,968 million (\$1,277,141 thousand) for corporate assets not allocated to reportable segments.

3. The segment income by segment is reconciled to the operating income stated in the consolidated financial statements.

Impairment loss on noncurrent assets by reportable segments for the years ended March 31, 2011 and 2012 is summarized as follows:

(Millions of yen)					
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Total
2011					
Impairment loss	¥—	¥84	¥768	¥—	¥852

(Millions of yen)						
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other (Note)	Total
2012						
Impairment loss	¥—	¥592	¥8,234	¥—	¥897	¥9,723

(Thousands of U.S. dollars)						
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other (Note)	Total
2012						
Impairment loss	\$—	\$7,204	\$100,178	\$—	\$10,912	\$118,294

Note: The amount shown in the "Other" column relates to fitness club business.

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2011 and 2012 by reportable segments:

(Millions of yen)					
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Total
2011					
Amortization	¥ 29	¥ 236	¥—	¥—	¥ 265
Balance at March 31, 2011	351	4,182	—	—	4,533

(Millions of yen)					
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Total
2012					
Amortization	¥ 29	¥ 236	¥—	¥—	¥ 265
Balance at March 31, 2012	322	3,946	—	—	4,268

(Thousands of U.S. dollars)					
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Total
2012					
Amortization	\$ 356	\$ 2,866	\$—	\$—	\$ 3,223
Balance at March 31, 2012	3,920	48,012	—	—	51,932

## 17. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2011 and 2012 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Guarantees for home loans of house purchasers from banks and other	¥80,083	¥48,896	\$594,919
Guarantees for loans to business partners in the business of commercial buildings for rent	948	881	10,721
	¥81,031	¥49,777	\$605,640

## 18. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The amount of recycling and amount of income tax effect associated with other comprehensive income for the year ended March 31, 2012

	(Millions of yen)	(Thousands of U.S. dollars)
Valuation difference on available-for-sale securities:		
Amount recognized during the year	¥(2,346)	\$(29)
Amount of recycling	998	13
Before income tax effect	(1,348)	(16)
Income tax effect	387	4
Valuation difference on available-for-sale securities	(961)	(12)
Deferred gains or losses on hedges:		
Amount recognized during the year	145	2
Amount of recycling	(114)	(2)
Before income tax effect	31	0
Income tax effect	19	1
Deferred gains or losses on hedges	50	1
Revaluation reserve for land:		
Income tax effect	663	8
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	(149)	(2)
Income tax effect	(5)	0
Share of other comprehensive income of affiliates accounted for using the equity method	(154)	(2)
Total other comprehensive income	¥ (402)	\$ (5)



## 19. SCHEDULE OF ASSET RETIREMENT OBLIGATIONS

A presentation of this schedule is omitted pursuant to the provisions of Article 92-2 of the Consolidated Financial Statements Regulations as the amount of asset retirement obligations is not more than 1% of the total amount of liabilities and net assets as of the end of the fiscal year under review.

## 20. SUBSEQUENT EVENTS

### *Payment of Dividends*

At the 8th Annual General Meeting of Shareholders held on June 28, 2012, a resolution for the payment of dividends of ¥12.5 (\$0.15) per share, ¥2,381 million (\$28,966 thousand) in total, to shareholders of record as of March 31, 2012 was approved.

### *Change of Parent Company*

Nomura Holdings, Inc. purchased additional shares of NOMURA LAND AND BUILDING Co., Ltd. from JAFCO Co., Ltd., The Asahi Fire and Marine Insurance Company Limited and Obayashi Corporation on May 24, 2011, and acquired the majority of the voting rights in NOMURA LAND AND BUILDING Co., Ltd., which is the parent company of Nomura Real Estate Holdings, Inc. With this stock acquisition, Nomura Holdings, Inc. became the parent company of NOMURA LAND AND BUILDING Co., Ltd. and thus also became the new parent company of Nomura Real Estate Holdings, Inc.

## 21. STOCK OPTIONS

In accordance with the Companies Act of Japan, on November 30, 2007, the Company granted certain stock options to certain directors, executive officers and employees of the Company and its consolidated subsidiaries.

Information regarding the Company's stock option plans is summarized as follows:

### 1. Amount and account title of costs related to stock options

	(Millions of yen)		(Thousands of U.S. dollars)
	2011	2012	2012
Selling, general and administrative expenses	¥232	¥195	\$2,368

### 2. Description

Nomura Real Estate Holdings, Inc.

FY2007	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company's subsidiaries (43 persons)	Directors of the Company (5 persons) Directors of the Company's subsidiaries (45 persons) Employees of the Company's subsidiaries (116 persons)
Type/number of shares reserved (See note)	Common stock: 52,300 shares	Common stock: 180,400 shares
Grant date	November 30, 2007	November 30, 2007
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	November 30, 2008 – November 29, 2013	November 30, 2009 – November 29, 2014

## Nomura Real Estate Holdings, Inc.

FY2008

Recipients

2nd issue of stock options

Directors and executive officers of the Company's subsidiaries (51 persons)

3rd issue of stock options

Directors of the Company (5 persons)  
Directors and executive officers of the Company's subsidiaries (52 persons)  
Employees of the Company's subsidiaries (122 persons)

Type/number of shares reserved (See note)

Common stock:  
61,300 sharesCommon stock:  
191,200 shares

Grant date

August 11, 2008

August 11, 2008

Vesting conditions

No conditions attached

No conditions attached

Service period

No period specified

No period specified

Exercisable period

August 11, 2009 –  
August 10, 2014August 11, 2010 –  
August 10, 2015

## Nomura Real Estate Holdings, Inc.

FY2009

Recipients

1st issue of stock options

Directors of the Company (8 persons)

2nd issue of stock options

Directors and executive officers of the Company's subsidiaries (51 persons)

3rd issue of stock options

Directors of the Company (8 persons)  
Directors and executive officers of the Company's subsidiaries (51 persons)  
Employees of the Company's subsidiaries (129 persons)

Type/number of shares reserved (See note)

Common stock:  
21,200 sharesCommon stock:  
59,500 sharesCommon stock:  
202,700 shares

Grant date

August 11, 2009

August 11, 2009

August 11, 2009

Vesting conditions

No conditions attached

No conditions attached

No conditions attached

Service period

No period specified

No period specified

No period specified

Exercisable period

August 11, 2010 –  
August 10, 2015August 11, 2010 –  
August 10, 2015August 11, 2011 –  
August 10, 2016

## Nomura Real Estate Holdings, Inc.

FY2010

Recipients

1st issue of stock options

Directors of the Company (7 persons)

2nd issue of stock options

Directors and executive officers of the Company's subsidiaries (57 persons)

3rd issue of stock options

Directors of the Company (7 persons)  
Directors and executive officers of the Company's subsidiaries (57 persons)  
Employees of the Company's subsidiaries (147 persons)

Type/number of shares reserved (See note)

Common stock:  
20,000 sharesCommon stock:  
66,100 sharesCommon stock:  
226,400 shares

Grant date

August 23, 2010

August 23, 2010

August 23, 2010

Vesting conditions

No conditions attached

No conditions attached

No conditions attached

Service period

No period specified

No period specified

No period specified

Exercisable period

August 23, 2011 –  
August 22, 2016August 23, 2011 –  
August 22, 2016August 23, 2012 –  
August 22, 2017

## Nomura Real Estate Holdings, Inc.

FY2011	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (6 persons)	Directors and executive officers of the Company's subsidiaries (57 persons)	Directors of the Company (6 persons) Directors and executive officers of the Company's subsidiaries (57 persons) Employees of the Company's subsidiaries (152 persons)
Type/number of shares reserved (See note)	Common stock: 17,900 shares	Common stock: 66,700 shares	Common stock: 227,800 shares
Grant date	August 23, 2011	August 23, 2011	August 23, 2011
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	August 23, 2012 – August 22, 2017	August 23, 2012 – August 22, 2017	August 23, 2013 – August 22, 2018

## MEGALOS CO., LTD.

FY2008	2nd issue of stock options
Recipients	Directors of the Company (3 persons) Employees of the Company (14 persons)
Type/number of shares reserved (See note)	Common stock: 32,000 shares
Grant date	December 1, 2008
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	December 1, 2010 – November 30, 2015

## MEGALOS CO., LTD.

FY2009	2nd issue of stock options
Recipients	Directors of the Company (3 persons) Employees of the Company (12 persons)
Type/number of shares reserved (See note)	Common stock: 27,000 shares
Grant date	August 3, 2009
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	August 3, 2011 – August 2, 2016

## MEGALOS CO., LTD.

FY2010	1st issue of stock options	2nd issue of stock options
Recipients	Directors of the Company (3 persons)	Directors of the Company (3 persons) Employees of the Company (12 persons)
Type/number of shares reserved (See note)	Common stock: 7,900 shares	Common stock: 28,000 shares
Grant date	August 23, 2010	August 23, 2010
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 23, 2011 – August 22, 2016	August 23, 2012 – August 22, 2017

FY2011	1st issue of stock options	2nd issue of stock options
Recipients	Directors of the Company (3 persons)	Directors of the Company (3 persons) Employees of the Company (11 persons)
Type/number of shares reserved (See note)	Common stock: 7,900 shares	Common stock: 26,000 shares
Grant date	August 22, 2011	August 22, 2011
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 22, 2012 – August 21, 2017	August 22, 2013 – August 21, 2018

**3. Scale of offer and status of changes****(1) Number of stock options**

Nomura Real Estate Holdings, Inc.

FY2007	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
End of the year	—	—
Vested: (shares)		
Previous fiscal year end	11,000	173,900
Vested	—	—
Exercised	6,700	—
Forfeited	—	13,800
End of the year	4,400	160,100

## Nomura Real Estate Holdings, Inc.

FY2008	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
End of the year	—	—
Vested: (shares)		
Previous fiscal year end	17,700	191,200
Vested	—	—
Exercised	8,500	—
Forfeited	—	17,800
End of the year	9,200	173,400

## Nomura Real Estate Holdings, Inc.

FY2009	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	188,300
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	188,300
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	3,500	29,600	14,400
Vested	—	—	188,300
Exercised	3,500	7,100	—
Forfeited	—	—	700
End of the year	—	22,500	202,000

## Nomura Real Estate Holdings, Inc.

FY2010	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	223,000
Granted	—	—	—
Forfeited	—	—	700
Vested	—	—	7,000
End of the year	—	—	215,300
Vested: (shares)			
Previous fiscal year end	20,000	66,100	3,400
Vested	—	—	7,000
Exercised	17,100	27,000	—
Forfeited	—	—	—
End of the year	2,900	39,100	10,400



## Nomura Real Estate Holdings, Inc.

<u>FY2011</u>	<u>1st issue of stock options</u>	<u>2nd issue of stock options</u>	<u>3rd issue of stock options</u>
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	17,900	66,700	227,800
Forfeited	—	—	700
Vested	17,900	66,700	—
End of the year			227,100
Vested: (shares)			
Previous fiscal year end	—	—	—
Vested	17,900	66,700	—
Exercised	—	—	—
Forfeited	—	—	—
End of the year	17,900	66,700	—

## MEGALOS CO., LTD.

<u>FY2008</u>	<u>2nd issue of stock options</u>
Non-vested: (shares)	
Previous fiscal year end	—
Granted	—
Forfeited	—
Vested	—
End of the year	—
Vested: (shares)	
Previous fiscal year end	20,000
Vested	—
Exercised	—
Forfeited	—
End of the year	20,000

## MEGALOS CO., LTD.

<u>FY2009</u>	<u>2nd issue of stock options</u>
Non-vested: (shares)	
Previous fiscal year end	25,000
Granted	—
Forfeited	—
Vested	25,000
End of the year	—
Vested: (shares)	
Previous fiscal year end	—
Vested	25,000
Exercised	—
Forfeited	3,000
End of the year	22,000

## MEGALOS CO., LTD.

FY2010	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	26,000
Granted	—	—
Forfeited	—	3,000
Vested	—	—
End of the year	—	23,000
Vested: (shares)		
Previous fiscal year end	7,900	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
End of the year	7,900	—

## MEGALOS CO., LTD.

FY2011	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	7,900	26,000
Forfeited	—	3,000
Vested	7,900	—
End of the year	—	23,000
Vested: (shares)		
Previous fiscal year end	—	—
Vested	7,900	—
Exercised	—	—
Forfeited	—	—
End of the year	7,900	—

**(2) Unit price data**

## Nomura Real Estate Holdings, Inc.

FY2007	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	3,380
Average price upon exercise (¥)	1,265	—
Fair value on grant date (¥)	2,903	714

## Nomura Real Estate Holdings, Inc.

FY2008	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	2,255
Average price upon exercise (¥)	1,313	—
Fair value on grant date (¥)	2,131	770

## Nomura Real Estate Holdings, Inc.

FY2009	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,663
Average price upon exercise (¥)	1,426	1,207	—
Fair value on grant date (¥)	1,533	1,533	641

## Nomura Real Estate Holdings, Inc.

FY2010	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,194
Average price upon exercise (¥)	1,197	1,154	—
Fair value on grant date (¥)	1,119	1,119	437

## Nomura Real Estate Holdings, Inc.

FY2011	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,457
Average price upon exercise (¥)	—	—	—
Fair value on grant date (¥)	1,045	1,045	315

## MEGALOS CO., LTD.

FY2008	2nd issue of stock options
Exercise price (¥)	740
Average price upon exercise (¥)	—
Fair value on grant date (¥)	184

## MEGALOS CO., LTD.

FY2009	2nd issue of stock options
Exercise price (¥)	1,010
Average price upon exercise (¥)	—
Fair value on grant date (¥)	259

## MEGALOS CO., LTD.

FY2010	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	1,093
Average price upon exercise (¥)	—	—
Fair value on grant date (¥)	983	219

## MEGALOS CO., LTD.

FY2011	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	1,105
Average price upon exercise (¥)	—	—
Fair value on grant date (¥)	1,033	235

Note: With respect to stock options outstanding at March 31, 2012, the number of stock options is calculated based on the number of shares of common stock which would be required to be issued if all such stock options were to be exercised.

#### 4. Method for estimating per share fair value of stock options

The per share fair value of the stock options granted during the fiscal year ended March 31, 2012 (FY2011) was estimated as follows:

(1) Valuation technique used            Black-Scholes method

(2) Main base data and estimation methods

##### a. Nomura Real Estate Holdings, Inc.

	Nomura Real Estate Holdings, Inc. 1st issue of FY2011 stock options	Nomura Real Estate Holdings, Inc. 2nd issue of FY2011 stock options	Nomura Real Estate Holdings, Inc. 3rd issue of FY2011 stock options
Expected volatility of the share price (Note 1)	51.8%	51.8%	50.1%
Expected remaining life of the option (Note 2)	3.5 years	3.5 years	3.5 years
Expected dividend (Note 3)	¥25 (\$0.30) per share	¥25 (\$0.30) per share	¥25 (\$0.30) per share
Risk-free interest rate (Note 4)	0.29%	0.29%	0.39%

Notes: 1. Volatility of share price for the 1st and 2nd issues of 2011 stock options were calculated based on the actual stock price for the past three years and six months (from February 2008 to August 2011); and for the 3rd issue, four years and six months (from February 2007 to August 2011).

2. Calculated with an assumption that the stock option is exercised at the middle of the exercise period as the Company does not have sufficient data for a more precise estimation.

3. Based on the expected dividend for the fiscal year ended March 31, 2012 at the grant date.

4. Based on the yield of Japanese government bonds for the period equivalent to the expected remaining life of the option.

##### b. MEGALOS CO., LTD. (consolidated subsidiary)

	MEGALOS CO., LTD. 1st issue of FY2011 stock options	MEGALOS CO., LTD. 2nd issue of FY2011 stock options
Expected volatility of the share price (Note 1)	27.5%	29.8%
Expected remaining life of the option (Note 2)	3.5 years	4.5 years
Expected dividend (Note 3)	¥5 (\$0.06) per share	¥5 (\$0.06) per share
Risk-free interest rate (Note 4)	0.29%	0.40%

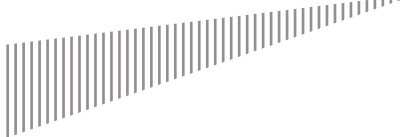
Notes: 1. Calculated based on the actual stock price for the period from November 9, 2007 to August 22, 2011.

2. Calculated with an assumption that the stock option is exercised at the middle of the exercise period as the Company does not have sufficient data for a more precise estimation.

3. Based on the expected dividend for the fiscal year ended March 31, 2012.

4. Based on the yield of Japanese government bonds for the period equivalent to the expected remaining life of the option.

# INDEPENDENT AUDITORS' REPORT



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho  
Chiyoda-ku, Tokyo, Japan 100-0011  
Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197

## Independent Auditor's Report

The Board of Directors  
Nomura Real Estate Holdings, Inc.

We have audited the accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Real Estate Holdings, Inc. and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 28, 2012  
Tokyo, Japan



# INVESTOR INFORMATION

(As of March 31, 2012)

## Corporate Data

**Corporate Name:** Nomura Real Estate Holdings, Inc.  
**Representative:** Kamezo Nakai  
 (appointment on June 29, 2011)  
**Head Office:** Shinjuku Nomura Building,  
 1-26-2 Nishi-Shinjuku, Shinjuku-ku,  
 Tokyo 163-0566, Japan

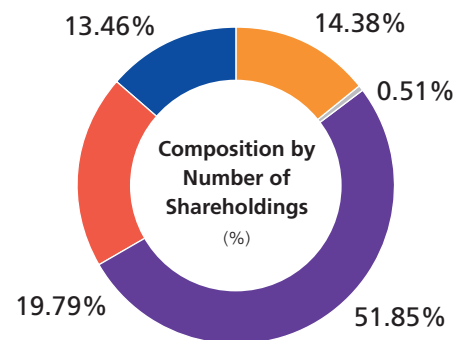
**Date of Establishment:** June 1, 2004  
**Number of Employees:** 5,399 (on a consolidated basis)  
**Fiscal Year:** From April 1 to March 31  
**General Meeting of Shareholders:** June

## Stock Information

Common Stock:	¥115,625,903,200
Number of Authorized Shares:	450,000,000
Number of Shares Issued:	190,456,900
Market Listing:	First Section of Tokyo Stock Exchange
Minimum Trading Unit:	100 shares
Number of Shareholders:	47,930

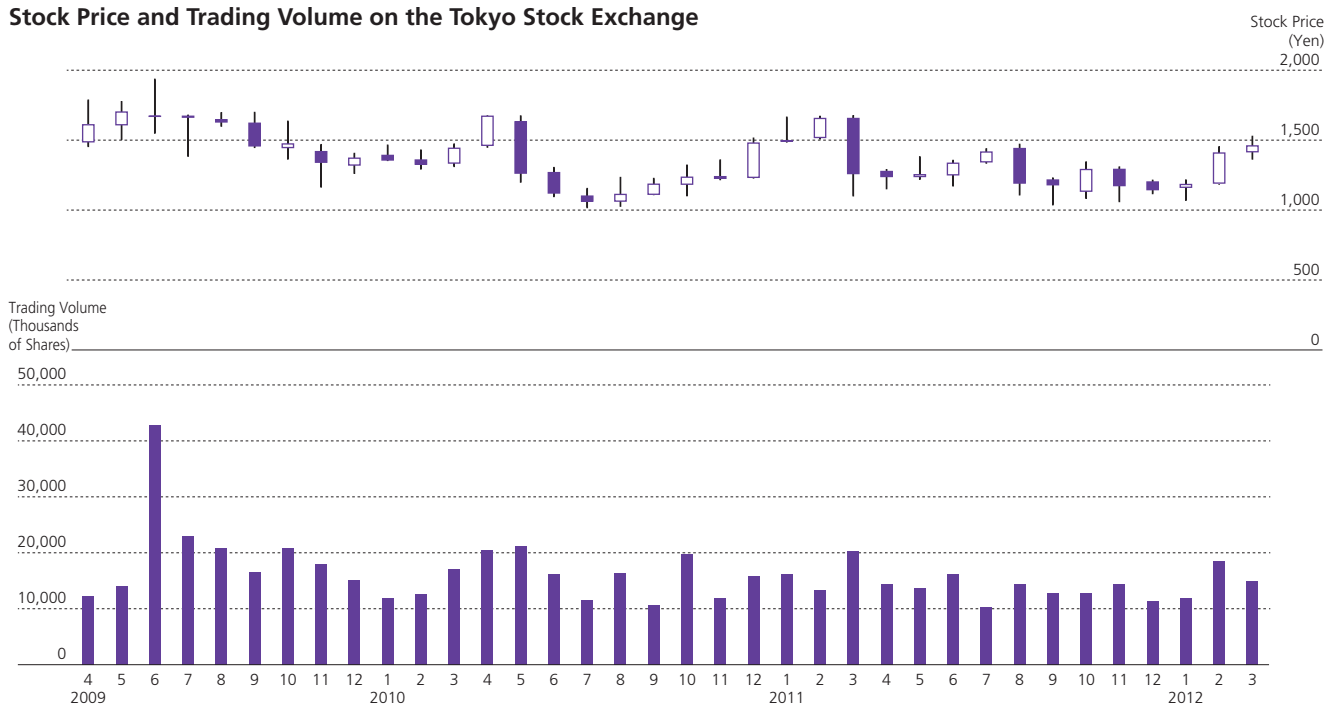
## Ten Largest Shareholders

Name of Shareholder	No. of shares	Shareholding (%)
Nomura Land and Building Co., Ltd.	96,817,500	50.83
Japan Trustee Services Bank, Ltd. (Trust account)	8,382,800	4.40
The Master Trust Bank of Japan, Ltd. (Trust account)	5,504,800	2.89
Japan Trustee Services Bank, Ltd. (Trust account 9)	3,347,500	1.75
Nomura Real Estate Holdings Employee Shareholding Association	3,284,382	1.72
The Bank of NY Treaty JASDEC Account	2,654,300	1.39
The Chase Manhattan Bank NA London SL Omnibus Account	1,997,867	1.04
SSBT OD05 Omnibus Account-Treaty Clients	1,753,500	0.92
State Street Bank and Trust Company	1,597,264	0.83
BBH LUX Fidelity Funds Japan Advantage	1,427,600	0.74



Government	(0.00%)
Financial Institutions	(14.38%)
Financial Instruments Firms	(0.51%)
Other Japanese Firms	(51.85%)
Other Foreign Investors	(19.79%)
Individuals and Others	(13.46%)

## Stock Price and Trading Volume on the Tokyo Stock Exchange



## **Nomura Real Estate Holdings, Inc.**

Shinjuku Nomura Building, 1-26-2

Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0566, Japan

URL: <http://www.nomura-re-hd.co.jp/english>

