Bringing Tomorrow Today
NOMURA REAL ESTATE HOLDINGS

Financial Report 2015

For the Year Ended March 31, 2015

Message from CFO

Hiroyuki Kimura

Director & Executive Officer
CFO and Head of Investor Relations

Review of Performance during Fiscal Year Ending March 31, 2015 and Projections for Fiscal Year Ending March 31, 2016

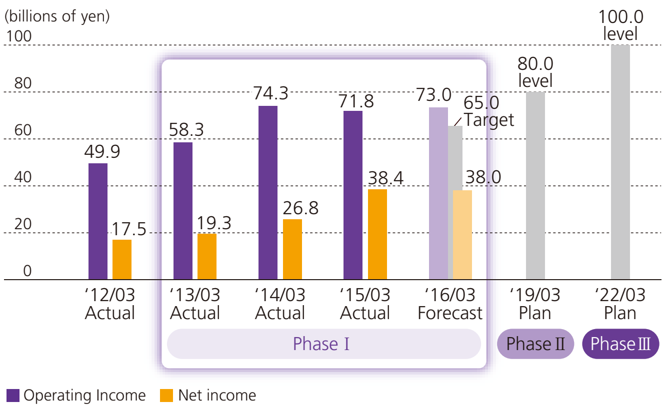
Steadily building foundation for further growth based on strong performance

Operating revenue in the fiscal year ending March 31, 2015 ("FY2014") reached a record high of ¥567.2 billion, due in part to the Residential Development Business achieving record sales of 7,021 units. Net income also reached a record high of ¥38.4 billion, partly due to a fall in extraordinary losses.

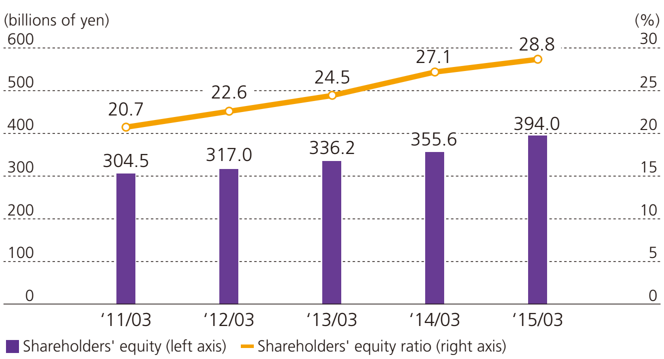
As a result, this progress enabled us to surpass the profit levels stated in phase I (from FY2012 to FY2015) of the Mid-to Long-term Management Plan (through March 2022) – "Creating Value through Change". Although operating income fell slightly following the partial moving-out of tenants from the Hamamatsucho Building, one of our key buildings, we exceeded the target operating income of ¥65.0 billion stated in phase I of the Plan in two consecutive periods, and achieved steady earnings growth in FY2014. Furthermore, shareholders' equity ratio rose to 28.8% as a result of accumulating periodic profit and we have succeeded in strengthening our financial position as we work towards the 30% target.

Moreover, in FY2015 operating revenue is expected to reach a record high of ¥585.0 billion and operating income is expected to be ¥73.0 billion exceeding the operating income target of the Mid-to Long-term Management Plan for a third consecutive period, due to a significant increase in property sales to REITs and progress in leasing-up Hamamatsucho Building after tenants moved-out.

Changes in Operating Income & Net Income



Shareholders' Equity/Shareholders' Equity Ratio

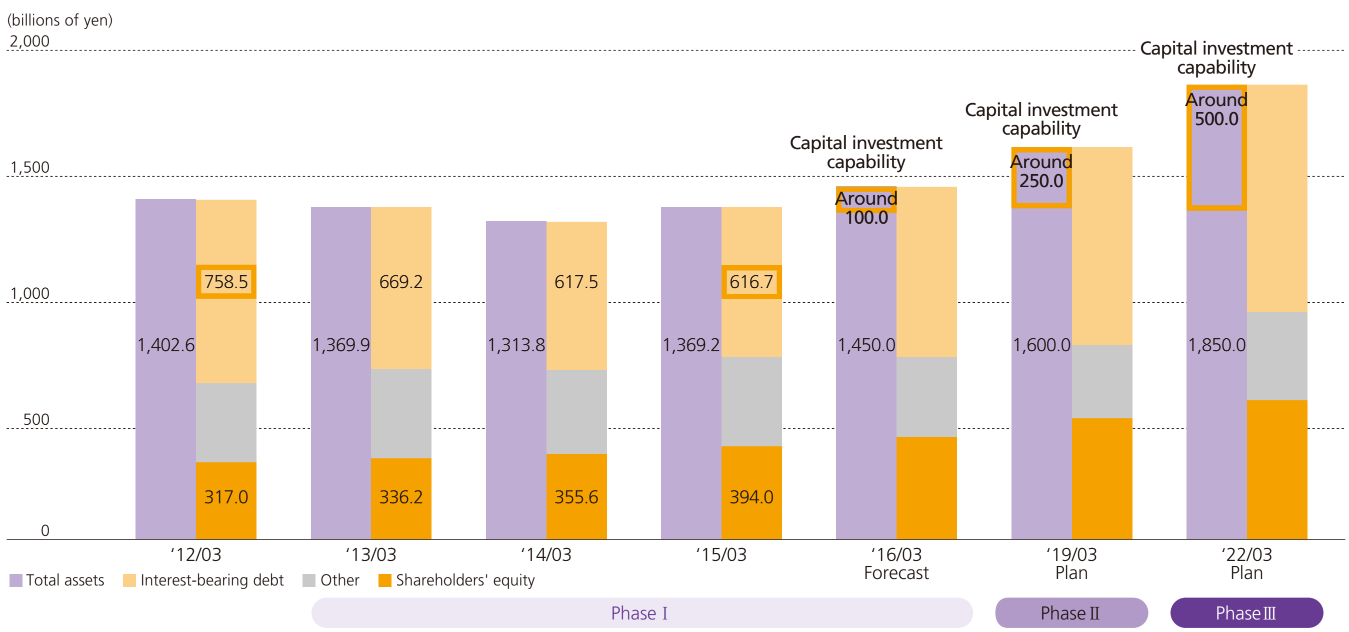


Growth and Investment Strategies

Proactive business expansion that seeks growth opportunities and a financial position that supports expansion

The Nomura Real Estate Group ("the Group") has numerous opportunities to grow. In Residential Development, while expanding the scale of the market is difficult due to Japan's declining population, we intend to use PROUD's strong brand power to increase our share of the market. In addition, in light of future changes to the make-up of the family unit, we plan to further expand our business activities into senior housing and compact condominiums for single household. In Leasing, we plan to proactively invest, focusing our attention on redevelopment projects in central Tokyo, to accumulate high-performance assets, and to further expand our property development business. In autumn, we plan to merge three Nomura Real Estate Group listed REITs to create one of the largest domestic listed REIT as a "comprehensive" REIT that is not sector specified. This new REIT will be positioned as our growth partner and we will pursue the mutual growth of the Group and the REIT through the further strengthening of cooperation. In the Service and Management area*, we plan to proactively develop business, anticipating more

Expansion Plan of Balance Sheet



	'12/03	'13/03	'14/03	'15/03	'16/03 Forecast	'19/03 Plan	'22/03 Plan
Total Assets	1,402.6	1,369.9	1,313.8	1,369.2	Around 1,450.0	Around 1,600.0	Around 1,850.0
Shareholders' Equity Ratio	22.6%	24.5%	27.1%	28.8%	30%	Around 30%	Around 30%

real estate stock to come in the future for the Property Brokerage & CRE Business and the Property & Facility Management Business, in addition to strengthening the Investment Management Business based on the growth of the REIT mentioned above.

We need to maintain a solid financial position that enables flexible investment in order to attain attractive investment opportunities that will link to growth. To this end, we plan to create adequate capital investment capabilities by accumulating steady profit each year while maintaining our financial strength at a constant level. We will create a capital investment capability of approximately ¥500.0 billion by the end of the fiscal year ending March 31, 2022, the last year of phase III, and divert investment to various businesses and projects that may become a driving force for growth in the future.

*Service and Management area: Investment Management, Property Brokerage & CRE, Property & Facility Management, and Other Businesses

Safety and Efficiency

Construct a business portfolio designed to disperse risks and to have optimal levels of asset efficiency

We are well aware of the necessity of dispersing risks across the business portfolio and the efficiency of assets and capital when proactively expanding operations.

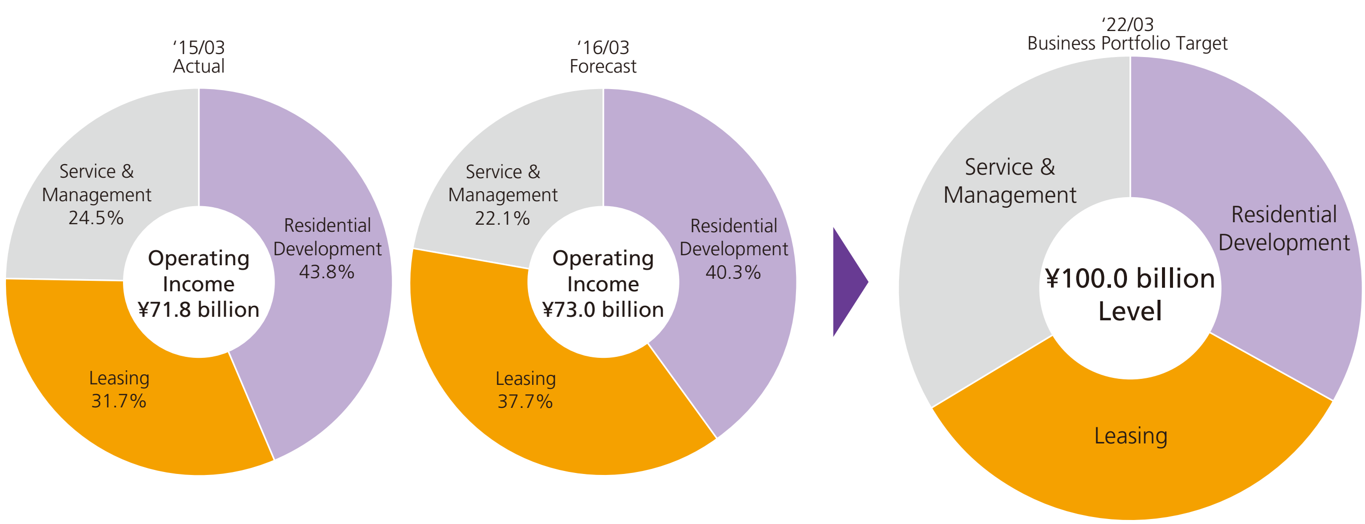
In the fiscal year ending March 31, 2015, we achieved a ROA of 5.4%, and a ROE of 10.3%, securing top level of both asset and capital efficiency, among major players in the industry. However, this was because we have been focusing on a flow-model business, Residential Development, performance of which has been somewhat unstable.

Based on this, during the final phase of our Mid-to Long-term Management Plan we are aiming to construct a business portfolio that is equally balanced between our three businesses. We intend to disperse risks and secure the safety of our performance by ensuring growth of Leasing Business, which is subject to long-term fluctuation risks, and Service and Management area, which has comparatively few market fluctuation risks, so that we can improve the portfolio that currently places a disproportionate emphasis on Residential Development Business, a business that is affected by short-term market fluctuation risks.

There are concerns that expanding the balance sheet in order to expand Leasing will result in a loss of asset and capital efficiency. However, in addition to the comparatively highly efficient Residential Development, if we can steadily expand each business in the Service and Management area, an area in which the balance sheet is virtually unused, then we believe we can attain a high level of asset and capital efficiency.

As a result, going forward, we shall achieve sustainable revenue growth by constructing a business portfolio that disperses risks, while maintaining a robust financial position.

Policy of Business Portfolio Construction



Return to Shareholders

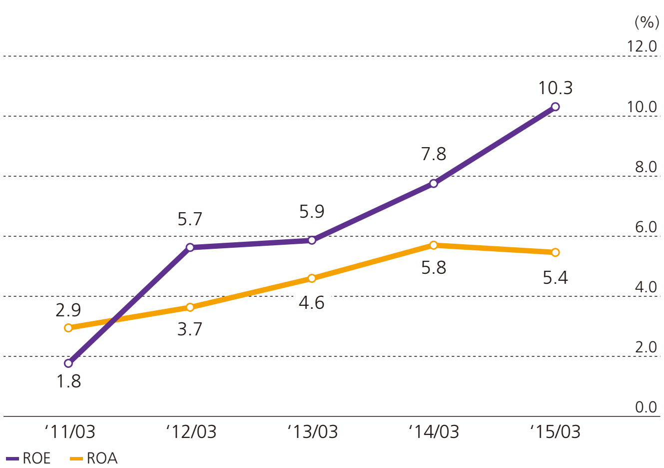
Planning an annual dividend of ¥50 per share for FY2015, the fourth consecutive dividend increase

Taking the expansion of performance into consideration we paid a year-end dividend for the fiscal year ending March 31, 2015 ("FY2014") of ¥25 per share, ¥5 more than our previous forecast. This means we will pay a total annual dividend of ¥45 per share. In FY2015 we expect to pay an interim dividend and a year-end dividend of ¥25 per share respectively, bringing the total annual dividend to ¥50 per share, an increase for the fourth consecutive period.

Furthermore, while we believe it necessary to build-up retained earnings to expand investment in the future, we are also aware that providing returns to investors is an important management issue. Rather than repeatedly raising and lowering dividends according to performance ups-and-downs, we intend to take stability into consideration to a certain extent, and to decide dividends for a particular period aiming for a payout ratio of approximately 30% over the mid-to long-term. Moreover, going forward, we would like to continue to raise the level of dividends according to profit growth.

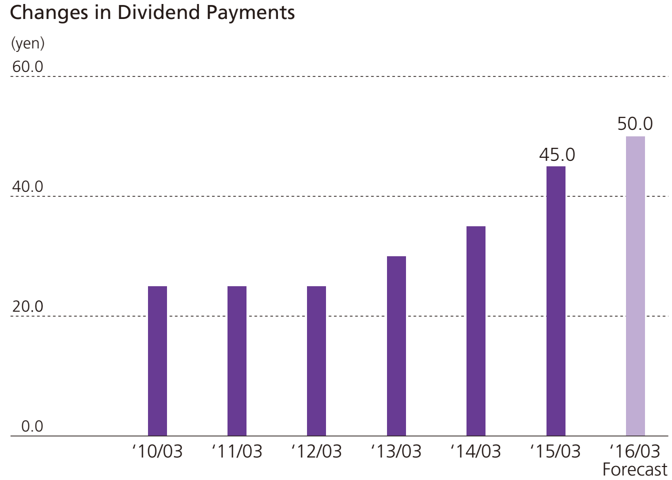
By achieving sustainable growth through proactively acquiring opportunities to grow, building up a business portfolio and creating value with the combined strength of the entire group, we believe we are able to meet the expectations of our shareholders and investors. We would like to take this opportunity to ask for your continuous understanding and support for our businesses and management policies.

ROA/ROE



*ROA=(Operating income + Non-operating income) / Year-end total assets
ROE= Net income / Shareholders' equity (as average over the year)

Changes in Dividend Payments



EPS (yen)	25.69	28.74	92.38	101.61	140.70	201.28	198.83
Payout ratio (%)	97.3	87.0	27.1	29.5	24.9	22.4	25.1

Management's Discussion and Analysis

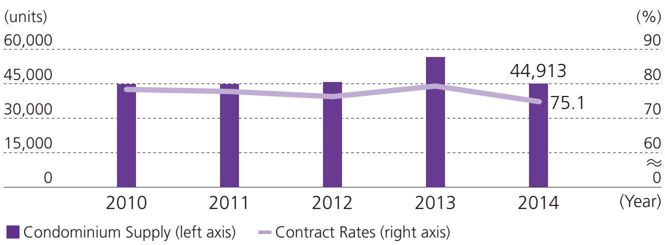
Trends in the Real Estate Industry

In the housing sales market, although the supply of houses decreased in the overall market due to a hike in sales prices along with an increase in construction costs and the slowing of rush demand following a scheduled increase in the consumption tax, contract rates remained high on the foundation of continuing support measures for home purchases and low interest rates, revealing steady growth. Condominium sales in the Tokyo region decreased by 20.5% year-on-year to 44,913 units in the calendar year 2014. The average contract rate for the first month on newly marketed condominium units in 2014 decreased by 4.4 percentage points year-on-year to 75.1%; however, the 70% benchmark for good sales was maintained.

In the office market, vacancy rates showed a clear downward trend supported by the need for business expansion through the improvement of company performance; and rent levels in the Tokyo metropolitan area partially increased, indicating signs of continuing recovery. The office building vacancy rate in the five wards of central Tokyo declined by 1.40 percentage points as of March 31, 2015, improving to 5.30%. Average rent levels in the five wards of central Tokyo as of March 31, 2015 increased by ¥870 per *tsubo* (approx. 3.3m^2) to ¥17,195 per *tsubo* compared to March 31, 2014.

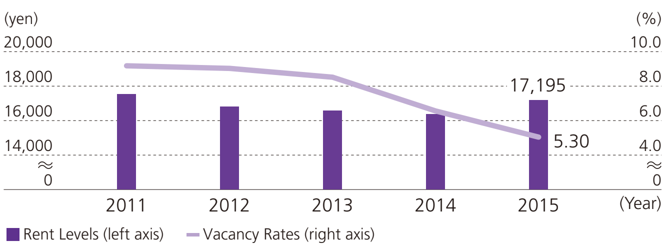
In the real estate investment market, rising J-REIT stock prices and low interest rates supported a strong fund procurement environment, and real estate transactions remained high, revealing stable growth in the business environment. Furthermore the Tokyo Stock Exchange REIT Index remained at high levels. In addition, expected yields on A-class office buildings in the Marunouchi/ Otemachi area decreased by 0.2 percentage points year-on-year to 3.8% as of April 1, 2015, which is the level before Lehman's fall.

Condominium Supply and Contract Rates in the Tokyo Metropolitan Area (calendar year)



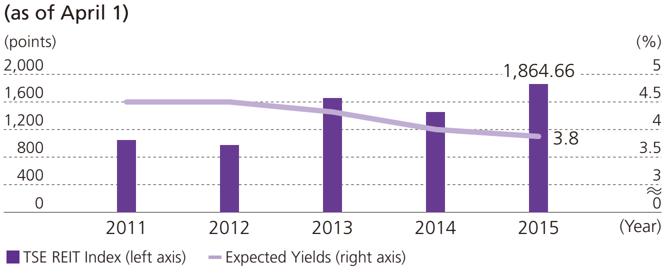
Source: Real Estate Economic Institute Co., Ltd.

Vacancy Rates and Rent Levels in the Five Wards of Tokyo (as of March 31)



Source: Miki Shoji Co., Ltd.

Changes in TSE REIT Index (as of March 31) and Expected Yields* (as of April 1)



Source: Changes in TSE REIT Index: Bloomberg
Changes in Expected Yields: Japan Real Estate Institute
*Expected yields for A-class office buildings in Marunouchi and Otemachi are shown

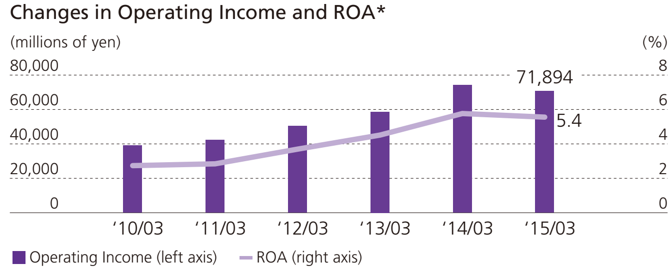
Analysis of Operating Results

In this market, the Nomura Real Estate Group ("the Group") posted the following consolidated performance for the fiscal year ended March 31, 2015: operating revenue of ¥567,159 million, which represents an increase of ¥35,142 million, or 6.6% year-on-year; operating income of ¥71,894 million, a decrease of ¥2,413 million, or 3.2%; ordinary income of ¥63,681 million, a decrease of ¥376 million, or 0.6%; and net income of ¥38,441 million, an increase of ¥11,597 million, or 43.2%.

Operating revenue achieved year-on-year growth due to an increase in housing units sold in the Residential Development Business and commission fees in the Property Brokerage & CRE Business. However, operating income and ordinary income decreased due to a tenant moving out in the Leasing Business and a decrease in fee income related to IPO of Nomura Real Estate Master Fund in the previous fiscal year in the Investment Management Business. On the other hand, net income increased due to a decrease in extraordinary losses and the reversal of deferred tax assets and liabilities caused by a reduction of corporate tax rates. Operating revenue and net income achieved their highest levels.

As a result, we achieved the target operating income of ¥65.0 billion stated in phase I (through March 2016) of our Mid- to Long-term Management Plan for two consecutive years. Furthermore, we achieved a good ROA, which we consider to be an important management indicator, of 5.4%.

Changes in Operating Income and ROA*



*ROA=(Operating Income + Non-operating Income) / Year-end total assets

Operating Results by Segment

An overview of segment achievements is given below:

Operating revenue for each segment includes intersegment sales and transfer amount. Due to the rounding of fractions, total figures may not equal the sum of their parts.

From the second quarter (from July to September 2014), a partial revision in the method of allocating costs to each segment of the Company has been incorporated to enhance the management of each segment. The residential leasing business has also been transferred from the Residential Development Business Segment to the Leasing Business Segment to facilitate comprehensive strategic decision making regarding the Company's leasing asset portfolio. The results of the previous fiscal year are calculated in line with the newly adopted method of cost allocation and segment classification.

Residential Development Business

Operating revenue in this segment totaled ¥359,397 million, which represents an increase of ¥51,771 million, or 16.8% year-on-year, and operating income was ¥33,811 million, an increase of ¥2,634 million, or 8.4%. This was mainly due to an increase in the number of housing units sold.

In housing sales, we achieved record sales of 7,021 units (an increase of 812 units compared to FY2013, ending March 31, 2014) including PROUD TOWER Musashi-Kosugi (Nakahara-ku, Kawasaki-shi, Kanagawa), PROUD Fuchu Marks (Fuchu-shi, Tokyo), OHANA Fujimino-Uenodai Blossom (Fujimino-shi, Saitama), PROUD CITY Shin-Osaka (Yodogawa-ku, Osaka-shi, Osaka) for condominiums, and PROUD SEASON Funabashi-Komuro (Funabashi-shi, Chiba) and PROUD SEASON Setagaya-Sakuragaoka (Setagaya-ku, Tokyo) for detached houses. The gross margin ratio trended downward to 21.1% (0.6 percentage points year-on-year); however, it remains at a high level.

Further, we concluded contracts in FY2014, ending March 31, 2015 for 5,599 units (a decrease of 1,400 compared to FY2013) including large-scale properties such as PROUD TOWER Tachikawa. We achieved contract rates of 63.0% as of the beginning of the fiscal year against our target of 6,500 units for FY2015, ending March 31, 2016 and have 675 contracts scheduled for booking in FY2016, ending March 31, 2017.

Calculation of the number of units, sales, and outstanding contract amounts sold in joint ventures is based on the Company's allotments.

Leasing Business

Operating revenue in this segment totaled ¥92,878 million, which represents a decrease of ¥6,987 million, or 7.0% year-on-year, and operating income totaled ¥24,447 million, a decrease of ¥2,371 million, or 8.8%. This was mainly due to a decrease in property sales and a partial moving-out of a tenant from the Hamamatsucho Building (Minato-ku, Tokyo).

In the leasing sector, the vacancy rate substantially rose due to a vacancy caused by a partial moving-out of Toshiba Corporation from the Hamamatsucho Building. However, because the leasing up of this building is improving, the vacancy rate as of the end of the fiscal year improved to 4.5% from 7.0% as of the end of the third quarter (from October to December 2014).

In the property development sector, we proactively promoted development in each business area, including Premium Midsize Office (PMO) in office development, GEMS urban-type commercial facilities, Landport series logistics facilities, and PROUD FLAT residential leasing facilities. In FY2014, we recorded the sale of PMO Nihonbashi-Kayabacho (Chuo-ku, Tokyo) and PMO Kanda-Tsukasamachi (Chiyoda-ku, Tokyo).

Investment Management Business

Operating revenue in this segment totaled ¥9,166 million, which represents a decrease of ¥9,159 million, or 50.0% year-on-year, and operating income totaled ¥4,813 million, a decrease of ¥3,089 million, or 39.1%. This was mainly due to the recording of an asset acquisition fees paid by Nomura Real Estate Master Fund, Inc. and income through the sale of SPC property in the previous fiscal year.

In the Investment Management Business segment, we focused on stable management of the various funds operated by the Group. In January 2015, Landport Atsugi-Kaneda, a large-size multi-tenant type logistics facility developed by a private-placement fund, was completed and started operations fully occupied.

Property Brokerage & CRE Business

Operating revenue in this segment totaled ¥30,232 million, which represents an increase of ¥1,064 million, or 3.6% year-on-year, operating income totaled ¥8,477 million, an increase of ¥376 million, or 4.6%.

This was mainly due to an increase in wholesale brokerage commission fees.

In wholesale operations, we established a representative office in Hong Kong in October 2014. In retail operations, we opened the following six branches: Kitasenju Center, Nishi-Kasai Center, Musashi-Urawa Center, Toyosu Center, Sangenjaya Center, and Kawasaki Center. This resulted in our branch network expanding to a total of 62 branches as of March 31, 2015. We also worked toward improving our ability to attract customers and expanding our customer base through initiatives that included enhancing our Internet portal site, nomu.com, and branch brand, Nomura no Chukai + (Plus).

As a result, our property brokerage operations achieved record levels in terms of transaction value.

Property & Facility Management Business

Operating revenue in this segment totaled ¥71,635 million, which represents a decrease of ¥514 million, or 0.7% year-on-year, and operating income totaled ¥5,477 million, an increase of ¥370 million, or 7.2%.

Operating income increased due to an increase in fee income from office and condominium management, while operating revenue decreased due to a decrease in income from construction ordered.

In April 2014, Nomura Building Management Co., Ltd and Nomura Living Support Co., Ltd. merged to create Nomura Real Estate Partners Co., Ltd. This merger was successful in expanding business opportunities, including participation in public-private partnership (PPP) projects, as well as large-scale repair work and management of PROUD buildings.

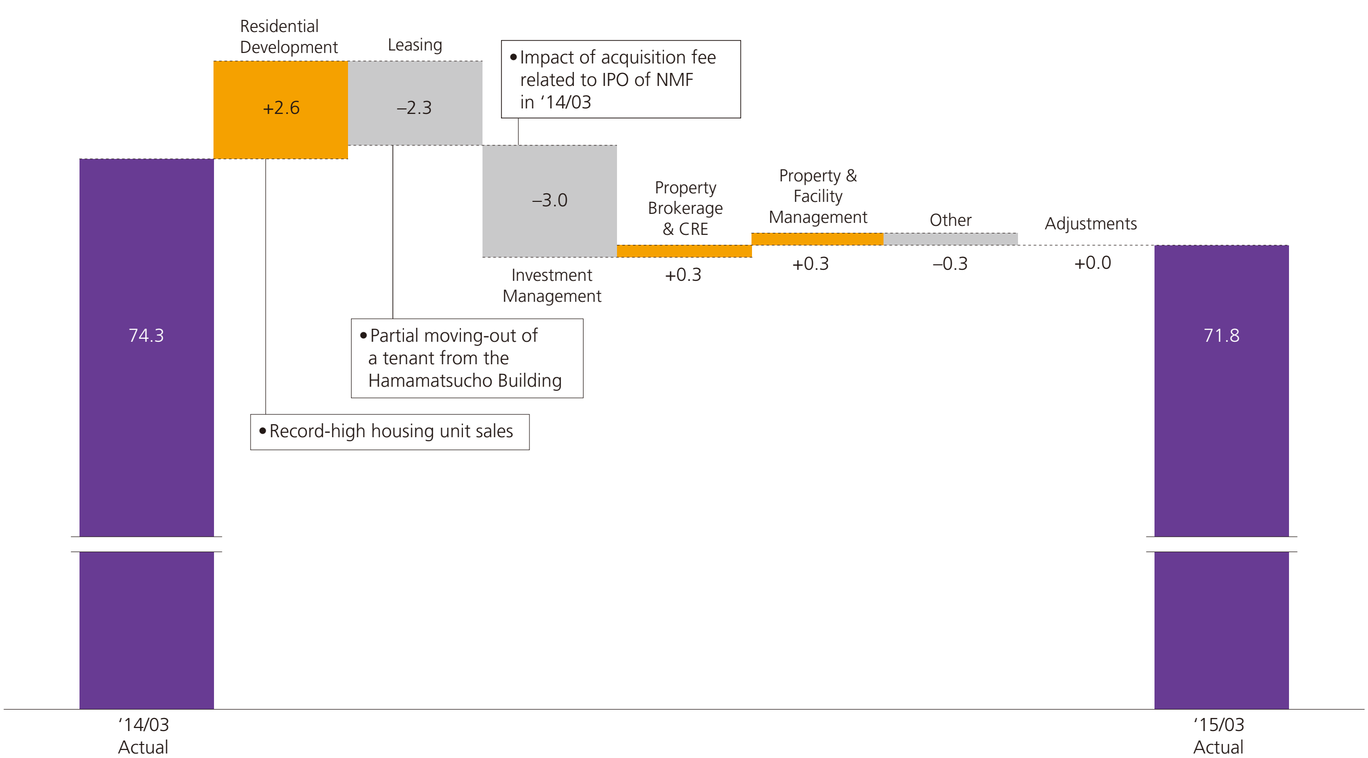
Also, the breakdown of operating revenue for this segment has been changed from "Building management" and "Housing management" to "Property & facility management" and "Construction ordered." In line with this change, the figures for the previous fiscal year have been adjusted to conform to the new classification.

Other Business

Operating revenue in this segment totaled ¥17,753 million, which represents a decrease of ¥887 million, or 4.8% year-on-year, and operating income totaled ¥167 million, a decrease of ¥341 million, or 67.1%. This was mainly due to a decrease in the sale of assets owned by a sector other than the fitness club business. In the fitness club business sector, we opened Dayos24 Unoki-Ekimae (Ota-ku, Tokyo) in June 2014 and Dayos24 Idogaya (Minami-ku, Yokohama-shi, Kanagawa) in October 2014.

We resolved at a meeting of the Board of Directors held on April 30, 2015 to conduct a tender offer for the purpose of acquiring all of the share certificates, etc. of MEGALOS Co., Ltd., which is a consolidated subsidiary.

Key Factors of Changes by Segment from '14/03 (Actual) to '15/03 (Actual) (billions of yen)



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

	2011/03	2012/03	2013/03	2014/03	2015/03
Residential Development Business:					
Condominium sales (units)	4,497	3,397	5,111	5,491	6,162
Detached housing sales (units)	580	631	638	718	859
Gross margin ratio of housing sales (%)	16.4	23.3	22.5	21.7	21.1
Completed housing units held in inventories (units)	113	114	42	31	89
Leasing Business:					
Vacancy rate*	4.0	2.3	2.2	2.9	4.5
Investment Management Business:					
Outstanding assets under management (millions of yen)	1,126,601	1,153,898	1,127,495	1,132,246	1,123,188
Property Brokerage & CRE Business:					
Brokerage: Number of transactions	5,774	5,762	6,494	7,437	7,174
Brokerage: Total transaction value (millions of yen)	425,274	452,950	540,698	672,774	710,980
Property & Facility Management Business:					
Buildings under management	684	696	723	703	729
Condominiums under management (units)	127,567	130,987	137,745	147,516	155,706
Other Business:					
Members of MEGALOS	127,707	133,033	132,196	141,564	140,395

(*) In accordance with changes in segmentation, certain properties have been reclassified from the second quarter of the fiscal year ended March 31, 2012.

Analysis of Financial Position

Assets

Total assets were ¥1,369,227 million, which was an increase of ¥55,339 million compared to March 31, 2014. Current assets increased by ¥52,321 million compared to March 31, 2014 to ¥549,300 million. This was mainly due to a decrease of ¥19,500 million in short-term investment securities and an increase of ¥22,450 million in inventories including real estate for sale compared to March 31, 2014. Noncurrent assets were ¥819,927 million, which was an increase of ¥3,018 million compared to March 31, 2014. This was mainly due to an increase of ¥13,984 million in property, plant and equipment associated with the starts of the Nomura Fudosan Ginza Building and the Yokohama Nomura Building.

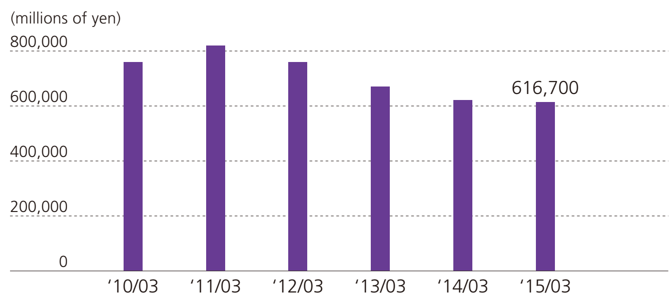
Liabilities

Total liabilities were ¥908,196 million, which was an increase of ¥13,005 million compared with March 31, 2014. Current liabilities increased by ¥17,094 million compared with March 31, 2014 to ¥305,189 million. This was mainly due to an increase of ¥15,920 million in deposits received and an increase of ¥11,033 million in notes and accounts payable-trade.

Noncurrent liabilities were ¥603,007 million, which was a decrease of ¥4,089 million compared to March 31, 2014. This was mainly due to a decrease of ¥7,208 million in deferred tax liabilities.

As a result of these factors, interest-bearing liabilities were ¥616,700 million, which was a decrease of ¥883 million compared to March 31, 2014. Further, our debt-to-equity ratio decreased from 1.7 times in March 31, 2014 to 1.6 times.

Changes in Interest-bearing Liabilities

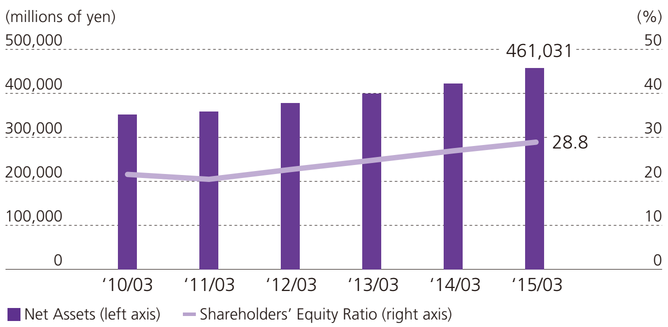


Net Assets

Net assets increased by ¥42,334 million compared to March 31, 2014 to ¥461,031 million. This was mainly due to factors including an increase of ¥31,097 million in retained earnings.

As a result, shareholders' equity increased by ¥38,379 million compared to March 31, 2014 to ¥394,059 million. The shareholders' equity ratio increased from 27.1% as of March 31, 2014 to 28.8%.

Changes in Net Assets and Shareholders' Equity Ratio



Credit Rating Situation

Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) assign the following ratings to the various corporate bonds issued by Nomura Real Estate Holdings:

Rating Agency	Long-term	Short-term
Rating and Investment Information, Inc. (R&I)	A-	a-1
Japan Credit Rating Agency, Ltd. (JCR)	A	J-1

Cash Flows

Cash Flows from Operating Activities

Net cash used in operating activities was ¥23,837 million (a decrease of ¥59,698 million year-on-year). This mainly reflects the purchase of inventories and the recording of income before income taxes and minority interests of ¥58,059 million, while notes and accounts payable – trade and deposits received increased.

Cash Flows from Investing Activities

Net cash used in investment activities was ¥32,476 million (a decrease of ¥12,284 million year-on-year). This mainly reflected the purchase of property, plant and equipment and intangible assets, including the Nomura Fudosan Ginza Building.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥8,984 million (an increase of ¥48,874 million year-on-year). This was due mainly to an increase in cash dividends paid.

Facilities Situation

In FY2014, we invested a total amount of ¥33,896 million in facilities, including the Nomura Fudosan Ginza Building (Chuo-ku, Tokyo Prefecture).

Business Segment (millions of yen)	FY2013	FY2014	Change
Residential Development	293	216	(77)
Leasing	14,176	47,039	32,863
Investment Management	125	110	(15)
Property Brokerage & CRE	492	549	57
Property & Facility Management	245	155	(90)
Other	571	851	280
Sub-total	15,902	48,920	33,018
Adjustments	273	(15,024)	(15,297)
Total	16,175	33,896	17,721

We acquired the following properties in FY2014:

Company Name	Property Name (location)	Business Segment	Use
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Ginza Building (Chuo-ku, Tokyo)	Leasing	Office building
Nomura Real Estate Development Co., Ltd.	Landport Takatsuki Project (tentative name) (Takatsuki-shi, Osaka)	Leasing	Site of building planned construction

Construction, Size, Details of Facilities etc.	Area (m²)	Acquisition Price (millions of yen)
Steel-reinforced concrete (partially reinforced concrete and steel construction), 17 floors above ground / 5 floors below	Building: 13,374 Land: 1,592	12,240
—	Land: 30,793	8,523

Note 1: Total building and land areas correspond to for ownership share.

In addition, along with the inclusion of Yokohama Mirai 46 Special Purpose Company in the scope of consolidation in the consolidated fiscal year ended March 31, 2015, the property listed below was included in major properties. Said property was purchased by Nomura Real Estate Development Co., Ltd. in xxx 2015.

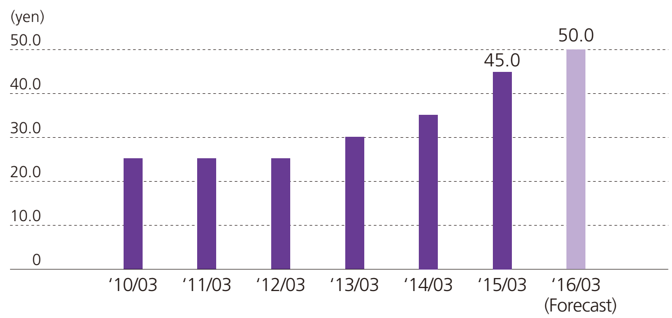
Company Name	Property Name (location)	Business Segment	Use
Nomura Real Estate Development Co., Ltd.	Yokohama Nomura Building Project (tentative name) (Nishi-ku,Yokohama-shi, Kanagawa)	Leasing	The planned construction site for the building

Construction, Size, Details of Facilities etc.	Area (m²)	Acquisition Price (millions of yen)
—	Land: 8,692	11,113

Basic Policy Concerning Profit Distribution and Dividends for Fiscal 2014 and Fiscal 2015

The Company's basic policy regarding the distribution of profits to shareholders is to aim at a payout ratio of approximately 30% over the mid-to long-term, in accordance with annual business performance, comprehensively considering the operating environment, capital investment plans, retained earnings, and other relevant factors. In FY2014, we increased our full-year dividend from the initially planned ¥20 to ¥25, based on our projections for the operating environment and business performance going forward. Together with the already paid-out interim dividend, our total annual dividend is ¥45 per share, which was an increase of ¥10 per share compared to FY2013. We intend to increase our dividend by a further ¥5 in FY2015, making our total forecast annual dividend ¥50 per share.

Changes in Dividend Payments

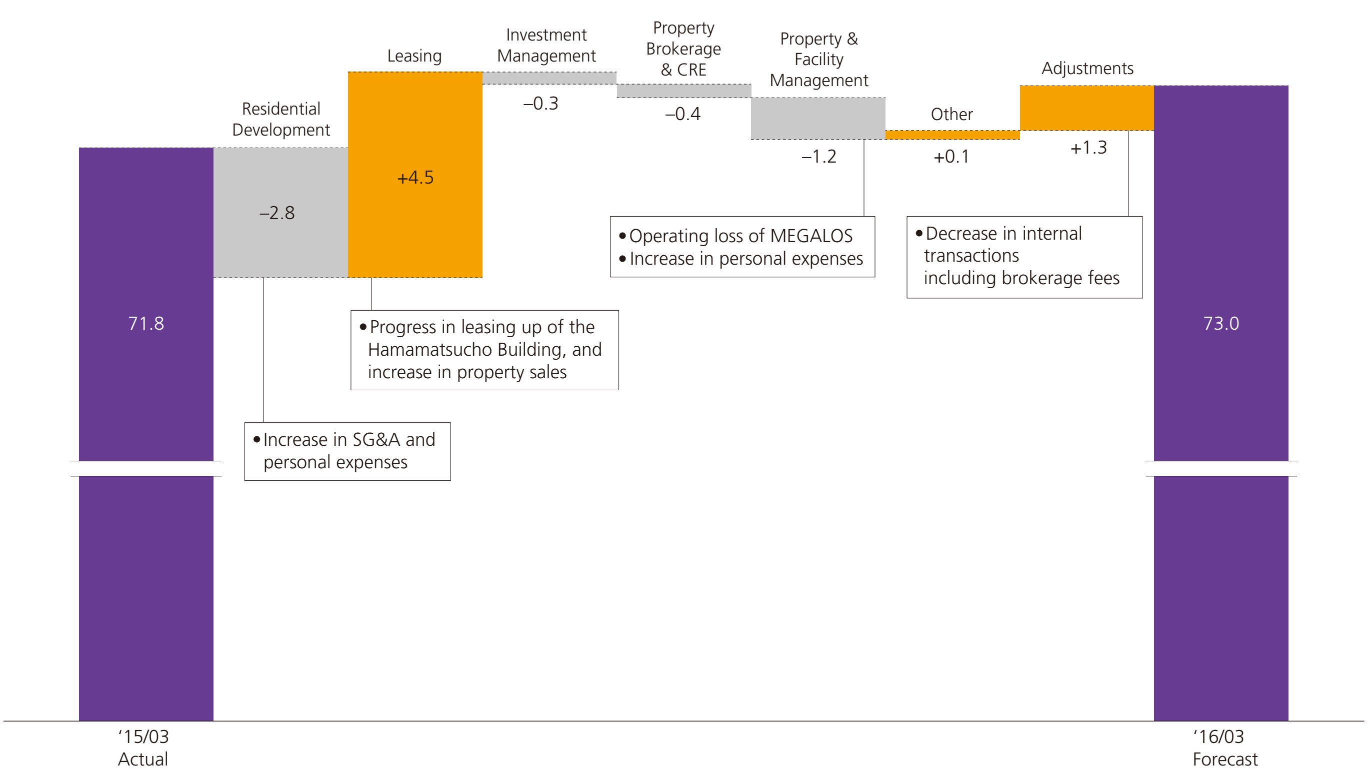


Consolidated Performance Outlook for Fiscal 2015 (announced on April 30, 2015)

In FY2015, we are projecting operating revenue of ¥585,000 million (an increase of ¥17,840 million year-on-year), operating income of ¥73,000 million (an increase of ¥1,105 million), ordinary income of ¥64,000 million (an increase of ¥318 million), and net income of ¥38,000 million (a decrease of ¥441 million). Both operating revenue and operating income are expected to increase due to an increase in property sales to the Group's affiliated REITs and progress in leasing up of the Hamamatsucho Building.

Key Factors of Changes by Segment from '15/03 (Actual) to '16/03 (Forecast)

(billions of yen)



Risks Affecting the Business of Nomura Real Estate Group

We believe that the following matters related to the Group's business, accounting and other conditions could have a material impact on the decision-making of investors.

It should be noted that matters concerning the future in this document have been determined based on information available to the Group as of March 31, 2015.

(1) Trends in the real estate market

The Group's performance for the fiscal year ended March 31, 2015 resulted in increased revenue and income compared to the previous fiscal year. However, there are still concerns about the downward trend of economies in emerging countries and the increase of consumer prices due to the weak yen.

In the future, certain events could still cause a decline in purchasing sentiment among customers of the Residential Development Business, the Property Brokerage & CRE Business and other 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 the decline in purchasing sentiment, or losses on valuation of inventories. For the Leasing Business and the Investment Management Business, moreover, such events could also spark declines in office rents, increases in vacancy rates, falls in asset values, or drops in profit ratios, and an accompanying valuation loss on assets owned by the Group. In addition, declining investment unit price 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 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 revisions to the tax system that impact the Real Estate Development Business are implemented, 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, 2015 stood at ¥616,700 million, down ¥884 million from a year earlier (equivalent to 45.0% of total assets, 2.0 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 other affiliates

The Company's other affiliates are Nomura Land and Building Co., Ltd. and its parent company Nomura Holdings, Inc. As of March 31, 2015, Nomura Land and Building owned 33.9% of the Company's shares. This holding percentage could change in the event of a sale of the Company's shares by Nomura Land and Building or a capital increase of the Company.

Consolidated Balance Sheet

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2014 and 2015

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
ASSETS	2014	2015	2015
Current Assets:			
Cash and deposits (Notes 2(3) and 3)	¥ 45,484	¥ 47,421	$ 394,613
Notes and accounts receivable-trade	14,771	15,030	125,071
Short-term investment securities (Notes 2(3), 3 and 4)	22,500	3,000	24,965
Real estate for sale (Note 6)	45,048	61,583	512,470
Real estate for sale in process	217,839	237,501	1,976,372
Land held for development	85,975	130,221	1,083,644
Equity investments (Notes 3 and 4)	7,129	6,317	52,564
Deferred tax assets (Note 10)	7,385	5,688	47,335
Other	51,026	42,587	354,386
Allowance for doubtful accounts	(178)	(48)	(395)
Total current assets	496,979	549,300	4,571,025
Investments and Other Assets:			
Investment securities (Notes 3 and 4)	47,630	40,854	339,967
Lease and guarantee deposits (Note 3)	19,224	20,487	170,484
Deferred tax assets (Note 10)	21,860	14,979	124,651
Other	2,720	3,253	27,068
Allowance for doubtful accounts	(1)	—	—
Total investments and other assets	91,433	79,573	662,170
Property, Plant and Equipment:			
Land (Notes 6 and 15)	467,610	486,436	4,047,900
Buildings and structures (Notes 6 and 15)	360,252	364,364	3,032,069
Construction in progress (Note 6)	875	328	2,726
Machinery and equipment (Note 6)	9,960	11,632	96,793
Other	1,792	1,861	15,494
	840,489	864,621	7,194,982
Accumulated depreciation	(124,396)	(134,544)	(1,119,617)
Net property, plant and equipment	716,093	730,077	6,075,365
Intangible Assets	9,383	10,277	85,521
Total Assets	¥1,313,888	¥1,369,227	$11,394,081

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	(Millions of yen) 2014	2015	(Thousands of U.S. dollars) (Note 1) 2015
Current Liabilities:			
Notes and accounts payable-trade	¥ 37,629	¥ 48,663	$ 404,951
Short-term loans payable (Notes 3, 5 and 6)	152,684	151,800	1,263,210
Current portion of bonds payable (Notes 3, 5 and 6)	10,000	3,000	24,965
Income taxes payable (Note 10)	8,091	13,098	108,995
Deposits received	9,176	25,096	208,834
Provision for bonuses	6,088	6,219	51,750
Provision for directors' bonuses	586	606	5,045
Provision for loss on business liquidation	113	84	697
Accounts payable-other	11,941	8,529	70,976
Accrued interests	1,604	1,201	9,991
Accrued consumption taxes	2,805	4,967	41,337
Advanced received	42,556	36,000	299,575
Other	4,822	5,926	49,315
Total current liabilities	288,095	305,189	2,539,641
Noncurrent Liabilities:			
Bonds payable (Notes 3, 5 and 6)	23,000	30,000	249,646
Long-term loans payable (Notes 3, 5 and 6)	431,900	431,900	3,594,075
Lease and guarantee deposits received (Note 6)	57,124	60,749	505,528
Deferred tax liabilities (Note 10)	67,422	60,214	501,074
Deferred tax liabilities for land revaluation	4,537	4,117	34,257
Net defined benefit liability (Note 7)	14,902	11,078	92,187
Provision for loss on subleasing business	473	466	3,874
Other	7,738	4,483	37,309
Total noncurrent liabilities	607,096	603,007	5,017,950
Total Liabilities	895,191	908,196	7,557,591
Net Assets:			
Shareholders' equity (Note 11):			
Capital stock	116,024	116,189	966,870
Capital surplus	93,353	93,518	778,217
Retained earnings	138,972	170,069	1,415,240
Treasury stock	(2)	(2)	(21)
Total shareholder's equity	348,347	379,774	3,160,306
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(690)	5,069	42,186
Deferred gains or losses on hedges	25	78	652
Revaluation reserve for land	7,224	7,645	63,615
Foreign currency translation adjustment	32	61	511
Remeasurements of defined benefit plans (Note 7)	742	1,432	11,910
Total accumulated other comprehensive income	7,333	14,285	118,874
Subscription rights to shares:	1,274	1,564	13,012
Minority interests:	61,743	65,408	544,298
Total Net Assets	418,697	461,031	3,836,490
Total Liabilities and Net Assets	¥1,313,888	¥1,369,227	$11,394,081

See notes to consolidated financial statements.

Consolidated Statement of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2014 and 2015

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Operating Revenues and Expenses	2014	2015	2015
Operating Revenue:	¥532,016	¥567,159	$4,719,639
Operating revenue	532,016	567,159	4,719,639
Operating Expenses:	457,708	495,264	4,121,366
Operating cost	372,680	405,107	3,371,119
Selling, general and administrative expenses	85,028	90,157	750,247
Operating Income	74,308	71,895	598,273
Other Income and Expenses	(25,860)	(13,836)	(115,134)
Interest income	77	50	419
Dividends income	887	1,123	9,348
Equity in earnings of affiliates	10	17	148
Gain on sales of noncurrent assets (Note 8)	544	207	1,719
Dividends distribution from silent partnership	—	2,204	18,337
Reversal of provision for loss on disaster	295	—	—
Compensation income	122	—	—
Interest expenses	(10,026)	(8,852)	(73,660)
Impairment loss (Note 9)	(16,572)	(8,170)	(67,988)
Other, net	(1,197)	(415)	(3,457)
Income before Income Taxes and Minority Interests	48,448	58,059	483,139
Income Taxes (Note 10):			
Income taxes-current	13,829	18,070	150,368
Income taxes-deferred	6,284	(2,664)	(22,171)
Total Income Taxes	20,113	15,406	128,197
Income before minority interests	28,335	42,653	354,942
Minority interests in income	1,491	4,211	35,049
Net Income	¥ 26,844	¥ 38,442	$ 319,893

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2014 and 2015

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2014	2015	2015
Income before Minority Interests	¥28,335	¥42,653	$354,942
Other Comprehensive Income (Note 18):			
Valuation difference on available-for-sale securities	(2,809)	5,765	47,970
Deferred gains or losses on hedges	(213)	53	443
Revaluation reserve for land	(0)	421	3,500
Foreign currency translation adjustment	—	7	56
Remeasurements of defined benefit plans	—	689	5,735
Share of other comprehensive income of affiliates accounted for using the equity method	24	16	132
Total other comprehensive income	(2,998)	6,951	57,836
Comprehensive Income (Note 18)	¥25,337	¥49,604	$412,778
(Breakdown)			
Comprehensive income attributable to shareholders of the parent	¥23,849	¥45,387	$377,687
Comprehensive income attributable to minority interests	1,488	4,217	35,091

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2014 and 2015

(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	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2013	190,595,500	¥115,728	¥93,057	¥117,848	¥(2)	¥2,116	¥238	¥7,224	¥ 9	—	¥ 952	¥61,106	¥398,276
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 2013	190,595,500	115,728	93,057	117,848	(2)	2,116	238	7,224	9	—	952	61,106	398,276
Issuance of new shares	311,300	296	296	—	—	—	—	—	—	—	—	—	592
Dividends from surplus	—	—	—	(5,720)	—	—	—	—	—	—	—	—	(5,720)
Net income	—	—	—	26,844	—	—	—	—	—	—	—	—	26,844
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	—	—	—	—	(0)
Increase due to the increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	
Decrease due to the increase of consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	
Net changes of items other than shareholders' equity	—	—	—	—	—	(2,806)	(213)	(0)	23	742	322	637	(1,295)
Balance at March 31, 2014	190,906,800	¥116,024	¥93,353	¥138,972	¥(2)	¥ (690)	¥ 25	¥7,224	¥32	¥ 742	¥1,274	¥61,743	¥418,697
Balance at April 1, 2014	190,906,800	¥116,024	¥93,353	¥138,972	¥(2)	¥ (690)	¥ 25	¥7,224	¥32	¥ 742	¥1,274	¥61,743	¥418,697
Cumulative effects of changes in accounting policies	—	—	—	1,571	—	—	—	—	—	—	—	—	1,571
Restated balance at April 1, 2014	190,906,800	116,024	93,353	140,543	(2)	(690)	25	7,224	32	742	1,274	61,743	420,268
Issuance of new shares	212,900	165	165	—	—	—	—	—	—	—	—	—	330
Dividends from surplus	—	—	—	(7,638)	—	—	—	—	—	—	—	—	(7,638)
Net income	—	—	—	38,442	—	—	—	—	—	—	—	—	38,442
Purchases of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase due to the addition of consolidated subsidiaries	—	—	—	16	—	—	—	—	—	—	—	—	16
Decrease due to the addition of consolidated subsidiaries	—	—	—	(1,294)	—	—	—	—	—	—	—	—	(1,294)
Net changes of items other than shareholders' equity	—	—	—	—	—	5,759	53	421	29	690	290	3,665	10,907
Balance at March 31, 2015	191,119,700	¥116,189	¥93,518	¥170,069	¥(2)	¥5,069	¥ 78	¥7,645	¥61	¥1,432	¥1,564	¥65,408	¥461,031

(Thousands of U.S. dollars) (Note 1)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities	Deferred gains/losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2014	$965,500	$776,847	$1,156,460	$(21)	$ (5,742)	$209	$60,116	$267	$ 6,175	$10,599	$513,796	$3,484,206
Cumulative effects of changes in accounting policies			13,075									13,075
Restated balance at April 1, 2014	965,500	776,847	1,169,535	(21)	(5,742)	209	60,116	267	6,175	10,599	513,796	3,497,281
Issuance of new shares	1,370	1,370	—	—	—	—	—	—	—	—	—	2,740
Dividends from surplus	—	—	(63,558)	—	—	—	—	—	—	—	—	(63,558)
Net income	—	—	319,893	—	—	—	—	—	—	—	—	319,893
Purchases of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Increase due to the addition of consolidated subsidiaries	—	—	136	—	—	—	—	—	—	—	—	136
Decrease due to the addition of consolidated subsidiaries	—	—	(10,766)	—	—	—	—	—	—	—	—	(10,766)
Net changes of items other than shareholders' equity	—	—	—	—	47,928	443	3,499	244	5,735	2,413	30,502	90,764
Balance at March 31, 2015	$966,870	$778,217	$1,415,240	$(21)	$42,186	$652	$63,615	$511	$11,910	$13,012	$544,298	$3,836,490

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 311,300 shares and 211,900 shares in the years ended March 31, 2014 and 2015, respectively, due to the exercise of stock options.

Consolidated Statement of Cash Flows

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2014 and 2015

Cash Flows	(Millions of yen) 2014	2015	(Thousands of U.S. dollars) (Note 1) 2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 48,448	¥ 58,059	$483,139
Depreciation and amortization	14,333	15,259	126,977
Impairment loss	16,572	8,170	67,988
Loss (gain) on sales of property, plant and equipment	(544)	(207)	(1,719)
Equity in (earnings) losses of affiliates	(10)	(18)	(148)
Increase (decrease) in allowance for doubtful accounts	(25)	(132)	(1,095)
Increase (decrease) in provision for retirement benefits	(15,291)	—	—
Increase (decrease) in provision for loss on business liquidation	(37)	(29)	(242)
Increase (decrease) in provision for loss on subleasing business	(642)	(8)	(65)
Increase (decrease) in provision for loss on disaster	(303)	—	—
Increase (decrease) in net defined benefit liability	14,902	(391)	(3,255)
Interest and dividends income	(964)	(1,174)	(9,767)
Interest expenses	10,026	8,852	73,660
Decrease (increase) in notes and accounts receivable-trade	(1,512)	(231)	(1,926)
Decrease (increase) in inventories	20,500	(77,797)	(647,389)
Decrease (increase) in equity investments	22,450	812	6,758
Increase (decrease) in notes and accounts payable-trade	(11,719)	11,034	91,818
Increase (decrease) in deposits received	(12,076)	15,920	132,479
Other, net	(77)	6,310	52,506
Subtotal	104,031	44,429	369,719
Interest and dividends income received	1,811	1,643	13,670
Interest expenses paid	(10,431)	(9,255)	(77,013)
Income taxes paid	(11,876)	(12,980)	(108,014)
Net cash provided by operating activities	83,535	23,837	198,362
Cash Flows from Investing Activities:			
Purchase of investment securities	(9,252)	(1,066)	(8,872)
Proceeds from sales and liquidation of investment securities	2,590	1,096	9,117
Purchase of property, plant and equipment and intangible assets	(21,939)	(38,871)	(323,471)
Proceeds from sales of property, plant and equipment and intangible assets	6,953	3,205	26,673
Collection of loans receivable	17	—	—
Payments for lease and guarantee deposits	(574)	(632)	(5,263)
Proceeds from collection of lease and guarantee deposits	1,690	1,325	11,023
Repayments of lease and guarantee deposits received	(2,556)	(3,232)	(26,889)
Proceeds from lease and guarantee deposits received	2,167	5,365	44,646
Other, net	712	334	2,783
Net cash used in investing activities	(20,192)	(32,476)	(270,253)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	(8,200)	16,000	133,145
Repayments of finance lease obligations	(187)	(154)	(1,285)
Proceeds from long-term loans payable	82,600	102,500	852,958
Repayments of long-term loans payable	(126,085)	(119,384)	(993,456)
Proceeds from issuance of bonds	—	9,936	82,683
Redemption of bonds	—	(10,000)	(83,216)
Proceeds from issuance of common stock	428	132	1,097
Proceeds from issuance of common stock to minority shareholders	33	3	30
Purchase of treasury stock	(0)	—	—
Cash dividends paid	(5,720)	(7,638)	(63,558)
Cash dividends paid to minority shareholders	(727)	(379)	(3,156)
Net cash used in financing activities	(57,858)	(8,984)	(74,758)
Effect of exchange rate change on cash and cash equivalents	—	4	34
Net increase (decrease) in cash and cash equivalents	5,485	(17,619)	(146,615)
Cash and cash equivalents at beginning of the fiscal year	62,497	67,982	565,719
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	55	457
Cash and cash equivalents at end of the fiscal year (note 2(3))	¥ 67,982	¥ 50,418	$419,561

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2014 and 2015

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. (the "Company") and its 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, 2015 of ¥120.17=U.S.$1. The approximate rate of exchange prevailing at June 26, 2015 was ¥123.52=U.S.$1. 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 and Accounting for Investments in Affiliates

The accompanying consolidated financial statements include the accounts of the Group that the Company controls directly or indirectly. Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for using the equity method.

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 Japanese 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 Statement 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 Sheet and cash and cash equivalents is presented in Note 12.

(4) Recognition of Revenues and Related Costs

The percentage-of-completion method is applied when the outcome of the construction activity during the fiscal year is deemed certain in the course of the activity (percentage of completion is calculated by dividing the related cost incurred by the estimated total cost), otherwise the completed-contract method is applied.

(5) Inventories

Inventories are mainly stated at cost, determined by the specific identification cost method (the amounts of inventories in the accompanying Consolidated Balance Sheet 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, 2014 and 2015 were ¥1 million and ¥172 million ($1,428 thousand), respectively, and recognized in operating cost.

(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 Statement 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

To calculate retirement benefit obligations, the estimated amount of retirement benefits attributable to the fiscal year is determined based on the benefit formula method.

Prior service costs are amortized as incurred by the straight-line method over 10 years, which is within the average number of remaining service years of the eligible employees.

Actuarial gains and losses are amortized in the following fiscal year in which the gain or loss is recognized by the straight-line method mainly over 10 years, which is within the average number of remaining service years 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, 2014 and 2015 were ¥1,863.12 and ¥2,061.86 ($17.16), respectively.
Net income per share for the years ended March 31, 2014 and 2015 was ¥140.70 and ¥201.28 ($1.67), respectively.
Diluted net income per share for the years ended March 31, 2014 and 2015 was ¥140.23 and ¥200.55 ($1.67), 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, 2014 and 2015, market value was not less than book value after revaluation.

(16) Derivative Financial Instruments

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.

For interest rate swaps that meet certain hedging criteria, the Group applies exceptional treatment where the Group 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. However, for currency swaps that meet certain hedging criteria, the currency swap contracts (the "Contracts") and the securities denominated in foreign currencies (the "Hedged items") are accounted for in the following manner:

(a) If the Contracts are executed to hedge an existing the Hedged items,

(i) the difference, if any, between:
- the Japanese yen amount of the Hedged items translated using the spot rate at the inception date of the Contracts and
- the book value of the Hedged items

is recognized in the Consolidated Statement of Income in the period which includes the inception date, and
(ii) the discount or premium on the Contracts (that is, the difference between:
- the Japanese yen amount of the Contracts translated using the contracted swap rate and
- the Japanese yen amount of the Contracts translated using the spot rate at the inception date of the Contracts)

is recognized over the term of the Contracts.

(b) If the Contracts are executed to hedge a future transaction denominated in a foreign currency, the swap transaction will be recorded using the contracted swap rate, and no gains or losses on the Contracts are recognized.

(17) Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

The Group has applied the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No.26 issued on May 17, 2012; hereinafter the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 issued on March 26, 2015; hereinafter the "Guidance") from the fiscal year ended March 31, 2015. In accordance with the provisions stipulated in the main clause of Article 35 of the Retirement Benefits Accounting Standard and in the main clause of Article 67 of the Guidance, the Group reviewed the method of calculation for retirement benefit obligations and service cost, and changed the method of attributing the expected amount of retirement benefits to accounting periods from a straight-line method to a benefit formula method, and changed the method of calculating the discount rate from one based on the expected average remaining working lives of the eligible employees to the use of a single weighted average discount rate .

The adoption of the Retirement Benefits Accounting Standard and the Guidance is subject to the transitional treatment stipulated by Article 37 of the Retirement Benefits Accounting Standard, and the amount of financial impact on the consolidated financial statements at the beginning of the fiscal year ended March 31, 2015 as a result of the adoption of the new calculation method for retirement benefit obligations and service cost is treated as an adjustment to retained earnings.

As a result, the net retirement benefit liability at the beginning of the fiscal year ended March 31, 2015 decreased by ¥2,445 million ($20,349 thousand) and retained earnings increased by ¥1,571 million ($13,075 thousand). Consequently, operating income, ordinary income, and income before income taxes and minority interests for the fiscal year ended March 31, 2015 increased by ¥130 million ($1,080 thousand) respectively.

The impact on net assets per share, net income per share, and diluted net income per share for the fiscal year ended March 31, 2015 is minor.

(18) Accounting Standards Issued But Not Yet Applied

- Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, issued on September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013)
- Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, issued on September 13, 2013)
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, issued on September 13, 2013)

(a) Overview

The accounting treatment for any changes in a parent's ownership interest in a subsidiary, in which the parent retains control, related to the acquisition of additional ownership interests, etc. and the corresponding accounting for acquisition-related costs were revised, for net income. In addition, the presentation method was changed, the reference to "minority interests" was changed to "non-controlling interests", and the accounting treatment for adjustments to provisional amounts during the measurement period were changed.

(b) Date of Application

The revised accounting standards shall apply from the beginning of the fiscal year ending March 31, 2016.

Tentative decisions related to accounting treatments shall apply to business combinations executed from the beginning of the fiscal year ending March 31, 2016.

(c) Impact of Adopting New Accounting Standards

The Company is currently evaluating the impact of adopting the Revised Accounting Standard for Business Combinations on its consolidated financial statements.

3. Financial Instruments

(1) Policies on Financial Instruments

It is the policy of the Group 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 Group evaluates 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. However, the Group does not evaluate hedge effectiveness of interest rate swaps for which the Group applies the exceptional treatment.

(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 Group, 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 vary if different assumptions are provided. The contract amount shown in Note 13. Derivative Financial Instruments does not represent the market risk regarding the derivative transactions.

(5) Fair Values of Financial Instruments

The book values, fair values and differences of financial instruments as of March 31, 2014 and 2015 are as follows. Items for which fair value is extremely difficult to determine have not been included.

	Book value	Fair value	Difference
2014	(Millions of yen)	(Millions of yen)	(Millions of yen)
(1) Cash and deposits	¥ 45,484	¥ 45,484	¥ —
(2) Short-term investment securities	22,500	22,500	—
(3) Investment securities [1]	32,846	32,874	28
Total assets	100,830	100,858	28
(1) Short-term loans payable [2]	33,300	33,300	—
(2) Bonds payable [3]	33,000	34,469	1,469
(3) Long-term loans payable [2]	551,284	563,203	11,919
Total liabilities	617,584	630,972	13,388
Derivative transactions [4]	¥ (3)	¥ (3)	¥ —

2015	Book value (Millions of yen)	Book value (Thousands of U.S. dollars)	Fair value (Millions of yen)	Fair value (Thousands of U.S. dollars)	Difference (Millions of yen)	Difference (Thousands of U.S. dollars)
(1) Cash and deposits	¥ 47,421	$ 394,613	¥ 47,421	$ 394,613	¥ —	$ —
(2) Short-term investment securities	3,000	24,965	3,000	24,965	—	—
(3) Investment securities [1]	39,698	330,353	39,732	330,634	34	281
Total assets	90,119	749,931	90,153	750,212	34	281
(1) Short-term loans payable [2]	49,300	410,252	49,300	410,252	—	—
(2) Bonds payable[3]	33,000	274,611	34,227	284,820	1,227	10,209
(3) Long-term loans payable [2]	534,400	4,447,033	546,647	4,548,945	12,247	101,912
Total liabilities	616,700	5,131,896	630,174	5,244,017	13,474	112,121
Derivative transactions [4]	¥ (3)	$ (22)	¥ (3)	$ (22)	¥ —	$ —

Notes: 1. Includes government bonds, etc. presented as lease and guarantee deposits on the Consolidated Balance Sheet.
2. Current portion of long-term loans payable is included in (3) Long-term loans payable.
3. Current portion of bonds is included in (2) Bonds payable.
4. 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.)
¥17,809 million as of March 31, 2014
¥2,169 million ($18,052 thousand) as of March 31, 2015

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 book values approximate fair values, their book values are deemed as their fair values.

(2) Short-term investment securities

As these instruments, primarily comprised of negotiable deposits, are settled within a short term and their book values approximate fair values, their book values are deemed 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 book values approximate fair values, their book values are deemed 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 cash flow generated by 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

2014	Book value (Millions of yen)
Investment in silent partnership	¥22,921

2015	Book value (Millions of yen)	Book value (Thousands of U.S. dollars)
Investment in silent partnership	¥ 8,584	$71,432

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

2014	Within 1 year (Millions of yen)	1–5 years (Millions of yen)	5–10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	¥45,436	¥ —	¥ —	¥—
Short-term investment				
Securities and investment securities				
Held-to-maturity debt securities				
Government and municipal bonds, etc.	65	308	672	—
Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
Debt securities	—	—	—	—
Others	22,500	—	—	—
Total	¥68,001	¥308	¥672	¥—

	Within 1 year		1–5 years		5–10 years		Over 10 years	
2015	(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	¥47,371	$394,201	¥ —	$ —	¥ —	$ —	¥ —	$ —
Short-term investment								
Securities and investment securities								
Held-to-maturity debt securities								
Government and municipal bonds, etc.	215	1,789	358	2,981	590	4,911	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities								
Debt securities	—	—	—	—	—	—	—	—
Others	3,000	24,965	—	—	—	—	—	—
Total	¥50,586	$420,955	¥358	$2,981	¥590	$4,911	¥ —	$ —

5. Repayment schedule for bonds payable and long-term loans payable at March 31, 2014 and 2015

2014	Within 1 year (Millions of yen)	1-2 years (Millions of yen)	2-3 years (Millions of yen)	3-4 years (Millions of yen)
Short-term loans payable	¥ 33,300	¥ —	¥ —	¥ —
Bonds payable	10,000	3,000	—	10,000
Long-term loans payable	119,384	102,500	91,300	59,300
Total	¥162,684	¥105,500	¥91,300	¥69,300

2014	4-5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	¥ —	¥ —
Bonds payable	—	10,000
Long-term loans payable	68,300	110,500
Total	¥68,300	¥120,500

	Within 1 year		1-2 years		2-3 years		3-4 years	
2015	(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)
Short-term loans payable	¥ 49,300	$ 410,252	¥ —	$ —	¥ —	$ —	¥ —	$ —
Bonds payable	3,000	24,965	—	—	10,000	83,215	—	—
Long-term loans payable	102,500	852,958	91,300	759,757	59,300	493,468	68,300	568,361
Total	¥154,800	$1,288,175	¥91,300	$759,757	¥69,300	$576,683	¥68,300	$568,361

	4-5 years		Over 5 years	
2015	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Short-term loans payable	¥ —	$ —	¥ —	$ —
Bonds payable	—	—	20,000	166,431
Long-term loans payable	49,000	407,756	164,000	1,364,733
Total	¥49,000	$407,756	¥184,000	$1,531,164

4. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Group as of March 31, 2014 and 2015.

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

	(Millions of yen)		
2014	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥ 967	¥ 996	¥29
Subtotal	967	996	29
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	85	84	(1)
Subtotal	85	84	(1)
Total	¥1,052	¥1,080	¥28

	(Millions of yen)			(Thousands of U.S. dollars)		
2015	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair value exceeds book value:						
Government and municipal bonds, etc.	¥1,095	¥1,130	¥35	$9,115	$ 9,406	$291
Subtotal	1,095	1,130	35	9,115	9,406	291
Securities whose fair value does not exceed book value:						
Government and municipal bonds, etc.	77	76	(1)	639	629	(10)
Subtotal	77	76	(1)	639	629	(10)
Total	¥1,172	¥1,206	¥34	$9,754	$10,035	$281

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

	(Millions of yen)		
2014	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 634	¥ 1,350	¥ 716
Other	12,080	13,202	1,122
Subtotal	12,714	14,552	1,838
Securities whose book value does not exceed acquisition cost:			
Stocks	373	357	(16)
Other	40,032	37,479	(2,553)
Subtotal	40,405	37,836	(2,569)
Total	¥53,119	¥52,388	¥ (731)

	(Millions of yen)			(Thousands of U.S. dollars)		
2015	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 1,007	¥ 1,954	¥ 947	$ 8,381	$ 16,260	$ 7,879
Other	20,085	26,565	6,480	167,138	221,065	53,927
Subtotal	21,092	28,519	7,427	175,519	237,325	61,806
Securities whose book value does not exceed acquisition cost:						
Stocks	—	—	—	—	—	—
Other	12,186	11,912	(274)	101,408	(99,129)	(2,279)
Subtotal	12,186	11,912	(274)	101,408	(99,129)	(2,279)
Total	¥33,278	¥40,431	¥7,153	$276,927	$336,454	$59,527

(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, 2014 and 2015.

2014

	(Millions of yen)		
Type	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥27	¥19	¥1
Total	¥27	¥19	¥1

2015

	(Millions of yen)			(Thousands of U.S. dollars)		
Type	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥26	¥25	¥—	$213	$207	$—
Total	¥26	¥25	¥—	$213	$207	$—

5. Short-term Loans Payable and Long-term Loans Payable

Short-term loans payable as of March 31, 2014 and 2015 mainly consisted of borrowings from banks with a weighted-average interest rate of 0.3% in 2014 and 0.4% in 2015.

Long-term loans payable and bonds payable as of March 31, 2014 and 2015 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Unsecured bonds (1.7%), due 2014	¥ 10,000	¥ —	$ —
Unsecured bonds (2.1%), due 2017	10,000	10,000	83,215
Unsecured bonds (2.0%), due 2020	10,000	10,000	83,215
Unsecured bonds (0.8%), due 2024	—	10,000	83,215
Secured bonds (1.8%), due 2016	3,000	3,000	24,965
Long-term loans payable[1]			
Secured	13,429	—	—
Unsecured	537,855	534,400	4,447,034
Lease obligations[2]	1,233	1,189	9,898
Subtotal	585,517	568,589	4,731,542
Less amounts due within one year	(129,529)	(105,635)	(879,048)
	¥455,988	¥462,954	$3,852,494

Notes: 1. Long-term loans payable as of March 31, 2014 and 2015 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with weighted-average interest rates of 0.9% in 2014 and 0.8% in 2015.

2. The weighted-average interest rate for lease obligations is not shown because for some consolidated subsidiaries the lease obligations recorded in the Consolidated Balance Sheet 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, 2015.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2016	¥ 91,300	$ 759,757
2017	59,300	493,468
2018	68,300	568,361
2019	49,000	407,756
2020 and thereafter	164,000	1,364,733
	¥431,900	$3,594,075

The following table shows the maturities of lease obligations subsequent to March 31, 2015.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2016	¥ 104	$ 868
2017	78	644
2018	51	428
2019	36	301
2020 and thereafter	785	6,532
	¥1,054	$8,773

6. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2014 and 2015 are summarized as follows:

(1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Pledged assets:			
Buildings and structures	¥1,278	¥211	$1,756
Land	1,263	—	—
Other property and equipment	9	—	—
	¥2,550	¥211	$1,756
Secured liabilities:			
Short-term loans payable (Including the current portion of long-term loans payable)	¥ 57	¥ —	$ —
Lease and guarantee deposits received	60	52	435
Total	¥ 117	¥ 52	$ 435

(2) As of March 31, 2014, cash and deposits in the amount of ¥2 million and investment securities in the amount of ¥10 million are pledged as collateral for trade payables and a portion of liabilities of investee companies, respectively.

As of March 31, 2015, cash and deposits in the amount of ¥2 million ($17 thousand) and investment securities in the amount of ¥10 million ($83 thousand) are pledged as collateral for trade payables and a portion of liabilities of investee companies, respectively.

(3) Non-recourse Loans and Bonds

Non-recourse loans and bonds are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Non-recourse short-term loans payable	¥13,372	¥ —	$ —
Non-recourse current portion of bonds	—	3,000	24,965
Non-recourse bonds payable	3,000	—	—
	¥16,372	¥3,000	$24,965

Pledged assets for non-recourse loans are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Cash and deposits	¥ 3,890	¥ 2,527	$21,028
Buildings and structures	5,025	187	1,558
Land	25,472	7,804	64,942
Other property and equipment	46	—	—
	¥34,433	¥10,518	$87,528

7. Retirement Benefits

(1) Outline of Retirement Benefit Plans

The Company does not have a retirement benefit plan. As defined benefit plans, certain subsidiaries have the lump-sum pension plan and the defined benefit corporate pension plan, and defined contribution pension plans. In certain cases, additional retirement benefit payments may be made. For the lump-sum pension plan and the defined benefit corporate pension plan used by certain subsidiaries, net defined benefit liability and retirement benefit expenses are calculated by simplified method.

(2) Defined Benefit Plans

A reconciliation of the changes in retirement benefit obligations for the fiscal year ended March 31, 2014 and 2015 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Retirement benefit obligations at the beginning of the year	¥24,994	¥25,815	$214,823
Cumulative effects of changes in accounting policies	—	(2,445)	(20,349)
Restated balance	24,994	23,370	194,474
Service cost	1,348	1,195	9,941
Interest cost	256	366	3,043
Actuarial gain or loss	(98)	369	3,075
Retirement benefit payments	(685)	(705)	(5,862)
Retirement benefit obligations at the end of the year	¥25,815	¥24,595	$204,671

A reconciliation of the changes in balance of plan assets for the fiscal year ended March 31, 2014 and 2015 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Fair value of plan assets at the beginning of the year	¥11,549	¥12,804	$106,547
Expected return on plan assets	115	205	1,705
Actuarial gain or loss	1,037	1,362	11,334
Employer contributions	426	1,486	12,367
Retirement benefit payments	(323)	(339)	(2,823)
Fair value of plan assets at the end of the year	¥12,804	¥15,518	$129,130

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal year ended March 31, 2014 and 2015

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Net defined benefit liability at the beginning of the year	¥1,741	¥1,890	$15,730
Retirement benefit expenses	302	306	2,544
Retirement benefit payments	(133)	(175)	(1,455)
Contributions to plan	(20)	(21)	(173)
Net defined benefit liability at the end of the year	¥1,890	¥2,000	$16,646

A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2014 and 2015, and net defined benefit liability on the Consolidated Balance Sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Funded retirement benefit obligations	¥17,766	¥16,719	$139,131
Fair value of plan assets	(12,882)	(15,614)	(129,933)
Subtotal	4,884	1,105	9,198
Unfunded retirement benefit obligations	10,018	9,973	82,989
Net liabilities on the Consolidated Balance Sheet	¥14,902	¥11,078	$ 92,187
Net defined benefit liability	¥14,902	¥11,078	$ 92,187
Net liabilities on the Consolidated Balance Sheet	¥14,902	¥11,078	$ 92,187

Notes: It includes the plans applying a simplified method.

Breakdown of retirement benefit expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Service cost	¥1,348	¥1,195	$ 9,941
Interest cost	256	366	3,043
Expected return on plan assets	(115)	(205)	(1,705)
Amortization of actuarial gain or loss	308	390	3,248
Amortization of prior service cost	(396)	(396)	(3,292)
Retirement benefit expenses calculated by a simplified method	303	306	2,545
Other	51	—	—
Retirement benefit expenses for defined benefit plan	¥1,755	¥1,656	$13,780

Breakdown of items recorded in the Consolidated Statement of Comprehensive Income as remeasurements of defined benefit plans, before tax

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Prior service cost	¥—	¥ (396)	$ (3,292)
Actuarial gain or loss	—	1,383	11,507
Total	¥—	¥ 987	$ 8,215

Breakdown of items recorded in the Consolidated Balance Sheet as remeasurements of defined benefit plans, before tax

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Unrecognized prior service cost	¥2,571	¥2,176	$18,107
Unrecognized actuarial gain or loss	(1,419)	(37)	(304)
Total	¥1,152	¥2,139	$17,803

Composition of plan assets by major classifications

	2014	2015
Claims	52%	49%
Equity	30%	33%
Other	18%	18%
Total	100%	100%

The expected long-term rate of return on plan assets has been estimated based on the current and projected allocation of plan assets and the current and expected long-term rate of return on diverse assets which comprise plan assets.

Assumptions used in accounting for the retirement benefit plans are summarized as follows (represented by a weighted average) :

	2014	2015
Discount rate	1.0~1.3%	1.2~1.6%
Expected rate of return on plan assets	1.0%	1.6%
Expected salary increase rate	2.2~7.5%	2.2~7.5%

(3) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the fiscal year ended March 31, 2014 and 2015 are ¥179 million and ¥259 million ($2,156 thousand).

8. Gain on Sales of Property and Equipment

The breakdown of gain on sales of property and equipment for the fiscal years ended March 31, 2014 and 2015 is as follows:

	Gain on sales		
	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Land	¥481	¥ 18	$ 148
Buildings	63	189	1,571
Total	¥544	¥207	$1,719

9. Impairment Loss

The Group recognized impairment loss on the following groups of assets for the fiscal years ended March 31, 2014 and 2015:

2014 Primary use	Type	Location
Leased assets	Buildings	Minato-ku, Tokyo and other locations
Others	Land	
(9 locations in total)	Other tangible asset	

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 nine groups of assets the profitability of which has dropped significantly due to the deterioration of the market conditions and the decline in rent level or that the Group plans to sell, the carrying amount has been reduced to the recoverable amount and the amount of reduction has been recognized as an extraordinary loss of ¥16,572 million for the fiscal year ended March 31, 2014. The impairment loss is broken down into an impairment loss of ¥11,821 million on land and an impairment loss of ¥4,751 million on buildings and others.

The recoverable amount of these groups of assets is measured at the net realizable value and the net realizable value is determined based on the expected sales price and the appraisal value provided by real estate appraisers.

2015 Primary use	Type	Location
Leased assets	Buildings	Shinagawa-ku, Tokyo and other locations
Others	Land	
(4 locations in total)	Other tangible asset	

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 four groups of assets the profitability of which has dropped significantly due to the deterioration of the market conditions and the decline in rent level or that the Group plans to sell, the carrying amount has been reduced to the recoverable amount and the amount of reduction has been recognized as an extraordinary loss of ¥8,170 million ($67,988 thousand) for the fiscal year ended March 31, 2015. The impairment loss is broken down into an impairment loss of ¥7,592 million ($63,174 thousand) on land and an impairment loss of ¥578 million ($4,814 thousand) on buildings and others.

The recoverable amount of these groups of assets is measured at the net realizable value and the net realizable value is determined based on the expected sales price and the appraisal value provided by real estate appraisers.

10. Income Taxes

The statutory tax rates in Japan for the Company and its domestic subsidiaries were 38.0% for the fiscal year ended March 31, 2014 and 35.6% for the fiscal year ended March 31, 2015

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

	2014	2015
Statutory tax rate	38.0%	35.6%
Adjustments:		
Permanent differences including entertainment expenses	1.4	1.1
Effect of tax rate change	1.1	(9.2)
Other	1.0	(1.0)
Effective tax rates	41.5%	26.5%

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2014 and 2015:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Deferred tax assets:			
Unrealized profits	¥13,277	¥13,152	$109,448
Impairment loss	8,380	7,678	63,890
Net defined benefit liability	5,248	4,379	36,438
Inventory write-downs	3,837	1,968	16,378
Loss on valuation of equity investments	2,859	1,856	15,443
Provision for bonuses	2,048	1,706	14,199
Excess of depreciation	1,596	915	7,612
Revaluation of assets on consolidation	620	526	4,379
Provision for loss on subleasing business	169	151	1,258
Other	5,580	4,877	40,581
Gross deferred tax assets	43,614	37,208	309,626
Valuation allowance	(3,198)	(2,686)	(22,353)
Total deferred tax assets	40,416	34,522	287,273
Deferred tax liabilities:			
Revaluation of assets on consolidation	(53,564)	(48,139)	(400,588)
Reserve for deferred income taxes	(23,837)	(21,438)	(178,397)
Other	(1,340)	(4,616)	(38,415)
Total deferred tax liabilities	(78,741)	(74,193)	(617,400)
Net deferred tax liabilities	¥ (38,325)	¥(39,671)	$(330,127)

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

The Act on Partial Amendment of the Income Tax Act, etc. (Act No. 9, 2015) and the Act on Partial Amendment of the Local Tax Act, etc. (Act No. 2, 2015) issued on March 31, 2015 resulted in a reduction of the rates of corporate and other taxes from the fiscal year beginning on April 1, 2015. In conjunction with these changes, the statutory effective tax rate used to calculate deferred tax assets and liabilities will be changed from the current 35.6% to 33.1% for temporary differences expected to be realized or settled from the fiscal year beginning on April 1, 2015, and to 32.3% for temporary differences expected to be realized or settled from the consolidated fiscal year that beginning on April 1, 2016.

As a result, deferred tax liabilities (the amount after offsetting deferred tax assets) and deferred income tax expense decreased by ¥5,625 million ($46,806 thousand) and ¥5,322 million ($44,288 thousand), respectively, and valuation difference on available-for-sale securities, etc. and net income after minority interest increased by ¥302 million ($2,512 thousand) and ¥3,198 million ($26,614 thousand), respectively as of and for the fiscal year ended March 31, 2015.

Deferred tax liabilities for land revaluation decreased by ¥421 million ($3,500 thousand), and revaluation reserve for land increased by the same amount as of March 31, 2015.

11. Shareholders' Equity

Under the Companies Act of Japan (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, 2015, the Group's capital reserve amounted to ¥93,519 million ($778,217 thousand), and no legal reserve was recorded.

12. Supplementary Cash Flow information

A reconciliation of cash and deposits in the Consolidated Balance Sheet and cash and cash equivalents in the Consolidated Statement of Cash Flows is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Cash and deposits	¥45,484	¥47,421	$394,613
Short-term investment securities	22,500	3,000	24,965
Time deposits with maturities of more than three months	(2)	(3)	(17)
Cash and cash equivalents	¥67,982	¥50,418	$419,561

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

2014			Contract amount	Contract amount due after one year	Fair value
Hedge accounting method	Type of derivatives	Major hedged items	(Millions of yen)	(Millions of yen)	(Millions of yen)
Deferral hedge accounting	Currency swaps	Securities denominated in foreign currencies	¥1,037	—	¥(3)
Total			¥1,037	—	¥(3)

2015			Contract amount		Contract amount due after one year		Fair value	
Hedge accounting method	Type of derivatives	Major hedged items	(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	¥1,030	$8,569	—	—	¥(3)	$(22)
Total			¥1,030	$8,569	—	—	¥(3)	$(22)

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

2014			Contract amount	Contract amount due after one year	Fair value
Hedge accounting method	Type of derivatives	Major hedged items	(Millions of yen)	(Millions of yen)	(Millions of yen)
Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate/ Pay fixed rate	Long-term debt	¥419,197	¥317,500	(Note)
Total			¥419,197	¥317,500	—

2015			Contract amount		Contract amount due after one year		Fair value	
Hedge accounting method	Type of derivatives	Major hedged items	(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	¥391,500	$3,257,885	¥309,600	$2,576,350	(Note)	(Note)
Total			¥391,500	$3,257,885	¥309,600	$2,576,350		

Note: The fair value of the interest rate swaps which qualify for exceptional treatment for 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, 2014 and 2015.

Operating leases	(Millions of yen) 2014	(Millions of yen) 2015	(Thousands of U.S. dollars) 2015
Future lease payments:			
Due within 1 year	¥ 2,748	¥ 2,674	$ 22,250
Due after 1 year	11,615	9,763	81,244
Total	¥14,363	¥12,437	$103,494
Future lease receipts:			
Due within 1 year	¥16,578	¥18,221	$151,624
Due after 1 year	72,231	78,700	654,911
Total	¥88,809	¥96,921	$806,535

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 Sheet, changes during the fiscal years ended March 31, 2014 and 2015, 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 years ended March 31, 2014 and 2015

2014	Book value[1] March 31, 2013 (Millions of yen)	Book value[1] Increase/Decrease (Millions of yen)	Book value[1] March 31, 2014 (Millions of yen)	Fair value[2] March 31, 2014 (Millions of yen)
Rental properties	¥698,632	¥(22,157)	¥676,475	¥695,176
Other properties used as rental properties[3]	24,869	722	25,591	48,130

2015	Book value[1] March 31, 2014 (Millions of yen)	Book value[1] March 31, 2014 (Thousands of U.S. dollars)	Book value[1] Increase/Decrease (Millions of yen)	Book value[1] Increase/Decrease (Thousands of U.S. dollars)	Book value[1] March 31, 2015 (Millions of yen)	Book value[1] March 31, 2015 (Thousands of U.S. dollars)	Fair value[2] March 31, 2015 (Millions of yen)	Fair value[2] March 31, 2015 (Thousands of U.S. dollars)
Rental properties	¥676,475	$5,629,320	¥13,180	$109,679	¥689,655	$5,738,999	¥735,723	$6,122,352
Other properties used as rental properties[3]	25,591	212,952	(254)	(2,111)	25,337	210,841	49,530	412,166

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

2. Fair values as of March 31, 2014 and 2015 are determined by the Group (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, the Group uses the appraisal values or amounts derived from the indexes of the recent appraisal or acquisition from third parties as the fair values at March 31, 2014 and 2015.

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 years ended March 31, 2014 and 2015

2014	Operating income (Millions of yen)	Others (gains (losses) on sale of property, etc.) (Millions of yen)
Rental properties	¥26,911	¥ (15,958)
Other properties used as rental properties	791	—

2015	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	¥23,231	$193,315	¥ (5,760)	$ (47,932)
Other properties used as rental properties	968	8,055	—	—

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 (¥544 million) and impairment loss (¥16,502 million) in the fiscal year ended March 31, 2014, and dividends distribution from silent partnership (¥2,204 million ($18,337 thousand)) and impairment loss (¥8,170 million ($67,988 thousand)) in the fiscal year ended March 31, 2015.

16. Segment Information

(1) Segment summary

The reportable segments of the Group comprise those business units for which separate financial information is available, and which are subject to a regular review conducted by the Company's Board of Directors in order to determine the allocation of management resources and evaluate their performance.

With the Company as a pure holding company, the Group consists of business companies and divisions, such as Nomura Real Estate Development Co., Ltd. The business companies (or business divisions within Nomura Real Estate Development) formulate comprehensive strategies on respective products and services handled by them and conduct business activities based on such strategies.

Therefore, business segments of the Group are distinguished by products and services, primarily by business companies (or by business divisions within Nomura Real Estate Development).

(2) Changes in reportable segments

From the second quarter of the fiscal year ended March 31, 2015 the method of allocating costs to each segment of the Group has been partially revised to enhance the business management by segments.

In addition, the residential leasing business has also been transferred from the Residential Development Business Segment to the Leasing Business Segment to facilitate strategic business development together with the leasing asset portfolio in an integrated manner.

In line with these changes, segment income for the fiscal year ended March 31, 2015 decreased by ¥3,033 million ($25,239 thousand) in the Residential Development Business Segment, ¥801 million ($6,667 thousand) in the Leasing Business Segment, ¥174 million ($1,450 thousand) in the Investment Management Business Segment, and ¥348 million ($2,896 thousand) in the Property Brokerage & CRE Business Segment, and adjustments to segment income increased by ¥4,356 million ($36,252 thousand).

The results of the prior fiscal year are recalculated in line with the newly adopted method of cost allocation and segment classification.

(3) Methods for calculating net sales, income (loss), assets, liabilities and other items by reportable segment

The accounting method for reportable segments is almost equivalent to that specified in "Significant Accounting Policies". Reportable segment income is presented based on operating income. Intersegment sales and transfer amounts are presented based on market prices.

Results by segment for the fiscal years ended March 31, 2014 and 2015 were as follows:

Results by segment for the fiscal year ended March 31, 2014

(Millions of yen)

	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other[1]	Total	Eliminations or corporate[2]	Consolidated[3]
Operating revenue and operating income									
Operating revenue:									
External customers	¥306,784	¥ 97,758	¥18,324	¥26,636	¥63,878	¥18,636	¥ 532,016	¥ —	¥ 532,016
Inter-segment	842	2,108	3	2,532	8,273	4	13,762	(13,762)	—
Subtotal	307,626	99,866	18,327	29,168	72,151	18,640	545,778	(13,762)	532,016
Segment income (loss)	31,177	26,819	7,903	8,101	5,108	508	79,616	(5,308)	74,308
Segment assets	331,780	776,097	67,347	21,142	32,891	34,134	1,263,391	50,497	1,313,888
Other items									
Depreciation	¥ 104	¥ 12,297	¥ 212	¥ 251	¥ 258	¥ 1,053	¥ 14,175	¥ 158	¥ 14,333
Amortization of goodwill	—	236	—	—	29	—	265	—	265
Investment in affiliates accounted for using equity method	28	1,029	—	—	—	—	1,057	—	1,057
Increase in property, plant and equipment and intangible assets	293	14,176	125	492	245	571	15,902	273	16,175

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 ¥5,308 million shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥667 million for the elimination of inter-segment transactions and a deduction of ¥5,975 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 ¥50,497 million shown in the eliminations or corporate column for segment assets includes a deduction of ¥40,514 million for the elimination of inter-segment transactions and an addition of ¥91,011 million for corporate assets not allocated to reportable segments.
3. The segment income (loss) is reconciled to the operating income stated in the consolidated financial statements.

Results by segment for the fiscal year ended March 31, 2015

(Millions of yen)

	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other[1]	Total	Eliminations or corporate[2]	Consolidated[3]
Operating revenue and operating income									
Operating revenue:									
External customers	¥358,490	¥ 90,643	¥ 9,164	¥27,934	¥63,180	¥17,748	¥ 567,159	¥ —	¥ 567,159
Inter-segment	907	2,236	3	2,298	8,456	5	13,905	(13,905)	—
Subtotal	359,397	92,879	9,167	30,232	71,636	17,753	581,064	(13,905)	567,159
Segment income (loss)	33,812	24,448	4,813	8,478	5,478	167	77,196	(5,301)	71,895
Segment assets	382,586	849,886	40,556	22,606	32,376	19,834	1,347,844	21,383	1,369,227
Other items									
Depreciation	¥ 121	¥ 13,222	¥ 130	¥ 304	¥ 250	¥ 1,032	¥ 15,059	¥ 200	¥ 15,259
Amortization of goodwill	—	236	—	—	29	—	265	—	265
Investment in affiliates accounted for using equity method	32	1,064	276	—	—	—	1,372	—	1,372
Increase in property, plant and equipment and intangible assets	216	47,039	110	549	155	851	48,920	(15,024)	33,896

	(Thousands of U.S. dollars)								
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other[1]	Total	Eliminations or corporate[2]	Consolidated[3]
Operating revenue and operating income									
Operating revenue:									
External customers	$2,983,191	$ 754,290	$ 76,256	$232,455	$525,756	$147,691	$ 4,719,639	$ —	$ 4,719,639
Inter-segment	7,551	18,605	25	19,126	70,363	44	115,714	(115,714)	—
Subtotal	2,990,742	772,895	76,281	251,581	596,119	147,735	4,835,353	(115,714)	4,719,639
Segment income (loss)	281,366	203,441	40,055	70,547	45,584	1,391	642,384	(44,111)	598,273
Segment assets	3,183,705	7,072,364	337,485	188,120	269,416	165,049	11,216,139	177,942	11,394,081
Other items									
Depreciation	$ 1,008	$ 110,024	$ 1,083	$ 2,526	$ 2,077	$ 8,591	$ 125,309	$ 1,668	$ 126,977
Amortization of goodwill	—	1,960	—	—	244	—	2,204	—	2,204
Investment in affiliates accounted for using equity method	265	8,858	2,295	—	—	—	11,418	—	11,418
Increase in property, plant and equipment and intangible assets	1,801	391,438	915	4,566	1,288	7,078	407,086	(125,015)	282,071

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 ¥5,301 million ($44,111 thousand) shown in the eliminations or corporate column for segment income (loss) includes a deduction of ¥124 million ($1,028 thousand) for the elimination of inter-segment transactions and a deduction of ¥5,177 million ($43,084 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 ¥21,383 million ($177,942 thousand) shown in the eliminations or corporate column for segment assets includes a deduction of ¥39,994 million ($332,812 thousand) for the elimination of inter-segment transactions and an addition of ¥61,377 million ($510,754 thousand) for corporate assets not allocated to reportable segments.
3. The segment income (loss) 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, 2014 and 2015 is summarized as follows:

	(Millions of yen)						
2014	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	¥—	¥16,565	¥—	¥—	¥—	¥7	¥16,572

	(Millions of yen)						
2015	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	¥—	¥1,645	¥6,100	¥425	¥—	¥—	¥8,170

	(Thousands of U.S. dollars)						
2015	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	$—	$13,691	$50,759	$3,538	$—	$—	$67,988

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, 2014 and 2015 by reportable segments:

	(Millions of yen)					
2014	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 236	¥—	¥—	¥ 29	¥ 265
Balance at March 31, 2014	¥—	¥3,475	¥—	¥—	¥264	¥3,739

	(Millions of yen)					
2015	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 236	¥—	¥—	¥ 29	¥ 265
Balance at March 31, 2015	¥—	¥3,240	¥—	¥—	¥234	¥3,474

	(Thousands of U.S. dollars)					
2015	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	$—	$ 1,960	$—	$—	$ 244	$ 2,204
Balance at March 31, 2015	$—	$26,956	$—	$—	$1,950	$28,906

17. Contingent Liabilities

Contingent liabilities as of March 31, 2014 and 2015 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Guarantees for home loans of house purchasers from banks and other	¥26,733	¥56,902	$473,518
Guarantees for loans to business partners in the business of commercial buildings for rent	744	677	5,631
	¥27,477	¥57,579	$479,149

18. Consolidated Statement of Comprehensive Income

The amount of recycling and amount of income tax effects associated with other comprehensive income for the years ended March 31, 2014 and 2015 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ (3,749)	¥9,588	$79,782
Amount of recycling	(621)	(999)	(8,309)
Before income tax effect	(4,370)	8,589	71,473
Income tax effect	1,561	(2,824)	(23,503)
Valuation difference on available-for-sale securities	(2,809)	5,765	47,970
Deferred gains or losses on hedges:			
Amount recognized during the year	(282)	88	728
Amount of recycling	(49)	(11)	(89)
Before income tax effect	(331)	77	639
Income tax effect	118	(24)	(196)
Deferred gains or losses on hedges	(213)	53	443
Revaluation reserve for land:			
Income tax effect	(0)	421	3,500
Foreign currency translation adjustment:			
Amount recognized during the year	—	7	56
Amount of recycling	—	—	—
Before income tax effect	—	7	56
Income tax effect	—	—	—
Foreign currency translation adjustment	—	7	56
Remeasurements of defined benefit plans:			
Amount recognized during the year	—	972	8,091
Amount of recycling	—	15	123
Before income tax effect	—	987	8,214
Income tax effect	—	(298)	(2,479)
Remeasurements of defined benefit plans	—	689	5,735
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount recognized during the year	41	21	175
Amount of recycling	—	—	—
Before income tax effect	41	21	175
Income tax effect	(17)	(5)	(43)
Share of other comprehensive income of affiliates accounted for using the equity method	24	16	132
Total other comprehensive income	¥ (2,998)	¥6,951	$57,836

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 March 31, 2014 and 2015.

20. Stock Options

In accordance with the Act on November 30, 2007, the Group granted certain stock options to certain directors, executive officers and employees of the Group.

Information regarding the Group'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)
	2014	2015	2015
Selling, general and administrative expenses	¥536	¥599	$4,981

2. Amount of profit by non-exercise of stock options

	(Millions of yen)		(Thousands of U.S. dollars)
	2014	2015	2015
	¥27	¥99	$827

3. Description

Nomura Real Estate Holdings, Inc.

FY2007	3rd issue of stock options
Recipients	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 (Note)	Common stock: 180,400 shares
Grant date	November 30, 2007
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	November 30, 2009 – November 29, 2014

Nomura Real Estate Holdings, Inc.

FY2008	2nd issue of stock options	3rd issue of stock options
Recipients	Directors and executive officers of the Company's subsidiaries (51 persons)	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 (Note)	Common stock: 61,300 shares	Common 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, 2014	August 11, 2010 – August 10, 2015

Nomura Real Estate Holdings, Inc.

FY2009	2nd issue of stock options	3rd issue of stock options
Recipients	Directors and executive officers of the Company's subsidiaries (51 persons)	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 (Note)	Common stock: 59,500 shares	Common stock: 202,700 shares
Grant date	August 11, 2009	August 11, 2009
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 11, 2010 – August 10, 2015	August 11, 2011 – August 10, 2016

Nomura Real Estate Holdings, Inc.

FY2010	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (7 persons)	Directors and executive officers of the Company's subsidiaries (57 persons)	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 (Note)	Common stock: 20,000 shares	Common stock: 66,100 shares	Common 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, 2016	August 23, 2011 – August 22, 2016	August 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 (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

Nomura Real Estate Holdings, Inc.

FY2012	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (5 persons)	Directors and executive officers of the Company's subsidiaries (64 persons)	Directors of the Company (5 persons) Directors and executive officers of the Company's subsidiaries (64 persons) Employees of the Company's subsidiaries (152 persons)
Type/number of shares reserved (Note)	Common stock: 31,500 shares	Common stock: 188,900 shares	Common stock: 242,700 shares
Grant date	August 23, 2012	August 23, 2012	August 23, 2012
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, 2014 – August 22, 2019	August 23, 2014 – August 22, 2019	August 23, 2014 – August 22, 2019

Nomura Real Estate Holdings, Inc.

FY2013	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (4 persons)	Directors and executive officers of the Company's subsidiaries (74 persons)	Directors of the Company (4 persons) Directors and executive officers of the Company's subsidiaries (74 persons) Employees of the Company's subsidiaries (170 persons)
Type/number of shares reserved (Note)	Common stock: 20,200 shares	Common stock: 143,300 shares	Common stock: 333,300 shares
Grant date	July 23, 2013	July 23, 2013	July 23, 2013
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	July 23, 2015 – July 22, 2020	July 23, 2015 – July 22, 2020	July 23, 2015 – July 22, 2020

Nomura Real Estate Holdings, Inc.

FY2014	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 (72 persons)	Directors of the Company (6 persons) Directors and executive officers of the Company's subsidiaries (72 persons) Employees of the Company's subsidiaries (187 persons)
Type/number of shares reserved (Note)	Common stock: 40,700 shares	Common stock: 194,400 shares	Common stock: 352,300 shares
Grant date	July 23, 2014	July 23, 2014	July 23, 2014
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	July 23, 2016 – July 22, 2021	July 23, 2016 – July 22, 2021	July 23, 2016 – July 22, 2021

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

MEGALOS CO., LTD.

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

MEGALOS CO., LTD.

FY2012	2nd issue of stock options
Recipients	Directors of the Company (3 persons) Employees of the Company (13 persons)
Type/number of shares reserved (Note)	Common stock: 28,000 shares
Grant date	August 20, 2012
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	August 20, 2014 – August 19, 2019

MEGALOS CO., LTD.

FY2013	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 (19 persons)
Type/number of shares reserved (Note)	Common stock: 7,900 shares	Common stock: 34,000 shares
Grant date	August 19, 2013	August 19, 2013
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 19, 2014 – August 18, 2019	August 19, 2015 – August 18, 2020

MEGALOS CO., LTD.

FY2014	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 (21 persons)
Type/number of shares reserved (Note)	Common stock: 6,900 shares	Common stock: 35,000 shares
Grant date	August 18, 2014	August 18, 2014
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 18, 2015 – August 17, 2020	August 18, 2016 – August 17, 2021

Note: With respect to stock options outstanding at March 31, 2015, 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. Scale of offer and status of changes

(1) Number of stock options

Nomura Real Estate Holdings, Inc.

FY2007	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	136,900
Vested	—
Exercised	—
Forfeited	136,900
End of the year	—

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	5,200	141,200
Vested	—	—
Exercised	5,200	—
Forfeited	—	2,200
End of the year	—	139,000

Nomura Real Estate Holdings, Inc.

FY2009	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	9,800	92,900
Vested	—	—
Exercised	3,000	13,900
Forfeited	—	—
End of the year	6,800	79,000

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	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	2,900	19,500	62,500
Vested	—	—	—
Exercised	2,900	7,500	6,000
Forfeited	—	—	—
End of the year	—	12,000	56,500

Nomura Real Estate Holdings, Inc.

FY2011	1st issue of stock options	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	4,700	31,000	129,700
Vested	—	—	—
Exercised	4,700	14,500	19,800
Forfeited	—	—	—
End of the year	—	16,500	109,900

Nomura Real Estate Holdings, Inc.

FY2012	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	235,400
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	235,400
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	31,500	188,900	3,800
Vested	—	—	235,400
Exercised	12,300	73,100	50,000
Forfeited	—	—	—
End of the year	19,200	115,800	189,200

Nomura Real Estate Holdings, Inc.

FY2013	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	332,100
Granted	—	—	—
Forfeited	—	—	1,000
Vested	—	—	23,600
End of the year	—	—	307,500
Vested: (shares)			
Previous fiscal year end	20,200	143,300	—
Vested	—	—	23,600
Exercised	—	—	—
Forfeited	—	—	—
End of the year	20,200	143,300	23,600

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	40,700	194,400	352,300
Forfeited	—	—	—
Vested	40,700	194,400	1,600
End of the year	—	—	350,700
Vested: (shares)			
Previous fiscal year end	—	—	—
Vested	40,700	194,400	1,600
Exercised	—	—	—
Forfeited	—	—	—
End of the year	40,700	194,400	1,600

MEGALOS CO., LTD.

FY2008	2nd issue of stock options
Non-vested: (shares)	
Previous fiscal year end	—
Granted	—
Forfeited	—
Vested	—
End of the year	—
Vested: (shares)	
Previous fiscal year end	9,000
Vested	—
Exercised	—
Forfeited	—
End of the year	9,000

MEGALOS CO., LTD.

FY2009	2nd issue of stock options
Non-vested: (shares)	
Previous fiscal year end	—
Granted	—
Forfeited	—
Vested	—
End of the year	—
Vested: (shares)	
Previous fiscal year end	12,000
Vested	—
Exercised	—
Forfeited	—
End of the year	12,000

MEGALOS CO., LTD.

FY2010	2nd issue of stock options
Non-vested: (shares)	
Previous fiscal year end	—
Granted	—
Forfeited	—
Vested	—
End of the year	—
Vested: (shares)	
Previous fiscal year end	13,000
Vested	—
Exercised	—
Forfeited	—
End of the year	13,000

MEGALOS CO., LTD.

FY2011	2nd issue of stock options
Non-vested: (shares)	
Previous fiscal year end	—
Granted	—
Forfeited	—
Vested	—
End of the year	—
Vested: (shares)	
Previous fiscal year end	13,000
Vested	—
Exercised	—
Forfeited	—
End of the year	13,000

MEGALOS CO., LTD.

FY2012	2nd issue of stock options
Non-vested: (shares)	
Previous fiscal year end	24,000
Granted	—
Forfeited	6,000
Vested	18,000
End of the year	—
Vested: (shares)	
Previous fiscal year end	—
Vested	18,000
Exercised	3,000
Forfeited	—
End of the year	15,000

MEGALOS CO., LTD.

FY2013	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	30,000
Granted	—	—
Forfeited	—	6,000
Vested	—	—
End of the year	—	24,000
Vested: (shares)		
Previous fiscal year end	7,900	—
Vested	—	—
Exercised	7,900	—
Forfeited	—	—
End of the year	—	—

MEGALOS CO., LTD.

FY2014	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	6,900	35,000
Forfeited	—	—
Vested	6,900	—
End of the year	—	35,000
Vested: (shares)		
Previous fiscal year end	—	—
Vested	6,900	—
Exercised	—	—
Forfeited	—	—
End of the year	6,900	—

(2) Unit price data

Nomura Real Estate Holdings, Inc.

FY2007	3rd issue of stock options
Exercise price (¥)	3,380
Average price upon exercise (¥)	—
Fair value on grant date (¥)	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 (¥)	1,890	—
Fair value on grant date (¥)	2,131	770

Nomura Real Estate Holdings, Inc.

FY2009	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1,663
Average price upon exercise (¥)	1,977	2,010
Fair value on grant date (¥)	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 (¥)	1,998	2,019	1,875
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 (¥)	1,967	1,965	1,914
Fair value on grant date (¥)	1,045	1,045	315

Nomura Real Estate Holdings, Inc.

FY2012	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,451
Average price upon exercise (¥)	1,994	1,911	2,004
Fair value on grant date (¥)	1,283	1,283	454

Nomura Real Estate Holdings, Inc.

FY2013	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,429
Average price upon exercise (¥)	—	—	—
Fair value on grant date (¥)	2,297	2,297	675

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,016
Average price upon exercise (¥)	—	—	—
Fair value on grant date (¥)	1,718	1,718	371

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

MEGALOS CO., LTD.

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

MEGALOS CO., LTD.

FY2012	2nd issue of stock options
Exercise price (¥)	1,196
Average price upon exercise (¥)	1,549
Fair value on grant date (¥)	192

MEGALOS CO., LTD.

FY2013	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	1,488
Average price upon exercise (¥)	1,532	—
Fair value on grant date (¥)	1,411	195

MEGALOS CO., LTD.

FY2014	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	1,590
Average price upon exercise (¥)	—	—
Fair value on grant date (¥)	1,513	189

5. 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, 2015 (FY2014) 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 FY2014 stock options	Nomura Real Estate Holdings, Inc. 2nd issue of FY2014 stock options	Nomura Real Estate Holdings, Inc. 3rd issue of FY2014 stock options
Expected volatility of the share price (Note 1)	32.4%	32.4%	32.4%
Expected remaining life of the option (Note 2)	4.5 years	4.5 years	4.5 years
Expected dividend (Note 3)	¥40 ($0.33) per share	¥40 ($0.33) per share	¥40 ($0.33) per share
Risk-free interest rate (Note 4)	0.21%	0.21%	0.21%

Notes: 1. Calculated based on the actual stock price for four years and six months (from January 2010 to July 2014).
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, 2015 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 FY2014 stock options	MEGALOS CO., LTD. 2nd issue of FY2014 stock options
Expected volatility of the share price (Note 1)	17.7%	16.9%
Expected remaining life of the option (Note 2)	3.5 years	4.5 years
Expected dividend (Note 3)	¥3 ($0.03) per share	¥3 ($0.03) per share
Risk-free interest rate (Note 4)	0.14%	0.20%

Notes: 1. Volatility of share price for the 1st issues of 2014 stock options were calculated based on the actual stock price for the past three years and six months preceding the grant date; and for the 2nd issue, four years and six months preceding the grant date.
2. Calculated with an assumption that the stock option is exercised at the middle of the exercise period as MEGALOS CO., LTD. does not have sufficient data for a more precise estimation.
3. Based on the expected dividend for the fiscal year ended March 31, 2015.
4. Based on the yield of Japanese government bonds for the period equivalent to the expected remaining life of the option.

6. Estimation of the number of vested options

The estimation of the number of vested options is made based on the actual number of forfeited options due to difficulty in reasonably estimating future forfeitures.

21. Subsequent Events

(a) Tender Offer for Share Certificates, etc. of MEGALOS Co., Ltd.

The Company resolved at the meeting of its Board of Directors held on April 30, 2015 to conduct a tender offer for the purpose of acquiring all of the shares and the stock acquisition rights of MEGALOS Co., Ltd. (listed on the JASDAQ Market, the “Target Company” hereinafter) (excluding the shares held by the Company and the treasury shares held by the Target Company), which is a consolidated subsidiary of the Company.

The Board of Directors of the Target Company resolved, at the Board of Directors meeting of the Target Company, to express an opinion in favor of the Tender Offer and to encourage the Target Company’s shareholders and the holders of the Stock Acquisition Rights of the Target Company to tender their share certificates, etc. in the Tender Offer.

1. Purpose of the Tender Offer

The Target Company listed its shares on the Jasdaq Securities Exchange operated by Jasdaq Co., Ltd. (the “JASDAQ Market”) in November 2007 for purposes such as ensuring stable financing and corporate creditworthiness increasing corporate recognition, and securing human resources. Since being listed, the Target Company has sought to increase profits in the existing fitness clubs, and has aimed to increase its corporate value by aggressively expanding business areas and opening new clubs.

In recent years, however, the Target Company has faced challenges such as intensifying competition due to the increased number of competitor fitness clubs in the fitness market, and changing and diversifying customer needs for equipment and services.

Under those circumstances, the Company considers that as measures to be taken from the mid-to long-term perspective of the Target Company, it is essential to review the fee-charging system of the existing fitness clubs, and to otherwise roll out new clubs as a new model of fitness clubs in response to diversifying customer needs. However, given that such measures would involve temporary decreases in the membership revenue, as well as investment in the opening of new model fitness clubs and upfront costs related to such openings, there is a risk of a resulting short-term fall in the operating results of the Target Company and uncertainty regarding subsequent profit recovery. Therefore, because such measures may not be positively regarded in the capital market as measures taken by a listed company, it is also assumed that the share price of the Target Company Shares may be adversely affected. The Company also recognizes that if maintaining the listing of the Target Company, there is a concern that it may be unable to make quick decisions because it would be necessary to fully verify the validity and effectiveness of those measures.

Given those conditions above, the Company and the Target Company determined that it would be possible for the Target Company to implement bold measures that may entail a risk of a short-term fall in operating results or uncertainty based on quick decision-making by achieving integrated management of the Company and the Target Company under the relationship between a wholly-owning company and a wholly-owned company, and that it would be possible to achieve acceleration of the Target Company's growth based on mid-to long-term perspectives. The Company and the Target Company also determined that because they could expect to be able to leverage not only the Target Company's strengths but also the collective strengths of the integrated group, such integrated management will lead to an increase in the corporate value of the Company Group.

2. Outline of the Target Company

(1) Name: MEGALOS Co., Ltd.
(2) Address: 2-4-4, Ebisu-minami, Shibuya-ku, Tokyo
(3) Name and title of representative: Mitsuru Ohashi, President and Representative Director
(4) Description of business: Operation of fitness clubs and sale of sporting goods and other items
(5) Stated capital: ¥1,476 million ($12,279 thousand) (as of March 31, 2015)
(6) Date of incorporation: March 1, 1989

3. Outline of the Tender Offer

As of April 30, 2015, the Company holds 2,103,600 shares (ownership percentage (Note): 53.87%, rounded to two decimal places) of common stock of the Target Company (the "Target Company Shares") listed on the JASDAQ Market and the Target Company is a consolidated subsidiary of the Company.

According to the result of the Tender Offer, the Target Company Shares will be delisted through prescribed procedures pursuant to TSE's delisting standards. After being delisted, the Target Company Shares may not be traded on the JASDAQ Market.

(1) Number of shares purchased: 1,700,403 shares

(Note) Number of shares purchased is the total of the number of the Target Company Shares (1,626,503 shares) and the number of the Target Company Shares (73,900 shares) which are subject to the Stock Acquisition Rights (739 options) .

(2) Tender offer period: From May 1, 2015 through June 16, 2015 (30 business days)

(3) Tender offer price: Common stock ¥2,000 ($16.64) per share

FY2008 Series No. 2 Stock acquisition rights (the "Series No. 1 Stock Acquisition Rights") ¥126,000 ($1,048.51) per stock acquisition right
FY2009 Series No. 2 Stock acquisition rights (the "Series No. 2 Stock Acquisition Rights") ¥99,000 ($823.83) per stock acquisition right
FY2010 Series No. 2 Stock acquisition rights (the "Series No. 3 Stock Acquisition Rights") ¥90,700 ($754.76) per stock acquisition right
FY2011 Series No. 2 Stock acquisition rights (the "Series No. 4 Stock Acquisition Rights") ¥89,500 ($744.78) per stock acquisition right
FY2012 Series No. 2 Stock acquisition rights (the "Series No. 5 Stock Acquisition Rights") ¥80,400 ($669.05) per stock acquisition right
FY2013 Series No. 2 Stock acquisition rights (the "Series No. 6 Stock Acquisition Rights") ¥51,200 ($426.06) per stock acquisition right
FY2014 Series No. 1 Stock acquisition rights (the "Series No. 7 Stock Acquisition Rights") ¥199,900 ($1663.48) per stock acquisition right
FY2014 Series No. 2 Stock acquisition rights (the "Series No. 8 Stock Acquisition Rights") ¥41,000 ($341.18) per stock acquisition right

(4) Purchase price: ¥3,301 million ($27,467 thousand)

(Note) The purchase price is the total amount of the amount calculated by multiplying the number of the Target Company Shares (1,626,503 shares) by the Tender Offer Price (¥2,000), the amount calculated by multiplying the number of the Series No. 1 Stock Acquisition Rights (10 options) by the purchase price per such stock acquisition right (¥126,000), the amount calculated by multiplying the number of the Series No. 2 Stock Acquisition Rights (10 options) by the purchase price per such stock acquisition right (¥99,000), the amount calculated by multiplying the number of the Series No. 3 Stock Acquisition Rights (10 options) by the purchase price per such stock acquisition right (¥90,700), the amount calculated by multiplying the number of the Series No. 4 Stock Acquisition Rights (10 options) by the purchase price per such stock acquisition right (¥89,500), the amount calculated by multiplying the number of the Series No. 5 Stock Acquisition Rights (40 options) by the purchase price per such stock acquisition right (¥80,400),the amount calculated by multiplying the number of the Series No. 6 Stock Acquisition Rights (240 options) by the purchase price per such stock acquisition right (¥51,200), the amount calculated by multiplying the number of the Series No. 7 Stock Acquisition Rights (69 options) by the purchase price per such stock acquisition right (¥199,900) and the amount calculated by multiplying the number of the Series No. 8 Stock Acquisition Rights (350 options) by the purchase price per such stock acquisition right (¥41,000).

(5) Commencement date of settlement: June 23, 2015

(6) Fundraising method: Equity capital

(b) Bond Issuance

On June 1, 2015, the Company issued unsecured straight bonds as described below.

1. The 5th unsecured straight bond (10 year)

(1) Total amount issued: ¥10,000 million ($83,215 thousand)
(2) Issue price: ¥100 per face value ¥100 ($0.83)
(3) Interest rate: 0.924% per annum
(4) Closing date: June 1, 2015
(5) Maturity date: May 30, 2025
(6) Use of proceeds: Repayment of certain borrowings which will mature by June 30, 2015.

(c) Stock Acquisition Rights

The Company has resolved to issue stock acquisition rights as stock options at the meeting of its Board of Directors held on June 26, 2015.

1. Stock acquisition rights with exercise price of ¥1 per share

The Company has resolved to issue stock acquisition rights as stock options at the meeting of its Board of Directors held on June 26, 2015.

(1) Recipients

Directors of the Company: 6 persons
Directors and executive officers of the Company's subsidiaries: 76 persons

(2) Type and number of shares subject to the stock acquisition rights

Common stock: 193,200 shares
he number of shares issuable under each stock acquisition right shall be 100 shares.

(3) Amount per share to be paid at the time of the exercise

¥1 per share

(4) Allotment date
July 23, 2015

(5) Exercise period of the stock acquisition rights
July 23, 2018 – July 22, 2023

(6) Conditions for assignment of the stock acquisition rights
Assignment of the stock acquisition rights to third parties requires the resolution approved by the Company's Board of Directors.

2. Stock acquisition rights with exercise price to be determined by reference the market price of the stock at the time of the exercise

(1) Recipients
Directors of the Company: 6 persons
Directors and executive officers of the Company's subsidiaries: 76 persons
Employees of the Company's subsidiaries: 199 persons

(2) Type and number of shares subject to the stock acquisition rights
Common stock: 380,900 shares
The number of shares issuable under each stock acquisition right shall be 100 shares.

(3) Amount per share to be paid at the time of the exercise
The amount to be paid per share shall be the higher of the average closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange in the month preceding the month of the allotment date multiplied by 1.05 (fractional amounts less than ¥1 are to be rounded up) or the closing price on the allotment date (if there is no closing price, the most recent closing price prior to this date).

(4) Allotment date
July 23, 2015

(5) Exercise period of the stock acquisition rights
July 23, 2018 – July 22, 2023

(6) Conditions for assignment of the stock acquisition rights
Assignment of the stock acquisition rights to third parties requires the resolution approved by the Company's Board of Directors.

Independent Auditors' Report

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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 subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, 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 subsidiaries as at March 31, 2015, 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 26, 2015
Tokyo, Japan

A member firm of Ernst & Young Global Limited