Bringing Tomorrow Today

NOMURA REAL ESTATE HOLDINGS

Financial Report 2016

For the Year Ended March 31, 2016

Management's Discussion and Analysis

Trends in the Real Estate Industry

In the housing sales market, although the number of supplied housing units decreased due to an increase in sales prices brought on by high construction costs, demand for housing centering on the properties in and around the Tokyo metropolitan area remained strong, showing steady growth with the help of low interest rates and other favorable factors.

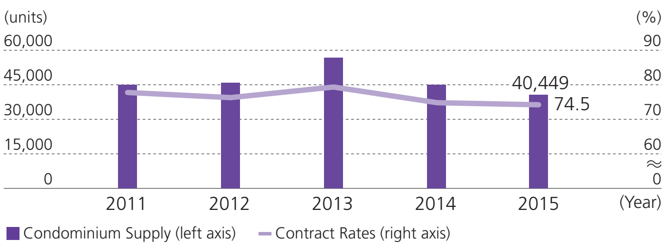
Condominium sales in the Tokyo region decreased by 9.9% year-on-year to 40,449 units in the calendar year 2015. The average contract rate for the first month on newly marketed condominium units in 2015 decreased by 0.6 percentage points year-on-year to 74.5%; however, the 70% benchmark for good sales was maintained.

In the office market, vacancy rates showed a clear downward trend supported by the expansion of demand through the recovery of business performance and the transfer of offices to improve conditions associated with location; and the rent levels in the Tokyo metropolitan area gradually increased.

The office building vacancy rate in the five wards of central Tokyo declined by 0.96 percentage points as of March 31, 2016, improving to 4.34%. Average rent levels in the five wards of central Tokyo as of March 31, 2016 increased by ¥778 per tsubo (approx. 3.3m^2) to ¥17,973 compared to March 31, 2015.

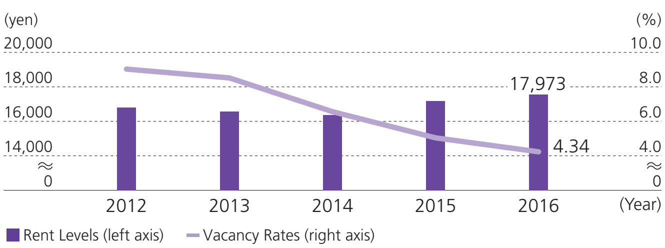
In the real estate investment market, inflow of investment funds in J-REITs backed by the continuation of low interest rates supported real estate transactions, as did new listings on the market and continuing large capital increases through public offerings. The Tokyo Stock Exchange REIT Index remained at high levels. In addition, the expected yield on A-class office buildings in the Marunouchi/ Otemachi area decreased by 0.1 percentage points year-on-year to 3.7% as of April 1, 2016, which was the lowest level recorded.

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



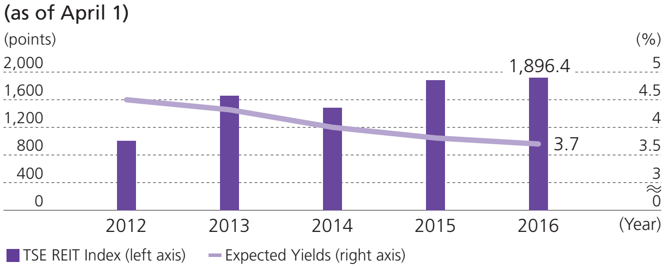
Source: Real Estate Economic Institute Co., Ltd.

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 Yield* (as of April 1)



Source: Changes in TSE REIT Index: Bloomberg
Changes in Expected Yield: Japan Real Estate Institute "The Japanese Real Estate Investor Survey"
*Expected yields for A-class office buildings in Marunouchi and Otemachi are shown

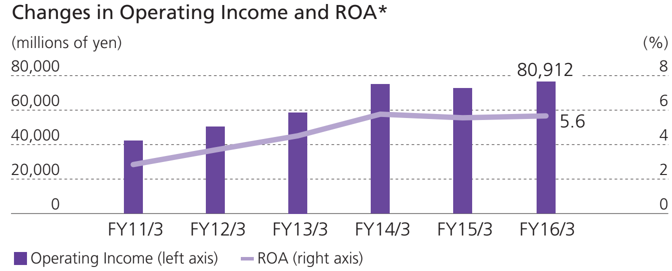
Analysis of Operating Results

In this market, the Nomura Real Estate Group ("the Group") posted the following consolidated performance for the fiscal year ended March 31, 2016: operating revenue of ¥569,545 million, which represents an increase of ¥2,386 million, or 0.4% year-on-year; operating income of ¥80,912 million, an increase of ¥9,017 million, or 12.5%; ordinary income of ¥72,679 million, an increase of ¥8,998 million, or 14.1%; and profit attributable to owners of parent of ¥47,182 million, an increase of ¥8,740 million, or 22.7%; furthermore, operating revenue, operating income, ordinary income, and profit attributable to owners of parent all recorded their highest figures.

Operating revenue achieved growth year-on-year due to an increase in the number of properties sold in the property development business in the Leasing Unit.

Operating income and ordinary income increased due to improvement in the vacancy rate and an increase in the number of properties sold in the Leasing Unit and an increase in the acquisition fee related to the merger of the three REITs in the Investment Management Unit. Profit attributable to owners of parent increased due to a rebound from the impairment loss related to Nomura Fudosan Tennouzu Building reported in the fiscal year ended March 31, 2015 in addition to the above.

Changes in Operating Income and ROA*



*ROA=(Operating Income + Non-operating Income)/End-period Total Assets

As a result, we achieved our target operating income of ¥65.0 billion stated in phase I (through March 2016) of our Mid- to Long-term Management Plan in three consecutive periods. Furthermore, we achieved an ROA of 5.6% and ROE of 11.2%, which we consider to be important management indicators.

Operating Results by Segment

An overview of segment achievements is given below:

Operating revenue for each segment includes internal sales and transfers among segments. Due to the rounding of fractions, total figures may not match.

Nomura Real Estate Wellness Co., Ltd., which was established in April 2015, and MEGALOS Co., Ltd., which had been classified under the "Other Business Unit," were both classified into the "Property & Facility Management Unit" from the first quarter. In addition, NF Power Service Co., Ltd., which was established in December 2015, and newly incorporated in the "Property & Facility Management Unit" from the third quarter to promote business in conjunction with the property and facility management business.

The results of the previous fiscal year are calculated in line with the newly adopted unit classification.

Residential Development Unit

Operating revenue in this unit totaled ¥334,515 million, which represents a decrease of ¥24,882 million, or 6.9% year on year, and operating income was ¥31,910 million, a decrease of ¥1,902 million, or 5.6%. In housing sales, while sales prices of recorded housing units increased beyond those in the previous fiscal year, the number of housing units sold decreased, resulting in decreases in both income and profit.

In regard to housing sales, and we posted sales of 6,006 units (a decrease of 1,015 units year on year), including Toshima Cross Comfort Tower (Shinjuku-ku, Tokyo), Sakurajosui Gardens (Setagaya-ku, Tokyo) OHANA Hachioji Oak-Court (Hachioji-shi, Tokyo), PROUD CITY Seishin-chuo (Nishi-ku, Kobe, Hyougo) for condominiums, and PROUD SEASON Musashi-koganei Garden Avenue (Kodaira-shi, Tokyo) for detached houses.

The gross margin ratio increased to 21.9% (0.8 percentage points year-on-year) due to large-scale houses sold in urban areas.

Further, we concluded contracts in the fiscal year ended March 31, 2016 for 4,732 units (a decrease of 867 compared to the fiscal year ended March 31, 2015). We achieved contract rates of 47.4% as of the beginning of the fiscal year against our target of 5,750 units for fiscal year ending March 31, 2017.

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

Leasing Unit

Operating revenue in this unit totaled ¥110,625 million, which represents an increase of ¥17,746 million, or 19.1% year on year, and operating income totaled ¥32,099 million, an increase of ¥7,651 million, or 31.3%.

In the leasing business, the contribution of profit from the Hamamatsu-cho Building (Minato-ku, Tokyo), which was steadily occupied, and an increase in the number of properties sold in the property development business resulted in increases in both income and profit over the previous fiscal year.

In the leasing sector, because the leasing up of the Hamamatsu-cho Building is improving, the vacancy rate as of the end of the fiscal year improved to 2.2% from 4.5% as of the end of the fiscal year ended March 31, 2015.

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 the fiscal year ended March 31, 2016, we recorded the sale of PMO Tamachi (Minato-ku, Tokyo) and Nomura Fudosan Kichijoji Building (Musashino-shi, Tokyo).

Investment Management Unit>

Operating revenue in this unit totaled ¥10,973 million, which represents an increase of ¥1,806 million, or 19.7% year on year, and operating income totaled ¥7,377 million, an increase of ¥2,564 million, or 53.3%.

This was mainly due to an increase in the acquisition fee associated with the merger of Nomura Real Estate Master Fund, Inc., Nomura Real Estate Office Fund, Inc., and Nomura Real Estate Residential Fund, Inc. in October 2015, and the dividend from SPC on its property sales.

The three J-REITs merged, forming the largest domestic diversified listed J-REIT with AUM of more than ¥900 billion. Also, we launched investment advice service of "J-REIT Value Fund", which is a first for real estate management company in Japan.

Property Brokerage & CRE Unit

Operating revenue in this unit totaled ¥35,373 million, which represents an increase of ¥5,141 million, or 17.0% year on year, and operating income totaled ¥9,901 million, resulting an increase of ¥1,423 million, or 16.8%.

Due to increases in the number and amount of property brokerage transactions and property sales, the Property Brokerage & CRE Unit recorded increases in both income and profit over the previous fiscal year. Our property brokerage operations achieved record levels in transactions and amounts.

In wholesale operations, the Company provides services and advice to meet client companies' needs for effective utilization of real estate they hold.

In retail operations, we opened the following six branch stores: Kohoku New Town Center, Ibaraki Center, Oimachi Center, Nakano Center, Kachidoki Center, and Hiroo Center. This resulted in our branch network expanding to a total of 68 branches as of March 31, 2016. 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).

Property & Facility Management Unit

Operating revenue in this unit totaled ¥90,295 million, which represents an increase of ¥4,457 million, or 5.2% year on year, and operating income totaled ¥5,315 million, a decrease of ¥443 million, or 7.7%. This unit showed an increase in income and a decrease in profit compared with the previous fiscal year.

This was due mainly to an increase in retirement benefit expenses while the number of construction orders increased.

In the elderly care business, the Company developed the area adjacent to PROUD Funabashi. Also, the Company decided to participate in several projects.

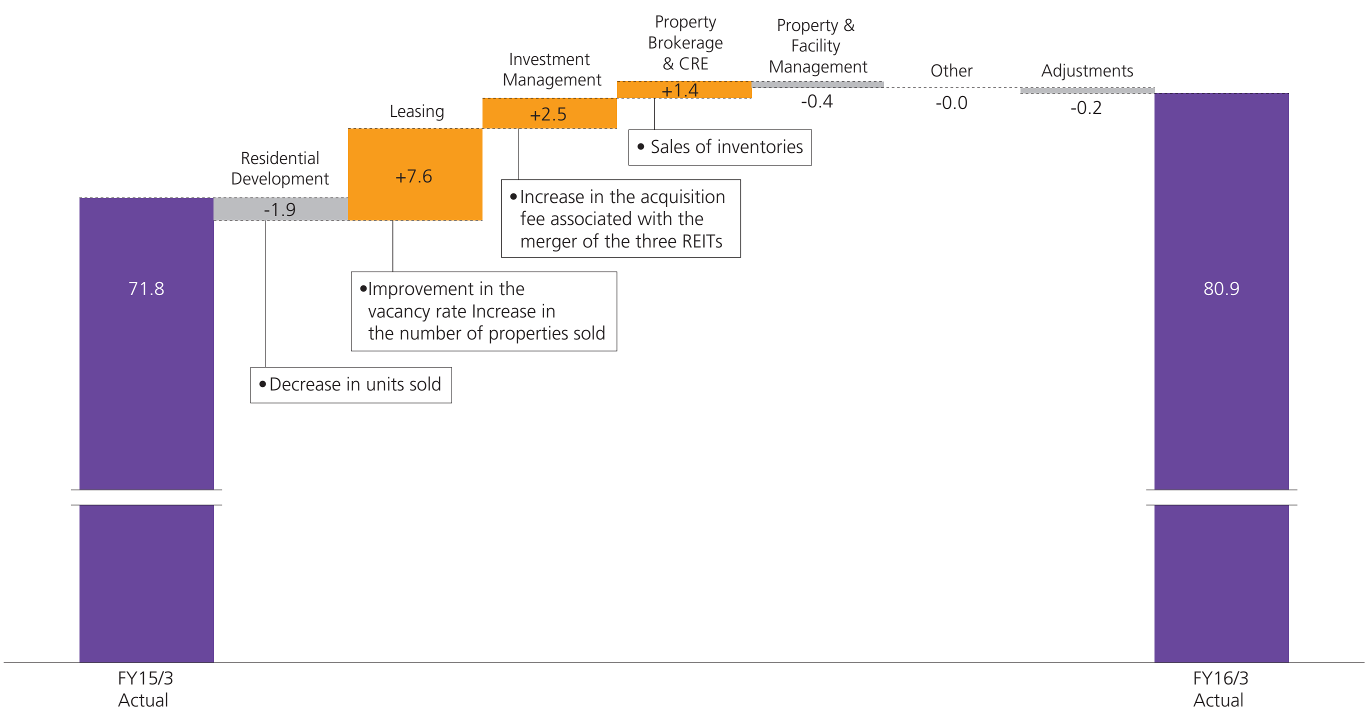
In the fitness club business, the Company acquired 100% ownership of MEGALOS Co., Ltd. MEGALOS Co., Ltd. has since changed its name to Nomura Real Estate Life & Sports Co., Ltd. as of April 1, 2016.

Other Unit

Operating revenue in this unit totaled ¥1,353 million, which represents a decrease of ¥1,655 million, or 55.0% year on year, and operating loss totaled ¥153 million (operating loss in the previous year was ¥113 million).

Key Factors of Changes by Segment from FY15/3 (Actual) to FY16/3 (Actual)

(billions of yen)



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

	2012/03	2013/03	2014/03	2015/03	2016/03
Residential Development Unit:					
Condominium sales (units)	3,397	5,111	5,491	6,162	5,363
Detached housing sales (units)	631	638	718	859	643
Gross margin ratio of housing sales (%)	23.3	22.5	21.7	21.1	21.9
Completed housing units held in inventories (units)	114	42	31	89	349
Leasing Unit:					
Vacancy rate*	2.3	2.2	2.9	4.5	2.2
Investment Management Unit:					
Outstanding assets under management (millions of yen)	1,153,898	1,127,495	1,132,246	1,123,188	1,074,481
Property Brokerage & CRE Unit:					
Brokerage: Number of transactions	5,762	6,494	7,437	7,174	7,710
Brokerage: Total transaction value (millions of yen)	452,950	540,698	672,774	710,980	713,574
Property & Facility Management Unit:					
Buildings under management	696	723	703	729	705
Condominiums under management (units)	130,987	137,745	147,516	155,706	163,036
Other Unit:					
Members of MEGALOS	133,033	132,196	141,564	140,395	144,263

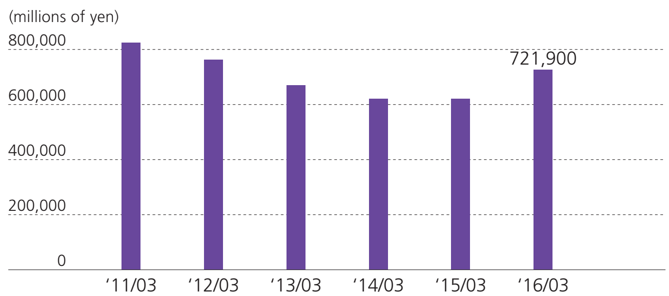
(*) In accordance with changes in segmentation, certain properties have been reclassified from the second quarter of the fiscal year ended March 31, 2012.

Analysis of Financial Position

Assets

Total assets were ¥1,485,450 million, which was an increase of ¥116,223 million compared to March 31, 2015. Current assets increased by ¥59,479 million compared to March 31, 2015 to ¥608,779 million. Noncurrent assets were ¥876,671 million, which was an increase of ¥56,744 million compared to March 31, 2015. This was mainly due to an increase of ¥67,146 million in inventories, including real estate for sale, and an increase of ¥37,261 million in land compared to March 31, 2015.

Changes in Interest-bearing Liabilities



Liabilities

Total liabilities were ¥1,029,042 million, which was an increase of ¥120,846 million compared with March 31, 2015. Current liabilities decreased by ¥16,081 million compared with March 31, 2015 to ¥289,108 million. Noncurrent liabilities were ¥739,934 million, which was an increase of ¥136,927 million compared to March 31, 2015. This was mainly due to an increase of ¥92,700 million in long-term loans payable and an increase of ¥30,000 million in bonds payable.

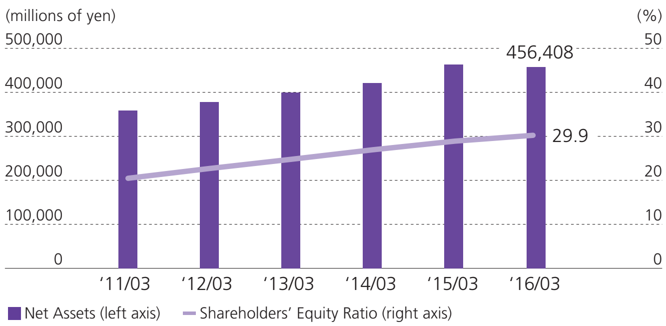
As a result of these factors, interest-bearing liabilities were ¥721,900 million, which was an increase of ¥105,200 million compared to March 31, 2015. Further, our debt-to-equity ratio has not changed from 1.6 times in March 31, 2015.

Net Assets

Net assets decreased by ¥4,623 million compared to March 31, 2015 to ¥456,408 million. This was mainly due to factors including increases of ¥37,135 million in retained earnings, and ¥16,324 million in capital surplus offset by a decrease of ¥55,539 million in non-controlling interests.

As a result, shareholders' equity increased by ¥50,795 million compared to March 31, 2015 to ¥444,854 million. The shareholders' equity ratio increased from 28.8% as of March 31, 2015 to 29.9%.

Changes in Net Asses and Shareholders' Equity Ratios



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 provided by operating activities was ¥13,258 million (a decrease of ¥10,579 million year-on-year). This mainly reflects the purchase of inventories, while income before income taxes and non-controlling interests of ¥70,975 million was recorded.

Cash flows from investing activities

Net cash used in investment activities amounted to ¥59,714 million (a year-on-year decrease of ¥27,239 million). This mainly reflected the purchase of tangible and intangible assets, and the acquisition of shares of subsidiaries resulting in changes in the scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities totaled by ¥53,638 million (a year-on-year increase of ¥62,622 million). The primary reason for this was that long-term debt financing offset the impact of payments from changes in ownership interests in subsidiaries that did not result in changes in the scope of consolidation.

Facilities Situation

In the fiscal year ended March 31, 2016, we invested a total amount of ¥51,805 million in facilities, including the Nomura Fudosan Ginza Building (Chuo-ku, Tokyo).

Business Unit (Millions of yen)	FY15/3	FY16/3	Change
Residential Development	¥ 216	¥ 686	¥ 470
Leasing	47,039	48,349	1,310
Investment Management	110	46	(64)
Property Brokerage and CRE	549	633	84
Property and Facility Management	987	872	(115)
Other	19	6	(13)
Subtotal	48,920	50,592	1,672
Adjustments	(15,024)	1,213	16,237
Total	33,896	51,805	17,909

We acquired the following properties in the fiscal year ended March 31, 2016:

Company Name	Property Name (location)	Business Segment	Use
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Ginza Building (Note1 and 2) (Chuo-ku, Tokyo)	Leasing	Office building
Nomura Real Estate Development Co., Ltd.	Toranomon Central (Minato-ku, Tokyo)	Leasing	Office building
Nomura Real Estate Development Co., Ltd.	Minami-Gyotoku-SC(note3) (Ichikawa-Shi, Chiba)	Leasing	Commercial building

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	¥12,262
Steel-reinforced concrete, 10 floors above ground /3 floors below	Building: 4,431 Land: 548	5,747
steel construction (partially reinforced concrete), 2 floors above ground / 2 floors below	Building: 35,612 Land: 16,503	10,646

Note 1: Total building floor and land areas are after conversion for ownership share.
2: Additional ownership acquisition of the same property in which ownership was in the previous fiscal year.
3: Trust beneficiary right is included.

In addition, in the fiscal year ended March 31, 2016, in accordance with an acquisition of the share of Toranomon Real Estate Ltd., facilities listed below were added to the major facilities.

Company Name	Property Name (location)	Business Segment	Use
Toranomon Real Estate Co., Ltd.	Three buildings in the Toranomon 1-chome area (Note)(Minato-ku, Tokyo)	Leasing	Office building

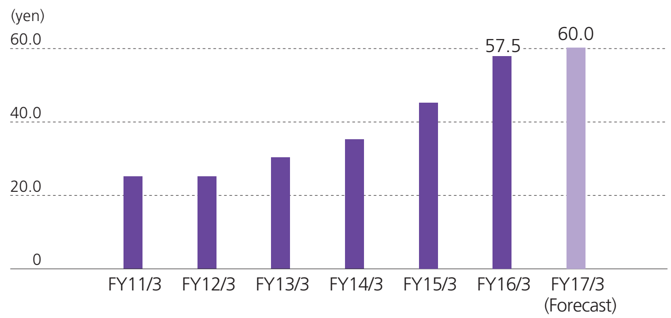
Construction, Size, Details of Facilities etc.	Area (m^2)	Acquisition Price (Millions of yen)
Steel-reinforced concrete (partially Reinforced concrete), 7 floors above ground / 1 floors below, other 2 Buildings	Building: 6,686 Land: 1,009	¥15,278

Note : Area and acquisition price are the total of the three facilities.

Basic Policy Concerning Profit Distribution and Dividends for the fiscal year ended March 31, 2016 and 2017

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 the fiscal year ended March 31, 2016, we increased our full-year dividend from the initially planned ¥27.5 to ¥30, based on our projections for the operating environment and business performance going forward. Together with the already-paid interim dividend, our total annual dividend was ¥57.5 per share as a result of this, which was an increase of ¥12.5 per share compared to FY2014. We intend to increase our dividend by a further ¥2.5 in the fiscal year ending March 31, 2017 making our total forecast annual dividend ¥60 per share.

Changes in Dividend Payments



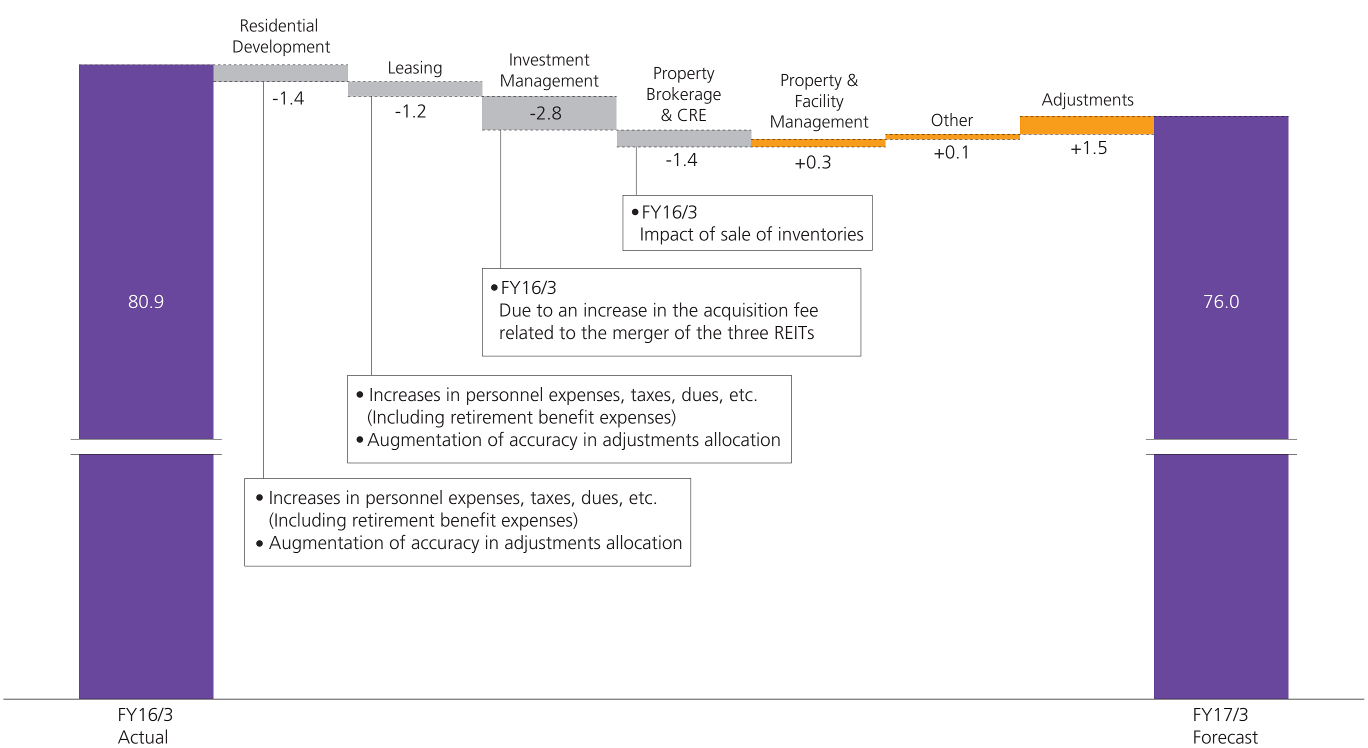
Consolidated Performance Outlook for the fiscal year ending March 31, 2017 (announced on April 28, 2016)

In the fiscal year ending March 31, 2017, we are projecting operating revenue of ¥589,000 million (an increase of ¥19,454 million year-on-year), operating income of ¥76,000 million (a decrease of ¥4,912 million), ordinary income of ¥67,000 million (a decrease of ¥5,679 million), and profit attributable to owners of parent of ¥43,000 million (a decrease of ¥4,182 million).

The projected decrease in profit is mainly due to an increase in the acquisition fee associated with the merger of the three REITs in the fiscal year ended March 31, 2016.

Key Factors of Changes by Segment from 'FY16/3 (Actual) to 'FY17/3 (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, 2016.

(1) Trends in the real estate market

The Group's performance for the fiscal year ended March 31, 2016 resulted in increased revenue and income compared to the previous fiscal year. However, economic prospects are still uncertain because of concerns about the downward economy in Asian emerging countries.

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, 2016 was ¥721,900 million, which represents an increase of ¥105,200 million year on year (equivalent to 48.6% of total assets, increased by 3.6 percentage points year on 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 Unit, 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 33.8% 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, 2015 and 2016

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
ASSETS	2015	2016	2016
Current Assets:			
Cash and deposits (Notes 2(3) and 3)	¥ 47,421	¥ 57,594	$ 511,129
Notes and accounts receivable-trade	15,030	15,371	136,417
Short-term investment securities (Notes 2(3), 3 and 4)	3,000	—	—
Real estate for sale (Note 6)	61,583	78,133	693,405
Real estate for sale in process	237,501	269,547	2,392,145
Land held for development	130,221	148,730	1,319,931
Equity investments (Notes 3 and 4)	6,317	819	7,269
Deferred tax assets (Note 10)	5,688	5,286	46,907
Other	42,587	33,338	295,867
Allowance for doubtful accounts	(48)	(39)	(343)
Total current assets	549,300	608,779	5,402,727
Investments and Other Assets:			
Investment securities (Notes 3 and 4)	40,854	45,511	403,897
Lease and guarantee deposits (Note 3)	20,487	21,380	189,738
Deferred tax assets (Note 10)	14,979	14,840	131,702
Other	3,253	5,168	45,861
Allowance for doubtful accounts	—	(1)	(7)
Total investments and other assets	79,573	86,898	771,191
Property, Plant and Equipment:			
Land (Notes 6 and 15)	486,436	523,697	4,647,648
Buildings and structures (Notes 6 and 15)	364,364	374,378	3,322,491
Construction in progress (Note 6)	328	13,208	117,216
Machinery and equipment (Note 6)	11,632	12,906	114,536
Other	1,861	2,050	18,197
	864,621	926,239	8,220,088
Accumulated depreciation	(134,544)	(147,147)	(1,305,892)
Net property and equipment	730,077	779,092	6,914,196
Intangible Assets	10,277	10,681	94,793
Total Assets	¥1,369,227	¥1,485,450	$13,182,907

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	(Millions of yen) 2015	2016	(Thousands of U.S. dollars) (Note 1) 2016
Current Liabilities:			
Notes and accounts payable-trade	¥ 48,663	¥ 51,162	$ 454,048
Short-term loans payable (Notes 3, 5 and 6)	151,800	137,300	1,218,495
Current portion of bonds payable (Notes 3, 5 and 6)	3,000	—	—
Income taxes payable (Note 10)	13,098	13,233	117,436
Deposits received	25,096	29,618	262,850
Deferred tax liabilities (Note 10)	125	17	155
Provision for bonuses	6,219	7,074	62,777
Provision for directors' bonuses	606	739	6,556
Provision for loss on business liquidation	84	62	549
Accounts payable-other	8,529	6,919	61,402
Accrued interests	1,201	1,047	9,296
Accrued consumption taxes	4,967	2,171	19,265
Advanced received	36,000	33,500	297,306
Other	5,801	6,266	55,607
Total current liabilities	305,189	289,108	2,565,742
Noncurrent Liabilities:			
Bonds payable (Notes 3, 5 and 6)	30,000	60,000	532,481
Long-term loans payable (Notes 3, 5 and 6)	431,900	524,600	4,655,662
Lease and guarantee deposits received (Note 6)	60,749	63,767	565,911
Deferred tax liabilities (Note 10)	60,214	64,070	568,605
Deferred tax liabilities for land revaluation	4,117	3,900	34,612
Net defined benefit liability (Note 7)	11,078	18,018	159,908
Provision for loss on subleasing business	466	314	2,783
Other	4,483	5,265	46,721
Total noncurrent liabilities	603,007	739,934	6,566,683
Total Liabilities	908,196	1,029,042	9,132,425
Net Assets:			
Shareholders' equity (Note 11):			
Capital stock	116,189	116,599	1,034,778
Capital surplus	93,518	109,842	974,817
Retained earnings	170,069	207,204	1,838,871
Treasury stock	(2)	(3)	(28)
Total shareholders' equity	379,774	433,642	3,848,438
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,069	6,665	59,149
Deferred gains or losses on hedges	78	156	1,384
Revaluation reserve for land	7,645	7,861	69,766
Foreign currency translation adjustment	61	43	384
Remeasurements of defined benefit plans (Note 7)	1,432	(3,513)	(31,179)
Total accumulated other comprehensive income	14,285	11,212	99,504
Subscription rights to shares:	1,564	1,685	14,956
Non-controlling interests	65,408	9,869	87,584
Total Net Assets	461,031	456,408	4,050,482
Total Liabilities and Net Assets	¥1,369,227	¥1,485,450	$13,182,907

See notes to consolidated financial statements.

Consolidated Statement of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2015 and 2016

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Operating Revenues and Expenses	2015	2016	2016
Operating Revenue:	¥567,159	¥569,545	$5,054,536
Operating revenue	567,159	569,545	5,054,536
Operating Expenses:	495,264	488,633	4,336,464
Operating cost	405,107	391,571	3,475,073
Selling, general and administrative expenses	90,157	97,062	861,391
Operating Income	71,895	80,912	718,072
Other Income and Expenses	(13,836)	(9,937)	(88,193)
Interest income	50	72	639
Dividends income	1,123	1,008	8,941
Equity in earnings of affiliates	17	16	146
Gain on sales of noncurrent assets (Note 8)	207	—	—
Dividends distribution from silent partnership associated with impairment loss	2,204	—	—
Interest expenses	(8,852)	(7,817)	(69,375)
Loss on valuation of investment securities	—	(279)	(2,476)
Impairment loss (Note 9)	(8,170)	(1,426)	(12,656)
Other, net	(415)	(1,511)	(13,412)
Profit before income taxes	58,059	70,975	629,879
Income Taxes (Note 10):			
Income taxes-current	18,070	20,992	186,299
Income taxes-deferred	(2,664)	825	7,320
Total Income Taxes	15,406	21,817	193,619
Profit	42,653	49,158	436,260
Profit attributable to non-controlling interests	4,211	1,976	17,534
Profit attributable to owners of parent	¥ 38,442	¥ 47,182	$ 418,726

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2015 and 2016

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2015	2016	2016
Profit	¥42,653	¥49,158	$436,260
Other Comprehensive Income (Note 18):			
Valuation difference on available-for-sale securities	5,765	1,595	14,157
Deferred gains or losses on hedges	53	78	689
Revaluation reserve for land	421	216	1,922
Foreign currency translation adjustment	7	(10)	(92)
Remeasurements of defined benefit plans	689	(4,944)	(43,881)
Share of other comprehensive income of affiliates accounted for using the equity method	16	(8)	(69)
Total other comprehensive income	6,951	(3,073)	(27,274)
Comprehensive Income (Note 18)	¥49,604	¥46,085	$408,986
(Breakdown)			
Comprehensive income attributable to owners of parent	¥45,387	¥44,109	$391,454
Comprehensive income attributable to non-controliing interests	4,217	1,976	17,532

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, 2015 and 2016

	(Millions of yen)												
	Number of shares issued	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	Non-controlling interests	Total net assets
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)
Profit attributable to owners of parent	—	—	—	38,442	—	—	—	—	—	—	—	—	38,442
Purchases of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Increase due to the increase of consolidated subsidiaries	—	—	—	16	—	—	—	—	—	—	—	—	16
Decrease due to the increase 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
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 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
Issuance of new shares	559,901	410	410	—	—	—	—	—	—	—	—	—	820
Dividends from surplus	—	—	—	(10,047)	—	—	—	—	—	—	—	—	(10,047)
Profit attributable to owners of parent	—	—	—	47,182	—	—	—	—	—	—	—	—	47,182
Purchases of treasury shares	—	—	—	—	(1)	—	—	—	—	—	—	—	(1)
Increase by share exchanges	—	—	374	—	—	—	—	—	—	—	—	—	374
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	—	15,540	—	—	—	—	—	—	—	—	—	15,540
Net changes of items other than shareholders' equity	—	—	—	—	—	1,596	78	216	(18)	(4,945)	121	(55,539)	(58,491)
Balance at March 31, 2016	191,679,601	¥116,599	¥109,842	¥207,204	¥(3)	¥6,665	¥156	¥7,861	¥43	¥(3,513)	¥1,685	¥ 9,869	¥456,408

	(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	Non-controlling interests	Total net assets
Balance at March 31, 2015	$1,031,139	$829,946	$1,509,313	$(22)	$44,990	$ 695	$67,844	$544	$12,702	$13,877	$580,479	$4,091,507
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance at April 1, 2015	1,031,139	829,946	1,509,313	(22)	44,990	695	67,844	544	12,702	13,877	580,479	4,091,507
Issuance of new shares	3,639	3,639	—	—	—	—	—	—	—	—	—	7,278
Dividends from surplus	—	—	(89,168)	—	—	—	—	—	—	—	—	(89,168)
Profit attributable to owners of parent	—	—	418,726	—	—	—	—	—	—	—	—	418,726
Purchases of treasury shares	—	—	—	(6)	—	—	—	—	—	—	—	(6)
Increase by share exchanges	—	3,323	—	—	—	—	—	—	—	—	—	3,323
Change in treasury shares of parent arising from transactions with non-controlling shareholders	—	137,909	—	—	—	—	—	—	—	—	—	137,909
Net changes of items other than shareholders' equity	—	—	—	—	14,159	689	1,922	(160)	(43,881)	1,079	(492,895)	(519,087)
Balance at March 31, 2016	$1,034,778	$974,817	$1,838,871	$(28)	$59,149	$1,384	$69,766	$384	$(31,179)	$14,956	$ 87,584	$4,050,482

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 212,900 shares and 559,901 shares in the years ended March 31, 2015 and 2016, 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, 2015 and 2016

Cash Flows	(Millions of yen) 2015	2016	(Thousands of U.S. dollars) (Note 1) 2016
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 58,059	¥ 70,975	$ 629,879
Depreciation and amortization	15,259	16,027	142,233
Impairment loss	8,170	1,426	12,656
Loss (gain) on valuation of investment securities	—	279	2,476
Loss (gain) on sales of property, plant and equipment	(207)	—	—
Equity in (earnings) losses of affiliates	(18)	(16)	(146)
Increase (decrease) in allowance for doubtful accounts	(132)	(14)	(122)
Increase (decrease) in provision for loss on business liquidation	(29)	(22)	(194)
Increase (decrease) in provision for loss on subleasing business	(8)	(152)	(1,349)
Increase (decrease) in net defined benefit liability	(391)	(282)	(2,504)
Interest and dividends income	(1,174)	(1,080)	(9,580)
Interest expenses	8,852	7,817	69,375
Decrease (increase) in notes and accounts receivable-trade	(231)	(623)	(5,532)
Decrease (increase) in inventories	(77,797)	(67,146)	(595,900)
Decrease (increase) in equity investments	812	5,498	48,789
Increase (decrease) in notes and accounts payable-trade	11,034	2,497	22,160
Increase (decrease) in deposits received	15,920	4,522	40,134
Other, net	6,310	1,953	17,334
Subtotal	44,429	41,659	369,709
Interest and dividends income received	1,643	1,064	9,445
Interest expenses paid	(9,255)	(7,970)	(70,733)
Income taxes paid	(12,980)	(21,495)	(190,758)
Net cash provided by operating activities	23,837	13,258	117,663
Cash Flows from Investment Activities:			
Purchase of investment securities	(1,066)	(3,990)	(35,410)
Proceeds from sales and liquidation of investment securities	1,096	2,907	25,800
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(9,693)	(86,021)
Purchase of property, plant and equipment and intangible assets	(38,871)	(50,367)	(446,997)
Proceeds from sales of property, plant and equipment and intangible assets	3,205	308	2,735
Payments for lease and guarantee deposits	(632)	(758)	(6,723)
Proceeds from collection of lease and guarantee deposits	1,325	1,502	13,333
Repayments of lease and guarantee deposits received	(3,232)	(2,559)	(22,707)
Proceeds from lease and guarantee deposits received	5,365	4,521	40,119
Other, net	334	(1,586)	(140,80)
Net cash used in investing activities	(32,476)	(59,715)	(529,951)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	16,000	(3,300)	(29,286)
Repayments of finance lease obligations	(154)	(149)	(1,317)
Proceeds from long-term loans payable	102,500	184,000	1,632,943
Repayments of long-term loans payable	(119,384)	(102,500)	(909,656)
Proceeds from issuance of bonds	9,936	29,820	264,648
Redemption of bonds	(10,000)	(3,000)	(26,624)
Proceeds from issuance of common stock	132	427	3,784
Proceeds from issuance of common stock to non-controliing shareholders	3	106	937
Purchase of treasury stock	—	(1)	(6)
Cash dividends paid	(7,638)	(10,047)	(89,168)
Cash dividends paid to non-controliing shareholders	(379)	(1,465)	(13,002)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(40,253)	(357,233)
Net cash provided by (used in) financing activities	(8,984)	53,638	476,020
Effect of exchange rate changes on cash and cash equivalents	4	(8)	(71)
Net increase (decrease) in cash and cash equivalents	(17,619)	7,173	63,661
Cash and cash equivalents at beginning of the fiscal year	67,982	50,419	447,450
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	55	—	—
Cash and cash equivalents at end of the fiscal year (note 2(3))	¥ 50,418	¥ 57,592	$ 511,111

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2015 and 2016

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, 2016 of ¥112.68=U.S.$1. The approximate rate of exchange prevailing at June 29, 2016 was ¥102.45=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 also 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, 2015 and 2016 were ¥172 million and ¥4 million ($35 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 straightline method mainly over 10 years, which is within the average number of remaining service years of the eligible employees.

(14) Per Share Information

Basic profit attributable to owners of parent per share is computed by dividing the profit attributable to owners of parent available for distribution to shareholders of common stock by the weighted-average number of shares of common stock outstanding during each fiscal year. Diluted profit attributable to owners of parent per share is computed by dividing the profit attributable to owners of parent 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 as of March 31, 2015 and 2016 were ¥2,061.86 and ¥2,320.84 ($20.60), respectively.

Profit attributable to owners of parent per share as of March 31, 2015 and 2016 was ¥201.28 and ¥246.42 ($2.19), respectively.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2015 and 2016 was ¥200.55 and ¥245.40 ($2.18), 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, 2015 and 2016, 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 the Accounting Standards for Business Combinations)

Effective the year ended March 31, 2016, the Company has applied the Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan "ASBJ" Statement No. 21, issued on September 13, 2013), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on September 13, 2013), and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, issued on September 13, 2013). In line with the application of these standards, the Company included the balance resulting from the changes in a parent's ownership interest in a subsidiary, in which the parent retains control, as capital surplus, and included the costs related to the acquisition of additional ownership interests in the costs of the fiscal period in which the relevant costs were incurred. In regard to the business combinations executed after the beginning of the fiscal year ended March 31, 2016, the Company has revised the allocation of acquisition costs in response to the tentative decisions related to accounting processing, and to reflect this to the annual financial statements for the fiscal year in which the relevant business combinations are executed. The Company has also changed the method of disclosing annual net income, etc., and the method of reporting changes in minority interests to non-controlling interests. In order to reflect these changes, the financial statements of the previous fiscal year have been reclassified.

The accounting standards for business combinations have been applied in accordance with the transitional treatment provided in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures. These standards were applied prospectively from the beginning of the fiscal year ended March 31, 2016.

As a result, the profit before income taxes and non-controlling interests during the fiscal year ended March 31, 2016 decreased by ¥451 million ($4,000 thousand), and the capital surplus of the fiscal year ended March 31, 2016 increased by ¥15,540 million ($137,909 thousand).

In the Consolidated Statement of Cash Flows of fiscal year ended March 31, 2016, the cash flow for the costs of the acquisition or sales of ownership interests in subsidiaries that do not result in change in scope of consolidation is stated in the net cash provided by (used in) financing activities, and the cash flow for the costs of the acquisition of ownership interests in subsidiaries resulting in change in scope of consolidation or the acquisition or sales of ownership interests in subsidiaries that do not result in change in scope of consolidation is stated in the net cash provided by (used in) operating activities.

The closing balance of the capital surplus recorded in Consolidated Statement of Changes in Net Assets for the consolidated fiscal year ended March 31, 2016 increased by ¥15,540 million ($137,909 thousand). The impact on net assets per share, profit attributable to owners of parent per share, and diluted profit attributable to owners of parent per share of the consolidated fiscal year ended March 31, 2016 is immaterial.

(18) Accounting standards to be applied

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, issued on March 28, 2016)

(a) Overview

When the accounting guidance on tax effect accounting and guidance on auditing (sections relating to accounting treatment) were transferred from the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ, the ASBJ revised, among the relevant guidance, a portion of the classification requirements as well as the accounting for amounts recorded as deferred tax assets stipulated in the guidance on recoverability of deferred tax assets in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66 issued by the Audit Committee of the JICPA) in accordance with the stipulated framework, which required Japanese companies be classified into one of five categories and that the amounts recorded as deferred tax assets be estimated using the relevant classification. This revised guidance stipulates application of the Operational Guidelines Concerning Tax Effect Accounting (Business Accounting Council) to the recoverability of deferred tax assets.

(b) Date of Application

This guidance shall be implemented from the beginning of the fiscal year ending March 31, 2017.

(c) Impact of Applying New Accounting Standards

The company is currently evaluating the impact that applying the Revised Implementation Guidance on Recoverability of Deferred Tax Assets will have 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, 2015 and 2016 are as follows. Items for which fair value is extremely difficult to determine have not been included.

2015	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and deposits	¥ 47,421	¥ 47,421	¥ —
(2) Short-term investment securities	3,000	3,000	—
(3) Investment securities [1]	39,698	39,732	34
Total assets	90,119	90,153	34
(1) Short-term loans payable [2]	49,300	49,300	—
(2) Bonds payable [3]	33,000	34,227	1,227
(3) Long-term loans payable [2]	534,400	546,647	12,247
Total liabilities	616,700	630,174	13,474
Derivative transactions [4]	¥ (3)	¥ (3)	¥ —

	Book value		Fair value		Difference	
2016	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
(1) Cash and deposits	¥ 57,594	$ 511,129	¥ 57,594	$ 511,129	¥ —	$ —
(2) Investment securities [1]	41,000	363,864	41,060	364,391	59	527
Total assets	98,594	874,993	98,654	875,520	59	527
(1) Short-term loans payable [2]	46,000	408,236	46,000	408,236	—	—
(2) Bonds payable	60,000	532,481	61,510	545,886	1,510	13,404
(3) Long-term loans payable [2]	615,900	5,465,921	636,057	5,644,802	20,157	178,881
Total liabilities	721,900	6,406,638	743,567	6,598,924	21,667	192,285
Derivative transactions [3]	¥ 140	$ 1,246	¥ 140	$ 1,246	¥ —	$ —

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. 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.)
¥2,169 million as of March 31, 2015
¥2,177 million ($19,323 thousand) as of March 31, 2016

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) 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

2015	Book value (Millions of yen)
Unlisted stocks	¥8,584

2016	Book value (Millions of yen)	Book value (Thousands of U.S. dollars)
Unlisted stocks	¥6,612	$58,680

Financial instruments for which there is no fair value and for which the fair value is extremely difficult to determine are not included in (2) Investment securities.

4. Redemption schedule for financial assets with maturities

2015	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	¥47,371	¥ —	¥ —	¥ —
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
Government and municipal bonds, etc.	215	358	590	—
Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
Debt securities	—	—	—	—
Others	3,000			
Total	¥50,586	¥358	¥590	¥ —

2016	Within 1 year (Millions of yen)	Within 1 year (Thousands of U.S. dollars)	1–5 years (Millions of yen)	1–5 years (Thousands of U.S. dollars)	5–10 years (Millions of yen)	5–10 years (Thousands of U.S. dollars)	Over 10 years (Millions of yen)	Over 10 years (Thousands of U.S. dollars)
Cash and deposits	¥57,594	$511,129	¥ —	$ —	¥ —	$ —	¥—	$—
Short-term investment securities and investment securities								
Held-to-maturity debt securities								
Government and municipal bonds, etc.	15	133	435	3,861	824	7,315	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities								
Debt securities	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Total	¥57,609	$511,262	¥435	$3,861	¥824	$7,315	¥—	$—

5. Repayment schedule for bonds payable and long-term loans payable at March 31, 2015 and 2016

2015	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	¥ 49,300	¥ —	¥ —	¥ —
Bonds payable	3,000	—	10,000	—
Long-term loans payable	102,500	91,300	59,300	68,300
Total	¥154,800	¥91,300	¥69,300	¥68,300

	4-5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	¥ —	¥ —
Bonds payable	¥ —	20,000
Long-term loans payable	49,000	164,000
Total	¥49,000	¥184,000

2016	Within 1 year (Millions of yen)	Within 1 year (Thousands of U.S. dollars)	1-2 years (Millions of yen)	1-2 years (Thousands of U.S. dollars)	2-3 years (Millions of yen)	2-3 years (Thousands of U.S. dollars)	3-4 years (Millions of yen)	3-4 years (Thousands of U.S. dollars)
Short-term loans payable	¥ 46,000	$ 408,236	¥ —	$ —	¥ —	$ —	¥ —	$ —
Bonds payable	—	—	10,000	88,747	—	—	—	—
Long-term loans payable	91,300	810,259	60,800	539,581	68,300	606,141	53,500	474,796
Total	¥137,300	$1,218,495	¥70,800	$628,328	¥68,300	$606,141	¥53,500	$474,796

	4-5 years (Millions of yen)	4-5 years (Thousands of U.S. dollars)	Over 5 years (Millions of yen)	Over 5 years (Thousands of U.S. dollars)
Short-term loans payable	¥ —	$ —	¥ —	$ —
Bonds payable	10,000	88,747	40,000	354,988
Long-term loans payable	48,000	425,985	294,000	2,609,159
Total	¥58,000	$514,732	¥334,000	$2,964,147

4. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Group as of March 31, 2015 and 2016.

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

	(Millions of yen)		
2015	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥1,095	¥1,130	¥35
Subtotal	1,095	1,130	35
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	77	76	(1)
Subtotal	77	76	(1)
Total	¥1,172	¥1,206	¥34

	(Millions of yen)			(Thousands of U.S. dollars)		
2016	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair value exceeds book value:						
Government and municipal bonds, etc.	¥1,287	¥1,346	¥59	$11,423	$11,950	$527
Subtotal	1,287	1,346	59	11,423	11,950	527
Securities whose fair value does not exceed book value:						
Government and municipal bonds, etc.	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	¥1,287	¥1,346	¥59	$11,423	$11,950	$527

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

	(Millions of yen)		
2015	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 1,007	¥ 1,954	¥ 947
Other	20,085	26,565	6,480
Subtotal	21,092	28,519	7,427
Securities whose book value does not exceed acquisition cost:			
Stocks	—	—	—
Other	12,186	11,912	(274)
Subtotal	12,186	11,912	(274)
Total	¥33,278	¥40,431	¥7,153

	(Millions of yen)			(Thousands of U.S. dollars)		
2016	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 1,008	¥ 1,615	¥ 607	$ 8,948	$ 14,332	$ 5,384
Other	28,833	38,094	9,261	255,883	338,072	82,189
Subtotal	29,841	39,709	9,868	264,831	352,404	87,573
Securities whose book value does not exceed acquisition cost:						
Stocks	5	4	(1)	47	37	(10)
Other	—	—	—	—	—	—
Subtotal	5	4	(1)	47	37	(10)
Total	¥29,846	¥39,713	¥9,867	$264,878	$352,441	$87,563

(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 year ended March 31, 2015 and 2016.

2015

	(Millions of yen)		
Type	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥26	¥25	¥—
Total	¥26	¥25	¥—

2016

	(Millions of yen)			(Millions of yen)		
Type	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥1	¥0	¥4	$5	$0	$39
Total	¥1	¥0	¥4	$5	$0	$39

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

Short-term loans payable as of March 31, 2015 and 2016 mainly consisted of borrowings from banks with a weighted-average interest rate of 0.4% in 2015 and 0.2% in 2016.

Long-term loans payable and bonds payable as of March 31, 2015 and 2016 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Unsecured bonds (2.1%), due 2017	¥ 10,000	¥ 10,000	$ 88,747
Unsecured bonds (2.0%), due 2020	10,000	10,000	88,747
Unsecured bonds (0.8%), due 2024	10,000	10,000	88,747
Unsecured bonds (0.9%), due 2025	—	10,000	88,747
Unsecured bonds (0.4%), due 2021	—	10,000	88,747
Unsecured bonds (0.8%), due 2026	—	10,000	88,747
Secured bonds (1.8%), due 2016	3,000	—	—
Long-term loans payable[1]			
Unsecured	534,400	615,900	5,465,921
Lease obligations[2]	1,189	1,268	11,255
Subtotal	568,589	677,168	6,009,658
Less amounts due within one year	(105,635)	(137,434)	(1,219,685)
	¥462,954	¥539,734	$4,789,973

Notes: 1. Long-term loans payable as of March 31, 2015 and 2016 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with weighted-average interest rates of 0.8% in 2015 and 0.6% in 2016.

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, 2016

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2017	¥ 60,800	$ 539,581
2018	68,300	606,141
2019	53,500	474,796
2020	48,000	425,985
2021 and thereafter	294,000	2,609,159
	¥524,600	$4,655,662

The following table shows the maturities of lease obligations subsequent to March 31, 2016.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2017	¥ 108	$ 954
2018	81	721
2019	67	597
2020	50	446
2021 and thereafter	828	7,347
	¥1,134	$10,065

6. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2015 and 2016 are summarized as follows:

(1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Pledged assets:			
Buildings and structures	¥211	¥201	$1,780
	¥211	¥201	$1,780
Secured liabilities:			
Lease and guarantee deposits received	52	45	399
Total	¥ 52	¥ 45	$ 399

(2) As of March 31, 2015, 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, 2016, cash and deposits in the amount of ¥2 million ($18 thousand) and investment securities in the amount of ¥10 million ($89 thousand) are pledged as collateral for trade payables and a portion of liabilities of investee companies, respectively.

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 Plan

A reconciliation of the changes in retirement benefit obligations for the fiscal year ended March 31, 2015 and 2016 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Retirement benefit obligations at the beginning of the year	¥25,815	¥24,595	$218,276
Cumulative effects of changes in accounting policies	(2,445)	—	—
Restated balance	23,370	24,595	218,276
Service cost	1,195	1,230	10,912
Interest cost	366	385	3,417
Actuarial gain or loss	369	6,862	60,901
Retirement benefit payments	(705)	(652)	(5,788)
Retirement benefit obligations at the end of the year	¥24,595	¥32,420	$287,718

A reconciliation of the changes in balance of plan assets for the fiscal year ended March 31, 2015 and 2016 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Fair value of plan assets at the beginning of the year	¥12,804	¥15,518	$137,714
Expected return on plan assets	205	248	2,203
Actuarial gain or loss	1,362	(413)	(3,661)
Employer contributions	1,486	1,532	13,599
Retirement benefit payments	(339)	(344)	(3,058)
Fair value of plan assets at the end of the year	¥15,518	¥16,541	$146,797

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal year ended March 31, 2015 and 2016

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Net defined benefit liability at the beginning of the year	¥1,890	¥2,000	$17,753
Increase by an acquisition of newly consolidated subsidiaries	—	21	185
Retirement benefit expenses	306	357	3,169
Retirement benefit payments	(175)	(217)	(1,928)
Contributions to plan	(21)	(22)	(192)
Net defined benefit liability at the end of the year	¥2,000	¥2,139	$18,987

A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2015 and 2016, and net defined benefit liability on the Consolidated Balance Sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Funded retirement benefit obligations	¥16,719	¥22,681	$201,286
Fair value of plan assets	(15,614)	(16,650)	(147,765)
Subtotal	1,105	6,031	53,521
Unfunded retirement benefit obligations	9,973	11,987	106,387
Net liabilities on the Consolidated Balance Sheet	¥11,078	¥18,018	$159,908
Net defined benefit liability	¥11,078	¥18,018	$159,908
Net liabilities on the Consolidated Balance Sheet	¥11,078	¥18,018	$159,908

Note: It includes the plans applying a simplified method.

Breakdown of retirement benefit expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Service cost	¥1,195	¥1,230	$10,913
Interest cost	366	385	3,417
Expected return on plan assets	(205)	(248)	(2,203)
Amortization of actuarial gain or loss	390	469	4,161
Amortization of prior service cost	(396)	(396)	(3,511)
Retirement benefit expenses calculated by a simplified method	306	357	3,169
Other	—	2	23
Retirement benefit expenses for defined benefit plan	¥1,656	¥1,799	$15,969

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)
	2015	2016	2016
Prior service cost	¥(396)	¥(396)	$(3,511)
Actuarial gain or loss	1,383	(6,806)	(60,401)
Total	¥987	¥(7,202)	$(63,912)

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)
	2015	2016	2016
Unrecognized prior service cost	¥2,176	¥1,780	$15,800
Unrecognized actuarial gain or loss	(37)	(6,842)	(60,726)
Total	¥2,139	¥(5,062)	$(44,926)

Composition of plan assets by major classifications

	2015	2016
Claims	49%	47%
Equity	33%	25%
Other	18%	28%
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) :

	2015	2016
Discount rate	1.2~1.6%	0.2~0.5%
Expected rate of return on plan assets	1.6%	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 years ended March 31, 2015 and 2016 are ¥259 million and ¥522 million ($4,635 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, 2015 and 2016 is as follows:

	Gain on sales		
	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Land	¥ 18	¥—	$—
Buildings	189	—	—
Total	¥207	¥—	$—

9. Impairment Loss

The Group recognized impairment loss on the following groups of assets for the fiscal years ended March 31, 2015 and 2016:

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 for the fiscal year ended March 31, 2015. The impairment loss is broken down into an impairment loss of ¥7,592 million on land and an impairment loss of ¥578 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.

2016 Primary use	Type	Location
Stores, leased assets	Buildings	Shibuya-ku, Tokyo and other locations
	Land	
(5 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 five groups of assets the profitability of which has dropped significantly due to the changes of usage, 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 ¥1,426 million ($12,656 thousand) for the fiscal year ended March 31, 2016. The impairment loss is broken down into an impairment loss of ¥561 million ($4,983 thousand) on buildings and an impairment loss of ¥865 million ($7,673 thousand) on land 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 35.6% for the fiscal year ended March 31, 2015 and 33.1% for the fiscal year ended March 31, 2016.

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

	2015	2016
Statutory tax rate	35.6%	33.1%
Adjustments:		
Permanent differences including entertainment expenses	1.1	1.0
Effect of tax rate change	(9.2)	(4.2)
Other	(1.0)	0.9
Effective tax rates	26.5%	30.7%

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2015 and 2016:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Deferred tax assets:			
Unrealized profits	¥13,152	¥12,992	$115,301
Net Defined Benefit Liability	4,379	5,668	50,301
Impairment Loss	7,678	5,022	44,567
Provision for bonuses	1,968	2,119	18,804
Inventory write-downs	1,856	1,276	11,328
Excess of depreciation	1,706	1,265	11,223
Revaluation of assets on consolidation	526	459	4,075
Loss on valuation of equity investments	915	264	2,341
Provision for loss on subleasing business	151	96	855
Other	4,877	4,510	40,026
Gross deferred tax assets	37,208	33,671	298,821
Valuation allowance	(2,686)	(3,258)	(28,914)
Total deferred tax assets	34,522	30,413	269,907
Deferred tax liabilities:			
Revaluation of assets on consolidation	(48,139)	(50,272)	(446,148)
Reserve for deferred income taxes	(21,438)	(20,116)	(178,521)
Other	(4,616)	(3,987)	(35,388)
Total deferred tax liabilities	(74,193)	(74,375)	(660,057)
Net deferred tax liabilities	¥(39,671)	¥(43,962)	$(390,150)

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. 15, 2016) and the Act on Partial Amendment of the Local Tax Act, etc. (Act No. 13, 2016) enacted by the Japanese Diet on March 29, 2016 resulted in a reduction of the rates of corporate and other taxes from the fiscal year beginning on April 1, 2016. In conjunction with these changes, the statutory effective tax rate used to calculate deferred tax assets and liabilities will be changed from the current 32.3% to 30.9% for temporary differences expected to be realized or settled from the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for temporary differences expected to be realized or settled from the fiscal year beginning on April 1, 2018.

As a result, deferred tax liabilities (the amount after offsetting deferred tax assets) and deferred income tax expense decreased by ¥3,093 million ($27,449 thousand) and ¥3,010 million ($26,717 thousand), respectively, and valuation difference on available-for-sale securities, etc. and profit attributable to owners of parent increased by ¥83 million ($732 thousand) and ¥2,855 million ($25,336 thousand), respectively, as of and for the fiscal year ended March 31, 2016.

Deferred tax liabilities for land revaluation decreased by ¥134 million ($1,193 thousand), and revaluation reserve for land increased by the same amount as of March 31, 2016.

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, 2016, the Group's capital reserve amounted to ¥109,842 million ($974,817 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)
	2015	2016	2016
Cash and deposits	¥47,421	¥57,594	$511,129
Short-term investment securities	3,000	—	—
Time deposits with maturities of more than three months	(3)	(2)	(18)
Cash and cash equivalents	¥50,418	¥57,592	$511,111

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

2015			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	¥1,030	—	¥(3)
Total			¥1,030	—	¥(3)

2016			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	¥3,084	$27,365	—	—	¥140	$1,246
Total			¥3,084	$27,365	—	—	¥140	$1,246

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

2015			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	¥391,500	¥309,600	(Note)
Total			¥391,500	¥309,600	—

2016			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	¥391,600	$3,475,328	¥315,500	$2,799,965	(Note)	(Note)
Total			¥391,600	$3,475,328	¥315,500	$2,799,965	—	—

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, 2015 and 2016.

Operating leases	(Millions of yen) 2015	(Millions of yen) 2016	(Thousands of U.S. dollars) 2016
Future lease payments:			
Due within 1 year	¥ 2,674	¥ 3,381	$ 30,002
Due after 1 year	9,763	16,657	147,828
Total	¥12,437	¥ 20,038	$ 177,830
Future lease receipts:			
Due within 1 year	¥18,221	¥ 24,528	$ 217,681
Due after 1 year	78,700	113,675	1,088,824
Total	¥96,921	¥138,203	$1,226,505

Note: The note on finance leases has been omitted due to a 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, 2015 and 2016, and fair values of real estate, of which some portions are used as rental property, are as follows:

(1) Fair value of rental and other properties in the fiscal year ended March 31, 2015 and 2016

	Book value [1]			Fair value [2]
	March 31, 2014	Increase/Decrease	March 31, 2015	March 31, 2015
2015	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Rental properties	¥676,475	¥13,180	¥689,655	¥735,723
Other properties used as rental properties [3]	25,591	(254)	25,337	49,530

	Book value [1]						Fair value [2]	
	March 31, 2015		Increase/Decrease		March 31, 2016		March 31, 2016	
2016	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Rental properties	¥689,655	$6,120,478	¥48,348	$429,072	¥738,003	$6,549,550	¥824,258	$7,315,032
Other properties used as rental properties [3]	25,337	224,856	663	5,883	26,000	230,739	50,740	450,302

Notes: 1. Book values in the Consolidated Balance Sheet are the amounts determined by deducting accumulated depreciation from the acquisition cost.
2. Fair values as of March 31, 2015 and 2016 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, 2015 and 2016.
3. In the above table, other properties used as rental properties includes portions used by the Company and certain consolidated subsidiaries.

(2) Operating income and other information on rental properties in the fiscal years ended March 31, 2015 and 2016

	Operating income	Others (gains (losses) on sale of property, etc.)
2015	(Millions of yen)	(Millions of yen)
Rental properties	¥23,231	¥ (5,760)
Other properties used as rental properties	968	—

	Operating income		Others (gains (losses) on sale of property, etc.)	
2016	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Rental properties	¥26,090	$231,536	¥(187)	$(1,656)
Other properties used as rental properties	997	8,847	—	—

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 dividends distribution from silent partnership (¥2,204 million) and impairment loss (¥8,170 million) in the fiscal year ended March 31, 2015, and impairment loss (¥187 million ($1,656 thousand) in the fiscal year ended March 31, 2016.

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).

In addition, MEGALOS Co., Ltd., which had been classified into the "Other Unit", was transferred to the "Property & Facility Management Unit" from the fiscal year ended March 31, 2016 to promote business in conjunction with the property and facility management business.

The results of the previous fiscal year are calculated in line with the newly adopted segment classification.

(2) 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, 2015 and 2016 were as follows:

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
Operating revenue and operating income									
Operating revenue:									
External customers	¥358,490	¥90,643	¥9,164	¥27,934	¥77,920	¥3,008	¥ 567,159	¥ —	¥ 567,159
Inter-segment	907	2,236	3	2,298	7,918	0	13,362	(13,362)	—
Subtotal	359,397	92,879	9,167	30,232	85,838	3,008	580,521	(13,362)	567,159
Segment income(loss)	33,812	24,448	4,813	8,478	5,758	(113)	77,196	(5,301)	71,895
Segment assets	382,586	849,886	40,556	22,606	49,697	2,485	1,347,816	21,411	1,369,227
Other items									
Depreciation	¥ 121	¥13,222	¥ 130	¥ 304	¥ 1,271	¥ 11	¥ 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	987	19	48,920	(15,024)	33,896

Notes: 1. The “Other” category, which represents operating segments that are not included in reportable segments, includes other businesses.
2. (1) The deduction of ¥5,301 million shown in the eliminations or corporate column for segment income (loss) includes a deduction of ¥124 million for the elimination of inter-segment transactions and a deduction of ¥5,177 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 ¥21,411 million shown in the eliminations or corporate column for segment assets includes a deduction of ¥38,451 million for the elimination of inter-segment transactions and an addition of ¥59,862 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, 2016

(Millions of yen)

	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other [1]	Total	Eliminations or corporate [2]	Consolidated
Operating revenue and operating income									
Operating revenue:									
External customers	¥333,875	¥108,126	¥10,973	¥33,239	¥81,979	¥1,353	¥ 569,545	¥ —	¥ 569,545
Inter-segment	640	2,500	0	2,134	8,316	0	13,590	(13,590)	—
Subtotal	334,515	110,626	10,973	35,373	90,295	1,353	583,135	(13,590)	569,545
Segment income(loss)	31,910	32,099	7,377	9,901	5,315	(153)	86,449	(5,537)	80,912
Segment assets	414,812	922,748	36,693	32,048	51,403	1,565	1,459,269	26,181	1,485,450
Other items									
Depreciation	¥ 161	¥ 13,793	¥ 57	¥ 337	¥ 1,262	¥ 6	¥ 15,616	¥ 411	¥16,027
Amortization of goodwill	—	236	—	—	29	—	265	—	265
Investment in affiliates accounted for using equity method	68	1,057	—	—	—	—	1,125	—	1,125
Increase in property, plant and equipment and intangible assets	686	48,349	46	633	872	6	50,592	1,213	51,805

	(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	$2,963,037	$ 959,584	$ 97,384	$294,985	$727,535	$ 2,011	$ 5,054,536	$ —	$ 5,054,536
Inter-segment	5,679	22,184	0	18,942	73,803	2	120,610	(120,610)	—
Subtotal	2,968,716	981,768	97,384	313,927	801,338	12,013	5,175,146	(120,610)	5,054,536
Segment income(loss)	283,188	284,872	65,467	87,867	47,167	(1,353)	767,208	(49,136)	718,072
Segment assets	3,681,329	8,189,105	325,638	284,413	456,187	13,889	12,950,561	232,346	13,182,907
Other items									
Depreciation	$ 1,434	$ 122,409	$ 505	$ 2,988	$ 11,203	$ 51	$ 138,590	$ 3,643	$ 142,233
Amortization of goodwill	—	2,091	—	—	260	—	2,351	—	2,351
Investment in affiliates accounted for using equity method	602	9,379	—	—	—	—	9,981	—	9,981
Increase in property, plant and equipment and intangible assets	6,083	429,081	408	5,621	7,739	54	448,986	10,771	459,757

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

2. (1) The deduction of ¥5,537 million ($49,136 thousand) shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥1,287 million ($11,427 thousand) for the elimination of inter-segment transactions and a deduction of ¥6,824 million ($60,563 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 ¥26,181 million ($232,346 thousand) shown in the eliminations or corporate column for segment assets includes a deduction of ¥54,975 million ($487,884 thousand) for the elimination of inter-segment transactions and an addition of ¥81,156 million ($720,230 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, 2015 and 2016 is summarized as follows:

	(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

	(Millions of yen)						
2016	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	¥—	¥187	¥—	¥—	¥1,239	¥—	¥1,426

	(Thousands of U.S. dollars)						
2016	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	$—	$1,656	$—	$—	$11,000	$—	$12,656

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2015 and 2016 by reportable segments:

	(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

	(Millions of yen)					
2016	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 236	¥—	¥—	¥ 29	¥ 265
Balance at March 31, 2016	¥—	¥3,004	¥—	¥—	¥205	¥3,209

	(Thousands of U.S. dollars)					
2016	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	$—	$ 2,091	$—	$—	$ 260	$ 2,351
Balance at March 31, 2016	$—	$26,657	$—	$—	$1,820	$28,477

17. Contingent Liabilities

Contingent liabilities as of March 31, 2015 and 2016 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Guarantees for home loans of house purchasers from banks and other	¥56,902	¥58,401	$518,290
Guarantees for loans to business partners in the business of commercial buildings for rent	677	608	5,396
	¥57,579	¥59,009	$523,686

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, 2015 and 2016 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ 9,588	¥ 2,878	$ 25,539
Amount of recycling	(999)	(772)	(6,845)
Before income tax effect	8,589	2,106	18,694
Income tax effect	(2,824)	(511)	(4,537)
Valuation difference on available-for-sale securities	5,765	1,595	14,157
Deferred gains or losses on hedges:			
Amount recognized during the year	88	149	1,319
Amount of recycling	(11)	(39)	(349)
Before income tax effect	77	110	970
Income tax effect	(24)	(32)	(281)
Deferred gains or losses on hedges	53	78	689
Revaluation reserve for land:			
Income tax effect	421	216	1,922
Foreign currency translation adjustment:			
Amount recognized during the year	7	(10)	(92)
Amount of recycling	—	—	—
Before income tax effect	7	(10)	(92)
Income tax effect	—	—	—
Foreign currency translation adjustment	7	(10)	(92)
Remeasurements of defined benefit plans:			
Amount recognized during the year	972	(6,850)	(60,794)
Amount of recycling	15	(351)	(3,118)
Before income tax effect	987	(7,201)	(63,912)
Income tax effect	(298)	2,257	20,031
Remeasurements of defined benefit plans	689	(4,944)	(43,881)
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount recognized during the year	21	(13)	(114)
Amount of recycling	—	—	—
Before income tax effect	21	(13)	(114)
Income tax effect	(5)	5	45
Share of other comprehensive income of affiliates accounted for using the equity method	16	(8)	(69)
Total other comprehensive income	¥ 6,951	¥(3,073)	$(27,274)

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, 2015 and 2016.

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)
	2015	2016	2016
Selling, general and administrative expenses	¥599	¥587	$5,207

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

(Millions of yen)		(Thousands of U.S. dollars)
2015	2016	2016
¥99	¥41	$368

3. Description

Nomura Real Estate Holdings, Inc.

FY2008	3rd issue of stock options
Recipients	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: 191,200 shares
Grant date	August 11, 2008
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	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	2nd issue of stock options	3rd issue of stock options
Recipients	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: 66,100 shares	Common stock: 226,400 shares
Grant date	August 23, 2010	August 23, 2010
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 23, 2011 – August 22, 2016	August 23, 2012 – August 22, 2017

Nomura Real Estate Holdings, Inc.

FY2011	2nd issue of stock options	3rd issue of stock options
Recipients	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: 66,700 shares	Common stock: 227,800 shares
Grant date	August 23, 2011	August 23, 2011
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	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

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	4th issue of stock options	5th issue of stock options
Recipients	Directors of the Company (6 persons)	Directors and executive officers of the Company's subsidiaries (76 persons)	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)	Directors of the Company's subsidiaries (3 persons)	Directors of the Company's subsidiaries (3 persons) Employees of the Company's subsidiaries (20 persons)
Type/number of shares reserved (Note)	Common stock: 35,700 shares	Common stock: 157,500 shares	Common stock: 380,900 shares	Common stock: 4,000 shares	Common stock: 24,000 shares
Grant date	July 23, 2015	July 23, 2015	July 23, 2015	October 14, 2015	October 14, 2015
Vesting conditions	No conditions attached	No conditions attached	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified	No period specified	No period specified
Exercisable period	July 23, 2018 – July 22, 2023	July 23, 2018 – July 22, 2023	July 23, 2018 – July 22, 2023	October 14, 2018 – October 13, 2023	October 14, 2018 – October 13, 2023

(Note) Described in terms of the number of shares.

4. Scale of offer and status of changes

(1) Number of stock options

Nomura Real Estate Holdings, Inc.

FY2008	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	139,000
Vested:	—
Exercised	90,100
Forfeited	48,900
End of the year	—

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	6,800	79,000
Vested:	—	—
Exercised	6,800	26,500
Forfeited	—	2,000
End of the year	—	50,500

Nomura Real Estate Holdings, Inc.

FY2010	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	12,000	56,500
Vested:	—	—
Exercised	8,800	18,800
Forfeited	—	1,000
End of the year	3,200	36,700

Nomura Real Estate Holdings, Inc.

FY2011	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	16,500	109,900
Vested:	—	—
Exercised	11,500	27,300
Forfeited	—	1,000
End of the year	5,000	81,600

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	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	—
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	19,200	115,800	189,200
Vested:	—	—	—
Exercised	5,400	48,200	63,000
Forfeited	—	—	2,500
End of the year	13,800	67,600	123,700

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	—	—	307,500
Granted	—	—	—
Forfeited	—	—	3,200
Vested:	—	—	304,300
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	20,200	143,300	23,600
Vested:	—	—	304,300
Exercised	4,100	62,800	10,500
Forfeited	—	—	1,000
End of the year	16,100	80,500	316,400

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	—	—	350,700
Granted	—	—	—
Forfeited	—	—	4,200
Vested:	—	—	7,800
End of the year	—	—	338,700
Vested: (shares)			
Previous fiscal year end	40,700	194,400	1,600
Vested:	—	—	7,800
Exercised	—	—	—
Forfeited	—	—	—
End of the year	40,700	194,400	9,400

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	4th issue of stock options	5th issue of stock options
Non-vested: (shares)					
Previous fiscal year end	—	—	—	—	—
Granted	35,700	157,500	380,900	4,000	24,000
Forfeited	—	—	—	—	—
Vested:	35,700	157,500	1,000	4,000	—
End of the year	—	—	379,900	—	24,000
Vested: (shares)					
Previous fiscal year end	—	—	—	—	—
Vested:	35,700	157,500	1,000	4,000	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
End of the year	35,700	157,500	1,000	4,000	—

(2) Unit price data

Nomura Real Estate Holdings, Inc.

FY2008	3rd issue of stock options
Exercise price (¥)	2,255
Average price upon exercise (¥)	2,554
Fair value on grant date (¥)	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 (¥)	2,560	2,555
Fair value on grant date (¥)	1,533	641

Nomura Real Estate Holdings, Inc.

FY2010	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1,194
Average price upon exercise (¥)	2,344	2,388
Fair value on grant date (¥)	1,119	437

Nomura Real Estate Holdings, Inc.

FY2011	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1,457
Average price upon exercise (¥)	2,340	2,489
Fair value on grant date (¥)	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 (¥)	2,278	2,417	2,487
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 (¥)	2,500	2,285	2,508
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

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	4th issue of stock options	4th issue of stock options
Exercise price (¥)	1	1	2,741	1	2,355
Average price upon exercise (¥)	—	—	—	—	—
Fair value on grant date (¥)	2,260	2,260	516	2,085	536

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, 2016 (FY2015) was estimated as follows:

(1) Valuation technique used Black-Scholes method
(2) Main base data and estimation methods

Nomura Real Estate Holdings, Inc.

	Nomura Real Estate Holdings, Inc. 1st issue of FY2015 stock options	Nomura Real Estate Holdings, Inc. 2nd issue of FY2015 stock options	Nomura Real Estate Holdings, Inc. 3rd issue of FY2015 stock options	Nomura Real Estate Holdings, Inc. 4th issue of FY2015 stock options	Nomura Real Estate Holdings, Inc. 5th issue of FY2015 stock options
Expected volatility of the share price (Note 1)	31.7%	31.7%	31.7%	32.5%	32.5%
Expected remaining life of the option (Note 2)	5.5 years	5.5 years	5.5 years	5.5 years	5.5 years
Expected dividend (Note 3)	¥50 ($0.44) per share	¥50 ($0.44) per share	¥50 ($0.44) per share	¥50 ($0.44) per share	¥50 ($0.44) per share
Risk-free interest rate (Note 4)	0.19%	0.19%	0.19%	0.14%	0.14%

Notes: 1. With respect to 1st, 2nd, and 3rd issues of FY 2015 stock options, figures are calculated based on the actual stock price for five years and six months (from January 2010 to July 2015), and with respect to 4th and 5th issues of FY2015 stock options, figures are calculated based on the actual stock price for five years and six months (from April 2010 to October 2015).
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, 2016 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.

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) 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 29, 2016.

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

(1) Recipients

Directors of the Company: 6 persons

Directors and executive officers of the Company's subsidiaries: 83 persons

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

Common stock: 307,000 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

¥1 per share

(4) Allotment date

July 22, 2016

(5) Exercise period of the stock acquisition rights

July 22, 2019 – July 21, 2024

(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: 83 persons
Employees of the Company's subsidiaries: 226 persons

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

Common stock: 421,800 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 22, 2016

(5) Exercise period of the stock acquisition rights

July 22, 2019 – July 21 2024

(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

Building a better working world

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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, 2016, 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, 2016, 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 29, 2016
Tokyo, Japan