

Financial Report

For the Year Ended March 31, 2017

2017

Management's Discussion and Analysis	1
Consolidated Balance Sheet	13
Consolidated Statement of Income	15
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Changes in Net Assets	17
Consolidated Statement of Cash Flows	18
Notes to Consolidated Financial Statements	19
Independent Auditors' Report	53

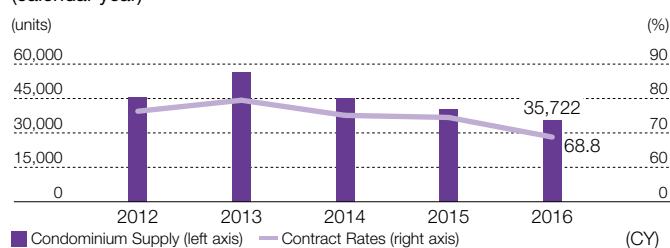
Management's Discussion and Analysis

Trends in the Real Estate Industry

The housing sales market was characterized by impressions that sales prices were expensive due to persistently high construction costs and intensified demand for the purchase of land, which led to a buyer shift to the used-housing market, a drop in the rate of contracts and adjustments in the number of supplied housing units in the Tokyo metropolitan area.

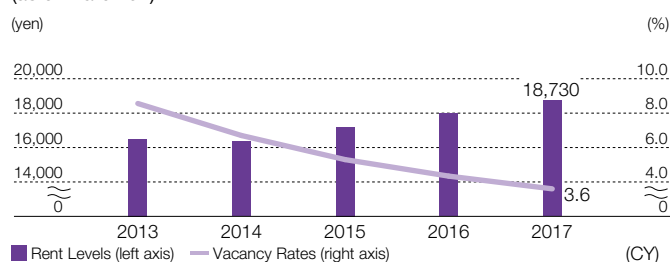
Condominium sales in the Tokyo region decreased by 11.6% year-on-year to 35,722 units in the calendar year 2016. The contract number for the first month on newly marketed condominium units in 2016 decreased by 5.7 percentage points year-on-year to 68.8% and it underperformed the benchmark of 70%.

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



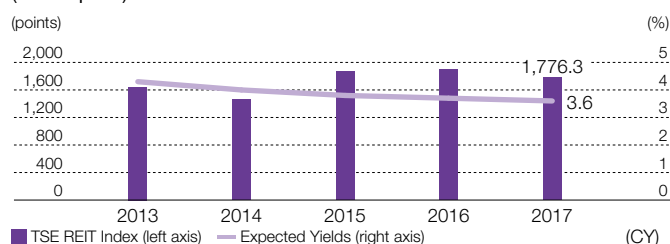
Source: Real Estate Economic Institute Co., Ltd.

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

In the office market, vacancy rates remain at a low level against the backdrop of improvements in the employment environment and corporate earnings despite the rise in large properties in the Tokyo metropolitan area. In addition, the rent level continues to rise gradually, particularly in the central area of Tokyo.

The office building vacancy rate in the five wards of central Tokyo declined by 0.74 percentage points as of March 31, 2017, improving to 3.6%. Average rent levels in the five wards of central Tokyo as of March 31, 2017 increased by ¥826 per tsubo to ¥18,730 compared to March 31, 2016.

In the real estate investment market, there is a continuing environment of investment fund inflow backed by low interest rates. Among J-REITs, there were a series of new listings on the market and capital increases through public offerings, and assets under management have solidly expanded as a result of an increase in property acquisitions mainly comprising logistics facilities and hotels.

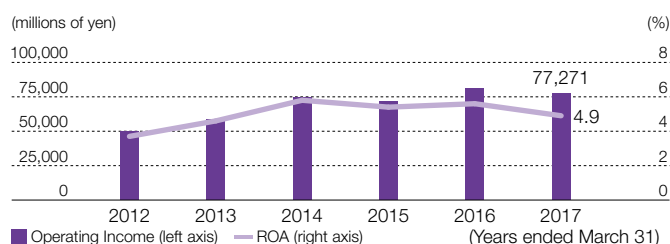
Expected yields on A-class office buildings in the Marunouchi/Otemachi area decreased by 0.1 percentage points year-on-year to 3.6% as of March 31, 2017.

Analysis of Operating Results

In this business environment, the Nomura Real Estate Group (the "Group") posted the following consolidated performance for the fiscal year under review: Operating revenue of ¥569,681 million, which represents an increase of 0.0% year on year; operating profit of ¥77,271 million, a decrease of 4.5%; ordinary profit of ¥68,952 million, a decrease of 5.1%; and profit attributable to owners of parent of ¥47,005 million, a decrease of 0.4%.

This year our ROA ratio was 4.9% and our ROE ratio was 10.1%. They were lower than the fiscal year ended March 31, 2016, but they are still maintaining high levels.

Changes in Operating Income and ROA*



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

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.

Concerning the summary of operating results by unit, Nomura Real Estate Heating and Cooling Supply Co., Ltd., which had been classified under the Leasing Unit, was transferred to the Property & Facility Management Unit. In accordance with this change, the figures for the previous fiscal year have been calculated under the new classification.

■ Residential Development Unit

Operating revenue in the Residential Development Unit totaled ¥329,788 million, which represents a decrease of 1.4% year on year, and operating profit totaled ¥27,787 million, a decrease of 12.9%, resulting in decreases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to a decrease in the number of housing unit sales recorded in the housing sales business.

In regard to housing sales, we posted the combined sales of condominiums and detached houses of 5,567 units (a decrease of 439 units year on year), including PROUD TOWER Tachikawa (Tachikawa-shi, Tokyo) and PROUD CITY Tsukaguchi Mark Forest (Amagasaki-shi, Hyogo), for condominiums, and PROUD SEASON Sengawa Ryokuhei no Machi (Chofu-shi, Tokyo) for detached houses.

As of the end of the fiscal year under review, the number of completed housing inventories totaled 654 units (an increase of 305 units compared with the end of the previous fiscal year) and the number of contracted but not recorded housing units totaled 2,779 units (a decrease of 714 units compared with the end of the previous fiscal year).

The Company is actively engaging in the development business in regional hub cities and overseas, including participation in projects in front of Shizuoka Station and Okayama Station and the launch of housing sales businesses in Ho Chi Minh, Vietnam, and Shenyang, China.

■ Leasing Unit

Operating revenue in the Leasing Unit totaled ¥115,010 million, which represents an increase of 4.3% year on year, and operating profit totaled ¥32,567 million, an increase of 2.7%, resulting in increases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to an increase in leasing revenue in the Leasing Business due to an improvement in the vacancy rate, as well as an increase in revenues from the sale of properties in the property development business.

The vacancy rate as of the end of the fiscal year under review has remained at a low level of 0.8% (a decrease of 1.4 percentage points compared with the end of the previous fiscal year).

Construction of facilities including the Yokohama Nomura Building office building, the GEMS Kanda retail facility, and the Landport Komaki logistics facility has been completed.

■ Investment Management Unit

Operating revenue in the Investment Management Unit totaled ¥9,663 million, which represents a decrease of 11.9% year on year, and operating profit totaled ¥6,017 million, a decrease of 18.4%, resulting in decreases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to the posting of asset acquisition fees associated with the merger of three listed REITs in the previous fiscal year.

Assets under management increased due to the merger between Nomura Real Estate Master Fund, Inc. and TOP REIT, Inc. in September 2016 and totaled ¥1,260,064 million (an increase of ¥185,583 million compared with the end of the previous fiscal year) as of the end of the fiscal year under review.

In addition, the Company conducted a replacement of assets between Nomura Real Estate Development Co., Ltd. and Nomura Real Estate Master Fund, Inc., representing 11 properties and a transaction value of ¥60,855 million, in accordance with the Basic Agreement on the Leasing Value Chain concluded in May 2015.

■ Property Brokerage & CRE Unit

Operating revenue in the Property Brokerage & CRE Unit totaled ¥34,820 million, which represents a decrease of 1.6% year on year, and operating profit totaled ¥9,124 million, a decrease of 7.8%, resulting in decreases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to the booking of revenues from the sale of properties in the previous fiscal year, while the number of transactions and total transaction value in property brokerage increased.

In the retail business, we opened the following new branch stores: Iidabashi Center (Chiyodaku, Tokyo) and Toyonaka Center (Toyonaka-shi, Osaka) in April 2016, Oizumi-gakuen Center (Nerima-ku, Tokyo) in October 2016, and Ueno Center (Taito-ku, Tokyo) in November 2016, and the total number of branch stores is 73.

In the wholesale business, operations had been conducted by both the Corporate Real Estate Service Division of Nomura Real Estate Development Co., Ltd. and the Asset Sales Division of Nomura Real Estate Urban Net Co., Ltd. However, a reorganization was implemented on October, 2016, integrating employees and functions into the Corporate Real Estate Service Division of Nomura Real Estate Development Co., Ltd.

■ Property & Facility Management Unit

Operating revenue in the Property & Facility Management Unit totaled ¥95,765 million, which represents an increase of 4.6% year on year, and operating profit totaled ¥6,939 million, an increase of 21.9%, resulting in increases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to an increase in construction ordered for large-scale repair work for condominiums and an increase in membership fees in the fitness club business.

In the fitness club business, we opened various types of fitness clubs such as a personal gym MEGALOS_0+ Ebisu (Shibuya-ku, Tokyo), a woman-only studio MEGALOS_Reflet Ebisu (Shibuya-ku, Tokyo), and an around-the-clock MEGALOS_24 Hamadayama

(Suginami-ku, Tokyo). In addition, we are promoting the senior business under the brand name OUKAS.

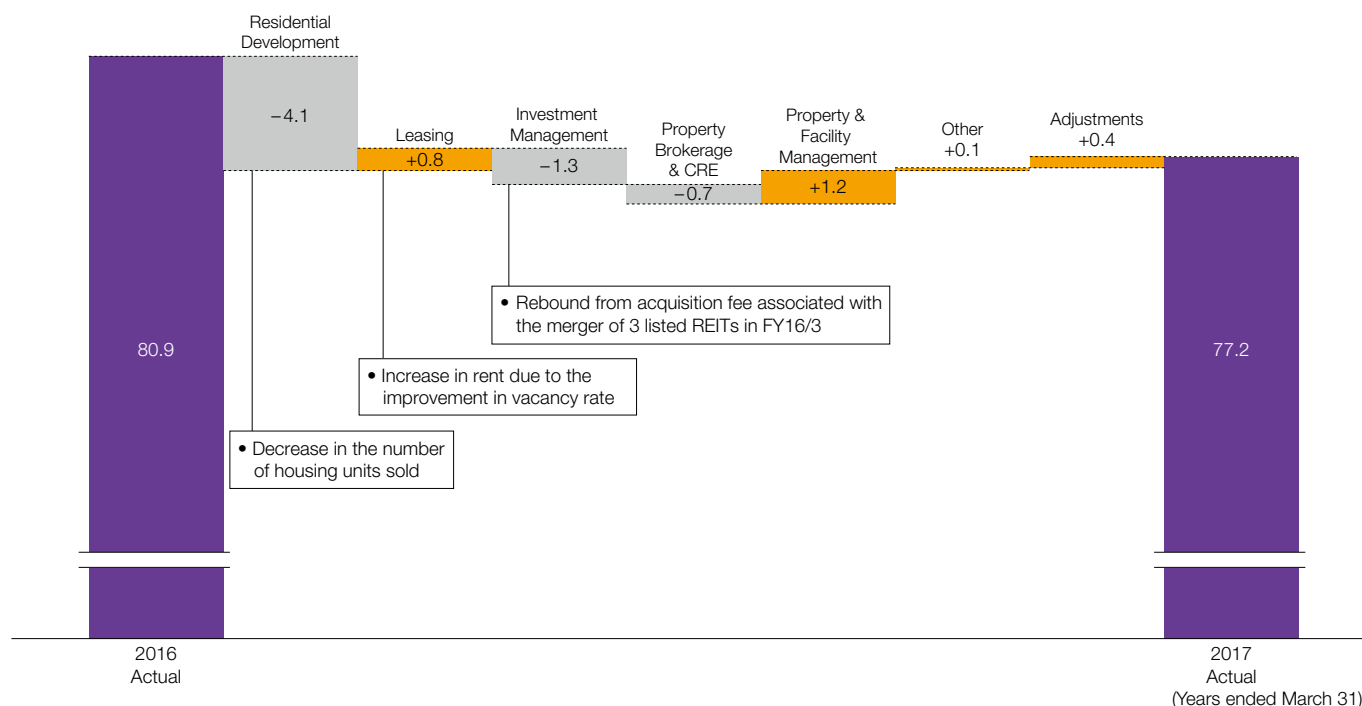
In addition, as of the end of the fiscal year under review, the number of buildings under management was 702 buildings (down 3 from the end of the previous fiscal year), and the number of condominiums under management was 168,999 units (up 5,963).

■ Other Unit

Operating revenue in the Other Unit totaled ¥106 million, which represents a decrease of 92.2% year on year, and operating loss totaled ¥30 million (the previous fiscal year was operating loss of ¥152 million).

Key Factors of Changes by Segment from 2016 to 2017

(billions of yen)



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

(As of March 31)	2013	2014	2015	2016	2017
Residential Development Unit:					
Condominium sales (units)	5,111	5,491	6,162	5,363	4,885
Detached housing sales (units)	638	718	859	643	682
Gross margin ratio of housing sales (%)	22.5	21.7	21.1	21.9	21.7
Completed housing inventories (released for sale) (units) (Note 1)	42	31	87	134	252
Completed housing inventories (unreleased) (units) (Note 1)	—	0	2	215	402
Leasing Unit:					
Vacancy rate	2.2	2.9	4.5	2.2	0.8
Investment Management Unit:					
Outstanding assets under management (millions of yen)	1,127,495	1,132,246	1,123,188	1,074,481	1,260,064
Property Brokerage & CRE Unit:					
Brokerage: Number of transactions	6,494	7,437	7,174	7,710	8,272
Brokerage: Total transaction value (millions of yen)	540,698	672,774	710,980	713,574	745,147
Property & Facility Management Unit:					
Buildings under management	723	703	729	705	702
Condominiums under management (units)	137,745	147,516	155,706	163,036	168,999
Other Unit:					
Members of MEGALOS	132,196	141,564	140,395	144,263	140,743

Note 1: The number of March 2013 is the sum of completed housing inventories (released for sale) (unit) and completed housing inventories (unreleased) (unit).

Analysis of Financial Position

■ Assets

Total assets were ¥1,593,094 million, which was an increase of ¥107,644 million compared to March 31, 2016. Current assets increased by ¥75,528 million compared to March 31, 2016 to ¥684,307 million. Noncurrent assets were ¥908,787 million, which was an increase of ¥32,117 million compared to March 31, 2016. This was mainly due to an increase of ¥73,977 million in inventories, including real estate for sale, and an increase of ¥25,975 million in land compared to March 31, 2016.

■ Liabilities

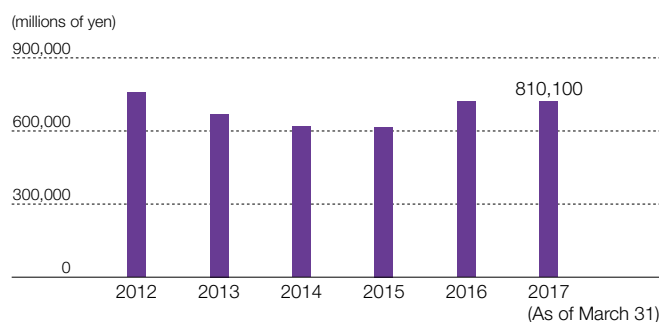
Total liabilities were ¥1,099,281 million, which was an increase of ¥70,239 million compared with March 31, 2016.

Current liabilities decreased by ¥33,309 million compared with March 31, 2016 to ¥255,799 million. This was mainly due to a decrease of ¥15,550 million in notes and accounts payable - trade compared to March 31, 2016.

Noncurrent liabilities were ¥843,482 million, which was an increase of ¥103,548 million compared to March 31, 2016. This was mainly due to an increase of ¥99,200 million in long-term loans payable and an increase of ¥10,000 million in bonds payable.

As a result of these factors, interest-bearing liabilities were ¥810,100 million, which was an increase of ¥88,200 million compared to March 31, 2016. Further, our debt-to-equity ratio has increased to 1.7 times from 1.6 times in March 31, 2016.

Changes in Interest-bearing Liabilities

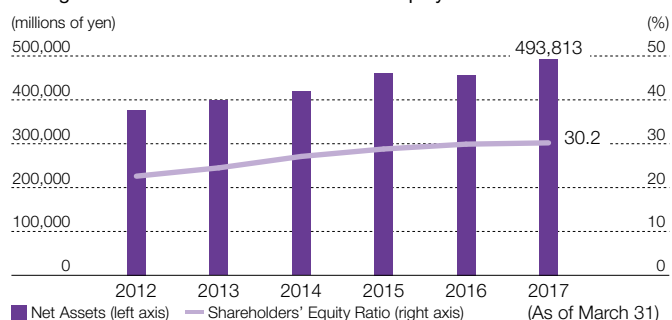


■ Net Assets

Net assets increased by ¥37,405 million compared to March 31, 2016 to ¥493,813 million. This was mainly due to factors including increases of ¥35,500 million in retained earnings compared to March 31, 2016.

As a result, shareholders' equity increased by ¥35,862 million compared to March 31, 2016 to ¥469,504 million. The shareholders' equity ratio increased from 29.9% as of March 31, 2016 to 30.2%.

Changes in Net Assets and Shareholders' Equity Ratio



Credit Rating Situation

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

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

Cash Flows

Cash flows from operating activities

Net cash used in operating activities was ¥31,890 million (a decrease of ¥45,148 million year-on-year). This was mainly due to profit before income taxes of ¥69,307 million, while inventories and income taxes paid increased.

Business Unit (Millions of yen)	2016	2017	Change
Residential Development	¥ 686	¥ 427	¥ (257)
Leasing	47,885	56,224	8,339
Investment Management	46	22	(23)
Property Brokerage and CRE	633	649	16
Property and Facility Management	1,336	1,754	419
Other	6	0	(6)
Subtotal	50,592	59,079	8,487
Adjustments	1,213	1,295	81
Total	51,805	60,374	8,569

Cash flows from investing activities

Net cash used in investing activities amounted to ¥54,559 million (a year-on-year increase of ¥5,156 million). This mainly reflected the purchase of tangible and intangible assets.

Cash flows from financing activities

Net cash provided by financing activities totaled by ¥76,576 million (a year-on-year increase of ¥22,938 million). This was mainly due to the implementation of funds procurement through long-term borrowings and issuance of corporate bonds, despite the payment of dividends.

Facilities Situation

In the fiscal year ended March 31, 2017, we invested a total amount of ¥60,374 million in facilities, including the NOF Nihonbashi honcho Building (Chuo-ku, Tokyo).

We acquired the following properties in the fiscal year ended March 31, 2017:

Company Name	Property Name (location)	Business Segment	Use	Size of Construction or Details of Facilities, etc.	Area (m ²)	Acquisition Price (Millions of yen)
Nomura Real Estate Development Co., Ltd. (Note)	Yokohama Nomura Building (Nishi-ku, Yokohama-shi, Kanagawa)	Leasing	Office, Retail facility	Steel-framed concrete construction, 17 floors above ground / 1 other building	Building: 58,755 Land: 6,721	¥29,573
Nomura Real Estate Development Co., Ltd.	NOF Nihonbashi honcho Building (Chuo-ku, Tokyo)	Leasing	Office	Steel-framed reinforced concrete construction, 8 floors above ground / 3 floors below	Building: 29,430 Land: 3,196	23,130
Nomura Real Estate Development Co., Ltd.	NOF Tameike Building (Minato-ku, Tokyo)	Leasing	Office	Steel-framed concrete construction, 9 floors above ground / 1 floor below	Building: 6,478 Land: 690	4,562
NREG TOSHIBA BUILDING Co., Ltd.	NREG Sapporo Building (Sapporo-shi, Hokkaido)	Leasing	Hotel, Retail	Steel-framed concrete construction, (partially steel-framed reinforced concrete construction), 10 floors above ground / 1 floor below	Building: 5,905 Land: 946	3,068

Note: Refers to calculated area owned including both total floor and land area.

We sold the following properties in the fiscal year ended March 31, 2017:

Company Name	Property Name (location)	Business Segment	Use	Size of Construction or Details of Facilities, etc.	Area (m ²)	Selling Price (Millions of yen)
Nomura Real Estate Development Co., Ltd. (Note)	Hukagawa Gyazaria Tower (Koto-ku, Tokyo)	Leasing	Office	Steel-framed concrete construction, (partially steel-framed reinforced concrete construction), 22 floors above ground / 2 floors below	Building: 41,446 Land: 2,948	¥7,820

Note: Land area includes leased land.

Major Facilities and Equipment

Major facilities and equipment by unit for the Nomura Real Estate Group and its consolidated subsidiaries are as follows.

1) Leasing Unit

Company Name	Property Name (location)	Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion of Construction or (Time of Acquisition)	Area of Property (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
NREG TOSHIBA BUILDING	Hamamatsucho Building / Toshiba Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially steel-framed reinforced concrete), 3 floors below ground, 39 floors above ground	158,732	March 1984	33,921	¥15,795	¥129,809	¥ 313	¥145,918
Nomura Real Estate Development	Yokohama Business Park (Hodogaya-ku, Yokohama-shi, Kanagawa)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 2 floors below ground, 21 floors above ground, 11 other buildings	245,200	Mainly February 1990	70,817	33,272	14,584	524	48,382
NREG TOSHIBA BUILDING	LAZONA Kawasaki Toshiba Building (Saiwai-ku, Kawasaki-shi, Kanagawa)	Office	Steel-framed construction, 15 floors above ground	98,428	March 2013	9,764	15,733	22,245	543	38,522
Shinjuku Mirai Development	MIRRAZA Shinjuku ² (Shinjuku-ku, Tokyo)	Retail facility	Steel-framed construction (partially steel-framed reinforced concrete), 2 floors below ground, 10 floors above ground	7,628	August 2010	781	2,863	32,132	24	35,019
Nomura Real Estate Development	Nihonbashi Muromachi Nomura Building (Chuo-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 5 floors below ground, 21 floors above ground	44,989	September 2010	2,737	15,141	19,227	348	34,717
Nomura Real Estate Development	Yokohama Nomura Building ² (Nishi-ku, Yokohama-shi, Kanagawa)	Office	Steel-framed construction, 17 floors above ground, 1 other building	58,755	January 2017	6,721	20,168	8,809	594	29,573
Nomura Real Estate Development	Nomura Fudosan Ginza Building ³ (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially steel-framed reinforced concrete), 5 floors below ground, 17 floors above ground	26,748	March 1982	3,184	1,868	22,677	18	24,564
Nomura Real Estate Development	NOF Nihonbashi Honcho Building (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, eight floors above ground	29,430	April 1961	3,196	2,080	21,026	—	23,107
Nomura Real Estate Development	Shinjuku Nomura Building ^{2,3} (Shinjuku-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially steel-framed reinforced concrete), 5 floors below ground, 50 floors above ground	58,512	May 1978	4,639	5,955	16,303	163	22,422
Midosuji Mirai Development	Midosuji Nomura Building ² (Chuo-ku, Osaka-shi, Osaka)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 2 floors below ground, 14 floors above ground	20,420	February 2009	1,939	3,835	15,707	27	19,571
Nomura Real Estate Development	Nomura Fudosan Tennozu Building ^{2,3} (Shingawa-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete), 2 floors below ground, 26 floors above ground	39,943	June 1996	5,730	4,484	11,685	83	16,253
NREG TOSHIBA BUILDING	LAZONA Kawasaki Plaza ^{3,4} (Saiwai-ku, Kawasaki-shi, Kanagawa)	Retail facility	Steel-framed reinforced concrete construction (partially steel-framed reinforced concrete), 1 floor below ground, 6 floors above ground	98,254	September 2006	72,013	15,611	—	379	15,990
Toranomon Real Estate	Bansui Building and Toranomon Station-Front Redevelopment (tentative name) (Minato-ku, Tokyo)	Office Land slated for building construction	Reinforced concrete construction (partially steel-framed reinforced concrete), 1 floor below ground, 7 floors above ground	3,289	Mainly October 1973	1,099	60	15,120	10	15,191
Nomura Real Estate Development	Nomura Fudosan Shibadaimon Building (Minato-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 2 floors below ground, 11 floors above ground	15,700	April 2010	2,447	4,055	10,650	83	14,790
Nomura Real Estate Development	Otemachi Nomura Building ^{2,3} (Chiyoda-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 5 floors below ground, 27 floors above ground	9,815	February 1994	749	1,309	12,584	5	13,899
Nomura Real Estate Development	Nomura Musashikosugi Building N ³ (Nakahara-ku, Kawasaki-shi, Kanagawa)	Office	Steel-framed construction, 1 floor below ground, 14 floors above ground	21,268	February 2010	3,979	5,764	7,529	9	13,303
NREG TOSHIBA BUILDING	Toshiba Hamamatsucho Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 8 floors above ground	13,482	July 1974	2,907	359	10,956	0	11,316
Nomura Real Estate Development	bono Sagamiono Shopping Center (Minami-ku, Sagami-hara-shi, Kanagawa)	Retail facility	Reinforced concrete construction (partially steel-framed construction), 1 floor below ground, 11 floors above ground	43,509	January 2013	5,797	6,153	4,649	418	11,221

Company Name	Property Name (location)	Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion of Construction or (Time of Acquisition)	Area of Property (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Development	Dai-ni Edobashi Building ⁴ (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, 9 floors above ground	13,359	November 1973	1,376	¥ 663	¥ 10,553	¥ 0	¥ 11,217
Nomura Real Estate Development	Minamigyotoku SC ² (Ichikawa-shi, Chiba)	Retail facility	Steel-framed construction (partially reinforced concrete), 2 floors below ground, 2 floors above ground	35,612	April 2000	16,503	5,388	4,942	15	10,346
Nomura Real Estate Development	Landport Takatsuki Project (tentative name) (Takatsuki-shi, Osaka)	Land slated for building construction	—	—	(September 2014)	35,276	—	10,247	—	10,247
NREG TOSHIBA BUILDING	Fuchu Toshiba Building (Fuchu-shi, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete), 1 floor below ground, eight floors above ground, 1 other building	32,299	April 1993	8,290	3,917	5,247	23	9,188
NREG TOSHIBA BUILDING	Shinyokohama Toshiba Building (Kohoku-ku, Yokohama-shi, Kanagawa)	Training facility	Reinforced concrete construction, 1 floor below ground, four floors above ground, 4 other buildings	28,822	Mainly June 1969	15,829	3,082	5,660	33	8,776
Nomura Real Estate Development	Iidabashi Plano Stage Building ³ (Chiyoda-ku, Tokyo)	Office	Reinforced concrete construction, 2 floors below ground, 38 floors above ground	3,958	February 2009	785	1,717	6,401	1	8,120
Nomura Real Estate Development	Nihonkouku Tamachi Building ² (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 7 floors above ground	17,515	January 1984	4,134	75	7,820	—	7,895
NREG TOSHIBA BUILDING	NREG Kawasaki Logistics Center (Kawasaki-ku, Kawasaki-shi, Kanagawa)	Logistics facility	Reinforced concrete construction (partially steel-framed construction), 5 floors above ground	49,046	March 2014	27,866	3,975	3,109	465	7,550
NREG TOSHIBA BUILDING	Umeda Sky Building ³ (Kita-ku, Osaka-shi, Osaka)	Office	Steel-framed construction (partially steel-framed reinforced concrete and reinforced concrete), 2 floors below ground, 40 floors above ground	43,093	March 1993	8,325	2,404	4,585	85	7,075
NREG TOSHIBA BUILDING	Toshiba Osaka Building (Chuo-ku, Osaka-shi, Osaka)	Office	Steel-framed reinforced concrete construction, 4 floors below ground, 10 floors above ground	15,220	October 1965	1,307	1,008	5,989	6	7,004
NREG TOSHIBA BUILDING	NREG Midosuji Building / Nomura Fudosan Midosuji Building (Chuo-ku, Osaka-shi, Osaka)	Office	Steel-framed reinforced concrete construction, 2 floors below ground, 10 floors above ground	21,007	April 1974	2,366	596	5,768	27	6,391
Nomura Real Estate Development	Nomura Fudosan Ichigaya Building (Chiyoda-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 2 floors below ground, 9 floors above ground	6,753	January 1982	1,220	3,098	3,182	3	6,285
NREG TOSHIBA BUILDING	Creare Toshiba Fuchu (Fuchu-shi, Tokyo)	Residential	Reinforced concrete construction (partially steel-framed reinforced concrete), 10 floors above ground	26,352	January 1992	20,590	4,378	1,516	43	5,938
Nomura Real Estate Development	Nomura Fudosan Nishishinjuku Building (Shinjuku-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 1 floor below ground, 9 floors above ground	6,000	March 2010	1,078	1,632	4,115	48	5,796
Nomura Real Estate Development	Toranomon Central Building (Minato-ku, Tokyo)	Office	Steel-framed construction (partially steel-reinforced concrete and steel-framed reinforced concrete), 3 floors below ground, 10 floors above ground	4,431	August 1977	548	762	4,999	0	5,762
NREG TOSHIBA BUILDING	Tsurumi Toshiba Building (Tsurumi-ku, Yokohama-shi, Kanagawa)	Office Residential	Steel-framed reinforced concrete construction, 1 floor below ground, 10 floors above ground	20,648	March 1991	3,501	2,536	3,073	42	5,652
Nomura Real Estate Development	Fukuoka Tenjin Center Building ^{2,3} (Chuo-ku, Fukuoka-shi, Fukuoka)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, 19 floors above ground	25,103	April 1976	2,256	1,003	4,413	1	5,418
Nomura Real Estate Development	Nomura Musashikosugi Building S ³ (Nakahara-ku, Kawasaki-shi, Kanagawa)	Office	Steel-framed construction, 1 floor below ground, 6 floors above ground	7,375	February 2010	2,878	2,093	3,210	2	5,307
Nomura Real Estate Development	PMO Yaesu Dori (Chuo-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 1 floor below ground, 9 floors above ground	7,074	May 2013	931	1,428	3,840	32	5,300
Nomura Real Estate Development	PMO Nihonbashi Muromachi ³ (Chuo-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 1 floor below ground, 9 floors above	5,333	January 2013	701	1,078	3,716	14	4,809

Company Name	Property Name (location)	Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion of Construction or (Time of Acquisition)	Area of Property (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Development	NOF Tameike Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 9 floors above ground	6,478	July 1959	690	¥ 223	¥ 4,393	¥ —	¥ 4,616
NREG TOSHIBA BUILDING	Toshiba Fukuoka Building (Chuo-ku, Fukuoka-shi, Fukuoka)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 2 floors below ground, 17 floors above ground	23,711	July 1993	4,597	2,063	1,918	30	4,013
NREG TOSHIBA BUILDING	Toshiba Manseibashi Building ⁴ (Chiyoda-ku, Tokyo)	Office	Reinforced concrete construction, 1 floor below ground, 9 floors above ground	5,319	September 1961	681	260	3,551	1	3,813
NREG TOSHIBA BUILDING	Nomura Fudosan Nishishin-juku Kyodo Building ³ (Shinjuku-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete and reinforced concrete), 1 floor below ground, 8 floors above ground	6,716	October 1993	1,249	996	2,700	2	3,698
NREG TOSHIBA BUILDING	Toshiba Sendai Building ^{3, 4} (Aoba-ku, Sendai-shi, Miyagi)	Hotel Office	Steel-framed construction (partially reinforced concrete), 2 floors below ground, 11 floors above ground	16,179	April 1975	1,731	667	2,817	8	3,493
Nomura Real Estate Development	Nomura Fudosan Sendai Aoba-dori Building Project (tentative name) ⁵ (Aoba-ku, Sendai-shi, Miyagi)	Land slated for building construction	—	—	(March 2005)	1,599	—	3,306	—	3,306
NREG TOSHIBA BUILDING	NREG Sapporo Building (Chuo-ku, Sapporo-shi, Hokkaido)	Hotel Branch store	Steel-framed construction (partially steel-framed reinforced concrete), 1 floor below ground, 10 floors above ground	5,905	August 2016	946	1,526	1,396	113	3,036

Notes: 1. "Facility" represents building accounts, "land" represents land and lease accounts, and "others" represents structures; machinery; tools, appliances, and fixtures; vehicles and delivery equipment; and leased asset accounts. "Total" represents the sum of lease accounts and tangible fixed assets excluding construction in progress accounts.

2. Includes the trust beneficial right.

3. Refers to calculated area owned including both total floor space and land area.

4. Area of property includes rental property.

5. Construction of property completed in April 2017.

The following major Leasing Unit facilities for sublet are rented by the Group and do not appear in the previous table.

Company Name	Property Name (location)	Rentable Area (m ²)
Nomura Real Estate Development	Across Shin Osaka (Yodogawa-ku, Osaka-shi, Osaka)	17,298
Nomura Real Estate Development	AKS Building (Chiyoda-ku, Tokyo)	7,516

2) Property and Facility Management Unit

Company Name	Property Name (location)	Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion of Construction or (Time of Acquisition)	Area of Property (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Life & Sports	Megaros Souka and other 36 facilities (Souka-shi, Saitama and others)	Fitness Club	Reinforced concrete construction, 3 floors, 1 other building and fitness club	15,321	June 2002	15,430	¥8,360	¥—	¥1,136	¥9,497

Notes: 1. "Facility" represents building accounts, "land" represents land accounts, and "others" represents structures; machinery; tools, appliances, and fixtures; vehicles and delivery equipment; and leased asset accounts. "Total" represents tangible fixed assets excluding construction in progress accounts.

2. "Total floor area" represents the total owned area of Megalos Kashiwa, Megalos Chikusa, and Megalos Saginuma. "Area of property" represents the leased land area of the three preceding facilities. "Size of construction or details of facility, etc." and "completion of construction of (time of acquisition)" are in reference to Megalos Kashiwa.

Facilities Establishment and Renovation

In the fiscal year ended March 31, 2017, we will establish and renovate the following facilities. However, there is no major expansion or removal of facilities.

1) Establishment of major facilities

Company Name	Property Name (location)	Business Segment	Use	Size of Construction or Details of Facility, etc.	Planned aggregate investment (Millions of yen)		Sources of funding	Schedule	
					Total	Amount Paid		Start	Completion
Nomura Real Estate Development	Toranomon Station-Front Redevelopment (tentative name) (Minato-ku, Tokyo)	Leasing	Office, Retail facility	Steel-framed concrete construction (partially steel-framed reinforced concrete construction), 24 floors above ground / 4 floors below	¥35,300	¥11,971	Loans payable and own funds	FY17/3	FY21/3
Nomura Real Estate Development	Landport Takatsuki Project (tentative name) (Takatsuki-shi, Osaka)	Leasing	Logistics facility	Steel-framed concrete construction (partially reinforced concrete) 5 floors above ground	21,600	12,602	Loans payable and own funds	FY16/3	FY18/3
Nomura Real Estate Development	Nomura Fudosan Sendai Aoba-dori Building Project (tentative name) (Aoba-ku, Sendai-shi, Miyagi) (Note)	Leasing	Office	Steel-framed concrete construction (partially reinforced concrete), 10 floors above ground / 1 floor penthouse / 1 floors below	8,000	5,689	Loans payable and own funds	FY16/3	FY18/3
NREG TOSHIBA BUILDING CO., Ltd.	Ginza 6home Project (tentative name) (Chuo-ku, Tokyo) (Note)	Leasing	Office	Steel-framed concrete construction (partially steel-framed reinforced concrete construction) 11 floors above ground / 3 floors below	4,600	2,083	Loans payable and own funds	FY18/3	FY18/3

Note: This building is completed in April, 2017.

2) Renovation of major facility

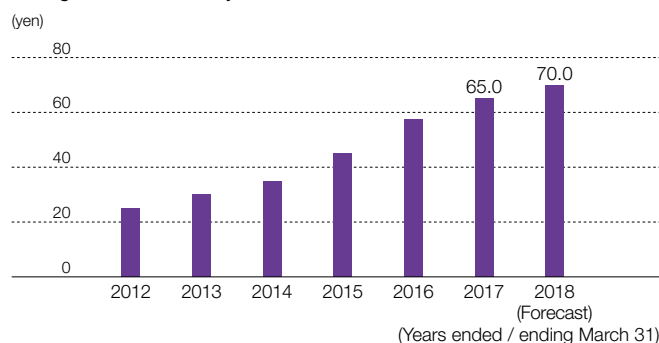
Company Name	Property Name	Business Segment	Planned aggregate investment (Millions of yen)		Construction Period	Note
			Total	Amount Paid		
Nomura Real Estate Development	Existing buildings	Leasing	¥3,300	—	April, 2017 – March, 2018	Construction for facility renovation

Basic Policy Concerning Profit Distribution and Dividends for the fiscal year ended March 31, 2017 and the fiscal year ending 2018

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

Concerning dividends for the fiscal year ended March 31, 2017, the Company has set a year-end dividend per share for the fiscal year ended March 31, 2017 of ¥35, which is ¥5 higher than the Company's most recent dividend forecast. Combined with the second quarter-end dividend already paid, the annual dividend per share will be ¥65.

Changes in Dividend Payments



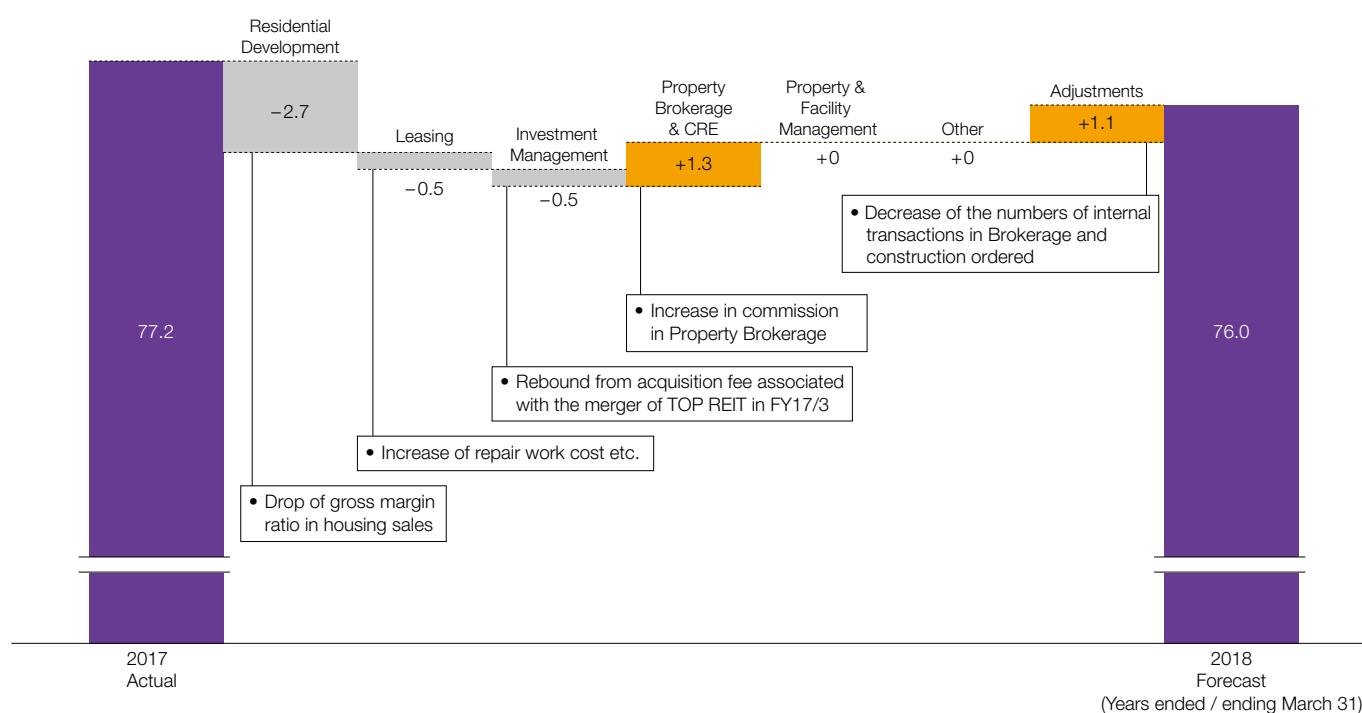
We intend to increase our dividend by a further ¥5 in the fiscal year ending March 31, 2018 making our total forecast annual dividend ¥70 per share.

Consolidated Performance Outlook for the fiscal year ending March 31, 2018 (announced on April 27, 2017)

We expect to post operating revenue of ¥646,000 million, operating profit of ¥76,000 million, ordinary profit of ¥67,000 million, and profit attributable to owners of parent of ¥44,000 million for the fiscal year ending March 31, 2018.

Key Factors of Changes by Segment from 2017 to 2018

(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, 2017.

(1) Trends in the real estate market

The Group's performance for the fiscal year ended March 31, 2017 resulted in increased income compared to the previous fiscal year.

In regard to the economic outlook, the gradual recovery is expected to continue into the future with pickups in consumer spending expected as a result of improvements in the employment and personal income environments on the back of improved corporate earnings, although it is necessary to pay careful attention to the economic trends of the advanced countries of Europe and North America.

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 slow-down, 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, 2017 was ¥810,100 million, which represents an increase of ¥88,200 million year on year (equivalent to 50.9% of total assets, increased by 2.3 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 affiliate is Nomura Holdings, Inc. As of March 31, 2016, Nomura Holdings owned 33.9% of the Company's shares. This holding percentage could change in the event of a sale of the Company's shares by Nomura Land and Building or a capital increase of the Company.

Consolidated Balance Sheet

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2016 and 2017

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
ASSETS	2016	2017	2017
Current Assets:			
Cash and deposits (Notes 2(3) and 3)	¥ 57,594	¥ 47,701	\$ 425,181
Notes and accounts receivable-trade	15,371	16,535	147,385
Real estate for sale (Note 6)	78,133	120,385	1,073,049
Real estate for sale in process	269,547	249,664	2,225,365
Land held for development	148,730	199,812	1,781,016
Equity investments (Notes 3 and 4)	819	2,568	22,886
Deferred tax assets (Note 10)	5,286	5,555	49,518
Other	33,338	42,124	375,468
Allowance for doubtful accounts	(39)	(37)	(334)
Total current assets	608,779	684,307	6,099,534
Investments and Other Assets:			
Investment securities (Notes 3 and 4)	45,511	46,253	412,268
Lease and guarantee deposits (Note 3)	21,380	21,739	193,768
Deferred tax assets (Note 10)	14,840	14,992	133,633
Other	5,168	5,993	53,415
Allowance for doubtful accounts	(1)	(1)	(4)
Total investments and other assets	86,898	88,976	793,080
Property, Plant and Equipment:			
Land (Notes 6 and 15)	523,697	549,672	4,899,472
Buildings and structures (Notes 6 and 15)	374,378	394,607	3,517,311
Construction in progress (Note 6)	13,208	9,039	80,569
Machinery and equipment (Note 6)	12,906	14,769	131,647
Other	2,050	2,245	20,009
	926,239	970,332	8,649,008
Accumulated depreciation	(147,147)	(161,506)	(1,439,580)
Net property and equipment	779,092	808,826	7,209,428
Intangible Assets	10,681	10,985	97,919
Total Assets	¥1,485,450	¥1,593,094	\$14,199,961

See notes to consolidated financial statements.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
LIABILITIES AND NET ASSETS	2016	2017	2017
Current Liabilities:			
Notes and accounts payable-trade	¥ 51,162	¥ 35,612	\$ 317,429
Short-term loans payable (Notes 3, 5 and 6)	137,300	106,300	947,500
Current portion of bonds payable (Notes 3, 5 and 6)	—	10,000	89,135
Income taxes payable (Note 10)	13,233	16,053	143,087
Deposits received	29,618	29,459	262,585
Deferred tax liabilities (Note 10)	17	20	182
Provision for bonuses	7,074	7,517	67,002
Provision for directors' bonuses	739	639	5,699
Provision for loss on business liquidation	62	48	427
Accounts payable-other	6,919	5,130	45,725
Accrued interests	1,047	876	7,805
Accrued consumption taxes	2,171	1,434	12,783
Advanced received	33,500	35,846	319,508
Other	6,266	6,865	61,185
Total current liabilities	289,108	255,799	2,280,052
Noncurrent Liabilities:			
Bonds payable (Notes 3, 5 and 6)	60,000	70,000	623,942
Long-term loans payable (Notes 3, 5 and 6)	524,600	623,800	5,560,210
Lease and guarantee deposits received (Note 6)	63,767	57,598	513,394
Deferred tax liabilities (Note 10)	64,070	63,592	566,824
Deferred tax liabilities for land revaluation	3,900	3,900	34,762
Net defined benefit liability (Note 7)	18,018	18,931	168,743
Provision for loss on subleasing business	314	258	2,298
Other	5,265	5,403	48,157
Total noncurrent liabilities	739,934	843,482	7,518,330
Total Liabilities	1,029,042	1,099,281	9,798,382
Net Assets:			
Shareholders' equity (Note 11):			
Capital stock	116,599	116,780	1,040,909
Capital surplus	109,842	110,023	980,686
Retained earnings	207,204	242,704	2,163,335
Treasury shares	(3)	(3)	(32)
Total shareholders' equity	433,642	469,504	4,184,898
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	6,665	7,947	70,836
Deferred gains or losses on hedges	156	120	1,067
Revaluation reserve for land	7,861	7,861	70,068
Foreign currency translation adjustment	43	62	556
Remeasurements of defined benefit plans (Note 7)	(3,513)	(4,129)	(36,806)
Total accumulated other comprehensive income	11,212	11,861	105,721
Subscription rights to shares:	1,685	1,986	17,707
Non-controlling interests:	9,869	10,462	93,253
Total Net Assets	456,408	493,813	4,401,579
Total Liabilities and Net Assets	¥1,485,450	¥1,593,094	\$14,199,961

See notes to consolidated financial statements.

Consolidated Statement of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2016 and 2017

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Operating Revenues and Expenses	2016	2017	2017
Operating Revenue:	¥569,545	¥569,681	\$5,077,820
Operating revenue	569,545	569,681	5,077,820
Operating Expenses:	488,633	492,410	4,389,066
Operating cost	391,571	392,439	3,497,984
Selling, general and administrative expenses	97,062	99,971	891,082
Operating Profit	80,912	77,271	688,754
Other Income and Expenses	(9,937)	(7,964)	(70,988)
Interest income	72	52	464
Dividends income	1,008	253	2,254
Share of profit of entities accounted for using equity method	16	83	740
Gain on sales of noncurrent assets (Note 8)	—	946	8,434
Interest expenses	(7,817)	(7,540)	(67,206)
Impairment loss (Note 9)	(1,426)	(255)	(2,269)
Loss on building reconstruction	—	(337)	(3,006)
Loss on valuation of investment securities	(279)	—	—
Other, net	(1,511)	(1,166)	(10,399)
Profit before Income Taxes	70,975	69,307	617,766
Income Taxes (Note 10):			
Income taxes-current	20,992	22,957	204,631
Income taxes-deferred	825	(1,177)	(10,495)
Total Income Taxes	21,817	21,780	194,136
Profit	49,158	47,527	423,630
Profit attributable to non-controlling interests	1,976	522	4,652
Profit attributable to owners of parent	¥ 47,182	¥ 47,005	\$ 418,978

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2016 and 2017

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2016	2017	2017
Profit	¥49,158	¥47,527	\$423,630
Other Comprehensive Income (Note 18):			
Valuation difference on available-for-sale securities	1,595	1,282	11,428
Deferred gains or losses on hedges	78	(36)	(323)
Revaluation reserve for land	216	(0)	(1)
Foreign currency translation adjustment	(10)	19	174
Remeasurements of defined benefit plans	(4,944)	(616)	(5,491)
Share of other comprehensive income of entities accounted for using the equity method	(8)	(0)	(4)
Total other comprehensive income	(3,073)	649	5,783
Comprehensive Income (Note 18)	¥46,085	¥48,176	\$429,413
(Breakdown)			
Comprehensive income attributable to owners of parent	¥44,109	¥47,654	\$424,762
Comprehensive income attributable to non-controlling interests	1,976	522	4,651

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, 2016 and 2017

(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 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
Changes in parent ownership interests regarding the transactions with non-controlling shareholder	—	—	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
Issuance of new shares	198,200	181	181	—	—	—	—	—	—	—	—	—	362
Dividends from surplus	—	—	—	(11,505)	—	—	—	—	—	—	—	—	(11,505)
Profit attributable to owners of parent	—	—	—	47,005	—	—	—	—	—	—	—	—	47,005
Purchases of treasury shares	—	—	—	—	0	—	—	—	—	—	—	—	0
Reversal of revaluation reserve for land	—	—	—	0	—	—	—	—	—	—	—	—	0
Net changes of items other than shareholders' equity	—	—	—	—	—	1,282	(36)	0	19	(616)	301	593	1,543
Balance at March 31, 2017	191,877,801	¥116,780	¥110,023	¥242,704	¥ (3)	¥7,947	¥120	¥7,861	¥ 62	¥(4,129)	¥1,986	¥ 10,462	¥493,813

	(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, 2016	\$1,039,298	\$979,075	\$1,846,902	\$(28)	\$59,407	\$1,390	\$70,071	\$386	\$(31,315)	\$15,021	\$87,966	\$4,068,173
Issuance of new shares	1,611	1,611	—	—	—	—	—	—	—	—	—	3,222
Dividends from surplus	—	—	(102,547)	—	—	—	—	—	—	—	—	(102,547)
Profit attributable to owners of parent	—	—	418,978	—	—	—	—	—	—	—	—	418,978
Purchases of treasury shares	—	—	—	(4)	—	—	—	—	—	—	—	(4)
Reversal of revaluation reserve for land	—	—	2	—	—	—	—	—	—	—	—	2
Net changes of items other than shareholders' equity	—	—	—	—	11,429	(323)	(3)	170	(5,491)	2,686	5,287	13,755
Balance at March 31, 2017	\$1,040,909	\$980,686	\$2,163,335	\$(32)	\$70,836	\$1,067	\$70,068	\$556	\$(36,806)	\$17,707	\$93,253	\$4,401,579

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 559,901 shares and 198,200 shares in the years ended March 31, 2016 and 2017, 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, 2016 and 2017

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Cash Flows	2016	2017	2017
Cash Flows from Operating Activities:			
Profit before income taxes	¥ 70,975	¥ 69,307	\$ 617,766
Depreciation	16,027	16,878	150,436
Impairment loss	1,426	255	2,269
Loss (gain) on valuation of investment securities	279	—	—
Loss (gain) on sales of non-current assets	—	(946)	(8,434)
Share of (profit) loss of entities accounted for using equity method	(16)	(83)	(740)
Increase (decrease) in allowance for doubtful accounts	(14)	(2)	(14)
Increase (decrease) in provision for loss on business liquidation	(22)	(14)	(124)
Increase (decrease) in provision for loss on subleasing business	(152)	(56)	(496)
Increase (decrease) in net defined benefit liability	(282)	913	8,136
Interest and dividends income	(1,080)	(305)	(2,718)
Interest expenses	7,817	7,540	67,206
Decrease (increase) in notes and accounts receivable-trade	(623)	(1,157)	(10,314)
Decrease (increase) in inventories	(67,146)	(73,978)	(659,397)
Decrease (increase) in equity investments	5,498	(1,748)	(15,585)
Increase (decrease) in notes and accounts payable-trade	2,497	(15,547)	(138,573)
Increase (decrease) in deposits received	4,522	(159)	(1,413)
Other, net	1,953	(2,245)	(20,008)
Subtotal	41,659	(1,347)	(12,003)
Interest and dividends income received	1,064	285	2,541
Interest expenses paid	(7,970)	(9,333)	(83,187)
Income taxes paid	(21,495)	(21,495)	(191,601)
Net cash flows from operating activities	13,258	(31,890)	(284,250)
Cash Flows from Investing Activities:			
Purchase of investment securities	(3,990)	(1,500)	(13,370)
Proceeds from sales and liquidation of investment securities	2,907	1,410	12,571
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,693)	—	—
Purchase of property, plant and equipment and intangible assets	(50,367)	(61,300)	(546,397)
Proceeds from sales of property, plant and equipment and intangible assets	308	12,067	107,554
Payments for lease and guarantee deposits	(758)	(1,019)	(9,080)
Proceeds from collection of lease and guarantee deposits	1,502	965	8,600
Repayments of lease and guarantee deposits received	(2,559)	(12,448)	(110,955)
Proceeds from lease and guarantee deposits received	4,521	6,124	54,589
Other, net	(1,586)	1,142	10,183
Cash flows from investing activities	(59,715)	(54,559)	(486,305)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	(3,300)	(500)	(4,457)
Repayments of finance lease obligations	(149)	(149)	(1,325)
Proceeds from long-term loans payable	184,000	160,000	1,426,152
Repayments of long-term loans payable	(102,500)	(91,300)	(813,798)
Proceeds from issuance of bonds	29,820	19,870	177,106
Redemption of bonds	(3,000)	—	—
Proceeds from issuance of common shares	427	89	791
Proceeds from share issuance to non-controlling shareholders	106	98	874
Purchase of treasury shares	(1)	0	(4)
Cash dividends paid	(10,047)	(11,505)	(102,547)
Dividends paid to non-controlling interests	(1,465)	(27)	(237)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(40,253)	—	—
Cash flows from financing activities	53,638	76,576	682,555
Effect of exchange rate changes on cash and cash equivalents	(8)	(25)	(224)
Net increase (decrease) in cash and cash equivalents	7,173	(9,898)	(88,224)
Cash and cash equivalents at beginning of the fiscal year	50,419	57,592	513,343
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	5	44
Cash and cash equivalents at end of period (Note 2 (3))	¥ 57,592	¥ 47,699	\$ 425,163

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2016 and 2017

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, 2017 of ¥112.19=U.S.\$1. The approximate rate of exchange prevailing at June 29, 2017 was ¥112.35=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, 2016 and 2017 were ¥4 million and ¥167 million (\$1,485 thousand), respectively, and recognized in operating cost.

(6) Short-term Investments and Investment Securities

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

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

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

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

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

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

Buildings and structures 2 to 65 years

(8) Software (except for leased assets)

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

(9) Leased Assets

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

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

(10) Amortization of Goodwill

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

(11) Allowance for Doubtful Accounts

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

(12) Income Taxes

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

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

(13) Provision for Retirement Benefits

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

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

Actuarial gains and losses are amortized in the following fiscal year in which the gain or loss is recognized by the straight-line method mainly over 10 years, which is within the average number of remaining service years of the eligible employees.

(14) Per Share Information

Basic 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, 2016 and 2017 were ¥2,320.84 and ¥2,508.73 (\$22.36), respectively.

Profit attributable to owners of parent per share as of March 31, 2016 and 2017 was ¥246.42 and ¥245.10 (\$2.18), respectively.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2016 and 2017 was ¥245.40 and ¥244.06 (\$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, 2016 and 2017, 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.

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, 2016 and 2017 are as follows. Items for which fair value is extremely difficult to determine have not been included.

	Book value		Fair value		Difference	
	(Millions of yen)		(Millions of yen)		(Millions of yen)	
2016						
(1) Cash and deposits	¥ 57,594		¥ 57,594		¥ —	
(2) Investment securities ¹	41,000		41,060		59	
Total assets	98,594		98,654		59	
(1) Short-term loans payable ²	46,000		46,000		—	
(2) Bonds payable	60,000		61,510		1,510	
(3) Long-term loans payable ²	615,900		636,057		20,157	
Total liabilities	721,900		743,567		21,667	
Derivative transactions ³	¥ 140		¥ 140		¥ —	

	Book value		Fair value		Difference	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
2017						
(1) Cash and deposits	¥ 47,701	\$ 425,182	¥ 47,701	\$ 425,181	¥ —	\$ —
(2) Investment securities ¹	42,498	378,800	42,545	379,220	47	420
Total assets	90,199	803,982	90,246	804,401	47	420
(1) Short-term loans payable ²	45,500	405,562	45,500	405,562	—	—
(2) Bonds payable	80,000	713,076	80,890	721,009	890	7,933
(3) Long-term loans payable ²	684,600	6,102,148	697,963	6,221,261	13,363	119,113
Total liabilities	810,100	7,220,786	824,353	7,347,832	14,253	127,046
Derivative transactions ³	¥ (207)	\$ (1,842)	¥ (207)	\$ (1,842)	¥ —	\$ —

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.)

¥2,177 million as of March 31, 2016

¥1,407 million (\$12,540 thousand) as of March 31, 2017

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

	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
2016		
Unlisted stocks	¥6,612	
2017		
Unlisted stocks	¥7,765	\$69,214

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

	Within 1 year	1-5 years	5-10 years	Over 10 years
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
2016				
Cash and deposits	¥57,550	¥ —	¥ —	¥ —
Short-term investment securities and investment securities				
Held-to-maturity debt securities				
Government and municipal bonds, etc.	15	435	824	—
Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
Debt securities	—	—	—	—
Others	—	—	—	—
Total	¥57,565	¥435	¥824	¥—

	Within 1 year		1-5 years		5-10 years		Over 10 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
2017								
Cash and deposits	¥47,662	\$424,830	¥ —	\$ —	¥ —	\$ —	¥—	\$—
Short-term investment securities and investment securities								
Held-to-maturity debt securities								
Government and municipal bonds, etc.	15	134	479	4,264	942	8,397	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities								
Debt securities	2	23	10	93	—	—	—	—
Others	—	—	—	—	—	—	—	—
Total	¥47,679	\$424,987	¥489	\$4,357	¥942	\$8,397	¥—	\$—

5. Repayment schedule for bonds payable and long-term loans payable at March 31, 2016 and 2017

	Within 1 year	1-2 years	2-3 years
	(Millions of yen)	(Millions of yen)	(Millions of yen)
2016			
Short-term loans payable	¥ 46,000	¥ —	¥ —
Bonds payable	—	10,000	—
Long-term loans payable	91,300	60,800	68,300
Total	¥137,300	¥70,800	¥68,300

	3-4 years	4-5 years	Over 5 years
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Short-term loans payable	¥ —	¥ —	¥ —
Bonds payable	—	10,000	40,000
Long-term loans payable	53,500	48,000	294,000
Total	¥53,500	¥58,000	¥334,000

	Within 1 year		1-2 years		2-3 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
2017						
Short-term loans payable	¥ 45,500	\$ 405,562	¥ —	\$ —	¥ —	\$ —
Bonds payable	10,000	89,134	—	—	—	—
Long-term loans payable	60,800	541,938	68,300	608,789	53,500	476,870
Total	¥116,300	\$1,036,634	¥68,300	\$608,789	¥53,500	\$476,870

	3-4 years		4-5 years		Over 5 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Short-term loans payable	¥ —	\$ —	¥ —	\$ —	¥ —	\$ —
Bonds payable	20,000	178,269	10,000	89,134	40,000	356,538
Long-term loans payable	50,000	445,673	55,000	490,240	397,000	3,538,640
Total	¥70,000	\$623,942	¥65,000	\$579,374	¥437,000	\$3,895,178

4. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Group as of March 31, 2016 and 2017.

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

2016	(Millions of yen)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
Government and municipal bonds, etc.	¥1,287	¥1,346	¥59
Subtotal	1,287	1,346	59
Securities whose fair value does not exceed book value:			
Government and municipal bonds, etc.	—	—	—
Subtotal	—	—	—
Total	¥1,287	¥1,346	¥59

2017	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair value exceeds book value:						
Government and municipal bonds, etc.	¥1,322	¥1,369	¥47	\$11,785	\$12,206	\$421
Subtotal	1,322	1,369	47	11,785	12,206	421
Securities whose fair value does not exceed book value:						
Government and municipal bonds, etc.	121	121	(0)	1,076	1,075	(1)
Subtotal	121	121	(0)	1,076	1,075	(1)
Total	¥1,443	¥1,490	¥47	\$12,861	\$13,281	\$420

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

2016	(Millions of yen)		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 1,008	¥ 1,615	¥ 607
Other	28,833	38,094	9,261
Subtotal	29,841	39,709	9,868
Securities whose book value does not exceed acquisition cost:			
Stocks	5	4	(1)
Other	—	—	—
Subtotal	5	4	(1)
Total	¥29,846	¥39,713	¥9,867

2017	(Millions of yen)			(Thousands of U.S. dollars)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 1,007	¥ 1,850	¥ 843	\$ 8,974	\$ 16,492	\$ 7,518
Other	28,371	39,130	10,759	252,889	348,783	95,894
Subtotal	29,378	40,980	11,602	261,863	365,275	103,412
Securities whose book value does not exceed acquisition cost:						
Stocks	0	0	0	3	3	0
Bonds payable	13	13	0	116	116	0
Other	66	61	(5)	585	545	(40)
Subtotal	79	74	(5)	704	664	(40)
Total	¥29,457	¥41,054	¥11,597	\$262,567	\$365,939	\$103,372

(3) Sales of Available-for-sale Securities

The table below presents sales of available-for-sale securities and corresponding aggregate gains and aggregate losses for the years ended March 31, 2016 and 2017.

Type	2016 (Millions of yen)		
	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥1	¥0	¥4
Total	¥1	¥0	¥4

Type	2017 (Millions of yen)			(Thousands of U.S. dollars)		
	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥ 6	¥1	¥—	\$ 58	\$ 6	\$ —
Others	¥74	¥6	¥ 3	\$657	\$58	\$26
Total	¥80	¥7	¥ 3	\$715	\$64	\$26

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

Short-term loans payable as of March 31, 2016 and 2017 mainly consisted of borrowings from banks with weighted-average interest rates of 0.2% in 2016 and 0.2% in 2017, respectively.

Long-term loans payable and bonds payable as of March 31, 2016 and 2017 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Unsecured bonds (2.1%), due 2017	¥ 10,000	¥ 10,000	\$ 89,135
Unsecured bonds (2.0%), due 2020	10,000	10,000	89,135
Unsecured bonds (0.8%), due 2024	10,000	10,000	89,135
Unsecured bonds (0.9%), due 2025	10,000	10,000	89,135
Unsecured bonds (0.4%), due 2021	10,000	10,000	89,135
Unsecured bonds (0.8%), due 2026	10,000	10,000	89,135
Unsecured bonds (0.2%), due 2021	—	10,000	89,135
Unsecured bonds (1.0%), due 2036	—	10,000	89,135
Long-term loans payable ¹			
Unsecured	615,900	684,600	6,102,148
Lease obligations ²	1,268	128	1,137
Subtotal	677,168	764,728	6,816,365
Less amounts due within one year	(91,434)	(70,928)	(632,211)
	¥585,734	¥693,800	\$6,184,154

Notes: 1. Long-term loans payable as of March 31, 2016 and 2017 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with weighted-average interest rates of 0.6% in 2016 and 0.5% in 2017.

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, 2017

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2018	¥ 68,300	\$ 608,789
2019	53,500	476,869
2020	50,000	445,672
2021	55,000	490,240
2022 and thereafter	397,000	3,538,640
	¥623,800	\$5,560,210

The following table shows the maturities of lease obligations subsequent to March 31, 2017.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2018	¥ 102	\$ 907
2019	88	788
2020	71	633
2021	68	607
2022 and thereafter	880	7,846
	¥1,209	\$10,781

6. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2016 and 2017 are summarized as follows:

(1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Pledged assets:			
Buildings and structures	¥201	¥190	\$1,696
	¥201	¥190	\$1,696
Secured liabilities:			
Lease and guarantee deposits received	45	38	336
Total	¥ 45	¥ 38	\$ 336

(2) As of March 31, 2016, 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, 2017, 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 years ended March 31, 2016 and 2017 (excluding plans applying a simplified method).

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Retirement benefit obligations at the beginning of the year	¥24,595	¥32,420	\$288,975
Service cost	1,230	1,702	15,172
Interest cost	385	153	1,365
Actuarial gain or loss	6,862	1,384	12,338
Retirement benefit payments	(652)	(752)	(6,705)
Retirement benefit obligations at the end of the year	¥32,420	¥34,907	\$311,145

A reconciliation of the changes in balance of plan assets for the fiscal years ended March 31, 2016 and 2017 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Fair value of plan assets at the beginning of the year	¥15,518	¥16,541	\$147,438
Expected return on plan assets	248	331	2,949
Actuarial gain or loss	(413)	(13)	(115)
Employer contributions	1,532	1,554	13,849
Retirement benefit payments	(344)	(389)	(3,464)
Fair value of plan assets at the end of the year	¥16,541	¥18,024	\$160,657

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal years ended March 31, 2016 and 2017

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Net defined benefit liability at the beginning of the year	¥2,000	¥ 2,139	\$ 19,070
Increase due to acquisition of newly consolidated subsidiaries	21	—	—
Retirement benefit expenses	357	318	2,831
Retirement benefit payments	(217)	(387)	(3,446)
Contributions to plan	(22)	(22)	(200)
Net defined benefit liability at the end of the year	¥2,139	¥(2,048)	\$(18,255)

A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2016 and 2017, and net defined benefit liability on the Consolidated Balance Sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Funded retirement benefit obligations	¥ 22,681	¥ 24,663	\$ 219,833
Fair value of plan assets	(16,650)	(18,154)	(161,813)
Subtotal	6,031	6,509	58,020
Unfunded retirement benefit obligations	11,987	12,422	110,723
Net liabilities on the Consolidated Balance Sheet	¥ 18,018	¥ 18,931	\$ 168,743
Net defined benefit liability	¥ 18,018	18,931	168,743
Net liabilities on the Consolidated Balance Sheet	¥ 18,018	¥ 18,931	\$ 168,743

Note: It includes the plans applying a simplified method.

Breakdown of retirement benefit expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Service cost	¥1,230	¥1,702	\$15,172
Interest cost	385	153	1,365
Expected return on plan assets	(248)	(331)	(2,949)
Amortization of actuarial gain or loss	469	905	8,067
Amortization of prior service cost	(396)	(396)	(3,526)
Retirement benefit expenses calculated by a simplified method	357	317	2,825
Other	2	13	113
Retirement benefit expenses for defined benefit plan	¥1,799	¥2,363	\$21,067

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)
	2016	2017	2017
Prior service cost	¥ (396)	¥(396)	\$(3,526)
Actuarial gain or loss	(6,806)	(492)	(4,386)
Total	¥(7,202)	¥(888)	\$(7,912)

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)
	2016	2017	2017
Unrecognized prior service cost	¥ 1,780	¥ 1,385	\$ 12,342
Unrecognized actuarial gain or loss	(6,842)	(7,335)	(65,376)
Total	¥(5,062)	¥(5,950)	\$(53,034)

Composition of plan assets by major classifications

	2016	2017
Claims	47%	48%
Equity	25%	24%
Other	28%	27%
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):

	2016	2017
Discount rate	0.2~0.5%	0.2~0.5%
Expected rate of return on plan assets	1.6%	2.0%
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, 2016 and 2017 are ¥522 million and ¥571 million (\$5,091 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, 2016 and 2017 is as follows:

	Gain on sales		
	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Land	¥—	¥ (263)	\$ (2,347)
Buildings	—	1,209	10,781
Total	¥—	¥ 946	\$ 8,434

9. Impairment Loss

The Group recognized impairment loss on the following groups of assets for the fiscal years ended March 31, 2016 and 2017:

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 for the fiscal year ended March 31, 2016. The impairment loss is broken down into an impairment loss of ¥561 million on buildings and an impairment loss of ¥865 million on land and others.

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

The value in use is assessed by setting the recoverable value at zero based on an expected negative future cash flow.

2017	Primary use	Type	Location
Leased assets		Buildings	Chuo-ku, Tokyo and other locations
(2 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 two groups of assets etc., comprising those the Group plans to dispose of, the carrying amount has been reduced to the recoverable amount and the amount of reduction has been recognized in extraordinary losses as impairment loss of ¥255 million (\$2,269 thousand) for the fiscal year ended March 31, 2017. The impairment loss consists of ¥239 million (\$2,129 thousand) of buildings and ¥16 million (\$140 thousand) of other.

The recoverable amount of these groups of assets is measured at the value in use and the value in use is assessed by setting the recoverable value at zero based on an expected negative future cash flow.

10. Income Taxes

The statutory tax rates in Japan for the Company and its domestic subsidiaries were 33.1% for the fiscal year ended March 31, 2016 and 30.9% for the fiscal year ended March 31, 2017.

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

	2016	2017
Statutory tax rate	33.1%	(Note)
Adjustments:		
Permanent differences including entertainment expenses	1.0	
Effect of tax rate change	(4.2)	
Other	0.9	
Effective tax rates	30.7%	(Note)

Note: The note has been omitted because the difference between the statutory tax rate and the effective tax rate is less than 5% of the statutory tax rate.

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2016 and 2017:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Deferred tax assets:			
Unrealized profits	¥ 12,992	¥ 12,939	\$ 115,335
Net defined benefit liability	5,668	5,964	53,159
Impairment loss	5,022	3,923	34,970
Provision for bonuses	2,119	2,236	19,931
Inventory write-downs	1,276	1,567	13,967
Excess of depreciation	1,265	667	5,943
Revaluation of assets on consolidation	459	441	3,929
Loss on valuation of equity investments	264	79	706
Provision for loss on subleasing business	96	—	—
Other	4,510	4,950	44,121
Gross deferred tax assets	33,671	32,766	292,061
Valuation allowance	(3,258)	(3,285)	(29,276)
Total deferred tax assets	30,413	29,481	262,785
Deferred tax liabilities:			
Revaluation of assets on consolidation	(50,272)	(49,854)	(444,372)
Reserve for deferred income taxes	(20,116)	(18,218)	(162,387)
Other	(3,987)	(4,474)	(39,881)
Total deferred tax liabilities	(74,375)	(72,546)	(646,640)
Net deferred tax liabilities	¥(43,962)	¥(43,065)	\$(383,855)

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, 2017, the Group's capital reserve amounted to ¥110,023 million (\$980,686 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)
	2016	2017	2017
Cash and deposits	¥57,594	¥47,701	\$425,181
Time deposits with maturities of more than three months	(2)	(2)	(18)
Cash and cash equivalents	¥57,592	¥47,699	\$425,163

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

2016			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 Receipts in yen / Payments in U.S. dollars	Securities denominated in foreign currencies	¥2,581	—	¥143
Deferral hedge accounting	Currency Swaps Receipts in yen / Payments in Euro	Securities denominated in foreign currencies	¥ 503	—	¥ (3)
Total			¥3,084	—	¥140

2017	Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
				(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
	Deferral hedge accounting	Currency swaps Receipts in yen / Payments in U.S. dollars	Securities denominated in foreign currencies	¥1,095	\$ 9,757	¥ 983	\$ 8,766	¥(100)	\$ (890)
	Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	¥3,576	\$31,880	¥1,159	\$10,330	¥(119)	\$(1,064)
	Deferral hedge accounting	Forward exchange contract Sell Chinese Yuan / Buy U.S. dollars	Securities denominated in foreign currencies	¥1,136	\$10,124	¥1,136	\$10,124	¥ 12	\$ 112
	Total			¥5,807	¥51,761	¥3,278	¥29,220	¥(207)	\$(1,842)

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

2016	Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
				(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	¥391,600		¥315,500		(Note)	
	Total			¥391,600		¥315,500		—	

2017	Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
				(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
	Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate/ Pay fixed rate	Long-term debt	¥327,500	\$2,919,155	¥278,500	\$2,482,396	(Note)	(Note)
	Total			¥327,500	\$2,919,155	¥278,500	\$2,482,396	—	—

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, 2016 and 2017.

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Operating leases			
Future lease payments:			
Due within 1 year	¥ 3,381	¥ 3,178	\$ 28,329
Due after 1 year	16,657	15,128	134,840
Total	¥ 20,038	¥ 18,306	\$ 163,169
Future lease receipts:			
Due within 1 year	¥ 24,528	¥ 24,261	\$ 216,247
Due after 1 year	113,675	96,799	862,812
Total	¥138,203	¥121,060	\$1,079,059

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, 2016 and 2017, and fair values of real estate, of which some portions are used as rental property, are as follows:

(1) Changes in fair value of rental and other properties during the fiscal years ended March 31, 2016 and 2017

	Book value ¹		Fair value ²	
	March 31, 2015	Increase/Decrease	March 31, 2016	March 31, 2016
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
2016				
Rental properties	¥689,655	¥48,348	¥738,003	¥824,258
Other properties used as rental properties ³	25,337	663	26,000	50,740

	Book value ¹				Fair value ²			
	March 31, 2016		Increase/Decrease		March 31, 2017		March 31, 2017	
	(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)
2017								
Rental properties	¥738,003	\$6,578,156	¥28,970	\$258,221	¥766,973	\$6,836,376	¥892,524	\$7,955,469
Other properties used as rental properties ³	26,000	231,747	123	1,099	26,123	232,845	54,500	485,783

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, 2016 and 2017 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, 2016 and 2017.

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

(2) Operating profit and other information on rental properties in the fiscal years ended March 31, 2016 and 2017

2016	Operating profit		Others (gains (losses) on sale of property, etc.) ²	
	(Millions of yen)		(Millions of yen)	
Rental properties	¥26,090		¥(187)	
Other properties used as rental properties ¹	997		—	

2017	Operating profit		Others (gains (losses) on sale of property, etc.) ²	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Rental properties	¥27,788	\$247,685	¥354	\$—
Other properties used as rental properties ¹	903	8,048	—	—

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 impairment loss (¥187 million) in the fiscal year ended March 31, 2016, and gain on sales of non-current assets (¥946 million (\$8,433 thousand)) and loss on building reconstruction (¥337 million (\$3,006 thousand)) in the fiscal year ended March 31, 2017.

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, 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).

From the fiscal year ended March 31, 2017, Nomura Real Estate Heating and Cooling Supply Co., Ltd., which had been classified into the "Leasing Unit," was transferred to the "Property & Facility Management Unit" to promote business in conjunction with the property & facility management business.

The results of the fiscal year ended March 31, 2016 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, 2016 and 2017 were as follows:

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 ³
Operating revenue and operating income									
Operating revenue:									
External customers	¥333,875	¥107,592	¥10,973	¥33,239	¥82,512	¥1,354	¥ 569,545	¥ —	¥ 569,545
Inter-segment	640	2,635	0	2,134	9,041	0	14,450	(14,450)	—
Subtotal	334,515	110,227	10,973	35,373	91,553	1,354	583,995	(14,450)	569,545
Segment income (loss)	31,909	31,719	7,377	9,901	5,694	(152)	86,448	(5,536)	80,912
Segment assets	414,812	918,710	36,693	32,048	55,696	1,565	1,459,524	25,926	1,485,450
Other items									
Depreciation	¥ 161	¥ 13,588	¥ 57	¥ 337	¥ 1,467	¥ 6	¥ 15,616	¥ 411	¥ 16,027
Amortization of goodwill	—	236	—	—	29	—	265	—	265
Investment in affiliates accounted for using equity method	68	1,057	0	—	—	—	1,125	—	1,125
Increase in property, plant and equipment and intangible assets	686	47,885	46	633	1,336	6	50,592	1,213	51,805

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

2. (1) The deduction of ¥5,536 million shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥1,204 million for the elimination of inter-segment transactions and a deduction of ¥6,740 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 ¥25,926 million shown in the eliminations or corporate column for segment assets includes a deduction of ¥57,016 million for the elimination of inter-segment transactions and an addition of ¥82,942 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, 2017

	(Millions of yen)								
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other ¹	Total	Eliminations or corporate ²	Consolidated ³
Operating revenue and operating income									
Operating revenue:									
External customers	¥329,303	¥112,477	¥ 9,663	¥32,300	¥85,832	¥106	¥ 569,681	¥ —	¥ 569,681
Inter-segment	485	2,533	—	2,520	9,933	0	15,471	(15,471)	—
Subtotal	329,788	115,010	9,663	34,820	95,765	106	585,152	(15,471)	569,681
Segment income (loss)	27,787	32,567	6,017	9,124	6,939	(30)	82,404	(5,133)	77,271
Segment assets	450,699	993,986	35,649	22,874	56,529	930	1,560,667	32,427	1,593,094
Other items									
Depreciation	¥ 264	¥ 14,139	¥ 27	¥ 379	¥ 1,481	¥ 6	¥ 16,296	¥ 581	¥ 16,877
Amortization of goodwill	—	236	—	—	29	—	265	—	265
Investment in affiliates	2,525	930	—	—	519	—	3,974	—	3,974
Increase in property, plant and equipment and intangible assets	428	56,225	22	649	1,755	—	59,079	1,296	60,375

(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	\$2,935,228	\$1,002,562	\$ 86,127	\$287,902	\$765,055	\$ 946	\$ 5,077,820	\$ —	\$ 5,077,820
Inter-segment	4,318	22,571	—	22,464	88,541	1	137,895	(137,895)	—
Subtotal	2,939,546	1,025,133	86,127	310,366	853,596	947	5,215,715	(137,895)	5,077,820
Segment income (loss)	247,682	290,286	53,630	81,327	61,851	(270)	734,506	(45,752)	688,754
Segment assets	4,017,279	8,859,844	317,756	203,885	503,872	8,288	13,910,924	289,037	14,199,961
Other items									
Depreciation	\$ 2,356	\$ 126,033	\$ 242	\$ 3,375	\$ 13,201	\$ 50	\$ 145,257	\$ 5,179	\$ 150,436
Amortization of goodwill	—	2,100	—	—	261	—	2,361	—	2,361
Investment in affiliates accounted for using equity method	22,512	8,290	—	—	4,624	—	35,426	—	35,426
Increase in property, plant and equipment and intangible assets	3,812	501,158	200	5,789	15,642	—	526,601	11,545	538,146

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

2. (1) The deduction of ¥5,133 million (\$45,752 thousand) shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥1,389 million (\$12,378 thousand) for the elimination of inter-segment transactions and a deduction of ¥6,522 million (\$58,130 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 ¥32,427 million (\$289,037 thousand) shown in the eliminations or corporate column for segment assets includes a deduction of ¥48,081 million (\$428,565 thousand) for the elimination of inter-segment transactions and an addition of ¥80,508 million (\$717,602 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, 2016 and 2017 is summarized as follows:

(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

(Millions of yen)							
2017	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	¥—	¥255	¥—	¥—	¥—	¥—	¥255

(Thousands of U.S. dollars)							
2017	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other (Note)	Total
Impairment loss	\$—	\$2,269	\$—	\$—	\$—	\$—	\$2,269

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2016 and 2017 by reportable segments:

	(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

	(Millions of yen)					
2017	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 236	¥—	¥—	¥ 29	¥ 265
Balance at March 31, 2017	¥—	¥2,768	¥—	¥—	¥176	¥2,944

	(Thousands of U.S. dollars)					
2017	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	\$—	\$ 2,100	\$—	\$—	\$ 261	\$ 2,361
Balance at March 31, 2017	\$—	\$24,674	\$—	\$—	\$1,566	\$26,240

17. Contingent Liabilities

Contingent liabilities as of March 31, 2016 and 2017 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Guarantees for home loans of house purchasers from banks and other	¥58,401	¥64,278	\$572,937
Guarantees for loans to business partners in the business of commercial buildings for rent	608	538	4,795
	¥59,009	¥64,816	\$577,732

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, 2016 and 2017 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ 2,878	¥ 1,713	\$ 15,266
Amount of recycling	(772)	135	1,205
Before income tax effect	2,106	1,848	16,471
Income tax effect	(511)	(566)	(5,043)
Valuation difference on available-for-sale securities	1,595	1,282	11,428
Deferred gains or losses on hedges:			
Amount recognized during the year	149	81	719
Amount of recycling	(39)	(133)	(1,188)
Before income tax effect	110	(52)	(469)
Income tax effect	(32)	16	146
Deferred gains or losses on hedges	78	(36)	(323)
Revaluation reserve for land:			
Income tax effect	216	(0)	(1)
Foreign currency translation adjustment:			
Amount recognized during the year	(10)	19	174
Amount of recycling	—	—	—
Before income tax effect	(10)	19	174
Income tax effect	—	—	—
Foreign currency translation adjustment	(10)	19	174
Remeasurements of defined benefit plans:			
Amount recognized during the year	(6,850)	(1,388)	(12,369)
Amount of recycling	(351)	500	4,457
Before income tax effect	(7,201)	(888)	(7,912)
Income tax effect	2,257	272	2,421
Remeasurements of defined benefit plans	(4,944)	(616)	(5,491)
Share of other comprehensive income of entities accounted for using the equity method:			
Amount recognized during the year	(13)	0	1
Amount of recycling	—	—	—
Before income tax effect	(13)	0	1
Income tax effect	5	(1)	(5)
Share of other comprehensive income of entities accounted for using the equity method	(8)	0	(4)
Total other comprehensive income	¥(3,073)	¥ 649	\$ 5,783

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, 2016 and 2017.

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)
	2016	2017	2017
Selling, general and administrative expenses	¥587	¥616	\$5,495

2. Amount of gain on non-exercise of stock options

	(Millions of yen)		(Thousands of U.S. dollars)
	2016	2017	2017
	¥41	¥42	\$378

3. Description

Nomura Real Estate Holdings, Inc.

FY2009	3rd issue of stock options
Recipients	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: 202,700 shares
Grant date	August 11, 2009
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	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

Nomura Real Estate Holdings, Inc.

FY2016	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 (83 persons)	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)
Type/number of shares reserved (Note)	Common stock: 56,700 shares	Common stock: 250,300 shares	Common stock: 421,800 shares
Grant date	July 22, 2016	July 22, 2016	July 22, 2016
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 22, 2019 – July 21, 2024	July 22, 2019 –July 21, 2024	July 22, 2019 – July 21, 2024

(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.

FY2009	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	50,500
Vested:	—
Exercised	24,000
Forfeited	26,500
End of the year	—

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	3,200	36,700
Vested:	—	—
Exercised	3,200	5,400
Forfeited	—	—
End of the year	—	31,300

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	5,000	81,600
Vested:	—	—
Exercised	1,500	10,100
Forfeited	—	—
End of the year	3,500	71,500

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	13,800	67,600	123,700
Vested:	—	—	—
Exercised	5,400	18,300	19,000
Forfeited	—	—	500
End of the year	8,400	49,300	104,200

Nomura Real Estate Holdings, Inc.

FY2013	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	—
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	16,100	80,500	316,400
Vested:	—	—	—
Exercised	9,700	18,600	—
Forfeited	—	—	37,400
End of the year	6,400	61,900	279,000

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	—	—	338,700
Granted	—	—	—
Forfeited	—	—	4,900
Vested:	—	—	333,800
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	40,700	194,400	9,400
Vested:	—	—	333,800
Exercised	6,000	77,000	—
Forfeited	—	—	—
End of the year	34,700	117,400	343,200

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	—	—	379,900	—	24,000
Granted	—	—	—	—	—
Forfeited	—	—	2,600	—	1,000
Vested:	—	—	16,800	—	—
End of the year	—	—	360,500	—	23,000
Vested: (shares)					
Previous fiscal year end	35,700	157,500	1,000	4,000	—
Vested:	—	—	16,800	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
End of the year	35,700	157,500	17,800	4,000	—

Nomura Real Estate Holdings, Inc.

FY2016	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	56,700	250,300	421,800
Forfeited	—	—	2,000
Vested:	56,700	250,300	3,000
End of the year	—	—	416,800
Vested: (shares)			
Previous fiscal year end	—	—	—
Vested:	56,700	250,300	3,000
Exercised	—	—	—
Forfeited	—	—	—
End of the year	56,700	250,300	3,000

(2) Unit price data

Nomura Real Estate Holdings, Inc.

FY2009	3rd issue of stock options
Exercise price (¥)	1,663
Average price upon exercise (¥)	1,809
Fair value on grant date (¥)	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 (¥)	1,764	1,934
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 (¥)	1,925	1,925
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 (¥)	1,663	1,980	1,854
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 (¥)	1,855	1,827	—
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 (¥)	1,899	1,866	—
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	5th 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

Nomura Real Estate Holdings, Inc.

FY2016	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,927
Average price upon exercise (¥)	—	—	—
Fair value on grant date (¥)	1,593	1,593	377

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, 2017 (FY2016) 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 FY2016 stock options	Nomura Real Estate Holdings, Inc. 2nd issue of FY2016 stock options	Nomura Real Estate Holdings, Inc. 3rd issue of FY2016 stock options
Expected volatility of the share price (Note 1)	32.9%	32.9%	32.9%
Expected remaining life of the option (Note 2)	5.5 years	5.5 years	5.5 years
Expected dividend (Note 3)	¥60 (\$0.53) per share	¥60 (\$0.53) per share	¥60 (\$0.53) per share
Risk-free interest rate (Note 4)	0.00%	0.00%	0.00%

- Notes: 1. Calculated based on the actual stock price for five years and six months (from January 2011 to July 2016).
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, 2017 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, 2017.

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: 90 persons

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

Common stock: 268,100 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 21, 2017

(5) Exercise period of the stock acquisition rights

July 21, 2020 – July 20, 2025

(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 Company's stock at the time of the exercise

(1) Recipients

Directors of the Company: 6 persons

Directors and executive officers of the Company's subsidiaries: 90 persons

Employees of the Company's subsidiaries: 241 persons

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

Common stock: 456,400 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 21, 2017

(5) Exercise period of the stock acquisition rights

July 21, 2020 – July 20, 2025

(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



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Nomura Real Estate Holdings, Inc.

We have audited the accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Real Estate Holdings, Inc. and its consolidated subsidiaries as at March 31, 2017, 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, 2017
Tokyo, Japan

A member firm of Ernst & Young Global Limited