

# Financial Report

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For the Year Ended March 31, 2018

# 2018

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# Management's Discussion and Analysis

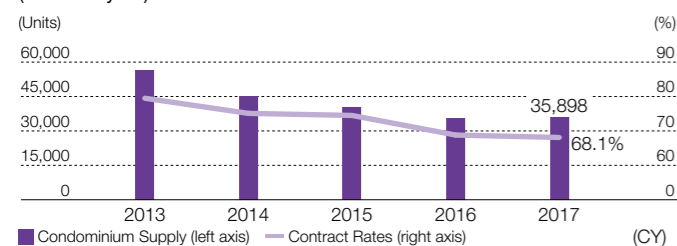
## Trends in the Real Estate Industry

In the real estate industry, the housing sales market saw sales prices continue to increase primarily in the Tokyo metropolitan area while supply volume reached a low level due to intensified competition for the purchase of land, and there was a strengthened trend of polarization characterized by a gap in contract rates due to the convenience of certain regions and properties.

Condominium sales in the Tokyo region increased by 0.4% year-on-year to 35,898 units in the calendar year 2017. The contract number for the first month on newly marketed condominium units in 2017 decreased by 0.7 percentage points year-on-year to 68.1% and it underperformed the benchmark of 70%.

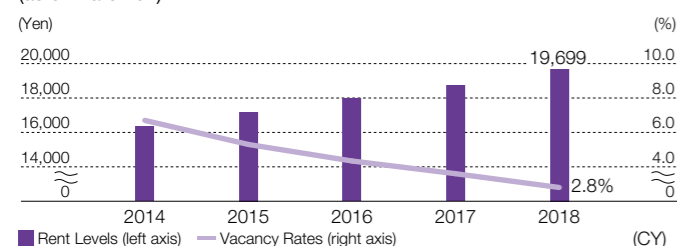
In the office market, the business environment is strong primarily due to vacancy rates remaining at a low level, particularly in the

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



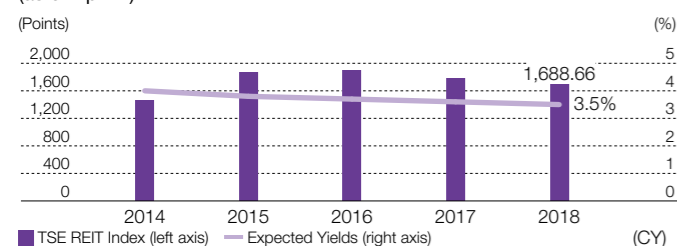
Source: Real Estate Economic Institute Co., Ltd.

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

Tokyo metropolitan area, supported by solid demand for offices accompanying corporate business expansion, and the rent level continuing to rise gradually.

The office building vacancy rate in the five wards of central Tokyo declined by 0.80 percentage points as of March 31, 2018, improving to 2.8%. Average rent levels in the five wards of central Tokyo as of March 31, 2018 increased by 969 yen per tsubo to 19,699 yen compared to March 31, 2017.

In the real estate investment market, although the fund procurement environment is favorable backed by low interest rates and persistently high real estate prices, the competition for property acquisition continues to be intensified due to strong demand for property acquisition among investors.

Expected yields on A-class office buildings in the Marunouchi/Otemachi area decreased by 0.1 percentage points year-on-year to 3.5% as of March 31, 2018.

## 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 ¥623,762 million, which represents an increase of 9.5% year on year; operating profit of ¥76,660 million, a decrease of 0.8%; ordinary profit of ¥68,033 million, a decrease of 1.3%; and profit attributable to owners of parent of ¥46,029 million, a decrease of 2.1%.

This year our ROA was 4.6% and ROE was 9.4%. Those scores has been lower than the fiscal year ended March 31, 2017, but they are still maintaining high level.

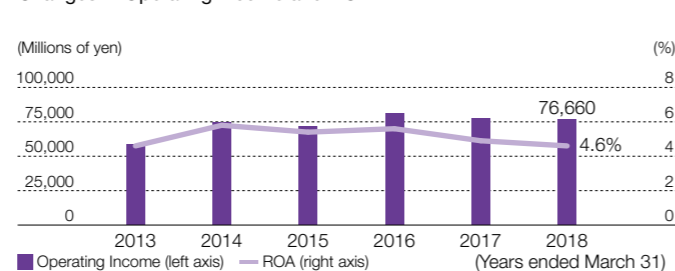
## Operating Results by Segment

An overview of segment achievements is given below:

Operating revenue for each business unit includes internal sales and transfer amount among business units. Due to the rounding of fractions, total figures may not match.

From the third quarter of the fiscal year under review, Nomura Real Estate Hotels Co., Ltd., established in October 2017, has

Changes in Operating Income and ROA\*



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

been classified under the Leasing Business Unit to promote business in conjunction with the Leasing Business.

## Residential Development Unit

Operating revenue in the Residential Development Unit totaled ¥358,745 million, which represents an increase of 8.8% year on year, and operating profit totaled ¥24,516 million, a decrease of 11.8% year on year, resulting in an increase in operating revenue and a decrease in operating profit compared with the previous fiscal year.

This was mainly due to a decrease in gross margin ratio, while the number of housing unit sales in the housing sales business increased. In regards to housing sales, 5,865 units were recorded as sales (an increase of 298 units year on year), including PROUD CITY Musashino-Mitaka (Musashino-shi, Tokyo), PROUD TOWER Nagoya Sakae (Naka-ku, Nagoya-shi, Aichi) for condominiums, and PROUD SEASON Kunitachi-Shikinomachi (Kokubunji-shi, Tokyo) for detached houses.

As of the end of the fiscal year under review, the number of completed housing inventories totaled 457 units (a decrease of 197 units compared with the end of the previous fiscal year) and the number of contracted but not recorded housing units totaled 2,831 units (an increase of 52 units compared with the end of the previous fiscal year).

In the overseas business, the Company has also continued to actively engage in the development business overseas. This includes a new entry into the housing sales business in Thailand following on from China, Vietnam and the Philippines.

## Leasing Unit

Operating revenue in the Leasing Unit totaled ¥134,941 million, which represents an increase of 17.3% year on year, and operating profit totaled ¥35,232 million, an increase of 8.2%, 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 from newly-built properties such as Yokohama Nomura Building (Nishi-ku, Yokohama-shi, Kanagawa) in the Leasing Business, as well as an increase in revenues from the sales in profitable properties and land for business.

The vacancy rate as of the end of the fiscal year under review has remained at a low level of 0.7% (a decrease of 0.1 percentage points compared with the end of the previous fiscal year).

In addition, we established Nomura Real Estate Hotels Co., Ltd. in October 2017 and launched a new hotel brand "NOHGA HOTEL," for which the Group will provide product development and services. NOHGA HOTEL UENO (Taito-ku, Tokyo), the first hotel, is scheduled to open in the fall of 2018.

Construction of facilities including the PMO Shibuya office building (Shibuya-ku, Tokyo), the GEMS Ebisu retail facility (Shibuya-ku, Tokyo), and the Landport Takatsuki logistics facility (Takatsuki-shi, Osaka) has been completed.

## Investment Management Unit

Operating revenue in the Investment Management Unit totaled ¥9,378 million, which represents a decrease of 2.9% year on year, and operating profit totaled ¥5,911 million, a decrease of 1.7%, resulting in decreases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to the repercussion from the disappearance in asset acquisition fees recorded in the previous fiscal year associated with the merger between Nomura Real Estate Master Fund, Inc. and TOP REIT, Inc.

Assets under management have steadily expanded and totaled ¥1,285,903 million (an increase of ¥25,838 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 replacement of assets between Nomura Real Estate Development Co., Ltd. and Nomura Real Estate Master Fund, Inc., representing 10 properties and a transaction value of ¥48,010 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 ¥35,703 million, which represents an increase of 2.5% year on year, operating profit totaled ¥8,452 million, a decrease of 7.4%, resulting in an increase in operating revenue and a decrease in operating profit compared with the previous fiscal year.

This was mainly due to an increase in expenses for new branches while the number of transactions and total transaction value in property brokerage increased.

In the retail business, we opened the following new branch stores: Omiya Center (Omiya-ku, Saitama-shi, Saitama) and Tachikawa Center (Tachikawa-shi, Tokyo) in April 2017 and Hatanodai Center (Shinagawa-ku, Tokyo), Komagome Center (Toshima-ku, Tokyo), and Abeno Center (Abeno-ku, Osaka-shi, Osaka) in October 2017, and the total number of branch stores is 78. We are also actively rolling out new services that utilize ICT, such as website content "VR Home Staging" and "Condominium Data Plus."

In the wholesale business, we are steadily increasing transaction value by offering proposals for effective real estate utilization to Japanese companies, and meeting inbound investment needs, particularly of investors from Asia.

\* CRE: Corporate Real Estate

### Property & Facility Management Unit

Operating revenue in the Property & Facility Management Unit totaled ¥101,087 million, which represents an increase of 5.6% year on year, and operating profit totaled ¥7,076 million, an increase of 2.0%, resulting in increases in both revenue and operating profit compared with the previous fiscal year.

This was mainly due to an increase in revenue of property and facility management with the increase in the number of properties under management, as well as an increase in revenue from construction orders for various reasons, including providing the large-scale repair work service “re:Premium,” which supplies long-term guarantees for “PROUD,” Nomura Real Estate Development Co., Ltd.’s condominium brand.

In the fitness club business, we opened fitness clubs appropriate for the local community and target markets, such as a MEGALOS\_ Shirokanedai (Minato-ku, Tokyo), a city-center type club located in a prime location and providing stylish atmosphere, and MEGALOS\_ Reflet Kawaramachi Sanjo 24 (Nakagyo-ku, Kyoto-shi, Kyoto), the first women-only, around-the-clock fitness club in the Kansai area. In the senior business, we also opened OUKAS Funabashi (Funabashi-shi, Chiba) in October 2017.

In addition, as of the end of the fiscal year under review, the number of buildings under management was 723 buildings (up 21

from the end of the previous fiscal year), and the number of condominiums under management was 173,705 units (up 4,706).

### Other Unit

Operating revenue in the Other Unit totaled ¥107 million, which represents an increase of 1.3% year on year, and operating loss totaled ¥10 million (the previous fiscal year was operating loss of ¥30 million).

### Analysis of Financial Position

#### Assets

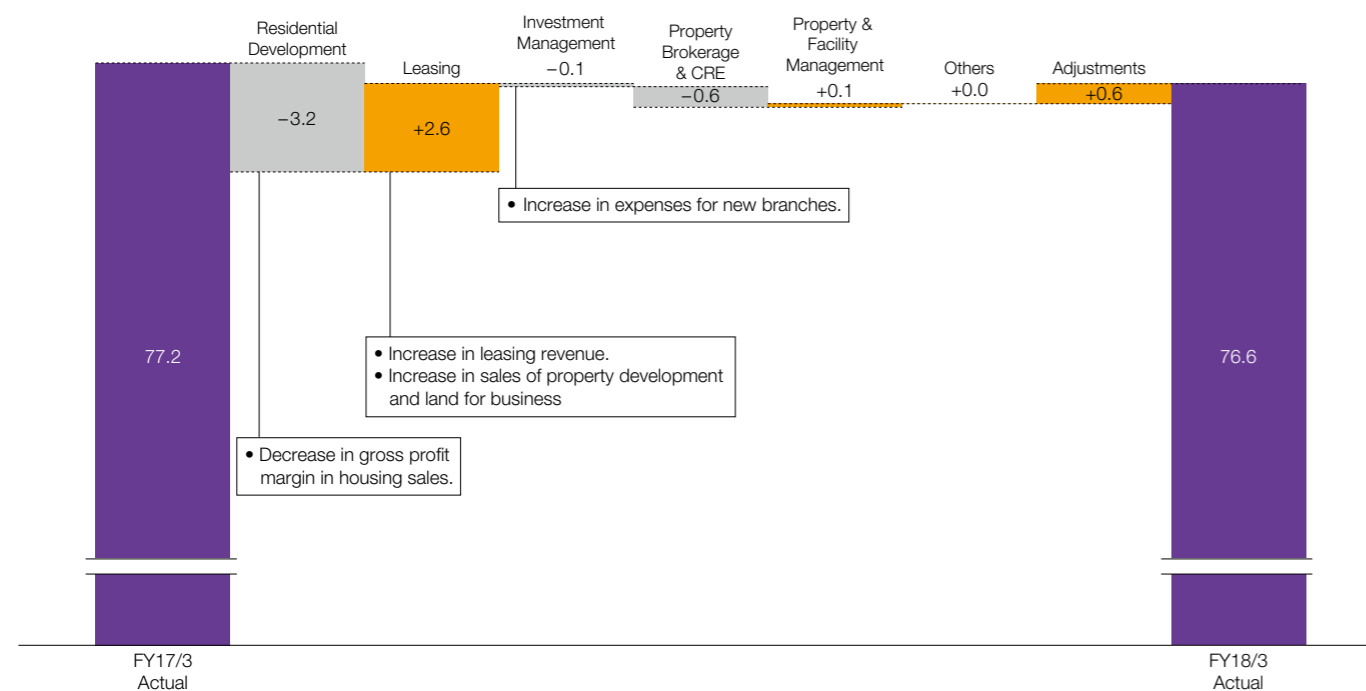
Total assets were ¥1,673,692 million, which represents an increase of ¥80,599 million compared to the end of the previous fiscal year. This was mainly due to increases in land (increased by ¥42,878 million) and inventories (increased by ¥22,108 million)

#### Liabilities

Total liabilities were ¥1,158,710 million, which represents an increase of ¥59,429 million compared to the end of the previous fiscal year. This was mainly due to increases in bonds payable (increased by ¥70,000million) and long-term loans payable (increased by ¥11,700 million), while deposits received (decreased by ¥10,652 million) and current portion of bonds (decreased by ¥10,000 million) decreased.

Key Factors of Changes in Operating Profit by Business Unit (Compared to FY17/3)

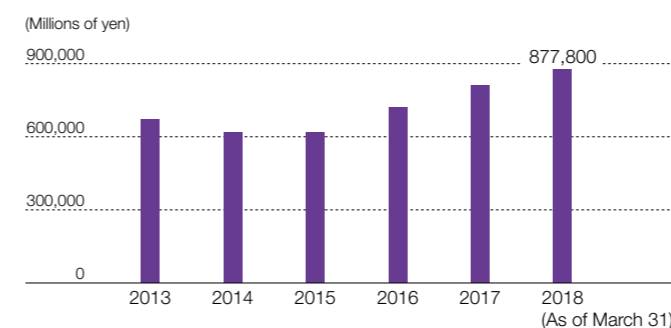
(Billions of yen)



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

(As of March 31)	2014	2015	2016	2017	2018
<b>Residential Development Unit:</b>					
Condominium sales (units)	5,491	6,162	5,363	4,885	5,258
Detached housing sales (units)	718	859	643	682	607
Gross margin ratio of housing sales (%)	21.7	21.1	21.9	21.7	19.1
Completed housing inventories (released for sale) (units)	31	87	134	252	239
Completed housing inventories (unreleased) (units)	0	2	215	402	218
<b>Leasing Unit:</b>					
Vacancy rate	2.9	4.5	2.2	0.8	0.7
<b>Investment Management Unit:</b>					
Outstanding assets under management (millions of yen)	1,132,246	1,123,188	1,074,481	1,260,064	1,285,903
<b>Property Brokerage &amp; CRE Unit:</b>					
Brokerage: Number of transactions	7,437	7,174	7,710	8,272	8,561
Brokerage: Total transaction value (millions of yen)	672,774	710,980	713,574	745,147	800,739
<b>Property &amp; Facility Management Unit:</b>					
Buildings under management	703	729	705	702	723
Condominiums under management (units)	147,516	155,706	163,036	168,999	173,705
Members of MEGALOS	141,564	140,395	144,263	140,743	139,836

Changes in Interest-bearing Liabilities

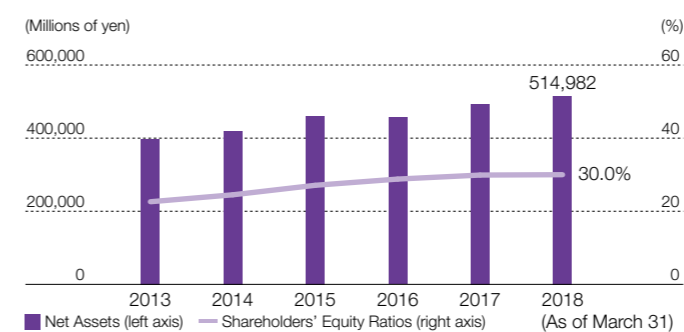


### Net Assets

Net assets were ¥514,982 million, which represents an increase of ¥21,169 million compared to the end of the previous fiscal year.

This was mainly due to an increase in retained earnings (increased by ¥32,594 million), offset by purchasing treasury shares (decreased by ¥10,001 million).

Changes in Net Assets and Shareholders' Equity Ratios



### Cash Flows from Investing Activities

Net cash used in investment activities amounted to ¥51,637 million (a year-on-year increase of ¥2,921 million). This was mainly due to the purchase of property, plant and equipment and intangible assets.

### Cash Flows from Financing Activities

Net cash provided by financing activities totaled by ¥43,787 million (a year-on-year decrease of ¥32,788 million). This was mainly due to the implementation of funds procurement through long-term loans payable and issuance of bonds, while there was the purchase of treasury shares and cash dividend paid.

### Cash Flows

#### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥21,498 million (a year-on-year increase of ¥53,388 million). This was mainly due to an increase in inventories and the payments of income taxes, while profit before income taxes of ¥67,722 million was recorded.

## Facilities Situation

In the fiscal year ended March 31, 2018, we invested a total amount of ¥73,575 million, including the acquisition of Morisia Tsudanuma (Narashino City, Chiba).

Business Unit (Millions of yen)	2017	2018	Change
Residential Development	¥ 427	¥ 675	¥ 247
Leasing	56,224	69,151	12,926
Investment Management	22	26	4
Property Brokerage and CRE	649	527	(122)
Property and Facility Management	1,754	2,081	326
Other	0	2	2
Subtotal	59,079	72,464	13,385
Adjustments	1,295	1,111	(184)
Total	60,374	73,575	13,200

The following facilities, for which construction was still in progress at the end of the previous fiscal year, were completed in the fiscal year ended March 31, 2018.

Company Name	Property Name (location)	Business Segment	Use	Construction, Size, Details of Facilities etc.	Area (m <sup>2</sup> )	Completion	Acquisition Price (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Sendai Aoba-dori Building (Aoba-ku, Sendai-Shi, Miyagi)	Leasing	Office	Steel-framed construction, 1 floor below ground, 10 floors above ground	Building: 12,026 Land: 1,595	April 2017	7,715
Nomura Real Estate Development Co., Ltd.	Landport Takatsuki (Takatsuki-shi, Osaka)	Leasing	Logistics facility	Reinforced concrete construction (partially steel-framed construction), 5 floors above ground, 1 other building	Building: 70,529 Land: 35,276	June 2017	20,886

We acquired the following properties in the fiscal year ended March 31, 2018:

Company Name	Property Name (location)	Business Segment	Use	Construction, Size, Details of Facilities etc.	Area (m <sup>2</sup> )	Acquisition Price (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Morisia Tsudanuma <sup>1</sup> (Narashino-shi, Chiba)	Leasing	Retail facility	Steel-framed reinforced concrete construction (partially reinforced concrete), 3 floors below ground, 12 floors above ground, 1 other building	Building: 97,699 Land: 19,194	18,004
Nomura Real Estate Development Co., Ltd.	Kameido 6chome Project (tentative name) <sup>1,2</sup> (Koto-ku, Tokyo)	Leasing	Land slated for building construction	—	Land: 24,822	17,497
Nomura Real Estate Development Co., Ltd.	Wako Building (Minato-ku, Tokyo)	Leasing	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 8 floors above ground, 1 other building	Building: 3,171 Land: 621	7,289
Nomura Real Estate Development Co., Ltd.	Soto-Kanda 3chome Project (tentative name) (Chiyoda-ku, Tokyo)	Leasing	Land slated for building construction	—	Land: 663	3,980

Notes: 1. Includes the trust beneficial right.

2. "Land area" refers to total area during the planning stage.

The following land held for development was reclassified as non-current assets in the fiscal year ended March 31, 2018.

Company Name	Property Name (location)	Business Segment	Use	Construction, Size, Details of Facilities etc.	Area (m <sup>2</sup> )	Acquisition Price (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Kanda Nishikicho 1chome Project (tentative name) (Note) (Chiyoda-ku, Tokyo)	Leasing	Office	Steel-framed reinforced concrete construction (partially reinforced concrete), 1 floor below ground, 9 floors above ground, 1 other building	Building: 4,241 Land: 886	6,947

Note: Excludes the construction in progress accounts.

We sold the following properties in the fiscal year ended March 31, 2018:

Company Name	Property Name (location)	Business Segment	Use	Construction, Size, Details of Facilities etc.	Area (m <sup>2</sup> )	Selling Price (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Musashikosugi Building N <sup>1,2</sup> (Nakahara-ku, Kawasaki-shi, Kanagawa)	Leasing	Office	Steel-framed construction, 1 floor below ground, 14 floors above ground	Building: 18,905 Land: 3,537	16,138
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Musashikosugi Building S <sup>1,2</sup> (Nakahara-ku, Kawasaki-shi, Kanagawa)	Leasing	Office	Steel-framed construction, 1 floor below ground, 6 floors above ground	Building: 6,555 Land: 2,559	

Notes: 1. Includes the trust beneficial right.

2. Refers to calculated area sold in the fiscal year ended March 31, 2018 including both total floor space and land area.

## 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 <sup>2</sup> )	Completion of Construction or (Time of Acquisition)	Area of Property (m <sup>2</sup> )	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	¥14,637	¥129,809	¥ 268	¥144,714
Nomura Real Estate Development	Yokohama Business Park <sup>2</sup> (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	29,495	14,584	967	45,047
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	14,911	22,245	490	37,647
Shinjuku Mirai Development	MIRRAZA Shinjuku <sup>2</sup> (Shinjuku-ku, Tokyo)	Retail facility	Steel-framed construction (partially steel-framed reinforced concrete), 3 floors below ground, 10 floors above ground	7,628	August 2010	781	2,741	32,132	15	34,889
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	14,336	19,227	328	33,893
Nomura Real Estate Development	Yokohama Nomura Building <sup>3</sup> (Nishi-ku, Yokohama-shi, Kanagawa)	Office	Steel-framed construction, 17 floors above ground, 1 other building	58,755	January 2017	6,721	19,658	8,809	532	29,001
Nomura Real Estate Development	Nomura Fudosan Ginza Building <sup>3</sup> (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	1,810	22,677	14	24,503
Nomura Real Estate Development	NOF Nihonbashi Honcho Building (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, 8 floors above ground	29,430	April 1961	3,196	2,051	21,116	—	23,167
Nomura Real Estate Development	Shinjuku Nomura Building <sup>2,3</sup> (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	5,833	16,303	196	22,333
Nomura Real Estate Development	Landport Takatsuki (Takatsuki-shi, Osaka)	Logistics facility	Reinforced concrete construction (partially steel-framed construction), 5 floors above ground, 1 other building	70,529	June 2017	35,276	10,000	10,247	360	20,608
Midosuji Mirai Development	Midosuji Nomura Building <sup>2</sup> (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	3,684	15,707	24	19,416
Nomura Real Estate Development	Morisia Tsudanuma <sup>2</sup> (Narashino-shi, Chiba)	Retail facility	Steel-framed reinforced concrete construction (partially reinforced concrete), 3 floors below ground, 12 floors above ground, 1 other building	97,699	Mainly October 1978	19,194	1,973	16,037	7	18,017
Nomura Real Estate Development	Kameido 6chome Project (tentative name) <sup>2,4</sup> (Koto-ku, Tokyo)	Land slated for building construction	—	—	(December 2017)	24,822	—	17,497	—	17,497
Nomura Real Estate Development	Nomura Fudosan Tennozu Building <sup>2,3</sup> (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	4,397	11,685	73	16,156
Toranomon Real Estate	Toranomon Station-Front Redevelopment (tentative name) and others (Minato-ku, Tokyo)	Land slated for building construction	Reinforced concrete construction (partially steel-framed reinforced concrete), 1 floor below ground, 7 floors above ground	3,289	October 1973	1,099	56	15,120	1	15,179
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	3,794	10,650	76	14,521
NREG TOSHIBA BUILDING	LAZONA Kawasaki Plaza <sup>3,5</sup> (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	13,986	—	468	14,455
Nomura Real Estate Development	Otemachi Nomura Building <sup>2,3</sup> (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	1,260	12,584	9	13,853

Company Name	Property Name (location)	Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion of Construction or (Time of Acquisition)	Area of Property (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
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	¥ 361	¥ 10,956	¥ 0	¥ 11,318
Nomura Real Estate Development	Dai-ni Edobashi Building <sup>5</sup> (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, 9 floors above ground	13,359	November 1973	1,376	576	10,553	0	11,130
Nomura Real Estate Development	bono Sagamiono Shopping Center <sup>3</sup> (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	5,813	4,649	347	10,810
Nomura Real Estate Development	Minamiyotoku SC <sup>2</sup> (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	5,144	4,942	13	10,070
NREG TOSHIBA BUILDING	Fuchu Toshiba Building (Fuchu-shi, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete), 1 floor below ground, 8 floors above ground, 1 other building	32,299	April 1993	8,290	3,722	5,247	18	8,987
NREG TOSHIBA BUILDING	Shinyokohama Toshiba Building (Kohoku-ku, Yokohama-shi, Kanagawa)	Training facility	Reinforced concrete construction, 1 floor below ground, 4 floors above ground, 4 other buildings	28,822	Mainly June 1969	15,829	3,093	5,660	33	8,788
Nomura Real Estate Development	Iidabashi Plano Stage Building <sup>3</sup> (Chiyoda-ku, Tokyo)	Office	Reinforced concrete construction, 2 floors below ground, 38 floors above ground	3,958	February 2009	785	1,607	6,401	1	8,010
Nomura Real Estate Development	Nihonkouku Tamachi Building <sup>2,6</sup> (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 7 floors above ground	17,531	January 1984	4,134	0	7,820	—	7,820
Nomura Real Estate Development	Nomura Fudosan Sendai Aoba-dori Building (Aoba-ku, Sendai-shi, Miyagi)	Office	Steel-framed construction, 1 floor below ground, 10 floors above ground	12,026	April 2017	1,595	4,189	3,306	102	7,597
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	3,805	3,109	432	7,348
Nomura Real Estate Development	Wako Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 8 floors above ground	3,171	April 1971	621	569	6,716	—	7,285
NREG TOSHIBA BUILDING	Umeda Sky Building <sup>3</sup> (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	2,445	4,585	101	7,132
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	1,005	5,989	5	7,000
Nomura Real Estate Development	Kanda Nishikicho 1chome Project (tentative name) (Chiyoda-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete), 1 floor below ground, 9 floors above ground, 1 other building	4,241	Mainly February 1986	886	40	6,904	—	6,944
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	553	5,768	35	6,357
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	2,979	3,182	3	6,165
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	4,249	1,516	40	5,806
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	746	4,999	0	5,747
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	1,533	4,115	46	5,695
NREG TOSHIBA BUILDING	Tsurumi Toshiba Building (Tsurumi-ku, Yokohama-shi, Kanagawa)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 10 floors above ground	20,648	March 1991	3,501	2,456	3,073	29	5,559

Company Name	Property Name (location)	Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion of Construction or (Time of Acquisition)	Area of Property (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Development	Fukuoka Tenjin Center Building <sup>2,3</sup> (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	911	4,413	2	5,327
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	¥1,356	¥ 3,840	¥ 20	¥ 5,217
Nomura Real Estate Development	PMO Nihonbashi Muromachi <sup>3</sup> (Chuo-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete), 1 floor below ground, 9 floors above	5,333	January 2013	701	1,026	3,716	12	4,756
Nomura Real Estate Development	Nomura Fudosan Tameike Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 9 floors above ground	6,478	July 1959	690	200	4,393	—	4,593
Nomura Real Estate Development	Soto-kanda 3chome Project (tentative name) (Chiyoda-ku, Tokyo)	Land slated for building construction	—	—	(March 2018)	663	—	3,980	—	3,980
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	1,944	1,918	21	3,884
NREG TOSHIBA BUILDING	Toshiba Manseibashi Building <sup>5</sup> (Chiyoda-ku, Tokyo)	Office	Reinforced concrete construction, 1 floor below ground, 9 floors above ground	5,319	September 1961	681	240	3,551	0	3,792
NREG TOSHIBA BUILDING	Nomura Fudosan Nishishinjuku Kyodo Building <sup>3</sup> (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	983	2,700	3	3,687
NREG TOSHIBA BUILDING	Toshiba Sendai Building <sup>3,5</sup> (Aoba-ku, Sendai-shi, Miyagi)	Hotel	Steel-framed construction (partially reinforced concrete), 2 floors below ground, 11 floors above ground	16,179	April 1975	1,731	641	2,817	5	3,464

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. "Land area" refers to total area during the planning stage.  
5. Land area includes leased land.  
6. Transferred from non-current assets to land held for development in June 2018.

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 <sup>2</sup> )
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 <sup>2</sup> )	Completion of Construction or (Time of Acquisition)	Area of Property (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Life & Sports	Megaros Souka and other 43 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	¥8,293	¥—	¥1,116	¥9,410

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 24, 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, 2018, we were scheduled to 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)			Schedule	
					Total	Amount Paid	Sources of funding	Start	Completion
Nomura Real Estate Development	Toranomon Station-Front Redevelopment (tentative name) (Minato-ku, Tokyo)	Leasing	Office	Steel-framed concrete construction (partially steel-framed reinforced concrete construction), 4 floors below, 24 floors above ground	¥35,300	¥14,609	Loans payable and own funds	FY18/3	FY21/3
Nomura Real Estate Development	Kanda Nishikicho 1chome Project (tentative name) (Chiyoda-ku, Tokyo)	Leasing	Office	Steel-framed construction, 1 floor below ground, 10 floors above ground	11,530	6,956	Loans payable and own funds	FY19/3	FY21/3
Nomura Real Estate Development	Soto-Kanda 3chome Project (tentative name) (Chiyoda-ku, Tokyo)	Leasing	Hotel	Steel-framed construction, 10 floors above ground	6,550	3,980	Loans payable and own funds	FY19/3	FY21/3
NREG TOSHIBA BUILDING CO., Ltd.	Ginza 6chome Project (tentative name) (Chuo-ku, Tokyo)	Leasing	Office	Steel-framed concrete construction (partially steel-framed reinforced concrete construction), 3 floors below, 11 floors above ground	4,600	2,157	Loans payable and own funds	FY18/3	FY20/3

### 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	¥3,700	—	April 2018 – March 2019	Construction for facility renovation

## Basic Policy Concerning Profit Distribution and Dividends for the fiscal years ended March 31, 2018 and 2019

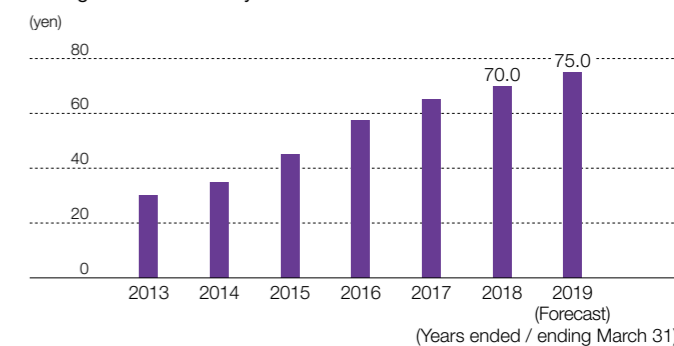
The Company's basic policy regarding the distribution of profits is to aim for a payout ratio of approximately 30% over the medium to long term in accordance with business performance, comprehensively considering factors including the operating environment and capital investment plans, and taking retained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

As for treasury share purchases, the decision whether to do so will be made taking into comprehensive consideration financial soundness, and share price level, etc.

Based on these policies, concerning dividends for the fiscal year ended March 31, 2018, the Company has set a year-end dividend per share for the fiscal year ended March 31, 2018 of ¥35 as forecasted. Combined with the second quarter-end dividend already paid, the annual dividend per share will be ¥70. During the fiscal year under review, 3,954,700 treasury shares were purchased at a total cost of ¥9,999 million.

We intend to increase our dividend by a further ¥5 in the fiscal year ending March 31, 2019 making our total forecast annual dividend ¥75 per share.

## Changes in Dividend Payments

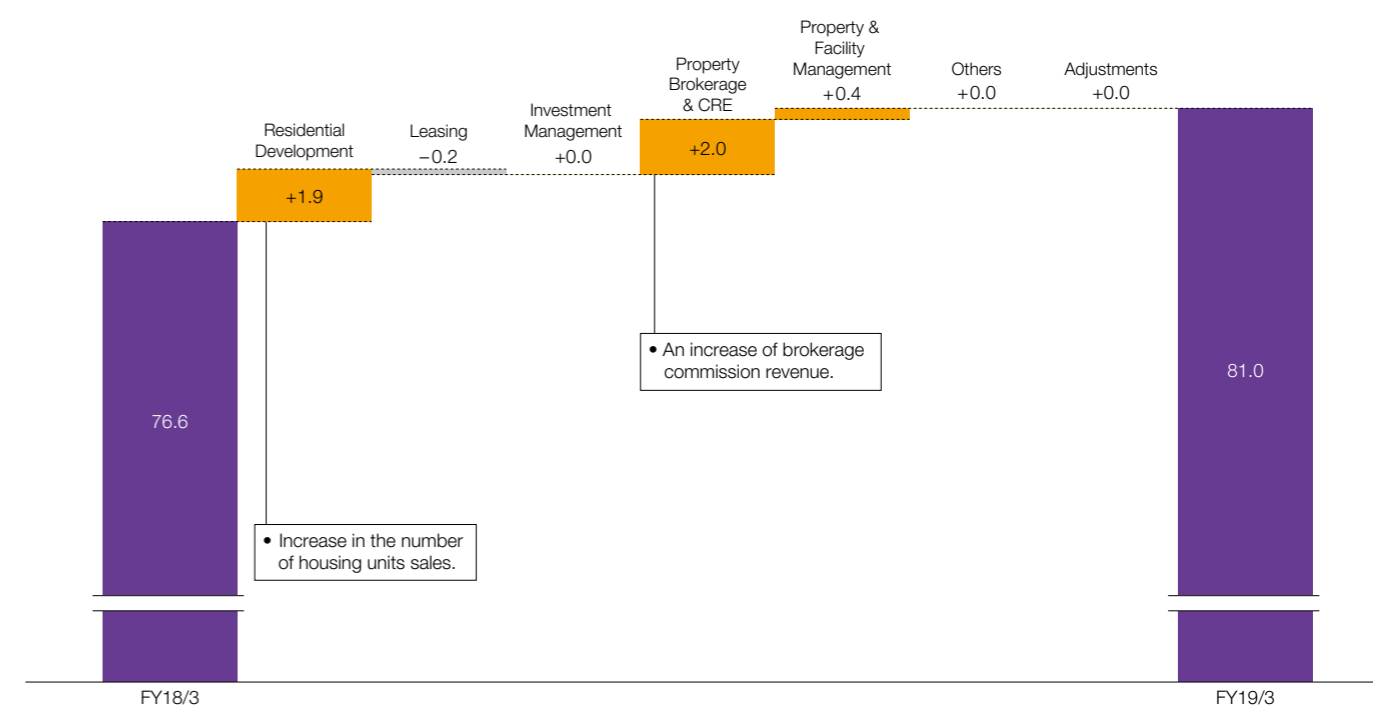


## Consolidated Performance Outlook for the fiscal year ending March 31, 2019 (announced on April 27, 2018)

We expect to post operating revenue of ¥700,000 million, operating profit of ¥81,000 million, ordinary profit of ¥72,000 million, and profit attributable to owners of parent of ¥47,000 million for the fiscal year ending March 31, 2019.

## Key Factors of Changes by Segment from FY18/3 (Actual) to FY19/3 (Forecast)

(Billions of yen)



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

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

It should be noted that matters concerning the future in this document have been determined based on information available to the Group as of March 31, 2018.

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

The Group's performance for the fiscal year ended March 31, 2018 resulted in increased income compared with the previous fiscal year. In regard to the economic outlook, gradual recovery is expected to continue on the back of improvements in the employment and income environments as well as solid domestic and overseas economies, although it is necessary to pay attention to the uncertainty of the overseas economy and trends in the financial and capital markets.

In the future, certain events could still cause a decline in purchasing sentiment among customers of the Residential Development Business, the Property Brokerage & CRE Business, and other businesses. These events include the current economic slowdown, an associated deterioration in corporate earnings, a decline in consumer spending, a rise in interest rates, or an excess supply in the real estate market. This may lead to falls in selling prices, increases in inventories, a 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 prices and weakening demand for investment funds are possibilities in the REIT market. Such events could have an adverse impact on the Group's business performance.

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

A number of laws and regulations apply to the various businesses of the 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, 2018 was ¥877,800 million, which represents an increase of ¥67,700 million year on year (equivalent to 52.5% of total assets, increased by 1.6 percentage points year on year). When raising funds by borrowing, the Group attempts to deal with the risk of a short-term rise in interest rates mainly by taking out long-term, fixed-rate loans.

However, an increase in borrowing costs due to a rise in market interest rates could have a negative impact on the Group's business performance and financial condition.

#### (5) M&A

The Company has positioned M&A as an important strategy for long-term growth, and aims at boosting Group enterprise value by implementing M&A that can be expected to generate synergies while making the most of the advantages offered by the holding company system. However, in the event of changes in the operating environment, the expected growth of the acquired company, or the synergy expected from the acquisition, may not be realized. This could have an adverse impact on the Group's business performance.

#### (6) Natural disasters

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

#### (7) Personal information

In the course of carrying out its operations, the various businesses of the Group handle large quantities of personal information. The Group endeavors to comply with various laws and regulations pertaining to personal information, such as the Law Concerning Protection of Personal Information, and also handle information in the proper manner. Moreover, Group companies have produced various documents, such as "Information Security Provisions," "Rules for Handling Specific Personal Information" and "Guidelines for Handling Information." In these ways, the Group strives to train and educate employees and protect the interests of customers. In the event of external leakage of personal information due to unforeseen circumstances, however, confidence in the Group could be lost, leading to a decrease in sales and the incurrence of expenses to pay compensation for damages. This could have an adverse impact on the Group's business performance.

#### (8) Soil pollution

Under the Soil Contamination Countermeasures law, owners of land are obliged to evaluate and report on the soil pollution status of their properties with respect to the presence of specific harmful substances, and also to take measures to remove such polluting substances. When considering purchases of land for business use, the Group conducts historical and pollution assessments in advance.

If the presence of pollution is confirmed, the Group either cancels the acquisition or engages specialists to remove such pollution.

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

#### (9) Asbestos

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

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

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

#### (11) Capital relationship with other affiliates

The Company's other affiliates are Nomura Holdings, Inc. As of March 31, 2018, Nomura Holdings owned 34.4% 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, 2017 and 2018

Assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2017	2018	2018
<b>Current Assets</b>			
Cash and deposits (Notes 2(3) and 3)	¥ 47,701	¥ 52,347	\$ 492,726
Notes and accounts receivable–trade	16,535	17,308	162,914
Securities (Notes 3 and 4)	—	9,000	84,713
Real estate for sale (Note 6)	120,385	102,884	968,418
Real estate for sale in process	249,663	261,278	2,459,324
Land held for development	199,812	228,326	2,149,158
Equity investments (Notes 3 and 4)	2,567	9,612	90,475
Deferred tax assets (Note 11)	5,555	6,911	65,056
Other	42,123	36,917	347,489
Allowance for doubtful accounts	(37)	(39)	(369)
<b>Total current assets</b>	<b>684,306</b>	<b>724,547</b>	<b>6,819,909</b>
<b>Non-Current Assets</b>			
Property, plant and equipment			
Buildings and structures (Notes 6 and 15)	394,607	403,011	3,793,409
Accumulated depreciation	(152,718)	(163,985)	(1,543,535)
Buildings and structures, net	241,888	239,026	2,249,873
Land (Notes 6 and 15)	549,671	592,550	5,577,466
Other	26,053	26,576	250,156
Accumulated depreciation	(8,787)	(9,778)	(92,044)
Other, net	17,265	16,797	158,112
<b>Total property, plant and equipment</b>	<b>808,825</b>	<b>848,374</b>	<b>7,985,451</b>
Intangible assets	10,985	12,364	116,384
Investments and other assets			
Investment securities (Notes 3 and 4)	46,252	42,362	398,743
Lease and guarantee deposits (Note 3)	21,738	23,131	217,728
Deferred tax assets (Note 11)	14,992	14,525	136,721
Other	5,992	8,387	78,950
Allowance for doubtful accounts	(0)	(0)	(3)
<b>Total investments and other assets</b>	<b>88,975</b>	<b>88,406</b>	<b>832,140</b>
<b>Total non-current assets</b>	<b>908,786</b>	<b>949,145</b>	<b>8,933,977</b>
<b>Total Assets</b>	<b>¥1,593,093</b>	<b>¥1,673,692</b>	<b>\$15,753,886</b>

See notes to consolidated financial statements.

Liabilities	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2017	2018	2018
<b>Current Liabilities</b>			
Notes and accounts payable–trade	¥ 35,612	¥ 41,696	\$ 392,473
Short-term loans payable (Notes 3, 5 and 6)	106,300	102,300	962,914
Current portion of bonds (Notes 3, 5 and 6)	10,000	—	—
Income taxes payable (Note 11)	16,052	14,993	141,125
Deposits received	29,459	18,807	177,026
Deferred tax liabilities (Note 11)	20	18	173
Provision for bonuses	7,516	7,679	72,288
Provision for directors' bonuses	639	590	5,558
Provision for loss on business liquidation	47	36	339
Other	50,149	48,073	452,495
<b>Total current liabilities</b>	<b>255,799</b>	<b>234,194</b>	<b>2,204,395</b>
<b>Non-Current Liabilities</b>			
Bonds payable (Notes 3, 5 and 6)	70,000	140,000	1,317,771
Long-term loans payable (Notes 3, 5 and 6)	623,800	635,500	5,981,739
Lease and guarantee deposits received (Note 6)	57,597	60,241	567,035
Deferred tax liabilities (Note 11)	63,592	60,403	568,553
Deferred tax liabilities for land revaluation	3,900	3,900	36,709
Provision for loss on subleasing business	257	102	967
Net defined benefit liability (Note 7)	18,931	18,375	172,965
Other	5,402	5,991	56,395
<b>Total non-current liabilities</b>	<b>843,481</b>	<b>924,515</b>	<b>8,702,138</b>
<b>Total Liabilities</b>	<b>1,099,280</b>	<b>1,158,710</b>	<b>10,906,533</b>
<b>Net Assets</b>			
Shareholders' Equity (Note 12)			
Capital stock	116,779	117,072	1,101,965
Capital surplus	110,023	110,316	1,038,369
Retained earnings	242,704	275,299	2,591,294
Treasury shares	(3)	(10,004)	(94,169)
<b>Total shareholders' equity</b>	<b>469,503</b>	<b>492,683</b>	<b>4,637,459</b>
Accumulated Other Comprehensive Income			
Valuation difference on available-for-sale securities	7,947	4,516	42,513
Deferred gains or losses on hedges	119	262	2,466
Revaluation reserve for land	7,860	7,860	73,991
Foreign currency translation adjustment	62	(225)	(2,126)
Remeasurements of defined benefit plans (Note 7)	(4,129)	(3,605)	(33,940)
<b>Total accumulated other comprehensive income</b>	<b>11,860</b>	<b>8,807</b>	<b>82,904</b>
Share acquisition rights	1,986	2,424	22,818
Non-controlling interests	10,462	11,067	104,170
<b>Total Net Assets</b>	<b>493,813</b>	<b>514,982</b>	<b>4,847,353</b>
<b>Total Liabilities and Net Assets</b>	<b>¥1,593,093</b>	<b>¥1,673,692</b>	<b>\$15,753,886</b>

See notes to consolidated financial statements.



# Consolidated Statement of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31, 2017 and 2018

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2017	2018	2018
<b>Operating Revenues and Expenses</b>			
Operating Revenue	¥569,680	¥623,762	\$5,871,253
Operating Cost	392,438	441,708	4,157,645
<b>Operating Gross Profit</b>	177,241	182,053	1,713,608
Selling, General and Administrative Expenses	99,970	105,393	992,028
<b>Operating Profit</b>	77,271	76,660	721,580
Non-Operating Income			
Interest income	52	45	432
Dividend income	252	75	708
Share of profit of entities accounted for using equity method	83	25	243
Interest on refund	—	162	1,532
Gain on transfer of right to request purchase of shares	—	112	1,055
Other	310	351	3,304
Total non-operating income	698	773	7,277
Non-Operating Expenses			
Interest expenses	7,539	7,334	69,041
Other	1,477	2,065	19,442
Total non-operating expenses	9,017	9,400	88,483
<b>Ordinary Profit</b>	68,952	68,033	640,373
Extraordinary Income			
Gain on sales of non-current assets	946	3,311	31,169
Gain on sales of investment securities	—	455	4,286
Total extraordinary income	946	3,766	35,455
Extraordinary Losses			
Impairment loss (Note 10)	254	3,614	34,026
Loss on building reconstruction	337	462	4,357
Total extraordinary losses	591	4,077	38,383
<b>Profit before Income Taxes</b>	69,307	67,722	637,445
Income Taxes—Current	22,957	23,811	224,129
Income Taxes—Deferred	(1,177)	(2,755)	(25,937)
Total Income Taxes (Note 11)	21,780	21,055	198,192
<b>Profit</b>	47,527	46,666	439,253
Profit Attributable to Non-Controlling Interests	521	636	5,991
<b>Profit Attributable to Owners of Parent</b>	¥ 47,005	¥ 46,029	\$ 433,262

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31, 2017 and 2018

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2017	2018	2018
<b>Profit</b>	¥47,527	¥46,666	\$439,253
<b>Other Comprehensive Income (Note 19)</b>			
Valuation difference on available-for-sale securities	1,282	(3,430)	(32,288)
Deferred gains or losses on hedges	(36)	142	1,339
Revaluation reserve for land	(0)	(0)	(0)
Foreign currency translation adjustment	19	(33)	(315)
Remeasurements of defined benefit plans	(616)	523	4,926
Share of other comprehensive income of entities accounted for using the equity method	(0)	(254)	(2,398)
Total other comprehensive income	648	(3,052)	(28,735)
<b>Comprehensive Income (Note 19)</b>	¥48,175	¥43,613	\$410,517
(Breakdown)			
Comprehensive income attributable to owners of parent	¥47,654	¥42,976	\$404,524
Comprehensive income attributable to non-controlling interests	521	636	5,992

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, 2017 and 2018

	(Millions of yen)														
	Shareholders' Equity						Accumulated other comprehensive income								
	Number of shares issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	191,679,601	¥116,598	¥109,842	¥207,203	¥ (3)	433,642	¥ 6,664	¥155	¥7,861	¥ 43	¥(3,513)	11,212	¥1,685	¥ 9,868	¥ 456,408
Issuance of new shares	198,200	180	180	—	—	361	—	—	—	—	—	—	—	—	361
Dividends from surplus	—	—	—	(11,504)	—	(11,504)	—	—	—	—	—	—	—	—	(11,504)
Profit attributable to owners of parent	—	—	—	47,005	—	47,005	—	—	—	—	—	—	—	—	47,005
Purchases of treasury shares	—	—	—	—	(0)	(0)	—	—	—	—	—	—	—	—	(0)
Reversal of revaluation reserve for land	—	—	—	0	—	0	—	—	—	—	—	—	—	—	0
Net changes of items other than shareholders' equity	—	—	—	—	—	—	1,282	(36)	(0)	19	(616)	648	301	593	1,543
Balance at March 31, 2017	191,877,801	¥116,779	¥110,023	¥242,704	¥ (3)	469,503	¥ 7,947	¥119	¥7,860	¥ 62	¥(4,129)	11,860	¥1,986	¥10,462	¥ 975,177
Issuance of new shares	277,400	293	293	—	—	586	—	—	—	—	—	—	—	—	1,172
Dividends from surplus	—	—	—	(13,435)	—	(13,435)	—	—	—	—	—	—	—	—	(26,870)
Profit attributable to owners of parent	—	—	—	46,029	—	46,029	—	—	—	—	—	—	—	—	92,059
Purchases of treasury shares	—	—	—	—	(10,001)	(10,001)	—	—	—	—	—	—	—	—	(20,002)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	(3,430)	142	(0)	(288)	523	(3,053)	437	604	(5,063)
Balance at March 31, 2018	192,155,201	¥117,072	¥110,316	¥275,299	¥(10,004)	¥492,683	¥ 4,516	¥262	¥7,860	¥(225)	¥(3,605)	¥8,807	¥2,424	¥11,067	¥1,016,474

	(Thousands of U.S. dollars) (Note 1)													
	Shareholders' Equity						Accumulated other comprehensive income							
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	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	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at March 31, 2017	\$1,099,205	\$1,035,609	\$2,284,493	\$ (34)	\$4,419,274	\$ 74,803	\$1,126	\$73,992	\$ 586	\$ (38,867)	\$111,641	\$18,698	\$ 98,475	\$9,179,006
Issuance of new shares	2,759	2,759	—	—	5,519	—	—	—	—	—	—	—	—	11,039
Dividends from surplus	—	—	(126,460)	—	(126,460)	—	—	—	—	—	—	—	—	(252,920)
Profit attributable to owners of parent	—	—	433,262	—	433,262	—	—	—	—	—	—	—	—	866,524
Purchases of treasury shares	—	—	—	(94,135)	(94,135)	—	—	—	—	—	—	—	—	(188,271)
Net changes of items other than shareholders' equity	—	—	—	—	—	(32,289)	1,339	(0)	(2,713)	4,926	(28,737)	4,120	5,694	(47,660)
Balance at March 31, 2018	\$1,101,965	\$1,038,369	\$2,591,294	\$(94,169)	\$4,637,459	\$ 42,513	\$2,466	\$73,991	\$(2,126)	\$(33,940)	\$ 82,904	\$22,818	\$104,170	\$9,567,717

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 198,200 shares and 277,400 shares in the years ended March 31, 2017 and 2018, 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, 2017 and 2018

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2017	2018	2018
	<b>Cash Flows from Operating Activities</b>		
Profit before income taxes	¥ 69,307	¥ 67,722	\$ 637,445
Depreciation	16,877	18,824	177,190
Impairment loss	254	3,614	34,026
Loss (gain) on sales of non-current assets	(946)	(3,311)	(31,169)
Loss (gain) on sales of investment securities	—	(455)	(4,286)
Share of (profit) loss of entities accounted for using equity method	(83)	(25)	(243)
Increase (decrease) in allowance for doubtful accounts	(1)	1	15
Increase (decrease) in provision for loss on business liquidation	(13)	(11)	(112)
Increase (decrease) in provision for loss on subleasing business	(55)	(155)	(1,459)
Increase (decrease) in net defined benefit liability	912	(555)	(5,228)
Interest and dividend income	(304)	(121)	(1,141)
Interest expenses	7,539	7,334	69,041
Decrease (increase) in notes and accounts receivable-trade	(1,157)	(769)	(7,246)
Decrease (increase) in inventories	(73,977)	(28,943)	(272,438)
Decrease (increase) in equity investments	(1,748)	(7,044)	(66,308)
Increase (decrease) in notes and accounts payable-trade	(15,546)	6,084	57,275
Increase (decrease) in deposits received	(158)	(10,652)	(100,264)
Other, net	(2,244)	4,566	42,983
<b>Subtotal</b>	<b>(1,346)</b>	<b>56,103</b>	<b>528,080</b>
Interest and dividend income received	285	94	894
Interest expenses paid	(9,332)	(9,425)	(88,722)
Income taxes paid	(21,495)	(25,274)	(237,897)
Net cash provided by (used in) operating activities	(31,889)	21,498	202,354
<b>Cash Flows from Investing Activities</b>			
Purchase of investment securities	(1,499)	(4,439)	(41,785)
Proceeds from sales and liquidation of investment securities	1,410	3,491	32,859
Purchase of property, plant and equipment and intangible assets	(61,300)	(71,665)	(674,566)
Proceeds from sales of property, plant and equipment and intangible assets	12,066	19,589	184,391
Payments for lease and guarantee deposits	(1,018)	(1,148)	(10,806)
Proceeds from collection of lease and guarantee deposits	964	1,240	11,679
Repayments of lease and guarantee deposits received	(12,448)	(3,153)	(29,680)
Proceeds from lease and guarantee deposits received	6,124	4,189	39,430
Other, net	1,142	258	2,433
Net cash provided by (used in) investing activities	(54,558)	(51,637)	(486,044)
<b>Cash Flows from Financing Activities</b>			
Net increase (decrease) in short-term loans payable	(500)	(11,500)	(108,245)
Repayments of finance lease obligations	(148)	(149)	(1,402)
Proceeds from long-term loans payable	160,000	80,000	753,012
Repayments of long-term loans payable	(91,300)	(60,800)	(572,289)
Proceeds from issuance of bonds	19,869	69,360	652,870
Redemption of bonds	—	(10,000)	(94,126)
Proceeds from issuance of common shares	88	391	3,682
Proceeds from share issuance to non-controlling shareholders	98	—	—
Purchase of treasury shares	(0)	(10,048)	(94,587)
Cash dividends paid	(11,504)	(13,435)	(126,460)
Dividends paid to non-controlling interests	(26)	(31)	(298)
Net cash provided by (used in) financing activities	76,575	43,787	412,154
Effect of Exchange Rate Change on Cash and Cash Equivalents	(25)	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	(9,897)	13,648	128,465
Cash and Cash Equivalents at Beginning of Period	57,591	47,699	448,974
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	4	—	—
<b>Cash and Cash Equivalents at End of Period</b>	<b>¥ 47,699</b>	<b>¥ 61,347</b>	<b>\$ 577,439</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries  
March 31, 2017 and 2018

## 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, 2018 of ¥106.24=U.S.\$1. The approximate rate of exchange prevailing at June 26, 2018 was ¥109.57=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, 2017 and 2018 were ¥166 million and ¥496 million (\$4,676 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 are 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, 2017 and 2018 were ¥2,508.73 and ¥2,664.70 (\$25.08), respectively.

Profit attributable to owners of parent per share for the years ended March 31, 2017 and 2018 was ¥245.10 and ¥240.89 (\$2.27), respectively.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2017 and 2018 was ¥244.06 and ¥239.52 (\$2.25), 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 Non-current 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, 2017 and 2018, 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

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, and others 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
<b>Interest rate swap contracts</b>	<b>Borrowings</b>
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 14. 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, 2017 and 2018 are as follows. Items for which fair value is extremely difficult to determine have not been included.

2017	Book value		Fair value		Difference	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
(1) Cash and deposits	¥ 47,701		¥ 47,701		¥ —	
(2) Securities	—		—		—	
(3) Investment securities <sup>1</sup>	42,497		42,544		47	
Total assets	90,198		90,245		47	
(1) Short-term loans payable <sup>2</sup>	45,500		45,500		—	
(2) Bonds payable <sup>3</sup>	80,000		80,890		890	
(3) Long-term loans payable <sup>2</sup>	684,600		697,963		13,363	
Total liabilities	810,100		824,353		14,253	
Derivative transactions <sup>4</sup>	¥ (206)		¥ (206)		¥ —	

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. Bonds scheduled to be redeemed within the year are included under "(2) Bonds."

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

2018	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)
(1) Cash and deposits	¥ 52,347	\$ 492,726	¥ 52,347	\$ 492,726	¥ —	\$ —
(2) Securities	9,000	84,713	9,000	84,713	—	—
(3) Investment securities <sup>1</sup>	37,205	350,205	37,244	350,572	39	367
Total assets	98,553	927,645	98,592	928,012	39	367
(1) Short-term loans payable <sup>2</sup>	34,000	320,030	34,000	320,030	—	—
(2) Bonds payable	140,000	1,317,771	141,428	1,331,218	1,428	13,447
(3) Long-term loans payable <sup>2</sup>	703,800	6,624,623	717,255	6,751,276	13,455	126,653
Total liabilities	877,800	8,262,424	892,684	8,402,525	14,884	140,101
Derivative transactions <sup>3</sup>	¥ (525)	\$ (4,947)	¥ (525)	\$ (4,947)	¥ —	\$ —

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 (stocks, etc.)

¥1,406 million as of March 31, 2017

¥5,538 million (\$52,131 thousand) as of March 31, 2018

#### 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) Securities

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

##### (3) Investment securities

For stocks and investment units, fair values are determined mainly at the price quoted on an exchange. For investment trusts, fair values are determined at an amount reasonably calculated based on a reasonable estimate of the management. Please see Note 4. Securities for information on those securities in (2) and (3).

### Liabilities

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

As these instruments are settled within a short term and their book values approximate fair values, their book values are deemed as their fair values.

#### (2) Bonds payable

Market prices of the bonds issued by the Company.

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

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

### Derivatives

Please see Note 14. Derivative Financial Instruments for information on derivative transactions.

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

2017	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted stocks	¥7,765	

2018	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted stocks	¥16,266	\$153,109

Notes: 1. Financial instruments for which there is no fair value and for which the fair value is extremely difficult to determine are not included in (3) Investment securities.

2. Includes unlisted stocks, etc., recorded under "equity investments."

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

2017	Within 1 year	1-5 years	5-10 years	Over 10 years
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Cash and deposits	¥47,661	¥ —	¥ —	¥—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds, etc.	15	478	942	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) Debt securities	2	10	—	—
(2) Others	—	—	—	—
Total	¥47,679	¥488	¥942	¥—

	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)
2018								
Cash and deposits	¥52,298	\$492,263	¥ —	\$ —	¥ —	\$ —	¥ —	\$ —
Securities and investment securities								
Held-to-maturity debt securities								
(1) Government and municipal bonds, etc.	38	359	614	5,785	838	7,888	—	—
(2) Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities								
(1) Debt securities	2	24	7	73	—	—	—	—
(2) Others	9,000	84,713	—	—	—	—	—	—
Total	¥61,338	\$577,361	¥622	\$5,858	¥838	\$7,888	¥—	\$—

#### 5. Repayment schedule for bonds payable and long-term loans payable at March 31, 2017 and 2018

	Within 1 year		1-2 years		2-3 years	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
2017						
Short-term loans payable	¥ 45,500	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	10,000	—	—	—	—	—
Long-term loans payable	60,800	68,300	53,500	53,500	53,500	53,500
Total	¥116,300	¥68,300	¥53,500	¥53,500	¥53,500	¥53,500

	3-4 years		4-5 years		Over 5 years	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
2017						
Short-term loans payable	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	20,000	10,000	40,000	40,000	40,000	40,000
Long-term loans payable	50,000	55,000	397,000	397,000	397,000	397,000
Total	¥70,000	¥65,000	¥437,000	¥437,000	¥437,000	¥437,000

	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)
2018						
Short-term loans payable	¥ 34,000	\$320,030	¥ —	\$ —	¥ —	\$ —
Bonds payable	—	—	—	—	20,000	188,253
Long-term loans payable	68,300	642,884	53,500	503,577	50,000	470,633
Total	¥102,300	\$962,914	¥53,500	\$503,577	¥70,000	\$658,886

	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)
2018						
Short-term loans payable	¥ —	\$ —	¥ —	\$ —	¥ —	\$ —
Bonds payable	10,000	94,127	10,000	94,127	100,000	941,265
Long-term loans payable	55,000	517,696	68,000	640,060	409,000	3,849,774
Total	¥65,000	\$611,822	¥78,000	\$734,187	¥509,000	\$4,791,039

## 4. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Group as of March 31, 2017 and 2018.

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

	(Millions of yen)		
	Book value	Fair value	Difference
2017			
Securities whose fair value exceeds book value:			
(1) Government and municipal bonds, etc.	¥1,322	¥1,369	¥47
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	1,322	1,369	47
Securities whose fair value does not exceed book value:			
(1) Government and municipal bonds, etc.	120	120	(0)
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	120	120	(0)
Total	¥1,442	¥1,489	¥47

	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
2018						
Securities whose fair value exceeds book value:						
(1) Government and municipal bonds, etc.	¥1,431	¥1,470	¥39	\$13,474	\$13,842	\$368
(2) Bonds payable	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	1,431	1,470	39	13,474	13,842	368
Securities whose fair value does not exceed book value:						
(1) Government and municipal bonds, etc.	65	65	(0)	620	619	(0)
(2) Bonds payable	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	65	65	(0)	620	619	(0)
Total	¥1,497	¥1,536	¥39	\$14,095	\$14,462	\$367

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

	(Millions of yen)		
	Book value	Acquisition cost	Difference
2017			
Securities whose book value exceeds acquisition cost:			
(1) Stocks	¥ 1,850	¥ 1,006	¥ 843
(2) Bonds	—	—	—
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	39,129	28,371	10,758
Subtotal	40,980	29,378	11,601
Securities whose book value does not exceed acquisition cost:			
(1) Stocks	0	0	(0)
(2) Bonds	—	—	—
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	13	13	—
3) Other	—	—	—
(3) Other	61	65	(4)
Subtotal	74	78	(4)
Total	¥41,054	¥29,457	¥11,597

2018	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Acquisition cost	Difference	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:						
(1) Stocks	¥ 1,921	¥ 1,007	¥ 914	\$ 18,088	\$ 9,480	\$ 8,608
(2) Bonds						
1) Government and municipal bonds, etc.	—	—	—	—	—	—
2) Bonds payable	—	—	—	—	—	—
3) Other	—	—	—	—	—	—
(3) Other	33,706	28,165	5,540	317,265	265,112	52,152
Subtotal	35,628	29,172	6,455	335,354	274,592	60,761
Securities whose book value does not exceed acquisition cost:						
(1) Stocks	—	—	—	—	—	—
(2) Bonds						
1) Government and municipal bonds, etc.	—	—	—	—	—	—
2) Bonds payable	10	10	—	97	97	—
3) Other	—	—	—	—	—	—
(3) Other	9,069	9,073	(3)	85,372	85,405	(33)
Subtotal	9,080	9,083	(3)	85,470	85,503	(33)
Total	¥44,708	¥38,256	¥6,451	\$420,824	\$360,095	\$60,728

### (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, 2017 and 2018.

Type	2017		
	(Millions of yen)		
	Sales amount	Aggregate gains	Aggregate losses
(1) Stocks	¥ 6	¥ 0	¥ 0
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	73	6	2
Total	¥80	¥ 7	¥ 2

Type	2018					
	(Millions of yen)			(Thousands of U.S. dollars)		
	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
(1) Stocks	¥3,222	¥455	¥118	\$30,327	\$4,286	\$1,118
(2) Bonds						
1) Government and municipal bonds, etc.	—	—	—	—	—	—
2) Bonds payable	—	—	—	—	—	—
3) Other	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Total	¥3,222	¥455	¥118	\$30,327	\$4,286	\$1,118

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

Short-term loans payable as of March 31, 2017 and 2018 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Short-term loans payable	¥45,500	¥34,000	\$320,030
Total	¥45,500	¥34,000	\$320,030

Short-term loans payable as of March 31, 2017 and 2018 mainly consisted of borrowings from banks with a weighted average interest rate of 0.2% in 2017 and 0.2% in 2018.

Long-term loans payable and bonds payable as of March 31, 2017 and 2018 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Unsecured bonds (2.1%), due 2017	¥ 10,000	¥ —	\$ —
Unsecured bonds (2.0%), due 2020	10,000	10,000	94,126
Unsecured bonds (0.8%), due 2024	10,000	10,000	94,126
Unsecured bonds (0.9%), due 2025	10,000	10,000	94,126
Unsecured bonds (0.4%), due 2021	10,000	10,000	94,126
Unsecured bonds (0.8%), due 2026	10,000	10,000	94,126
Unsecured bonds (0.2%), due 2021	10,000	10,000	94,126
Unsecured bonds (1.0%), due 2036	10,000	10,000	94,126
Unsecured bonds (0.2%), due 2022	—	10,000	94,126
Unsecured bonds (1.0%), due 2037	—	10,000	94,126
First deferred interest payment clause/unsecured bonds with early redemption clause (with subordination agreement)	—	30,000	282,379
Second deferred interest payment clause/unsecured bonds with early redemption clause (with subordination agreement)	—	20,000	188,253
Long-term loans payable <sup>1</sup>			
Unsecured	684,600	703,800	6,624,623
Lease obligations <sup>2</sup>	1,336	1,551	14,608
Subtotal	765,936	845,351	7,957,002
Less amounts due within one year	(70,927)	(68,150)	(641,478)
	¥695,009	¥777,201	\$7,315,524

Notes: 1. Long-term loans payable as of March 31, 2017 and 2018 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with weighted-average interest rates of 0.5% in 2017 and 0.5% in 2018.

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, 2018

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2019	¥ 53,500	\$ 503,576
2020	50,000	470,632
2021	55,000	517,695
2022	68,000	640,060
2023 and thereafter	409,000	3,849,774
	¥635,500	\$5,981,739

The following table shows the maturities of lease obligations subsequent to March 31, 2018.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2019	¥ 121	\$ 1,146
2020	104	980
2021	102	960
2022	106	1,004
2023 and thereafter	967	9,110
	¥1,402	\$13,202

## 6. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2017 and 2018 are summarized as follows:

### (1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Pledged assets:			
Buildings and structures	¥190	¥179	\$1,693
	¥190	¥179	\$1,693
Secured liabilities:			
Lease and guarantee deposits received	37	30	291
Total	¥ 37	¥ 30	\$ 291

(2) As of March 31, 2017, 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, 2018, investment securities in the amount of ¥10 million (\$94 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, 2017 and 2018 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Retirement benefit obligations at the beginning of the year	¥32,420	¥34,907	\$328,570
Service cost	1,702	1,776	16,720
Interest cost	153	164	1,549
Actuarial gain or loss	1,384	254	2,396
Retirement benefit payments	(752)	(787)	(7,407)
Retirement benefit obligations at the end of the year	¥34,907	¥36,315	\$341,829

A reconciliation of the changes in balance of plan assets for the fiscal years ended March 31, 2017 and 2018 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Fair value of plan assets at the beginning of the year	¥16,541	¥18,024	\$169,654
Expected return on plan assets	330	306	2,884
Actuarial gain or loss	(12)	410	3,859
Employer contributions	1,553	1,610	15,160
Retirement benefit payments	(388)	(363)	(3,417)
Fair value of plan assets at the end of the year	¥18,024	¥19,988	\$188,142

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal years ended March 31, 2017 and 2018

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Net defined benefit liability at the beginning of the year	¥2,139	¥2,048	\$19,277
Retirement benefit expenses	317	280	2,641
Retirement benefit payments	(386)	(257)	(2,421)
Contributions to plan	(22)	(23)	(219)
Net defined benefit liability at the end of the year	¥2,048	¥2,048	\$19,278



A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2017 and 2018, and net defined benefit liability on the Consolidated Balance Sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Funded retirement benefit obligations	¥ 24,663	¥ 25,651	\$ 241,447
Fair value of plan assets	(18,153)	(20,118)	(189,368)
Subtotal	6,509	5,532	52,078
Unfunded retirement benefit obligations	12,422	12,842	120,886
Net liabilities on the Consolidated Balance Sheet	¥ 18,931	¥ 18,375	\$ 172,965
Net defined benefit liability	18,931	18,375	172,965
Net liabilities on the Consolidated Balance Sheet	¥ 18,931	¥ 18,375	\$ 172,965

Note: It includes the plans applying a simplified method.

Breakdown of retirement benefit expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Service cost	¥1,702	¥1,776	\$16,720
Interest cost	153	164	1,549
Expected return on plan assets	(330)	(306)	(2,884)
Amortization of actuarial gain or loss	905	994	9,359
Amortization of prior service cost	(395)	(395)	(3,723)
Retirement benefit expenses calculated by a simplified method	317	280	2,641
Other	12	2	21
Retirement benefit expenses for defined benefit plan	¥2,364	¥2,516	\$23,684

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)
	2017	2018	2018
Prior service cost	¥(395)	¥ (395)	\$ (3,723)
Actuarial gain or loss	(492)	1,149	10,822
Total	¥(887)	¥ 754	\$ 7,098

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)
	2017	2018	2018
Unrecognized prior service cost	¥ 1,384	¥ 989	\$ 9,309
Unrecognized actuarial gain or loss	(7,334)	(6,184)	(58,215)
Total	¥(5,949)	¥(5,195)	\$(48,905)

Composition of plan assets by major classifications

	2017	2018
Claims	48%	47%
Equity	24%	23%
Other	27%	30%
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):

	2017	2018
Discount rate	0.2~0.5%	0.2~0.5%
Expected rate of return on plan assets	2.0%	1.7%
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, 2017 and 2018 are ¥571 million and ¥608 million (\$5,729 thousand).

## 8. Reclassification of Assets

As a result of revising the holding purpose of assets, the following amounts have been transferred from land held for development to non-current assets during the fiscal year ended March 31, 2018.

	Transfer during the year		(Thousands of U.S. dollars)
	(Millions of yen)		2018
	2017	2018	2018
Non-current assets from land held for development	¥—	¥6,959	\$65,503

## 9. Gain on Sales of Property and Equipment

The breakdown of gain on sales of property and equipment for the fiscal years ended March 31, 2017 and 2018 is as follows:

	Gain on sales		(Thousands of U.S. dollars)
	(Millions of yen)		2018
	2017	2018	2018
Land	¥ (263)	¥2,938	\$27,662
Buildings	1,209	372	3,507
Total	¥ 946	¥3,311	\$31,169

## 10. Impairment Loss

The Group recognized impairment loss on the following groups of assets for the fiscal years ended March 31, 2017 and 2018:

2017	Primary use	Type	Location
Leased assets (2 locations in total)		Buildings Property, plant and equipment-others	Chuo-ku, Tokyo and other locations

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 ¥254 million for the fiscal year ended March 31, 2017. The impairment loss consists of ¥238 million of buildings and ¥15 million 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.

2018	Primary use	Type	Location
Leased assets (3 locations in total)		Buildings	Yokohama-shi, Kanagawa and other locations

Assets of the Group are grouped into the smallest unit that generates 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 three groups of assets etc., comprising those whose profitability has dropped significantly due mainly to the changes of usage, decline in rent level or the deterioration of the market conditions, 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 ¥3,614 million for the fiscal year ended March 31, 2018. The impairment loss consists of ¥3,614 million of buildings.

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

## 11. Income Taxes

The statutory tax rate in Japan for the Company and its domestic subsidiaries was 30.9% for the fiscal years ended March 31, 2017 and 2018.

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

Fiscal year ended March 31, 2017

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.

Fiscal year ended March 31, 2018

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, 2017 and 2018: Significant components of the Company's deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Deferred tax assets:			
Unrealized profits	¥ 12,939	¥ 12,456	\$ 117,251
Net defined benefit liability	5,963	5,639	53,080
Impairment loss	3,923	5,150	48,476
Provision for bonuses	2,236	2,208	20,788
Inventory write-downs	1,566	1,522	14,328
Excess of depreciation	666	776	7,307
Revaluation of assets on consolidation	440	446	4,201
Provision for loss on subleasing business	79	31	296
Other	4,949	6,502	61,208
Gross deferred tax assets	32,766	34,733	326,938
Valuation allowance	(3,284)	(3,321)	(31,260)
Total deferred tax assets	29,481	31,412	295,677
Deferred tax liabilities:			
Revaluation of assets on consolidation	(49,854)	(49,400)	(464,993)
Reserve for deferred income taxes	(18,218)	(18,066)	(170,058)
Other	(4,474)	(2,929)	(27,575)
Total deferred tax liabilities	(72,546)	(70,397)	(662,626)
Net deferred tax liabilities	¥(43,064)	¥(38,984)	\$(366,949)

## 12. 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, 2018, the Group's capital reserve amounted to ¥110,316 million (\$1,038,369 thousand), and no legal reserve was recorded.

## 13. 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)
	2017	2018	2018
Cash and deposits	¥47,701	¥52,347	\$492,726
Securities	—	9,000	84,713
Time deposits with maturities of more than three months	(2)	—	—
Cash and cash equivalents	¥47,699	¥61,347	\$577,439

## 14. 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

2017	Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Fair value
				(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	¥1,094	¥ 983	¥(99)	
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen*	Securities denominated in foreign currencies	¥3,576	¥1,158	¥(119)	
Deferral hedge accounting	Forward exchange contract Sell Chinese Yuan / Buy U.S. dollars	Securities denominated in foreign currencies	¥1,135	¥1,135	¥ 12	
<b>Total</b>			<b>¥5,807</b>	<b>¥3,278</b>	<b>¥(206)</b>	

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

2018	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	¥1,326	\$ 12,487	¥1,215	\$ 11,440	¥ (18)	\$ (172)	
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Thai baht	Securities denominated in foreign currencies	¥7,400	\$ 69,655	¥6,280	\$ 59,117	¥(312)	\$(2,940)	
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	¥3,710	\$ 34,930	¥ 991	\$ 9,331	¥ (51)	\$ (487)	
Deferral hedge accounting	Forward exchange contract Sell Chinese Yuan / Buy U.S. dollars	Securities denominated in foreign currencies	¥1,075	\$ 10,124	¥1,075	\$ 10,124	¥(142)	\$(1,345)	
Deferral hedge accounting	Non-deliverable forward Sell Philippine peso / Buy yen		¥ 209	\$ 1,971	¥ -	\$ -	¥ 0	\$ (1)	
<b>Total</b>			<b>¥13,722</b>	<b>\$129,168</b>	<b>¥9,563</b>	<b>\$90,013</b>	<b>¥(525)</b>	<b>\$(4,947)</b>	

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

2017	Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		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	¥327,500	¥278,500	(Note)	
<b>Total</b>			<b>¥327,500</b>	<b>¥278,500</b>	<b>-</b>	

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.

2018	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	¥283,500	\$ 2,668,486	¥240,000	\$ 2,259,036	(Note)		
<b>Total</b>			<b>¥283,500</b>	<b>\$ 2,668,486</b>	<b>¥240,000</b>	<b>\$ 2,259,036</b>	<b>-</b>		

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.

## 15. 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, 2017 and 2018.

Operating leases	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
<b>Future lease payments:</b>			
Due within 1 year	¥ 3,178	¥ 3,166	\$ 29,805
Due after 1 year	15,127	13,946	131,275
<b>Total</b>	<b>¥ 18,305</b>	<b>¥ 17,113</b>	<b>\$ 161,080</b>
<b>Future lease receipts:</b>			
Due within 1 year	¥ 24,260	¥ 26,392	\$ 248,422
Due after 1 year	96,798	90,622	852,995
<b>Total</b>	<b>¥121,059</b>	<b>¥117,014</b>	<b>\$1,101,417</b>

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

## 16. Real Estate for Rent

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

Some rental office buildings are regarded as properties including the portion used as rental properties since they are used by the Company and certain consolidated subsidiaries.

The book values in the Consolidated Balance Sheet, changes during the fiscal years ended March 31, 2017 and 2018, 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, 2017 and 2018

	Book value <sup>1</sup>		Fair value <sup>2</sup>	
	March 31, 2016	Increase/Decrease	March 31, 2017	March 31, 2017
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
2017				
Rental properties	¥738,003	¥28,969	¥766,973	¥892,524
Other properties used as rental properties <sup>3</sup>	25,999	123	26,122	54,500

	Book value <sup>1</sup>				Fair value <sup>2</sup>			
	March 31, 2017		Increase/Decrease		March 31, 2018		March 31, 2018	
	(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)
2018								
Rental properties	¥766,973	\$7,219,249	¥27,505	\$258,898	¥794,478	\$7,478,147	¥946,597	\$8,909,988
Other properties used as rental properties <sup>3</sup>	26,122	245,885	(96)	(903)	26,026	244,982	55,820	525,414

- 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, 2017 and 2018 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, 2017 and 2018.  
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, 2017 and 2018

	Operating profit		Others (gains (losses) on sale of property, etc.) <sup>2</sup>	
	(Millions of yen)		(Millions of yen)	
2017				
Rental properties	¥27,787		¥354	
Other properties used as rental properties <sup>1</sup>	902		—	

	Operating profit		Others (gains (losses) on sale of property, etc.) <sup>2</sup>	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
2018				
Rental properties	¥30,409	\$286,232	¥(761)	\$(7,171)
Other properties used as rental properties <sup>1</sup>	1,058	9,963	—	—

- Notes: 1. As real estate of which some portions are used as rental property includes portions used by the Company and certain consolidated subsidiaries for providing services as well as management and administration, operating income for this type of real estate is not recorded.  
2. Others include gain on sales of non-current assets (¥946 million) and loss on building reconstruction (¥337 million) in the fiscal year ended March 31, 2017, and gain on sales of non-current assets (¥3,311 million (\$31,169 thousand) and impairment loss (¥3,614 million (\$34,026 thousand)) in the fiscal year ended March 31, 2018.

## 17. Segment Information

### (1) Segment Summary

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

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

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

### (2) 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, 2017 and 2018 were as follows:

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 <sup>1</sup>	Subtotal	Eliminations or Corporate <sup>2</sup>	Total <sup>3</sup>
Operating revenue and operating income									
Operating revenue:									
External customers	¥329,303	¥112,477	¥9,662	¥32,299	¥85,831	¥106	¥569,680	¥—	¥569,680
Inter-segment	484	2,532	—	2,520	9,933	0	15,470	(15,470)	—
Subtotal	329,787	115,009	9,662	34,820	95,764	106	585,151	(15,470)	569,680
Segment income (loss)	27,787	32,567	6,016	9,124	6,939	(30)	82,404	(5,132)	77,271
Segment assets	450,698	993,985	35,649	22,873	56,529	929	1,560,666	32,427	1,593,093
Other items									
Depreciation	¥264	¥14,139	¥27	¥378	¥1,481	¥5	¥16,296	¥580	¥16,877
Amortization of goodwill	—	235	—	—	29	—	264	—	264
Investment in affiliates accounted for using equity method	2,525	930	—	—	518	—	3,974	—	3,974
Increase in property, plant and equipment and intangible assets	¥427	¥56,224	¥22	¥649	¥1,754	¥—	¥59,079	¥1,295	¥60,374

Notes: 1. The "Other" category, which represents operating segments that are not included in reportable segments, includes other businesses.  
2. (1) The deduction of ¥5,132 million shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥1,388 million for the elimination of inter-segment transactions and a deduction of ¥6,521 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 ¥32,427 million shown in the eliminations or corporate column for segment assets includes a deduction of ¥48,080 million for the elimination of inter-segment transactions and an addition of ¥80,507 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, 2018

(Millions of yen)									
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other <sup>1</sup>	Subtotal	Eliminations or Corporate <sup>2</sup>	Total <sup>3</sup>
Operating revenue and operating income									
Operating revenue:									
External customers	¥357,774	¥132,501	¥9,378	¥33,521	¥90,479	¥107	¥623,762	¥—	¥623,762
Inter-segment	971	2,440	—	2,182	10,607	0	16,202	(16,202)	—
Subtotal	358,745	134,941	9,378	35,703	101,087	107	639,964	(16,202)	623,762
Segment income (loss)	24,516	35,232	5,911	8,452	7,076	(10)	81,178	(4,517)	76,660
Segment assets	448,966	1,061,328	34,840	17,181	62,188	921	1,625,426	48,266	1,673,692
Other items									
Depreciation	¥359	¥15,809	¥29	¥436	¥1,510	¥4	¥18,150	¥674	¥18,824
Amortization of goodwill	—	235	—	—	29	—	264	—	264
Investment in affiliates accounted for using equity method	9,827	4,809	—	—	513	—	15,150	—	15,150
Increase in property, plant and equipment and intangible assets	¥675	¥69,151	¥26	¥527	¥2,081	¥2	¥72,464	¥1,111	¥73,575

(Thousands of U.S. dollars)

	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other <sup>1</sup>	Subtotal	Eliminations or Corporate <sup>2</sup>	Total <sup>3</sup>
Operating revenue and operating income									
Operating revenue:									
External customers	\$3,367,602	\$1,247,187	\$88,278	\$315,522	\$851,652	\$1,011	\$5,871,253	\$—	\$5,871,253
Inter-segment	9,148	22,970	0	20,542	99,846	1	152,509	(152,509)	—
Subtotal	3,376,750	1,270,158	88,278	336,065	951,498	1,012	6,023,763	(152,509)	5,871,253
Segment income (loss)	230,761	331,634	55,646	79,555	66,607	(100)	764,105	(42,525)	721,580
Segment assets	4,225,967	9,989,911	327,943	161,720	585,359	8,669	15,299,572	454,313	15,753,886
Other items									
Depreciation	\$3,388	\$148,805	\$277	\$4,110	\$14,218	\$46	\$170,846	\$6,344	\$177,190
Amortization of goodwill	—	2,217	—	—	275	—	2,493	—	2,493
Investment in affiliates accounted for using equity method	92,502	45,268	—	—	4,836	—	142,607	—	142,607
Increase in property, plant and equipment and intangible assets	\$6,356	\$650,896	\$250	\$4,963	\$19,587	\$28	\$682,083	\$10,457	\$692,540

Notes: 1. The "Other" category, which represents operating segments that are not included in reportable segments, includes other businesses.  
2. (1) The deduction of ¥4,517 million (\$42,525 thousand) shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥2,601 million (\$24,484 thousand) for the elimination of inter-segment transactions and a deduction of ¥7,119 million (\$67,010 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 ¥48,266 million (\$454,313 thousand) shown in the eliminations or corporate column for segment assets includes a deduction of ¥41,686 million (\$392,383 thousand) for the elimination of inter-segment transactions and an addition of ¥89,953 million (\$846,696 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 non-current assets by reportable segments for the years ended March 31, 2017 and 2018 is summarized as follows:

(Millions of yen)						
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
2017						
Impairment loss	¥—	¥254	¥—	¥—	¥—	¥254
(Millions of yen)						
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
2018						
Impairment loss	¥—	¥3,614	¥—	¥—	¥—	¥3,614
(Thousands of U.S. dollars)						
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
2018						
Impairment loss	\$—	\$34,026	\$—	\$—	\$—	\$34,026

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2017 and 2018 by reportable segments:

(Millions of yen)						
2017	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 235	¥—	¥—	¥ 29	¥ 264
Balance at March 31, 2017	¥—	¥2,768	¥—	¥—	¥175	¥2,943

(Millions of yen)						
2018	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 235	¥—	¥—	¥ 29	¥ 264
Balance at March 31, 2018	¥—	¥2,532	¥—	¥—	¥146	¥2,679

(Thousands of U.S. dollars)						
2018	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	\$—	\$ 2,217	\$—	\$—	\$ 275	\$ 2,493
Balance at March 31, 2018	\$—	\$23,838	\$—	\$—	\$1,378	\$25,216

## 18. Contingent Liabilities

Contingent liabilities as of March 31, 2017 and 2018 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Guarantees for home loans of house purchasers from banks and other	¥64,277	¥78,107	\$735,203
Guarantees for loans to co-owners of EBS building	537	466	4,390
	¥64,815	¥78,574	\$739,594

## 19. 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, 2017 and 2018 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥ 1,712	¥(5,205)	\$(48,997)
Amount of recycling	135	262	2,471
Before income tax effect	1,847	(4,942)	(46,525)
Income tax effect	(565)	1,512	14,237
Valuation difference on available-for-sale securities	1,282	(3,430)	(32,288)
Deferred gains or losses on hedges:			
Amount recognized during the year	80	409	3,852
Amount of recycling	(133)	(204)	(1,922)
Before income tax effect	(52)	205	1,930
Income tax effect	16	(62)	(590)
Deferred gains or losses on hedges	(36)	142	1,339
Revaluation reserve for land:			
Income tax effect	(0)	(0)	(0)
Foreign currency translation adjustment:			
Amount recognized during the year	19	(33)	(315)
Amount of recycling	—	—	—
Before income tax effect	19	(33)	(315)
Income tax effect	—	—	—
Foreign currency translation adjustment	19	(33)	(315)
Remeasurements of defined benefit plans:			
Amount recognized during the year	(1,387)	162	1,530
Amount of recycling	500	591	5,568
Before income tax effect	(887)	754	7,098
Income tax effect	271	(230)	(2,172)
Remeasurements of defined benefit plans	(616)	523	4,926
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount recognized during the year	0	(381)	(3,589)
Amount of recycling	—	—	—
Before income tax effect	0	(381)	(3,589)
Income tax effect	(0)	126	1,191
Share of other comprehensive income of affiliates accounted for using the equity method	(0)	(254)	(2,398)
Total other comprehensive income	¥ 648	¥(3,052)	\$(28,975)

## 20. 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, 2017 and 2018.

## 21. 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)
	2017	2018	2018
Selling, general and administrative expenses	¥616	¥653	\$6,154

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2018	2018
	¥42	¥20	\$196

### 3. Description

Nomura Real Estate Holdings, Inc.

FY2010	3rd issue of stock options
Recipients	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: 226,400 shares
Grant date	August 23, 2010
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	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 23, 2019 – July 22, 2024	July 23, 2019 – July 22, 2024	July 23, 2019 – July 22, 2024

Nomura Real Estate Holdings, Inc.

FY2017	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 (90 persons)	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)
Type/number of shares reserved (Note)	Common stock: 39,800 shares	Common stock: 228,300 shares	Common stock: 456,400 shares
Grant date	July 21, 2017	July 21, 2017	July 21, 2017
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 21, 2020 – July 20, 2025	July 21, 2020 – July 20, 2025	July 21, 2020 – July 20, 2025

Nomura Real Estate Holdings, Inc.

FY2018	1st issue of stock options	2nd issue of stock options
Recipients	Directors of the Company (5 persons)	Directors and executive officers of the Company's subsidiaries (36 persons)
Type/number of shares reserved (Note)	Common stock: 10,700 shares	Common stock: 49,400 shares
Grant date	July 19, 2018	July 19, 2018
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	July 19, 2021 – July 18, 2026	July 19, 2021 – July 18, 2026

Notes: 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.

FY2010	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	31,300
Vested:	—
Exercised	25,600
Forfeited	5,700
End of the year	—



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	3,500	71,500
Vested:	—	—
Exercised	3,500	42,500
Forfeited	—	—
End of the year	—	29,000

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	8,400	49,300	104,200
Vested:	—	—	—
Exercised	—	11,000	36,300
Forfeited	—	—	—
End of the year	8,400	38,300	67,900

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	6,400	61,900	279,000
Vested:	—	—	—
Exercised	—	23,600	25,500
Forfeited	—	—	19,200
End of the year	6,400	38,300	234,300

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	—
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	34,700	117,400	343,200
Vested:	—	—	—
Exercised	4,800	13,300	91,300
Forfeited	—	—	14,600
End of the year	29,900	104,100	237,300

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	—	—	360,500	—	23,000
Granted	—	—	—	—	—
Forfeited	—	—	2,200	—	—
Vested:	—	—	8,000	—	—
End of the year	—	—	350,300	—	23,000
Vested: (shares)					
Previous fiscal year end	35,700	157,500	17,800	4,000	—
Vested:	—	—	8,000	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
End of the year	35,700	157,500	25,800	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	—	—	416,800
Granted	—	—	—
Forfeited	—	—	2,200
Vested:	—	—	4,600
End of the year	—	—	410,000
Vested: (shares)			
Previous fiscal year end	56,700	250,300	3,000
Vested:	—	—	4,600
Exercised	—	—	—
Forfeited	—	—	—
End of the year	56,700	250,300	7,600

Nomura Real Estate Holdings, Inc.

FY2017	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	39,800	228,300	456,400
Forfeited	—	—	—
Vested:	39,800	228,300	1,000
End of the year	—	—	455,400
Vested: (shares)			
Previous fiscal year end	—	—	—
Vested:	39,800	228,300	1,000
Exercised	—	—	—
Forfeited	—	—	—
End of the year	39,800	228,300	1,000

**(2) Unit price data**

Nomura Real Estate Holdings, Inc.

FY2010	3rd issue of stock options
Exercise price (¥)	1,194
Average price upon exercise (¥)	2,215
Fair value on grant date (¥)	437

Nomura Real Estate Holdings, Inc.

FY2011	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1,457
Average price upon exercise (¥)	2,163	2,371
Fair value on grant date (¥)	1,045	315

Nomura Real Estate Holdings, Inc.

FY2012	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,451
Average price upon exercise (¥)	—	2,345	2,449
Fair value on grant date (¥)	1,283	1,283	454

Nomura Real Estate Holdings, Inc.

FY2013	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,429
Average price upon exercise (¥)	—	2,378	2,724
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 (¥)	2,422	2,339	2,560
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

Nomura Real Estate Holdings, Inc.

FY2017	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,400
Average price upon exercise (¥)	—	—	—
Fair value on grant date (¥)	1,839	1,839	399

**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 FY2017 stock options	Nomura Real Estate Holdings, Inc. 2nd issue of FY2017 stock options	Nomura Real Estate Holdings, Inc. 3rd issue of FY2017 stock options
Expected volatility of the share price (Note 1)	33.35%	33.35%	33.35%
Expected remaining life of the option (Note 2)	5.5 years	5.5 years	5.5 years
Expected dividend (Note 3)	¥70 (\$0.66) per share	¥70 (\$0.66) per share	¥70 (\$0.66) 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 2012 to July 2017).  
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, 2018 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.

## 22. Subsequent Events

### (a) Share Acquisition Rights

The Company has resolved to issue share acquisition rights as stock options at the meeting of its Board of Directors held on June 26, 2018.

#### 1. Share acquisition rights with exercise price of ¥1 per share

##### (1) Recipients

Directors of the Company: 5 persons

Directors and executive officers of the Company's subsidiaries: 36 persons

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

Common stock: 60,100 shares

The number of shares issuable under each share acquisition right shall be 100 shares.

##### (3) Exercise price

¥1 per share

##### (4) Allotment date

July 19, 2018

##### (5) Exercise period of the share acquisition rights

July 19, 2021–July 18, 2026

##### (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.



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## Independent Auditor's Report

The Board of Directors  
Nomura Real Estate Holdings, Inc.

We have audited the accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

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

*Ernst & Young ShinNihon LLC*

June 26, 2018  
Tokyo, Japan

A member firm of Ernst & Young Global Limited