

Financial Report

For the Year Ended March 31, 2019

2019

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Management's Discussion and Analysis

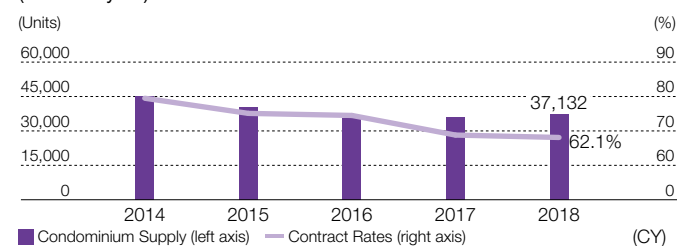
Trends in the Real Estate Industry

In the real estate industry, the residential market saw sales prices continue to increase while supply volume declined due to construction costs remaining high and intensified competition for the land acquisition, and there continued to be a trend of polarization in salability based on the levels of the convenience of the regions and the properties themselves.

Condominium supply in the Tokyo region increased by 3.4% year-on-year to 37,132 units in the calendar year 2018. The contract number for the first month on newly marketed condominium units in 2018 decreased by 6.0 percentage points year-on-year to 62.1%.

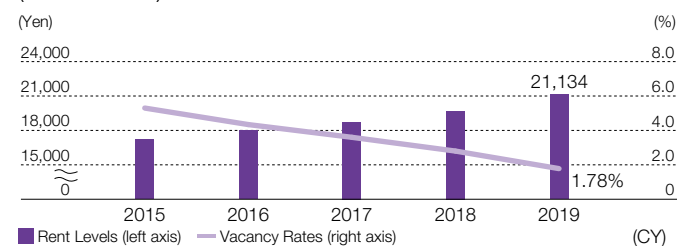
In the office market, many deals were executed in connection with office expansion such as relocations for more space, opening of branch offices and the expansion of floor space within buildings,

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



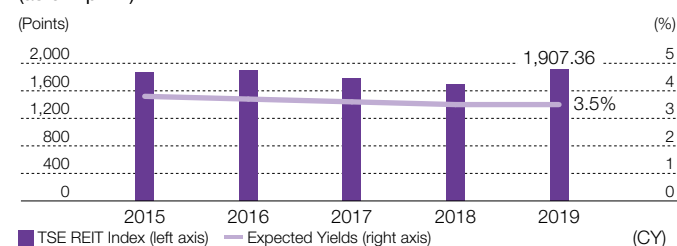
Source: Real Estate Economic Institute Co., Ltd.

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

and declining vacancy rates and increasing rent revenue continued nationwide.

The office building vacancy rate in the five wards of central Tokyo declined by 1.02 percentage points as of March 31, 2019, improving to 1.78%. Average rent levels in the five wards of central Tokyo as of March 31, 2019 increased by ¥1,435 per tsubo to ¥21,134 compared to March 31, 2018.

In the real estate investment market, the total asset size of J-REITs was steadily expanded thanks to the increase of property acquisition accompanied by new listings and public offerings, and the appraisal of J-REITs as stable and secure investments not susceptible to the impact of international affairs was enhanced because of the favorable domestic real estate market conditions.

Expected yields on A-class office buildings in the Marunouchi/Otemachi area remained at the same level year-on-year of 3.5% as of March 31, 2019.

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 ¥668,510 million, which represents an increase of 7.2% year on year; operating profit of ¥79,162 million, an increase of 3.3%; ordinary profit of ¥69,323 million, an increase of 1.9%; and profit attributable to owners of parent of ¥45,873 million, a decrease of 0.3%.

This year our ROA was 4.7% and ROE was 8.9%.

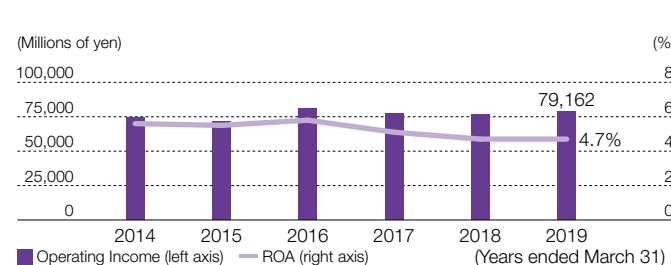
Operating Results by Segment

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 fiscal year under review, Nomura Real Estate Reform Co., Ltd., which had been classified under the Residential Development Business Unit, was transferred to the Property & Facility Management Business Unit. As of August 1, 2018, Nomura Real Estate Reform Co., Ltd. was merged with Nomura Real Estate Partners Co., Ltd. being the surviving company in an absorption-type merger.

Changes in Operating Income and ROA*



* ROA = (Operating profit + Non-operating profit) / Average assets during the fiscal year

Residential Development Business Unit

Operating revenue in the Residential Development Business Unit totaled ¥362,761 million, which represents an increase of 2.1% year on year, and operating profit totaled ¥23,180 million, a decrease of 5.5% 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 profit in other business, excluding residential development, owing to a decline in fees from JV projects, while there is no change in gross profit margin ratio for housing sales and there was an increase in the number of housing sales and a rise in unit sales prices.

In regard to housing sales, 5,890 units were recorded as sales (an increase of 25 units year on year), including PROUD CITY Etchujima (Koto-ku, Tokyo), PROUD TOWER Higashi Ikebukuro (Toshima-ku, Tokyo) for condominiums, and PROUD SEASON Senri Maruyamacho (Suita-shi, Osaka) for detached housing. As of the end of the fiscal year under review, the number of completed housing inventories totaled 276 units (a decrease of 182 units compared with the end of the previous fiscal year) and the number of contracted but not recorded housing units totaled 2,996 units (an increase of 165 units compared with the end of the previous fiscal year).

The Company has actively engaged in development projects in regional core cities in Japan and overseas, such as joining redevelopment projects in Mishima Station-front and Utsunomiya Station-front in Japan and expanding its business in Bangkok, Thailand.

Leasing Business Unit

Operating revenue in the Leasing Business Unit totaled ¥167,628 million, which represents an increase of 24.2% year on year, and operating profit totaled ¥38,858 million, an increase of 10.3%, resulting in increases in both operating revenue and operating profit compared with the previous fiscal year.

This was mainly due to an increase in leasing revenue in leasing business and revenues of property sales in property development business.

Construction of facilities including the PMO Akihabara North office building (Taito-ku, Tokyo), the PMO Higashi-Shinbashi office building (Minato-ku, Tokyo), and the GEMS Namba retail facility (Chuo-ku, Osaka-shi, Osaka) have been completed.

In logistics facilities, the Company finished constructing Landport Ome I (Ome-shi, Tokyo), a large-scale, high-functional "Category Multi-type" facility, and started its operation. "Category Multi-type" is a new concept that specifies industrial sectors to which the tenants belong and adds those sectors' specific functions as the facility's standard functions.

In November 2018, the Company opened NOHGA HOTEL UENO (Taito-ku, Tokyo), as the first project of the Group-operated hotel brand. In March 2019, the Group acquired all of the shares of Ryubundo Co., Ltd., which owns properties such as Hotel Niwa Tokyo, and its wholly-owned subsidiary UHM Co., Ltd., a hotel operating company.

Investment Management Business Unit

Operating revenue in the Investment Management Business Unit totaled ¥9,641 million, which represents an increase of 2.8% year on year, and operating profit totaled ¥5,943 million, an increase of 0.5%, resulting in increases in both operating revenue and operating profit compared with the previous fiscal year.

In the core REIT business, Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Private REIT, Inc. acquired a total of 21 properties for ¥75,499 million (transaction amount) from Nomura Real Estate Development Co., Ltd. in accordance with the sponsor pipeline in the leasing value chain.

Moreover, the Company acquired 75% of the shares of Lothbury Investment Management Group Limited, a British real estate management company, in November 2018. As a result, assets under management have steadily expanded and totaled ¥1,669,476 million at the end of the fiscal year under review, which represents an increase of ¥383,573 million year on year.

Property Brokerage & CRE Business Unit

Operating revenue in the Property Brokerage & CRE* Business Unit totaled ¥37,298 million, which represents an increase of 4.5% year on year, operating profit totaled ¥8,170 million, a decrease of 3.3%, resulting in an increase in operating revenue and a decrease in operating profit compared with the previous fiscal year.

This was mainly due to prior investments in human resources, stores and systems with looking ahead to future expansion in the business volume.

In the retail business, we opened the following new branches: Nagoya branch (Naka-ku, Nagoya-shi, Aichi) in April 2018, Toranomom Center (Minato-ku, Tokyo) in May 2018, and Yokohama motomachi Center (Naka-ku, Yokohama-shi, Kanagawa) in October 2018, and the total number of branch stores is 81.

In January 2019, the Group entered a capital alliance agreement with Tokio Property Services Pte Ltd., a real estate agency in Singapore, to strengthen its ability to cope with investment needs for real estate from Southeast Asia, where further expansion of the needs is expected.

*CRE: Corporate Real Estate

Property & Facility Management Business Unit

Operating revenue in the Property & Facility Management Business Unit totaled ¥107,802 million, which represents an increase of 3.1% year on year, and operating profit totaled ¥8,067 million, an increase of 14.0%, 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 and an increase in the number of members in the fitness club business.

In the fitness club business, we opened MEGALOS HIBIYA Chanter (Chiyoda-ku, Tokyo) in September 2018 and MEGALOS Reflet SHINSAIBASHI (Chuo-ku, Osaka-shi, Osaka) as a facility for women only in November 2018 in accordance with the rollout strategy to meet the regional needs and targets.

In addition, as of the end of the fiscal year under review, the number of buildings under management was 732 buildings (up 9 from the end of the previous fiscal year), and the number of condominiums under management was 177,582 units (up 3,877).

Other Business Unit

Operating revenue in the Other Business Unit totaled ¥94 million, which represents a decrease of 11.7% year on year, and operating loss totaled ¥43 million (operating loss in the previous fiscal year was ¥10 million).

Analysis of Financial Position

Assets

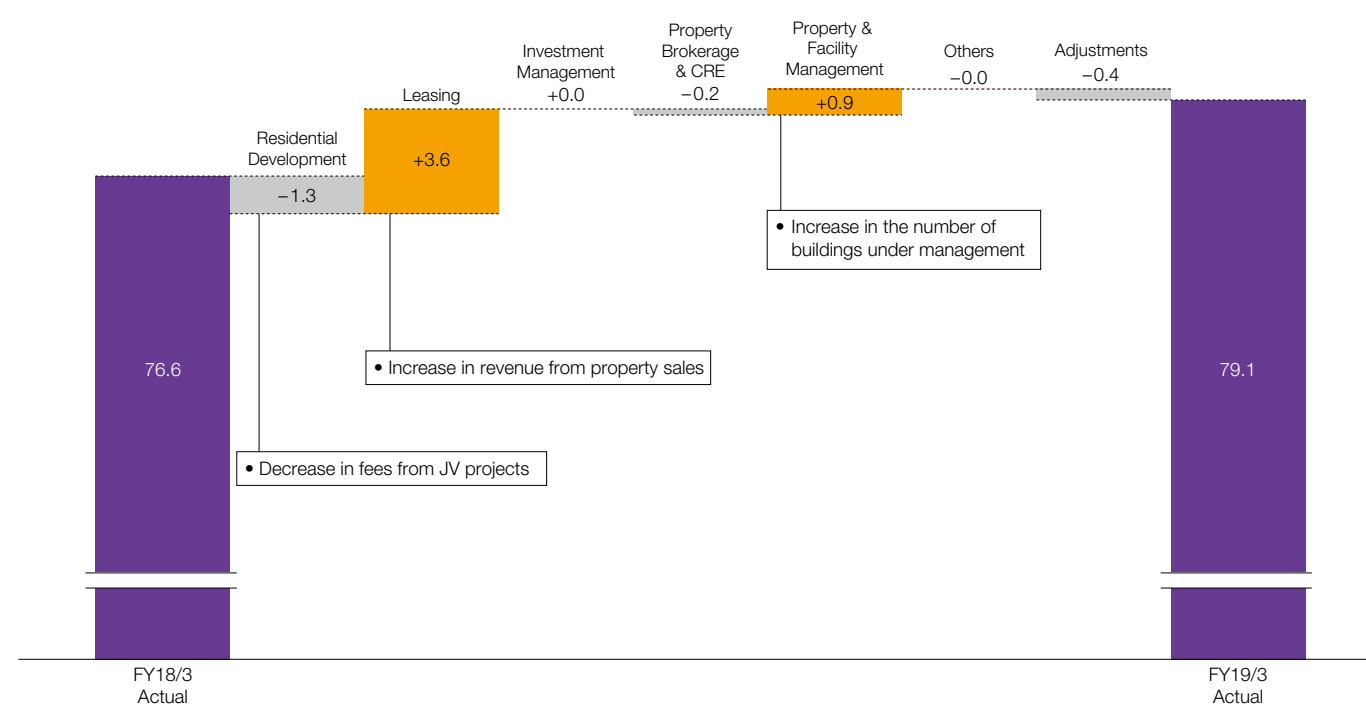
Total assets were ¥1,759,455 million, which represents an increase of ¥86,355 million compared to the end of the previous fiscal year. This was mainly due to increases in cash and deposits (increased by ¥29,003 million) and securities (increased by ¥28,000 million).

Liabilities

Total liabilities were ¥1,217,893 million, which represents an increase of ¥59,776 million compared to the end of the previous fiscal year. This was mainly due to increases in interest-bearing debt (increased by ¥36,200 million) and notes and accounts payable-trade (increased by ¥12,230 million).

Key Factors of Changes in Operating Profit by Business Unit (Compared to FY18/3)

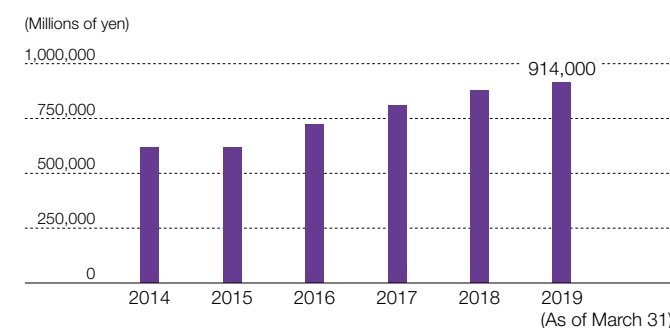
(Billions of yen)



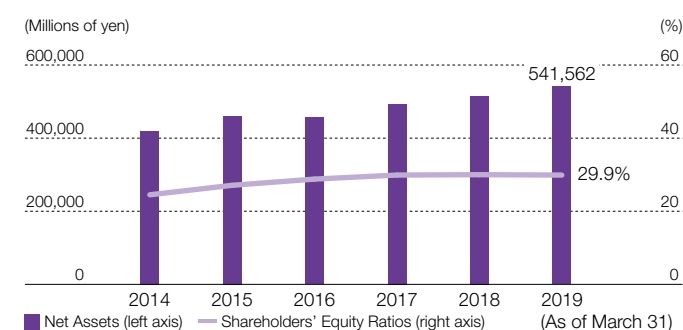
Major operating-related indices for each business are shown in the table below.

(As of March 31)	2015	2016	2017	2018	2019
Residential Development Unit:					
Condominium sales (units)	6,162	5,363	4,885	5,258	5,243
Detached housing sales (units)	859	643	682	607	647
Gross margin ratio of housing sales (%)	21.1	21.9	21.7	19.1	19.1
Completed housing inventories (released for sale) (units)	87	134	252	239	229
Completed housing inventories (unreleased) (units)	2	215	402	218	47
Leasing Unit:					
Vacancy rate	4.5	2.2	0.8	0.7	4.7
Investment Management Unit:					
Outstanding assets under management (millions of yen)	1,123,188	1,074,481	1,260,064	1,285,903	1,669,476
Property Brokerage & CRE Unit:					
Brokerage: Number of transactions	7,174	7,710	8,272	8,561	8,922
Brokerage: Total transaction value (millions of yen)	710,980	713,574	745,147	800,739	767,324
Property & Facility Management Unit:					
Buildings under management	729	705	702	723	732
Condominiums under management (units)	155,706	163,036	168,999	173,705	177,582
Members of MEGALOS	140,395	144,263	140,743	139,836	145,065

Changes in Interest-bearing Liabilities



Changes in Net Assets and Shareholders' Equity Ratios



Cash Flows

Cash Flows from Operating Activities

Net cash provided by (used in) operating activities was ¥89,964 million (a year-on-year increase of ¥68,465 million). This was mainly due to the payments of income taxes, while profit before income taxes totaled ¥65,407 million and inventories decreased.

Net Assets

Net assets were ¥541,562 million, which represents an increase of ¥26,579 million compared to the end of the previous fiscal year.

This was mainly due to the acquisition of treasury shares (decreased by ¥8,783 million) offset by an increase in retained earnings (increased by ¥32,271 million).

Cash Flows from Investing Activities

Net cash used in investing activities was ¥46,699 million (a year-on-year increase of ¥4,938 million). This was mainly due to the payment for the acquisition of subsidiary shares accompanying changes in the scope of consolidation and the purchase of property, plant and equipment and intangible assets.

Cash Flows from Financing Activities

Net cash provided by (used in) financing activities totaled ¥13,723 million (a year-on-year decrease of ¥30,063 million). This was mainly due to the procurement of funds by long-term loans payable, while there was the acquisition of treasury shares and payment of cash dividends.

Facilities Situation

In the fiscal year ended March 31, 2019, we invested a total amount of ¥19,776 million, including the acquisition of NOHGA HOTEL UENO (Taito-ku, Tokyo).

Business Unit (Millions of yen)	2018	2019	Change
Residential Development	¥ 645	¥ 537	¥ (107)
Leasing	69,151	15,880	(53,270)
Investment Management	26	10	(15)
Property Brokerage and CRE	527	488	(38)
Property and Facility Management	2,110	1,692	(418)
Other	2	19	16
Subtotal	72,464	18,628	(53,835)
Adjustments	1,111	1,148	37
Total	73,575	19,776	(53,798)

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, 2019.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Completion	Acquisition Price (Millions of yen)
Mainly NREG TOSHIBA BUILDING Co., Ltd.	NOHGA HOTEL UENO (Taito-ku, Tokyo)	Leasing	Hotel	Steel-framed construction, 10 floors above ground	Building: 4,868 Land: 966	October 2018	¥3,153

We acquired the following properties in the fiscal year ended March 31, 2019.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Acquisition Price (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Kyoto Kiyomizu Gojo Project (tentative name) (Note) (Higashiyama-ku, Kyoto-shi, Kyoto)	Leasing	Land slated for building construction	—	Land: 1,382	¥3,631

Note: Land area refers to area allocated by our share.

The following non-current assets were reclassified as land held for development and others in the fiscal year ended March 31, 2019.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Book Value (Millions of yen)
Mainly Nomura Real Estate Development Co., Ltd.	Nihonkouku Tamachi Building (Minato-ku, Tokyo) and 6 other buildings	Leasing	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 7 floors above ground	Building: 17,531 Land: 4,134	¥77,033

Note: Property name, business segment, major use, size of construction or details of facility, etc., shown are regarding Nihonkouku Tamachi Building.

In accordance with the acquisition of shares in Ryubundo Co., Ltd., in the fiscal year ended March 31, 2019, the following facility is classified as a major facility.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Acquisition Price (Millions of yen)
Mainly Ryubundo Co., Ltd.	HOTEL NIWA TOKYO (Chiyoda-ku, Tokyo)	Leasing	Hotel	Steel-framed construction (partially steel-framed reinforced concrete construction), 16 floors above ground, 2 other buildings	Building: 9,280 Land: 1,710	¥19,782

As a result of the sale of shares in Toranomon Real Estate Co., Ltd., in the fiscal year ended March 31, 2019, the following facility is no longer classified as a major facility.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Book Value (Millions of yen)
Toranomon Real Estate Co., Ltd.	Bansui Building (Minato-ku, Tokyo)	Leasing	Office	Reinforced concrete construction (partially steel-framed reinforced concrete construction), 1 floor below ground, 7 floors above ground	Building: 3,289 Land: 555	¥5,892

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 Business Unit

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
NREG TOSHIBA BUILDING Co., Ltd.	Hamamatsucho Building / Toshiba Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially steel-framed and reinforced concrete construction), 3 floors below ground, 39 floors above ground	158,732	March 1984	33,921	¥13,464	¥129,809	¥ 228	¥143,502
Nomura Real Estate Development Co., Ltd.	Yokohama Business Park ² (Hodogaya-ku, Yokohama-shi, Kanagawa)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 2 floors below ground, 21 floors above ground, 11 other buildings	245,200	Mainly February 1990	70,817	28,976	14,584	960	44,521
NREG TOSHIBA BUILDING Co., Ltd.	LAZONA Kawasaki Toshiba Building (Saiwai-ku, Kawasaki-shi, Kanagawa)	Office	Steel-framed construction, 15 floors above ground	98,428	March 2013	9,764	14,079	22,245	438	36,762
Nomura Real Estate Development Co., Ltd.	Nihonbashi Muromachi Nomura Building (Chuo-ku, Tokyo)	Office	Steel-framed construction (partially reinforced concrete and steel-framed reinforced concrete construction), 5 floors below ground, 21 floors above ground	44,989	September 2010	2,737	13,571	19,227	330	33,130
Nomura Real Estate Development Co., Ltd.	Yokohama Nomura Building ³ (Nishi-ku, Yokohama-shi, Kanagawa)	Office	Steel-framed construction, 17 floors above ground, 1 other building	58,755	January 2017	6,721	18,831	8,809	503	28,144
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Ginza Building ³ (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete and steel-framed construction), 5 floors below ground, 17 floors above ground	26,748	March 1982	3,184	1,691	22,677	10	24,380
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan 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	1,918	21,116	—	23,035
Nomura Real Estate Development Co., Ltd.	Shinjuku Nomura Building ^{2,3} (Shinjuku-ku, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete and steel-framed construction), 5 floors below ground, 50 floors above ground	58,512	May 1978	4,639	5,920	16,303	279	22,504
Nomura Real Estate Development Co., Ltd.	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	9,879	10,247	341	20,468
Mainly Ryubundo Co., Ltd.	HOTEL NIWA TOKYO (Chiyoda-ku, Tokyo)	Hotel	Steel-framed construction (partially steel-framed reinforced concrete construction), 16 floors above ground, 2 other buildings	1,710	March 2009	9,280	3,229	16,418	120	19,768
Midosuji Mirai Development, LLC	Midosuji Nomura Building ² (Chuo-ku, Osaka-shi, Osaka)	Office	Steel-framed construction (partially reinforced concrete construction), 2 floors below ground, 14 floors above ground	20,420	February 2009	1,939	3,519	15,707	21	19,248
Nomura Real Estate Development Co., Ltd.	Morisia Tsudanuma ² (Narashino-shi, Chiba)	Retail facility	Steel-framed reinforced concrete construction (partially reinforced concrete construction), 3 floors below ground, 12 floors above ground, 1 other building	97,699	Mainly October 1978	19,194	1,781	16,037	30	17,849
Nomura Real Estate Development Co., Ltd.	Kameido 6chome Project (tentative name) ^{2,4} (Koto-ku, Tokyo)	Land slated for building construction	—	—	[December 2017]	24,822	—	17,497	—	17,497
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Shibadai Building (Minato-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 2 floors below ground, 11 floors above ground	15,700	April 2010	2,447	3,555	10,650	72	14,278
Nomura Real Estate Development Co., Ltd.	Otemachi Nomura Building ^{2,3} (Chiyoda-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 5 floors below ground, 27 floors above ground	9,815	February 1994	749	1,290	12,584	7	13,881
NREG TOSHIBA BUILDING Co., Ltd.	LAZONA Kawasaki Plaza ^{3,5} (Saiwai-ku, Kawasaki-shi, Kanagawa)	Retail facility	Steel-framed reinforced concrete construction (partially reinforced concrete and steel-framed construction), 1 floor below ground, 6 floors above ground	98,254	September 2006	72,013	13,142	—	442	13,585

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
NREG TOSHIBA BUILDING Co., Ltd.	Toshiba Hamamatsucho Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 8 floors above ground	13,482	July 1974	2,907	¥ 389	¥ 10,956	¥ 2	¥ 11,349
Nomura Real Estate Development Co., Ltd.	Dai-ni Edobashi Building ⁵ (Chuo-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, 9 floors above ground	13,359	November 1973	1,376	486	10,553	1	11,041
Nomura Real Estate Development Co., Ltd.	bono Sagamiono Shopping Center ³ (Minami-ku, Sagami-hara-shi, Kanagawa)	Retail facility	Reinforced concrete construction (partially steel-framed construction), 1 floor below ground, 11 floors above ground	43,059	January 2013	5,797	5,458	4,649	315	10,422
Nomura Real Estate Development Co., Ltd.	Minamigyotoku SC ² (Ichikawa-shi, Chiba)	Retail facility	Steel-framed construction (partially reinforced concrete construction), 2 floors below ground, 2 floors above ground	35,612	April 2000	16,503	4,873	4,942	10	9,826
Nomura Real Estate Development Co., Ltd.	TOKYO TORANOMON GLOBAL SQUARE (tentative name) ⁶ (Minato-ku, Tokyo)	Land slated for building construction	—	—	[October 2018]	2,782	—	9,369	—	9,369
NREG TOSHIBA BUILDING Co., Ltd.	Fuchu Toshiba Building (Fuchu-shi, Tokyo)	Office	Steel-framed reinforced concrete construction (partially reinforced concrete construction), 1 floor below ground, 8 floors above ground, 1 other building	32,299	April 1993	8,290	3,497	5,247	13	8,758
NREG TOSHIBA BUILDING Co., Ltd.	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	3,067	5,660	30	8,758
Nomura Real Estate Development Co., Ltd.	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	4,012	3,306	89	7,407
Nomura Real Estate Development Co., Ltd.	Wako Building (Minato-ku, Tokyo)	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 8 floors above ground	3,171	April 1971	621	536	6,786	—	7,323
NREG TOSHIBA BUILDING Co., Ltd.	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	3,634	3,109	400	7,145
NREG TOSHIBA BUILDING Co., Ltd.	Umeda Sky Building ³ (Kita-ku, Osaka-shi, Osaka)	Office	Steel-framed construction (partially steel-framed reinforced concrete and reinforced concrete construction), 2 floors below ground, 40 floors above ground	43,093	March 1993	8,325	2,417	4,585	99	7,102
Nomura Real Estate Development Co., Ltd.	Kanda Nishikicho 1chome Project (tentative name) (Chiyoda-ku, Tokyo)	Land slated for building construction	—	—	[September 2017]	886	—	7,049	—	7,049
NREG TOSHIBA BUILDING Co., Ltd.	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	959	5,989	4	6,954
NREG TOSHIBA BUILDING Co., Ltd.	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	535	5,768	32	6,336
Nomura Real Estate Development Co., Ltd.	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	2,871	3,182	2	6,056
Nomura Real Estate Development Co., Ltd.	Toranomon Central Building (Minato-ku, Tokyo)	Office	Steel-framed construction (partially reinforced concrete and steel-framed reinforced concrete construction), 3 floors below ground, 10 floors above ground	4,431	August 1977	548	709	4,999	0	5,709
NREG TOSHIBA BUILDING Co., Ltd.	Creare Toshiba Fuchu (Fuchu-shi, Tokyo)	Residential	Reinforced concrete construction (partially steel-framed reinforced concrete construction), 10 floors above ground	26,352	January 1992	20,590	4,080	1,516	36	5,633
NREG TOSHIBA BUILDING Co., Ltd.	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	2,360	3,073	18	5,452
Nomura Real Estate Development Co., Ltd.	Fukuoka Tenjin Center Building ^{2,3} (Chuo-ku, Fukuoka-shi, Fukuoka)	Office	Steel-framed reinforced concrete construction, 3 floors below ground, 19 floors above ground	25,103	April 1976	2,256	856	4,413	30	5,301

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Development Co., Ltd.	PMO Nihonbashi Muromachi ³ (Chuo-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 1 floor below ground, 9 floors above ground	5,333	January 2013	701	¥ 974	¥ 3,716	¥ 12	¥ 4,703
Nomura Real Estate Development Co., Ltd.	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	179	4,393	—	4,572
Nomura Real Estate Development Co., Ltd.	Soto-kanda 3chome Project (tentative name) (Chiyoda-ku, Tokyo)	Land slated for building construction	—	—	[March 2018]	663	—	4,168	—	4,168
NREG TOSHIBA BUILDING Co., Ltd.	Toshiba Fukuoka Building (Chuo-ku, Fukuoka-shi, Fukuoka)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 2 floors below ground, 17 floors above ground	23,711	July 1993	4,597	1,860	1,918	26	3,805
NREG TOSHIBA BUILDING Co., Ltd.	Toshiba Manseibashi Building ⁵ (Chiyoda-ku, Tokyo)	Office	Reinforced concrete construction, 1 floor below ground, 9 floors above ground	5,319	September 1961	681	221	3,551	0	3,773
Nomura Real Estate Development Co., Ltd.	Kyoto Kiyomizu Gojo Project (tentative name) ³ (Higashiyama-ku, Kyoto-shi, Kyoto)	Land slated for building construction	—	—	[September 2018]	1,382	—	3,635	—	3,635
NREG TOSHIBA BUILDING Co., Ltd.	Nomura Fudosan Nishishinjuku Kyodo Building ³ (Shinjuku-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete and reinforced concrete construction), 1 floor below ground, 8 floors above ground	6,716	October 1993	1,249	915	2,700	2	3,619
NREG TOSHIBA BUILDING Co., Ltd.	Toshiba Sendai Building ^{3,5} (Aoba-ku, Sendai-shi, Miyagi)	Hotel	Steel-framed construction (partially reinforced concrete construction), 2 floors below ground, 11 floors above ground	16,179	April 1975	1,731	592	2,817	4	3,413
Mainly NREG TOSHIBA BUILDING Co., Ltd.	NOHGA HOTEL UENO (Taito-ku, Tokyo)	Hotel	Steel-framed construction, 10 floors above ground	4,868	October 2018	966	2,109	617	353	3,080

Notes: 1. "Facility" represents building accounts, "land" represents land and leasehold rights accounts, and "others" represents structures; machinery; tools, appliances, and fixtures; vehicles and delivery equipment; and leased asset accounts. "Total" represents the sum of leasehold rights 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 area and land area.
4. Land area refers to total area at the planning stage including residential development business.
5. Land area includes leased land.
6. Land area refers to the area on which the redevelopment property will exist.

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

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

2) Property & Facility Management Business Unit

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Life & Sports Co., Ltd.	Megaros Souka and other 45 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	¥8,304	¥—	¥1,055	¥9,360

Notes: 1. "Facility" represents building accounts, "land" represents land and leasehold rights 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. "Land area" represents the leased land area of these facilities. "Size of construction or details of facility, etc." and "Completion or [time of acquisition]" are in reference to Megalos Kashiwa.

Facilities Establishment and Renovation

In the fiscal year ended March 31, 2020, we are scheduled to establish and renovate the following facilities. There is no major expansion or removal of facilities.

1) Establishment of major facilities

Company Name	Property Name (Location)	Business Segment	Major 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 Co., Ltd.	TOKYO TORANOMON GLOBAL SQUARE (tentative name) (Minato-ku, Tokyo)	Leasing	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 4 floors below ground, 24 floors above ground	¥35,361	¥14,643	Loans payable and own funds	FY18/3	FY21/3
Nomura Real Estate Development Co., Ltd.	Kyoto Kiyomizu Gojo Project (tentative name) (Higashiyama-ku, Kyoto-shi, Kyoto)	Leasing	Hotel	Steel-framed construction, 1 floor below ground, 6 floors above ground	11,929	3,666	Loans payable and own funds	FY20/3	FY22/3
Nomura Real Estate Development Co., Ltd.	Kanda Nishikicho 1chome Project (tentative name) (Chiyoda-ku, Tokyo)	Leasing	Office	Steel-framed construction, 1 floor below ground, 10 floors above ground	11,607	7,079	Loans payable and own funds	FY20/3	FY22/3
Nomura Real Estate Development Co., Ltd.	Soto-Kanda 3chome Project (tentative name) (Chiyoda-ku, Tokyo)	Leasing	Hotel	Steel-framed construction, 10 floors above ground	6,766	4,186	Loans payable and own funds	FY19/3	FY21/3
NREG TOSHIBA BUILDING CO., Ltd.	Ginza 6chome Project (tentative name) (Chuo-ku, Tokyo)	Leasing	Retail facility	Steel-framed construction (partially steel-framed reinforced concrete construction), 3 floors below ground, 11 floors above ground	4,572	2,567	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 Co., Ltd.	—	Leasing	¥2,800	—	April 2019 – March 2020	Construction for facility renovation

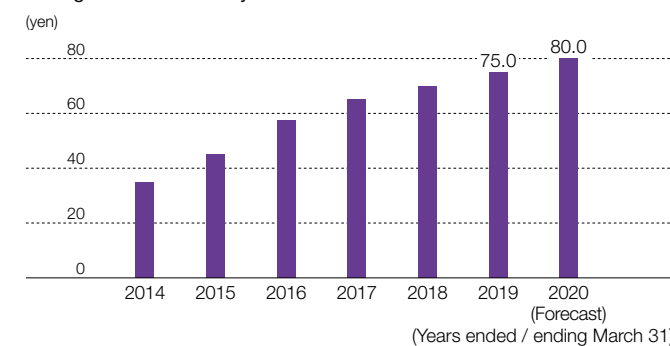
Note: Refers to renovation of major facilities of several existing properties owned by Nomura Real Estate Co., Ltd.

Basic Policy Concerning Profit Distribution and Dividends for the fiscal years ended March 31, 2019 and 2020

The Company's payout ratio is approximately 30%, in accordance with business performance, comprehensively considering the operating environment, capital investment plans, retained earnings, and other relevant factors for the fiscal year ended March 31, 2019. The Company intends to set the year-end dividend for the fiscal year ended March 31, 2019 at ¥37.5 per share as forecasted. Combined with the second quarter-end dividend, the annual dividend per share is ¥75.0.

As for the fiscal year ending March 31, 2020 in Phase 1 of the Mid- to Long-term Management Plan (from fiscal year ending March 31, 2020 to fiscal year ending March 31, 2022) formulated in April 2019, total return ratio is around 40% to 50%. In regard to the dividend for this fiscal year, the second quarter-end and year-end dividends will be ¥40.0 per share, and the annual dividend will be ¥80.0 per share.

Changes in Dividend Payments

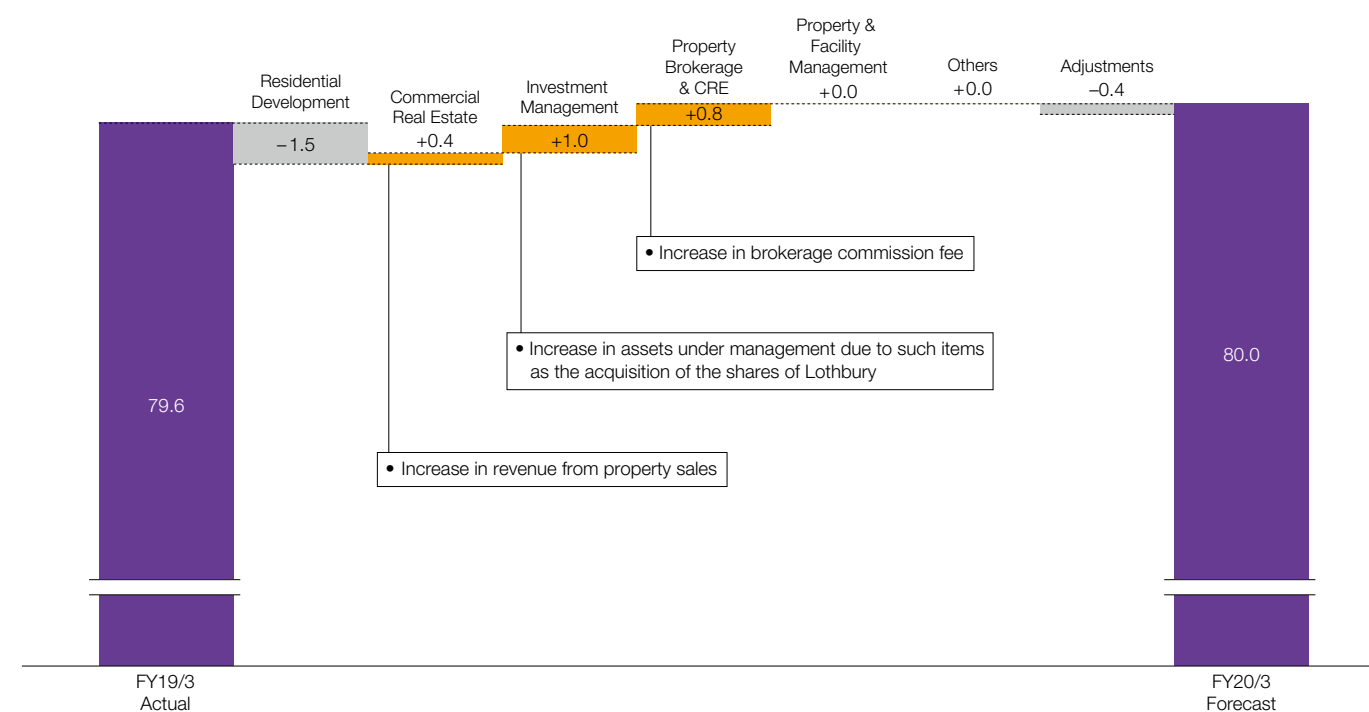


Consolidated Performance Outlook for the fiscal year ending March 31, 2020 (announced on April 25, 2019)

We expect to post operating revenue of ¥739,000 million, operating profit of ¥79,500 million, business profit of ¥80,000 million, ordinary profit of ¥70,000 million, and profit attributable to owners of parent of ¥46,000 million for the fiscal year ending March 31, 2020.

Key Factors of Changes by Segment from FY19/3 to FY20/3

(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, 2019.

(1) Risks resulting from deterioration of business environment

With regard to the Company's business environment, a domestic or overseas economic downturn, the planned consumption tax increase in October 2019, and a potential decrease in corporate earnings and a decline in personal consumption, or an increase in interest rates and an oversupply in the real estate market may occur. Thus, any such events may cause a decline in purchasing sentiment among customers of the Residential Development Business, the Property Brokerage & CRE Business, as well as a consequent fall in selling prices, an increase in inventories, and valuation losses on inventories.

As for the Leasing Business and the Investment Management Business, there could be a decline in office rent levels, an increase in vacancy rates, a fall in property prices or a drop in profit ratios and an associated valuation loss on assets owned by the Group. Additionally, declining REIT stock prices and weakening demand for investment funds may occur.

The Company has positioned M&A as an important growth strategy, and aims to increase its corporate value by implementing M&A that can be expected to generate synergies and utilizing the characteristics of the holding company system. However, in the event of changes in the business environment, the expected growth of the acquired company, or the synergy expected from the acquisition, may not be realized.

The events described above could have an adverse impact on the Group's business performance.

(2) Risks resulting from changes to real estate-related legislation or the tax systems

A number of laws and regulations in Japan and overseas apply to the various businesses of the Group, which will be subject to new regulations as it expands its operational scope in the future. For example, in Japan, 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 various tax systems in Japan and overseas that impact the Real Estate Development Business are implemented, this could lead to an increase in expenses for the holding, acquisition, and sale of assets, or cause 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) Risks resulting from a rise in interest rates

The balance of interest-bearing debt at March 31, 2019 was ¥914,000 million, an increase of ¥36,200 million year on year (equivalent to 51.9% of total assets, decreased by 0.5 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.

(4) Risks resulting from natural disasters and sudden accidents

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.

(5) Risks resulting from leakage of personal information and a crisis in the information management system

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, in the event of an external leakage of personal information or a risk arising to the Company's information management system due to unforeseen circumstances including a cyberattack or illegal access to the Company's computer system, confidence in the Group could be lost, leading to such issues as a decrease in sales, the incurrence of expenses to pay compensation for damages, and delays to business activities and business processing. This could have an adverse impact on the Group's business performance.

(6) Risks related to the Real Estate Development Business

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. The 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 additional expenses, which could have a negative impact on its business performance or financial condition.

Moreover, when carrying out design and construction, we place orders with third parties such as construction and other companies who possess certain skills in building design, construction operations, and other matters. At the Group, departments possessing specialist knowledge carry out appropriate supervision and direction at each stage of design and construction. However, in the event of defective construction work or other issues, confidence in the Group could be lost, and unexpected expenses and delays to development projects could occur. This could have an adverse impact on the Group's business performance.

Consolidated Balance Sheet

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2018 and 2019

Assets	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2018	2019	2019
Current Assets			
Cash and deposits (Notes 2(3) and 5)	¥ 52,347	¥ 81,351	\$ 732,959
Notes and accounts receivable-trade	17,308	26,601	239,677
Securities (Notes 5 and 6)	9,000	37,000	333,363
Real estate for sale (Note 10)	102,884	161,224	1,452,600
Real estate for sale in process	261,278	290,398	2,616,442
Land held for development (Note 10)	228,326	184,650	1,663,672
Equity investments (Notes 5 and 6)	9,612	18,066	162,776
Other	36,917	50,274	452,964
Allowance for doubtful accounts	(39)	(39)	(356)
Total current assets	717,635	849,528	7,654,101
Non-Current Assets			
Property, plant and equipment			
Buildings and structures (Notes 8 and 10)	403,011	394,979	3,558,698
Accumulated depreciation	(163,985)	(171,594)	(1,546,035)
Buildings and structures, net	239,026	223,385	2,012,662
Land (Notes 2(15) and 10)	592,550	544,226	4,903,381
Other (Note 10)	26,576	29,885	269,266
Accumulated depreciation	(9,778)	(10,464)	(94,285)
Other, net	16,797	19,421	174,981
Total property, plant and equipment	848,374	787,033	7,091,026
Intangible assets	12,364	18,104	163,118
Investments and other assets			
Investment securities (Notes 5, 6 and 21)	42,362	50,522	455,197
Lease and guarantee deposits (Note 5)	23,131	25,448	229,283
Deferred tax assets (Note 13)	20,843	20,863	187,974
Other	8,387	7,956	71,684
Allowance for doubtful accounts	(0)	(0)	(5)
Total investments and other assets	94,725	104,789	944,133
Total non-current assets	955,464	909,926	8,198,278
Total Assets	¥1,673,099	¥1,759,455	\$15,852,380

See notes to consolidated financial statements.

Liabilities	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2018	2019	2019
Current Liabilities			
Notes and accounts payable-trade	¥ 41,696	¥ 53,927	\$ 485,875
Short-term loans payable (Notes 5 and 7)	102,300	79,500	716,280
Income taxes payable (Note 13)	14,993	13,318	120,001
Deposits received	18,807	26,915	242,500
Provision for bonuses	7,679	8,176	73,666
Provision for directors' bonuses	590	495	4,464
Provision for loss on business liquidation	36	26	240
Other	48,073	49,513	446,105
Total current liabilities	234,176	231,873	2,089,135
Non-Current Liabilities			
Bonds payable (Notes 5 and 7)	140,000	140,000	1,261,374
Long-term loans payable (Notes 5 and 7)	635,500	694,500	6,257,320
Lease and guarantee deposits received (Note 8)	60,241	59,249	533,825
Deferred tax liabilities (Note 13)	59,828	61,563	554,680
Deferred tax liabilities for land revaluation (Note 2(15))	3,900	3,900	35,139
Provision for loss on subleasing business	102	15	139
Net defined benefit liability (Note 9)	18,375	18,175	163,759
Provision for share-based remuneration	—	719	6,485
Other	5,991	7,895	71,139
Total non-current liabilities	923,940	986,019	8,883,863
Total Liabilities	1,158,116	1,217,893	10,972,998
Net Assets			
Shareholders' Equity (Note 14)			
Capital stock	117,072	117,293	1,056,797
Capital surplus	110,316	110,537	995,923
Retained earnings	275,299	307,570	2,771,153
Treasury shares	(10,004)	(18,787)	(169,274)
Total shareholders' equity	492,683	516,613	4,654,599
Accumulated Other Comprehensive Income			
Valuation difference on available-for-sale securities	4,516	6,718	60,533
Deferred gains or losses on hedges	262	(259)	(2,334)
Revaluation reserve for land (Note 2(15))	7,860	7,860	70,824
Foreign currency translation adjustment	(225)	(677)	(6,107)
Remeasurements of defined benefit plans (Note 9)	(3,605)	(3,507)	(31,601)
Total accumulated other comprehensive income	8,807	10,134	91,314
Share acquisition rights	2,424	2,346	21,141
Non-controlling interests	11,067	12,467	112,326
Total Net Assets	514,982	541,562	4,879,381
Total Liabilities and Net Assets	¥1,673,099	¥1,759,455	\$15,852,380

See notes to consolidated financial statements.

Consolidated Statement of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years ended March 31, 2018 and 2019

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2018	2019	2019
Operating Revenues and Expenses			
Operating Revenue	¥623,762	¥668,510	\$6,023,155
Operating Cost	441,708	479,797	4,322,890
Operating Gross Profit	182,053	188,712	1,700,265
Selling, General and Administrative Expenses	105,393	109,549	987,023
Operating Profit	76,660	79,162	713,241
Non-Operating Income			
Interest income	45	44	403
Dividend income	75	69	625
Share of profit of entities accounted for using equity method	25	167	1,505
Gain on donation of non-current assets	—	54	494
Interest on refund	162	—	—
Gain on transfer of right to request purchase of shares	112	—	—
Other	351	409	3,693
Total non-operating income	773	746	6,721
Non-Operating Expenses			
Interest expenses	7,334	8,753	78,868
Other	2,065	1,831	16,499
Total non-operating expenses	9,400	10,584	95,368
Ordinary Profit	68,033	69,323	624,594
Extraordinary Income			
Gain on sales of non-current assets (Note 11)	3,311	—	—
Gain on sales of investment securities	455	—	—
Total extraordinary income	3,766	—	—
Extraordinary Losses			
Impairment loss (Note 12)	3,614	1,989	17,925
Loss on building reconstruction	462	835	7,527
Loss on transfer of non-current assets	—	1,091	9,833
Total extraordinary losses	4,077	3,916	35,286
Profit before Income Taxes	67,722	65,407	589,307
Income Taxes—Current	23,811	23,263	209,596
Income Taxes—Deferred	(2,755)	(4,385)	(39,510)
Total Income Taxes (Note 13)	21,055	18,877	170,085
Profit	46,666	46,529	419,222
Profit Attributable to Non-Controlling Interests	636	655	5,907
Profit Attributable to Owners of Parent	¥ 46,029	¥ 45,873	\$413,314

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years ended March 31, 2018 and 2019

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2018	2019	2019
Profit	¥46,666	¥46,529	\$419,222
Other Comprehensive Income (Note 22)			
Valuation difference on available-for-sale securities	(3,430)	2,201	19,833
Deferred gains or losses on hedges	142	(521)	(4,695)
Revaluation reserve for land	(0)	(0)	0
Foreign currency translation adjustment	(33)	(216)	(1,950)
Remeasurements of defined benefit plans	523	98	886
Share of other comprehensive income of entities accounted for using the equity method	(254)	(296)	(2,670)
Total other comprehensive income	(3,052)	1,265	11,403
Comprehensive Income (Note 22)	¥43,613	¥47,795	\$430,625
(Breakdown)			
Comprehensive income attributable to owners of parent	¥42,976	¥47,201	\$425,272
Comprehensive income attributable to non-controlling interests	636	594	5,352

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, 2018 and 2019

	(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 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	¥493,813
Issuance of new shares	277,400	293	293	—	—	586	—	—	—	—	—	—	—	—	586
Dividends from surplus	—	—	—	(13,435)	—	(13,435)	—	—	—	—	—	—	—	—	(13,435)
Profit attributable to owners of parent	—	—	—	46,029	—	46,029	—	—	—	—	—	—	—	—	46,029
Purchases of treasury shares	—	—	0	0	(10,001)	(10,001)	—	—	—	—	—	—	—	—	(10,001)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	(3,430)	142	(0)	(288)	523	(3,053)	437	604	(2,010)
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	¥514,982
Issuance of new shares	217,900	221	221	—	—	442	—	—	—	—	—	—	—	—	442
Dividends from surplus	—	—	—	(13,602)	—	(13,602)	—	—	—	—	—	—	—	—	(13,602)
Profit attributable to owners of parent	—	—	—	45,873	—	45,873	—	—	—	—	—	—	—	—	45,873
Purchases of treasury shares	—	—	—	—	(8,783)	(8,783)	—	—	—	—	—	—	—	—	(8,783)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	2,202	(521)	(0)	(451)	98	1,327	(77)	1,400	2,649
Balance at March 31, 2019	192,373,101	¥117,293	¥110,537	¥307,570	¥(18,787)	¥516,613	¥6,718	¥(259)	¥7,860	¥(677)	¥(3,507)	¥10,134	¥2,346	¥12,467	¥541,562

	(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, 2018	\$1,054,804	\$993,930	\$2,480,395	\$ (90,139)	\$4,438,991	\$40,693	\$ 2,360	\$70,825	\$(2,035)	\$(32,488)	\$79,356	\$21,842	\$ 99,712	\$4,639,902
Issuance of new shares	1,992	1,992	—	—	3,984	—	—	—	—	—	—	—	—	3,984
Dividends from surplus	—	—	(122,557)	—	(122,557)	—	—	—	—	—	—	—	—	(122,557)
Profit attributable to owners of parent	—	—	413,314	—	413,314	—	—	—	—	—	—	—	—	413,314
Purchases of treasury shares	—	—	—	(79,134)	(79,134)	—	—	—	—	—	—	—	—	(79,134)
Net changes of items other than shareholders' equity	—	—	—	—	—	19,839	(4,695)	(0)	(4,072)	886	11,958	(700)	12,613	23,871
Balance at March 31, 2019	\$1,056,797	\$995,923	\$2,771,153	\$(169,274)	\$4,654,599	\$60,533	\$(2,334)	\$70,824	\$(6,107)	\$(31,601)	\$91,314	\$21,141	\$112,326	\$4,879,381

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 277,400 shares and 217,900 shares in the years ended March 31, 2018 and 2019, 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, 2018 and 2019

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2018	2019	2019
	Cash Flows from Operating Activities		
Profit before income taxes	¥ 67,722	¥ 65,407	\$ 589,307
Depreciation	18,824	19,201	173,001
Impairment loss	3,614	1,989	17,925
Loss (gain) on sales of non-current assets	(3,311)	—	—
Loss (gain) on sales of investment securities	(455)	—	—
Share of (profit) loss of entities accounted for using equity method	(25)	(167)	(1,505)
Increase (decrease) in allowance for doubtful accounts	1	0	1
Increase (decrease) in provision for loss on business liquidation	(11)	(9)	(83)
Increase (decrease) in provision for loss on subleasing business	(155)	(87)	(787)
Increase (decrease) in net defined benefit liability	(555)	(291)	(2,627)
Interest and dividend income	(121)	(114)	(1,028)
Interest expenses	7,334	8,753	78,868
Decrease (increase) in notes and accounts receivable-trade	(769)	(8,922)	(80,387)
Decrease (increase) in inventories	(28,943)	32,938	296,771
Decrease (increase) in equity investments	(7,044)	(8,454)	(76,173)
Increase (decrease) in notes and accounts payable-trade	6,084	11,781	106,149
Increase (decrease) in deposits received	(10,652)	8,102	73,000
Other, net	4,566	(8,105)	(73,028)
Subtotal	56,103	122,023	1,099,407
Interest and dividend income received	94	257	2,315
Interest expenses paid	(9,425)	(8,181)	(73,713)
Income taxes paid	(25,274)	(24,134)	(217,449)
Net cash provided by (used in) operating activities	21,498	89,964	810,560
Cash Flows from Investing Activities			
Purchase of investment securities	(4,439)	(4,971)	(44,789)
Proceeds from sales and liquidation of investment securities	3,491	143	1,292
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(21,544)	(194,115)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	520	4,688
Purchase of property, plant and equipment and intangible assets	(71,665)	(20,824)	(187,620)
Proceeds from sales of property, plant and equipment and intangible assets	19,589	0	2
Payments for lease and guarantee deposits	(1,148)	(649)	(5,848)
Proceeds from collection of lease and guarantee deposits	1,240	951	8,572
Repayments of lease and guarantee deposits received	(3,153)	(3,859)	(34,775)
Proceeds from lease and guarantee deposits received	4,189	3,219	29,008
Other, net	258	314	2,831
Net cash provided by (used in) investing activities	(51,637)	(46,699)	(420,752)
Cash Flows from Financing Activities			
Net increase (decrease) in short-term loans payable	(11,500)	(8,000)	(72,078)
Repayments of finance lease obligations	(149)	(160)	(1,447)
Proceeds from long-term loans payable	80,000	112,500	1,013,604
Repayments of long-term loans payable	(60,800)	(68,300)	(615,370)
Proceeds from issuance of bonds	69,360	—	—
Redemption of bonds	(10,000)	—	—
Proceeds from issuance of common shares	391	122	1,101
Purchase of treasury shares	(10,048)	(8,790)	(79,202)
Cash dividends paid	(13,435)	(13,602)	(122,557)
Dividends paid to non-controlling interests	(31)	(44)	(400)
Net cash provided by (used in) financing activities	43,787	13,723	123,649
Effect of Exchange Rate Change on Cash and Cash Equivalents	0	(5)	(50)
Net Increase (Decrease) in Cash and Cash Equivalents	13,648	56,983	513,406
Cash and Cash Equivalents at Beginning of Period	47,699	61,347	552,727
Cash and Cash Equivalents at End of Period (Note 15)	¥ 61,347	¥118,330	\$1,066,134

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2018 and 2019

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, 2019 of ¥110.99=U.S.\$1. The approximate rate of exchange prevailing at June 25, 2019 was ¥107.28=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 Statements of Cash Flows, cash on hand, readily-available deposits and short-term, highly liquid investments with a maturity of three months or less at the time of purchase and with an insignificant risk of market value fluctuation are considered to be cash and cash equivalents.

A reconciliation between cash and deposits in the Consolidated Balance Sheet and cash and cash equivalents is presented in Note 15.

(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, 2018 was ¥496 million, and recognized in operating cost. There were no write-downs of inventories during the fiscal year ended March 31, 2019.

(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 are 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, 2018 and 2019 were ¥2,664.70 and ¥2,854.21 (\$25.72), respectively.

Profit attributable to owners of parent per share for the years ended March 31, 2018 and 2019 were ¥240.89 and ¥245.99 (\$2.22), respectively.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2018 and 2019 were ¥239.52 and ¥244.55 (\$2.20), 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

(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. Changes in Presentation Method

Changes due to application of "partial amendments to accounting standard for tax effect accounting"

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) are applied from the beginning of the fiscal year ended March 31, 2019. As a result of changes in the presentation method, deferred tax assets are classified under investments and other assets and deferred tax liabilities are classified under non-current liabilities.

As a result, in the consolidated balance sheet as of March 31, 2018, "deferred tax assets" under "current assets" decreased by ¥6,911 million, and "deferred tax assets" under "investments and other assets" increased by ¥6,318 million. Also, "deferred tax liabilities" under "current liabilities" decreased by ¥18 million, and "deferred tax liabilities" under "non-current liabilities" decreased by ¥574 million.

In addition, since deferred tax assets and deferred tax liabilities of the same taxable entity are offset and recorded at the net amount, total assets as of April 1, 2018 decreased by ¥593 million.

4. Additional Information

Performance-based stock incentive plan, etc. for directors and executive officers

The Company and certain consolidated subsidiaries have introduced a performance-based stock incentive plan (the "Plan") as an incentive plan for Directors and Executive Officers (excluding Directors serving as Audit & Supervisory Committee Members, External Directors and non-residents of Japan; "the Directors, etc.") from the fiscal year ended March 31, 2019. The Plan is a compensation scheme that functions as an incentive for improving medium- to long-term corporate value of the Company and enables interests to be shared with the Company's shareholders by linking the compensation paid to the Directors, etc. to the Company's share price. Specifically, it utilizes the mechanism of an executive compensation BIP trust. The Company's shares are acquired in advance by an executive compensation BIP trust, and the Company's shares and an amount equivalent to the proceeds of converting the Company's shares into cash are delivered and paid to the Directors, etc. according to their position, etc.

The shares of the Company remaining in the trust are recorded as treasury shares under net assets at the book value within the trust. The book value and number of such treasury shares were ¥3,782 million (\$34,084 thousand) and 1,725,000 shares, respectively, as of March 31, 2019.

Furthermore, the estimated amount of the above executive compensation at the end of the fiscal year is recorded as provision for share-based remuneration.

ESOP trust for granting stock

The Company and certain consolidated subsidiaries have introduced an "ESOP Trust for Granting Stock" (the "Plan") from the fiscal year ended March 31, 2019 as an incentive plan for employees. The Plan is a compensation scheme that encourages employees to execute their duties with an awareness of the Company's share price because employees can enjoy economic benefits from an increase in the price of the Company's shares, and is expected to have the effect of increasing the motivation of employees and enable them to share interests with the Company's shareholders. Specifically, it utilizes the mechanism of ESOP trust for granting stock. The ESOP trust acquires the Company's shares in advance, and grants them to employees who satisfy certain requirements.

Furthermore, the estimated amount of the above compensation scheme at the end of the fiscal year is recorded as provision for share-based remuneration.

5. 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
Interest rate swap contracts	Borrowings
Currency swaps and foreign exchange forward contracts	Securities denominated in foreign currencies

The Group evaluates hedge effectiveness by comparing the cumulative changes in market fluctuations or in cash flows of the Hedged items to the corresponding changes in the hedging derivative instruments. However, the Group does not evaluate hedge effectiveness of interest rate swaps for which the Group applies the exceptional treatment.

(3) Policies and Systems for Risk Management

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

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

Based on the reports from consolidated subsidiaries and all departments within 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 16. 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, 2018 and 2019 are as follows. Items for which fair value is extremely difficult to determine have not been included.

2018	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	¥ 52,347		¥ 52,347		¥ —	
(2) Securities	9,000		9,000		—	
(3) Investment securities ¹	37,205		37,244		39	
Total assets	98,553		98,592		39	
(1) Short-term loans payable ²	34,000		34,000		—	
(2) Bonds payable	140,000		141,428		1,428	
(3) Long-term loans payable ²	703,800		717,255		13,455	
Total liabilities	877,800		892,684		14,884	
Derivative transactions ³	¥ (525)		¥ (525)		¥ —	

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.

2019	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	¥ 81,351	\$ 732,959	¥ 81,351	\$ 732,959	¥ —	\$ —
(2) Securities	37,000	333,363	37,000	333,363	—	—
(3) Investment securities ¹	40,846	368,022	40,886	368,379	39	357
Total assets	159,198	1,434,345	159,237	1,434,703	39	357
(1) Short-term loans payable ²	26,000	234,255	26,000	234,255	—	—
(2) Bonds payable	140,000	1,261,374	141,589	1,275,697	1,589	14,322
(3) Long-term loans payable ²	748,000	6,739,345	771,437	6,950,513	23,437	211,168
Total liabilities	914,000	8,234,976	939,027	8,460,467	25,027	225,490
Derivative transactions ³	¥ (1,010)	\$ (9,101)	¥ (1,010)	\$ (9,101)	¥ —	\$ —

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.)

¥5,538 million as of March 31, 2018

¥10,060 million (\$90,644 thousand) as of March 31, 2019

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 6. 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

Principally, bonds issued by the Company, the fair value of which is decided by market prices.

(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 16. Derivative Financial Instruments for information on derivative transactions.

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

2018	Book value	
	(Millions of yen)	
Unlisted stocks	¥16,266	

2019	Book value	
	(Millions of yen)	(Thousands of U.S. dollars)
Unlisted stocks	¥29,279	\$263,799

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

2018	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	¥52,298	¥ —	¥ —	¥—
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds, etc.	38	614	838	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) Debt securities	2	7	—	—
(2) Others	9,000	—	—	—
Total	¥61,338	¥622	¥838	¥—

2019	Within 1 year		1-5 years		5-10 years		Over 10 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Cash and deposits	¥ 81,351	\$ 732,959	¥ —	\$ —	¥ —	\$ —	¥—	\$—
Securities and investment securities								
Held-to-maturity debt securities								
(1) Government and municipal bonds, etc.	265	2,387	460	4,149	805	7,259	—	—
(2) Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities								
(1) Debt securities	2	23	5	46	—	—	—	—
(2) Others	37,000	333,363	—	—	—	—	—	—
Total	¥118,618	\$1,068,734	¥465	\$4,196	¥805	\$7,259	¥—	\$—

5. Repayment schedule for bonds payable and long-term loans payable at March 31, 2018 and 2019

2018	Within 1 year	1-2 years	2-3 years
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Short-term loans payable	¥ 34,000	¥ —	¥ —
Bonds payable	—	—	20,000
Long-term loans payable	68,300	53,500	50,000
Total	¥102,300	¥53,500	¥70,000

2019	3-4 years	4-5 years	Over 5 years
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Short-term loans payable	¥ —	¥ —	¥ —
Bonds payable	10,000	10,000	100,000
Long-term loans payable	55,000	68,000	409,000
Total	¥65,000	¥78,000	¥509,000

2019	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)
Short-term loans payable	¥26,000	\$234,255	¥ —	\$ —	¥ —	\$ —
Bonds payable	—	—	20,000	180,196	10,000	90,098
Long-term loans payable	53,500	482,025	50,000	450,491	56,000	504,550
Total	¥79,500	\$716,281	¥70,000	\$630,687	¥66,000	\$594,648

2019	3-4 years		4-5 years		Over 5 years	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Short-term loans payable	¥ —	\$ —	¥ —	\$ —	¥ —	\$ —
Bonds payable	10,000	90,098	—	—	100,000	900,982
Long-term loans payable	69,000	621,678	77,500	698,261	442,000	3,982,341
Total	¥79,000	\$711,776	¥77,500	\$698,261	¥542,000	\$4,883,323

6. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Group as of March 31, 2018 and 2019.

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

2018	(Millions of yen)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
(1) Government and municipal bonds, etc.	¥1,431	¥1,470	¥39
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	1,431	1,470	39
Securities whose fair value does not exceed book value:			
(1) Government and municipal bonds, etc.	65	65	(0)
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	65	65	(0)
Total	¥1,497	¥1,536	¥39

2019	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities whose fair value exceeds book value:						
(1) Government and municipal bonds, etc.	¥1,536	¥1,576	¥39	\$13,847	\$14,204	\$357
(2) Bonds payable	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	¥1,536	¥1,576	¥39	13,847	14,204	357
Securities whose fair value does not exceed book value:						
(1) Government and municipal bonds, etc.	—	—	—	—	—	—
(2) Bonds payable	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	¥1,536	¥1,576	¥39	\$13,847	\$14,204	\$357

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

2018	(Millions of yen)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
(1) Stocks	¥ 1,921	¥ 1,007	¥ 914
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	33,706	28,165	5,540
Subtotal	35,628	29,172	6,455
Securities whose book value does not exceed acquisition cost:			
(1) Stocks	—	—	—
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	10	10	—
3) Other	—	—	—
(3) Other	9,069	9,073	(3)
Subtotal	9,080	9,083	(3)
Total	¥44,708	¥38,256	¥6,451

2019	(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	¥ 695	¥ 137	¥ 558	\$ 6,266	\$ 1,235	\$ 5,030
(2) Bonds						
1) Government and municipal bonds, etc.	—	—	—	—	—	—
2) Bonds payable	—	—	—	—	—	—
3) Other	—	—	—	—	—	—
(3) Other	37,504	28,238	9,266	337,911	254,421	83,489
Subtotal	38,200	28,375	9,824	344,177	255,657	88,519
Securities whose book value does not exceed acquisition cost:						
(1) Stocks	693	872	(179)	6,245	7,858	(1,612)
(2) Bonds						
1) Government and municipal bonds, etc.	—	—	—	—	—	—
2) Bonds payable	7	7	—	70	70	—
3) Other	—	—	—	—	—	—
(3) Other	37,408	37,451	(42)	337,045	337,428	(383)
Subtotal	38,109	38,331	(221)	343,360	345,357	(1,996)
Total	¥76,309	¥66,706	¥9,603	\$687,538	\$601,014	\$86,523

(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, 2018 and 2019.

Type	2018 (Millions of yen)		
	Sales amount	Aggregate gains	Aggregate losses
(1) Stocks	¥3,222	¥455	¥118
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	¥3,222	¥455	¥118

Type	2019 (Millions of yen)			(Thousands of U.S. dollars)		
	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
(1) Stocks	¥ 3	¥ 2	¥—	\$30	\$18	\$—
(2) Bonds						
1) Government and municipal bonds, etc.	—	—	—	—	—	—
2) Bonds payable	—	—	—	—	—	—
3) Other	—	—	—	—	—	—
(3) Other	—	—	—	—	—	—
Total	¥ 3	¥ 2	¥—	\$30	\$18	\$—

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

Short-term loans payable as of March 31, 2018 and 2019 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Short-term loans payable	¥34,000	¥26,000	\$234,255
Total	¥34,000	¥26,000	\$234,255

Short-term loans payable as of March 31, 2018 and 2019 mainly consisted of borrowings from banks with a weighted average interest rate of 0.2% in 2018 and 0.2% in 2019.

Long-term loans payable and bonds payable as of March 31, 2018 and 2019 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Unsecured bonds (2.0%), due 2020	¥ 10,000	¥ 10,000	\$ 90,098
Unsecured bonds (0.8%), due 2024	10,000	10,000	90,098
Unsecured bonds (0.9%), due 2025	10,000	10,000	90,098
Unsecured bonds (0.4%), due 2021	10,000	10,000	90,098
Unsecured bonds (0.8%), due 2026	10,000	10,000	90,098
Unsecured bonds (0.2%), due 2021	10,000	10,000	90,098
Unsecured bonds (1.0%), due 2036	10,000	10,000	90,098
Unsecured bonds (0.2%), due 2022	10,000	10,000	90,098
Unsecured bonds (1.0%), due 2037	10,000	10,000	90,098
First deferred interest payment clause/unsecured bonds with early redemption clause (with subordination agreement)	30,000	30,000	270,294
Second deferred interest payment clause/unsecured bonds with early redemption clause (with subordination agreement)	20,000	20,000	180,196
Long-term loans payable ¹			
Unsecured	703,800	748,000	6,739,345
Lease obligations ²	1,551	1,713	15,435
Subtotal	845,351	889,713	8,016,156
Less amounts due within one year	(68,150)	(53,350)	(480,681)
	¥777,201	¥836,362	\$7,535,474

Notes: 1. Long-term loans payable as of March 31, 2018 and 2019 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with weighted-average interest rates of 0.6% in 2018 and 2019.

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, 2019

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2020	¥ 50,000	\$ 450,491
2021	56,000	504,549
2022	69,000	621,677
2023	77,500	698,261
2024 and thereafter	442,000	3,982,340
	¥694,500	\$6,257,320

The following table shows the maturities of lease obligations subsequent to March 31, 2019.

Years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2020	¥ 142	\$ 1,282
2021	139	1,252
2022	144	1,300
2023	147	1,325
2024 and thereafter	991	8,930
	¥1,564	\$14,092

8. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2018 and 2019 are summarized as follows:

(1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Pledged assets:			
Buildings and structures	¥179	¥—	\$—
	¥179	¥—	\$—
Secured liabilities:			
Lease and guarantee deposits received	30	—	—
Total	¥ 30	¥—	\$—

(2) As of March 31, 2018, 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, 2019, investment securities in the amount of ¥10 million (\$90 thousand) are pledged as collateral for trade payables and a portion of liabilities of investee companies, respectively.

9. 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, 2018 and 2019 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2018
Retirement benefit obligations at the beginning of the year	¥34,907	¥36,315	\$327,200
Service cost	1,776	1,839	16,569
Interest cost	164	171	1,541
Actuarial gain or loss	254	74	670
Retirement benefit payments	(787)	(821)	(7,403)
Retirement benefit obligations at the end of the year	¥36,315	¥37,578	\$338,578

A reconciliation of the changes in balance of plan assets for the fiscal years ended March 31, 2018 and 2019 (excluding plans applying a simplified method)

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Fair value of plan assets at the beginning of the year	¥18,024	¥19,988	\$180,090
Expected return on plan assets	306	379	3,421
Actuarial gain or loss	410	(117)	(1,062)
Employer contributions	1,610	1,650	14,867
Retirement benefit payments	(363)	(446)	(4,020)
Fair value of plan assets at the end of the year	¥19,988	¥21,454	\$193,297

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal years ended March 31, 2018 and 2019

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Net defined benefit liability at the beginning of the year	¥2,048	¥2,048	\$18,452
Increase due to acquisition of new subsidiaries	—	91	823
Retirement benefit expenses	280	227	2,050
Retirement benefit payments	(257)	(292)	(2,634)
Contributions to plan	(23)	(23)	(215)
Net defined benefit liability at the end of the year	¥2,048	¥2,050	\$18,477

A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2018 and 2019, and net defined benefit liability on the Consolidated Balance Sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Funded retirement benefit obligations	¥ 25,651	¥ 26,555	\$ 239,255
Fair value of plan assets	(20,118)	(21,604)	(194,654)
Subtotal	5,532	4,950	44,601
Unfunded retirement benefit obligations	12,842	13,225	119,157
Net liabilities on the Consolidated Balance Sheet	¥ 18,375	¥ 18,175	163,759
Net defined benefit liability	18,375	18,175	163,759
Net liabilities on the Consolidated Balance Sheet	¥ 18,375	¥ 18,175	\$ 163,759

Note: It includes the plans applying a simplified method.

Breakdown of retirement benefit expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Service cost	¥1,776	¥1,839	\$16,569
Interest cost	164	171	1,541
Expected return on plan assets	(306)	(379)	(3,421)
Amortization of actuarial gain or loss	994	729	6,574
Amortization of prior service cost	(395)	(395)	(3,564)
Retirement benefit expenses calculated by a simplified method	280	227	2,050
Other	2	13	120
Retirement benefit expenses for defined benefit plan	¥2,516	¥2,205	\$19,870

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)
	2018	2019	2019
Prior service cost	¥ (395)	¥(395)	\$(3,564)
Actuarial gain or loss	1,149	537	4,841
Total	¥ 754	¥ 141	\$ 1,276

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)
	2018	2019	2019
Unrecognized prior service cost	¥ 989	¥ 593	\$ 5,346
Unrecognized actuarial gain or loss	(6,184)	(5,647)	(50,882)
Total	¥(5,195)	¥(5,054)	\$(45,535)

Composition of plan assets by major classifications

	2018	2019
Claims	47%	37%
Equity	23%	22%
General account	—	14%
Other	30%	27%
Total	100%	100%

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

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

	2018	2019
Discount rate	0.2~0.5%	0.2~0.5%
Expected rate of return on plan assets	1.7%	1.9%
Expected salary increase rate	2.2~7.5%	2.0~7.5%

(3) Defined Contribution Plan

The required contributions to the defined contribution plans of consolidated subsidiaries for the fiscal years ended March 31, 2018 and 2019 are ¥608 million and ¥643 million (\$5,801 thousand).

10. Reclassification of Assets

As a result of revising the holding purpose the following assets were transferred during the fiscal years ended March 31, 2018 and 2019.

	Transfer during the year		(Thousands of U.S. dollars)
	(Millions of yen)		2019
	2018	2019	2019
Real estate for sale from Non-current assets	¥ —	¥69,212	\$623,596
Land held for development from Non-current assets	—	7,820	70,461
Non-current assets from Land held for development	6,959	—	—

11. Gain on Sales of Non-Current Assets

The breakdown of gain on sales of property and equipment for the fiscal years ended March 31, 2018 and 2019 is as follows (Not applicable for the fiscal year ended March 31, 2019.):

	Gain on sales		
	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Land	¥2,938	¥—	\$—
Buildings	372	—	—
Total	¥3,311	¥—	\$—

12. Impairment Loss

The Group recognized impairment loss on the following groups of assets for the fiscal years ended March 31, 2018 and 2019:

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.

2019	Primary use	Type	Location
Leased assets (2 locations in total)		Land Buildings	Chiyoda-ku, Tokyo 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 two groups of assets etc. to be sold, 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 ¥1,989 million for the fiscal year ended March 31, 2019. The impairment loss consists of ¥1,580 million of land and ¥408 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.

13. Income Taxes

The statutory tax rates in Japan for the Company and its domestic subsidiaries were 30.9% for the fiscal year ended March 31, 2018 and 30.6% for the fiscal year ended March 31, 2019.

Significant differences between the statutory tax rate and the effective 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.

Fiscal year ended March 31, 2019

Statutory tax rate (adjustment)	30.6%
Entertainment and other expenses that are permanently nondeductible	0.9%
Tax effect related to investments in subsidiaries	(3.2)%
Others	0.5%
Burden rate of corporate taxes etc. after application of tax effect accounting	28.9%

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2018 and 2019:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Deferred tax assets:			
Unrealized profits	¥ 12,456	¥ 12,427	\$ 111,966
Net defined benefit liability	5,639	5,578	50,263
Impairment loss	5,150	5,576	50,239
Provision for bonuses	2,208	2,359	21,255
Inventory write-downs	1,522	656	5,919
Excess of depreciation	776	1,561	14,068
Revaluation of assets on consolidation	446	451	4,071
Provision for loss on subleasing business	31	4	42
Other	6,502	7,031	63,350
Gross deferred tax assets	34,733	35,647	321,177
Valuation allowance	(3,321)	(3,207)	(28,901)
Total deferred tax assets	31,412	32,439	292,275
Deferred tax liabilities:			
Revaluation of assets on consolidation	(49,400)	(51,474)	(463,778)
Reserve for deferred income taxes	(18,066)	(17,869)	(161,003)
Other	(2,929)	(3,795)	(34,198)
Total deferred tax liabilities	(70,397)	(73,140)	(658,980)
Net deferred tax liabilities	¥(38,984)	¥(40,700)	\$(366,705)

14. Shareholders' Equity

Under the Companies Act of Japan (the "Act"), all funds obtained through the issuance of common stock must be treated as capital 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, 2019, the Group's capital reserve amounted to ¥110,316 million (\$1,038,369 thousand), and no legal reserve was recorded.

15. 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)
	2018	2019	2019
Cash and deposits	¥52,347	¥ 81,351	\$ 732,959
Securities	9,000	37,000	333,363
Time deposits with maturities of more than three months	—	(20)	(188)
Cash and cash equivalents	¥61,347	¥118,330	\$1,066,134

16. 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

2018			Contract amount		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	(Millions of yen)	Contract amount due after one year (Millions of yen)	(Millions of yen)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in U.S. dollars	Securities denominated in foreign currencies	¥1,326	¥1,215	¥ (18)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Thai baht	Securities denominated in foreign currencies	¥7,400	¥6,280	¥(312)
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	¥3,710	¥ 991	¥ (51)
Deferral hedge accounting	Forward exchange contract Sell Chinese Yuan / Buy U.S. dollars	Securities denominated in foreign currencies	¥1,075	¥1,075	¥(142)
Deferral hedge accounting	Non-deliverable forward Sell Philippine peso / Buy yen	Securities denominated in foreign currencies	¥ 209	¥ —	¥ 0
Total			¥13,722	¥9,563	¥(525)

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

2019			Contract amount		Contract amount due after one year		Fair value	
Hedge accounting method	Type of derivatives	Major hedged items	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in U.S. dollars	Securities denominated in foreign currencies	¥ 2,540	\$ 22,887	¥ 231	\$ 2,089	¥ (88)	\$ (799)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Thai baht	Securities denominated in foreign currencies	¥ 9,036	\$ 81,419	¥3,816	\$34,384	¥ (446)	\$ (4,025)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Chinese Yuan	Securities denominated in foreign currencies	¥ 2,562	\$ 23,091	¥ —	\$ —	¥ (80)	\$ (726)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Philippine peso	Securities denominated in foreign currencies	¥ 1,829	\$ 16,483	¥1,829	\$16,483	¥ (133)	\$ (1,201)
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	¥ 1,101	\$ 9,920	¥ —	\$ —	¥ (131)	\$ (1,182)
Deferral hedge accounting	Forward exchange contract Sell Thai baht / Buy yen	Securities denominated in foreign currencies	¥ 2,454	\$ 22,110	¥ —	\$ —	¥ (34)	\$ (306)
Deferral hedge accounting	Forward exchange contract Sell Chinese Yuan / Buy U.S. dollars	Securities denominated in foreign currencies	¥ 1,123	\$ 10,124	¥ —	\$ —	¥ (95)	\$ (859)
Total			¥20,648	\$186,036	¥5,877	\$52,958	¥(1,010)	\$ (9,101)

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

2018			Contract amount		Contract amount due after one year	Fair value
Hedge accounting method	Type of derivatives	Major hedged items	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Millions of yen)
Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate / Pay fixed rate	Long-term debt	¥283,500		¥240,000	(Note)
Total			¥283,500		¥240,000	—

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.

2019			Contract amount		Contract amount due after one year		Fair value	
Hedge accounting method	Type of derivatives	Major hedged items	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Long-term debt	¥247,000	\$2,225,425	¥220,500	\$1,986,665	(Note)	—
Total			¥247,000	\$2,225,425	¥220,500	\$1,986,665	—	—

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.

17. 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, 2018 and 2019.

Operating leases	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Future lease payments:			
Due within 1 year	¥ 3,166	¥ 3,518	\$ 31,702
Due after 1 year	13,946	14,651	132,003
Total	¥ 17,113	¥ 18,169	\$ 163,705
Future lease receipts:			
Due within 1 year	¥ 26,392	¥ 25,448	\$ 229,289
Due after 1 year	90,622	85,700	772,145
Total	¥117,014	¥111,149	\$1,001,434

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

18. Real Estate for Rent

Some of the Company's consolidated 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, 2018 and 2019, 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, 2018 and 2019

	Book value ¹		Fair value ²	
	Increase/Decrease		March 31, 2018	
	March 31, 2017	March 31, 2018	March 31, 2018	March 31, 2018
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
2018				
Rental properties	¥766,973	¥27,505	¥794,478	¥946,597
Properties including the portion used as rental and other properties	26,122	(96)	26,026	55,820

	Book value ¹				Fair value ²			
	March 31, 2018		Increase/Decrease		March 31, 2019		March 31, 2019	
	(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)
2019								
Rental properties	¥794,478	\$7,158,108	¥(91,246)	\$(822,110)	¥703,232	\$6,335,997	¥878,919	\$7,918,905
Properties including the portion used as rental and other properties	26,026	234,497	98	889	26,125	235,387	56,820	511,938

Notes: 1. Book values in the Consolidated Balance Sheets are the amounts determined by deducting accumulated depreciation from the acquisition cost.
2. Fair values as of March 31, 2018 and 2019 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, 2018 and 2019.

(2) Operating Profit and Other Information on Rental Properties in the Fiscal Years Ended March 31, 2018 and 2019

2018	Operating profit		Others (gains (losses) on sale of property, etc.) ²	
	(Millions of yen)		(Millions of yen)	
Rental properties	¥30,409		¥(761)	
Properties including the portion used as rental and other properties ¹	1,058		—	

2019	Operating profit		Others (gains (losses) on sale of property, etc.) ²	
	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Rental properties	¥29,169	\$262,815	¥(52)	\$(473)
Properties including the portion used as rental and other properties ¹	1,094	9,858	—	—

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 (¥3,311 million) and loss on building reconstruction (¥3,614 million) in the fiscal year ended March 31, 2018, and impairment loss (¥38 million (\$346 thousand)) in the fiscal year ended March 31, 2019.

19. Segment Information

(1) Segment Summary

The reportable segments of the Group comprise of 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 being a pure holding company, the Group consists of business companies such as Nomura Real Estate Development Co., Ltd. The business companies (or business divisions in the case of 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 in the case of 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, 2018 and 2019 were as follows:

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 ¹	Subtotal	Eliminations or Corporate ²	Total ³										
Operating revenue and operating income																												
Operating revenue:																												
External customers	¥354,565	¥ 132,501	¥ 9,378	¥33,521	¥ 93,687	¥107	¥ 623,762	¥ —	¥ 623,762																			
Inter-segment	880	2,440	—	2,182	10,893	0	16,396	(16,396)	—																			
Subtotal	355,445	134,941	9,378	35,703	104,581	107	640,158	(16,396)	623,762																			
Segment income (loss)	24,523	35,232	5,911	8,452	7,078	(10)	81,187	(4,527)	76,660																			
Segment assets	448,412	1,060,815	34,840	17,181	62,781	921	1,624,952	48,147	1,673,099																			
Other items																												
Depreciation	¥ 345	¥ 15,809	¥ 29	¥ 436	¥ 1,525	¥ 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	¥ 645	¥ 69,151	¥ 26	¥ 527	¥ 2,110	¥ 2	¥ 72,464	¥ 1,111	¥ 73,575																			

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

2. (1) The deduction of ¥4,527 million shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥2,591 million for the elimination of inter-segment transactions and a deduction of ¥7,119 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 ¥48,147 million shown in the eliminations or corporate column for segment assets includes a deduction of ¥41,725 million for the elimination of inter-segment transactions and an addition of ¥89,872 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, 2019

										(Millions of yen)																		
										Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other ¹	Subtotal	Eliminations or Corporate ²	Total ³										
Operating revenue and operating income																												
Operating revenue:																												
External customers	¥361,863	¥ 165,190	¥ 9,639	¥35,157	¥ 96,565	¥ 94	¥ 668,510	¥ —	¥ 668,510																			
Inter-segment	898	2,437	2	2,141	11,236	0	16,717	(16,717)	—																			
Subtotal	362,761	167,628	9,641	37,298	107,802	94	685,227	(16,717)	668,510																			
Segment income (loss)	23,180	38,858	5,943	8,170	8,067	(43)	84,176	(5,013)	79,162																			
Segment assets	415,826	1,110,951	42,463	28,228	64,984	929	1,663,384	96,071	1,759,455																			
Other items																												
Depreciation	¥ 450	¥ 15,895	¥ 49	¥ 506	¥ 1,591	¥ 2	¥ 18,495	¥ 705	¥ 19,201																			
Amortization of goodwill	—	238	5	—	29	—	273	—	273																			
Investment in affiliates accounted for using equity method	19,955	7,461	—	76	519	—	28,012	114	28,127																			
Increase in property, plant and equipment and intangible assets	¥ 537	¥ 15,880	¥ 10	¥ 488	¥ 1,692	¥ 19	¥ 18,628	¥ 1,148	¥ 19,776																			

										(Thousands of U.S. dollars)																		
										Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other ¹	Subtotal	Eliminations or Corporate ²	Total ³										
Operating revenue and operating income																												
Operating revenue:																												
External customers	\$3,260,322	\$ 1,488,339	\$ 86,849	\$316,761	\$870,035	\$ 847	\$ 6,023,155	\$ —	\$ 6,023,155																			
Inter-segment	8,093	21,960	21	19,295	101,242	8	150,622	(150,622)	—																			
Subtotal	3,268,416	1,510,300	86,871	336,056	971,278	855	6,173,778	(150,622)	6,023,155																			
Segment income (loss)	208,847	350,106	53,552	73,615	72,682	(388)	758,416	(45,174)	713,241																			
Segment assets	3,746,526	\$10,009,477	382,584	254,336	585,496	8,374	14,986,795	865,584	15,852,380																			
Other items																												
Depreciation	\$ 4,058	\$ 143,211	\$ 443	\$ 4,566	\$ 14,341	\$ 20	\$ 166,642	\$ 6,359	\$ 173,001																			
Amortization of goodwill	—	2,151	51	—	263	—	2,466	—	2,466																			
Investment in affiliates accounted for using equity method	179,798	67,223	—	688	4,676	—	252,386	1,035	253,421																			
Increase in property, plant and equipment and intangible assets	\$ 4,843	\$ 143,078	\$ 98	\$ 4,401	\$ 15,245	\$ 172	\$ 167,839	\$ 10,345	\$ 178,185																			

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

2. (1) The deduction of ¥5,013 million (\$45,174 thousand) shown in the eliminations or corporate column for segment income (loss) includes an addition of ¥2,641 million (\$23,801 thousand) for the elimination of inter-segment transactions and a deduction of ¥7,655 million (\$68,975 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 ¥96,071 million (\$865,584 thousand) shown in the eliminations or corporate column for segment assets includes a deduction of ¥49,367 million (\$444,796 thousand) for the elimination of inter-segment transactions and an addition of ¥145,439 million (\$1,310,380 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.

Notes relating to changes in reportable segments etc.

From this consolidated fiscal year, Nomura Real Estate Reform Co., Ltd., which had been classified under the Residential Development Business Unit, was transferred to the Property & Facility Management Business Unit to promote business through integration into the property and facility management business.

In line with this change, the segment information for the previous consolidated fiscal year is prepared and disclosed based on the calculation methods after this change.

Impairment loss on non-current assets by reportable segments for the years ended March 31, 2018 and 2019 is summarized as follows:

	(Millions of yen)					Total
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	
2018						
Impairment loss	¥—	¥3,614	¥—	¥—	¥—	¥3,614

	(Millions of yen)					Total
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	
2019						
Impairment loss	¥—	¥1,989	¥—	¥—	¥—	¥1,989

	(Thousands of U.S. dollars)					Total
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	
2019						
Impairment loss	\$—	\$17,925	\$—	\$—	\$—	\$17,925

The following table presents the amortization and balance of goodwill as of and for the years ended March 31, 2018 and 2019 by reportable segments:

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

	(Millions of yen)					Total
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	
2019						
Amortization	¥—	¥ 238	¥ 5	¥—	¥ 29	¥ 273
Balance at March 31, 2019	¥—	¥3,055	¥1,306	¥—	¥117	¥4,479

	(Thousands of U.S. dollars)					Total
	Residential Development	Leasing	Investment Management	Property Brokerage & CRE	Property & Facility Management	
2019						
Amortization	\$—	\$ 2,151	\$ 51	\$—	\$ 263	\$ 2,466
Balance at March 31, 2019	\$—	\$27,530	\$11,769	\$—	\$1,055	\$40,355

Related Information

Fiscal 2017 (From April 1, 2017 to March 31, 2018)

Information by major customer

Information by major customer is omitted because there is no specific external customer that accounts for 10% or more of operating revenue in the consolidated statements of income.

Fiscal 2018 (From April 1, 2018 to March 31, 2019)

Information by major customer

Name of customer	(Millions of yen)	(Thousands of U.S. dollars)	Relevant segment
	Operating revenue		
Nomura Real Estate Master Fund, Inc.	¥73,523	\$662,431	Leasing business unit

20. Contingent Liabilities

Contingent liabilities as of March 31, 2018 and 2019 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Guarantees for home loans of house purchasers from banks and other	¥78,107	¥113,368	\$1,021,427
Guarantees for loans to co-owners of EBS building	466	393	3,546
	¥78,574	¥113,761	\$1,024,973

21. Additional Capital Contribution Obligations, etc.

The Company has additional capital contribution obligations, etc. to the following subsidiaries and associates according to the capital contribution ratio with business partners in relation to loans received from financial institutions by the companies. The outstanding loans payable by the subsidiaries and associates are as follows, and the figures in parentheses indicate the amount based on the Company's capital contribution ratio to the companies.

As of March 31, 2018	As of March 31, 2019	
	(Millions of yen)	(Thousands of U.S. dollars)
—	¥ 209	\$ 1,886
—	(102)	(924)
—	191	1,729
—	(94)	(847)
—	6,980	62,888
—	(3,420)	(30,815)
—	1,039	9,366
—	(509)	(4,589)
—	1,519	13,689
—	(744)	(6,707)
—	¥ 9,940	\$ 89,559
—	¥(4,870)	\$(43,884)

22. 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, 2018 and 2019 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
Valuation difference on available-for-sale securities:			
Amount recognized during the year	¥(5,205)	¥3,169	\$28,557
Amount of recycling	262	3	27
Before income tax effect	(4,942)	3,172	28,585
Income tax effect	1,512	(971)	(8,752)
Valuation difference on available-for-sale securities	(3,430)	2,201	19,833
Deferred gains or losses on hedges:			
Amount recognized during the year	409	(750)	(6,765)
Amount of recycling	(204)	—	—
Before income tax effect	205	(750)	(6,765)
Income tax effect	(62)	229	2,070
Deferred gains or losses on hedges	142	(521)	(4,695)
Revaluation reserve for land:			
Income tax effect	(0)	(0)	(0)
Foreign currency translation adjustment:			
Amount recognized during the year	(33)	(216)	(1,950)
Amount of recycling	—	—	—
Before income tax effect	(33)	(216)	(1,950)
Income tax effect	—	—	—
Foreign currency translation adjustment	(33)	(216)	(1,950)
Remeasurements of defined benefit plans:			
Amount recognized during the year	162	(301)	(2,718)
Amount of recycling	591	443	3,995
Before income tax effect	754	141	1,276
Income tax effect	(230)	(43)	(390)
Remeasurements of defined benefit plans	523	98	886
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount recognized during the year	(381)	(432)	(3,898)
Amount of recycling	—	2	25
Before income tax effect	(381)	(429)	(3,872)
Income tax effect	126	133	1,202
Share of other comprehensive income of affiliates accounted for using the equity method	(254)	(296)	(2,670)
Total other comprehensive income	¥(3,052)	¥1,265	\$11,403

23. 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, 2018 and 2019.

24. Stock Options

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)
	2018	2019	2019
Selling, general and administrative expenses	¥653	¥252	\$2,277

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2018	2019	2019
	¥20	¥10	\$94

3. Description

Nomura Real Estate Holdings, Inc.

FY2011	3rd issue of stock options
Recipients	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: 227,800 shares
Grant date	August 23, 2011
Vesting conditions	No conditions attached
Service period	No period specified
Exercisable period	August 23, 2013 – August 22, 2018

Nomura Real Estate Holdings, Inc.

FY2012	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (5 persons)	Directors and executive officers of the Company's subsidiaries (64 persons)	Directors of the Company (5 persons) Directors and executive officers of the Company's subsidiaries (64 persons) Employees of the Company's subsidiaries (152 persons)
Type/number of shares reserved (Note)	Common stock: 31,500 shares	Common stock: 188,900 shares	Common stock: 242,700 shares
Grant date	August 23, 2012	August 23, 2012	August 23, 2012
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	August 23, 2014 – August 22, 2019	August 23, 2014 – August 22, 2019	August 23, 2014 – August 22, 2019

Nomura Real Estate Holdings, Inc.

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

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (6 persons)	Directors and executive officers of the Company's subsidiaries (72 persons)	Directors of the Company (6 persons) Directors and executive officers of the Company's subsidiaries (72 persons) Employees of the Company's subsidiaries (187 persons)
Type/number of shares reserved (Note)	Common stock: 40,700 shares	Common stock: 194,400 shares	Common stock: 352,300 shares
Grant date	July 23, 2014	July 23, 2014	July 23, 2014
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	July 23, 2016 – July 22, 2021	July 23, 2016 – July 22, 2021	July 23, 2016 – July 22, 2021

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	4th issue of stock options	5th issue of stock options
Recipients	Directors of the Company (6 persons)	Directors and executive officers of the Company's subsidiaries (76 persons)	Directors of the Company (6 persons) Directors and executive officers of the Company's subsidiaries (76 persons) Employees of the Company's subsidiaries (199 persons)	Directors of the Company's subsidiaries (3 persons)	Directors of the Company's subsidiaries (3 persons) Employees of the Company's subsidiaries (20 persons)
Type/number of shares reserved (Note)	Common stock: 35,700 shares	Common stock: 157,500 shares	Common stock: 380,900 shares	Common stock: 4,000 shares	Common stock: 24,000 shares
Grant date	July 23, 2015	July 23, 2015	July 23, 2015	October 14, 2015	October 14, 2015
Vesting conditions	No conditions attached	No conditions attached	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified	No period specified	No period specified
Exercisable period	July 23, 2018 – July 22, 2023	July 23, 2018 – July 22, 2023	July 23, 2018 – July 22, 2023	October 14, 2018 – October 13, 2023	October 14, 2018 – October 13, 2023

Nomura Real Estate Holdings, Inc.

FY2016	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (6 persons)	Directors and executive officers of the Company's subsidiaries (83 persons)	Directors of the Company (6 persons) Directors and executive officers of the Company's subsidiaries (83 persons) Employees of the Company's subsidiaries (226 persons)
Type/number of shares reserved (Note)	Common stock: 56,700 shares	Common stock: 250,300 shares	Common stock: 421,800 shares
Grant date	July 22, 2016	July 22, 2016	July 22, 2016
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	July 22, 2019 – July 21, 2024	July 22, 2019 – July 21, 2024	July 22, 2019 – July 21, 2024

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

Note: Described in terms of the number of shares.

4. Scale of offer and status of changes

(1) Number of stock options

Nomura Real Estate Holdings, Inc.

FY2011	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	29,000
Vested:	—
Exercised	19,800
Forfeited	9,200
End of the year	—

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	38,300	67,900
Vested:	—	—	—
Exercised	—	23,600	19,700
Forfeited	—	—	700
End of the year	8,400	14,700	47,500

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	38,300	234,300
Vested:	—	—	—
Exercised	—	8,900	8,300
Forfeited	—	—	7,200
End of the year	6,400	29,400	218,800

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	29,900	104,100	237,300
Vested:	—	—	—
Exercised	6,500	33,400	19,900
Forfeited	—	—	5,200
End of the year	23,400	70,700	212,200

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	4th issue of stock options	5th issue of stock options
Non-vested: (shares)					
Previous fiscal year end	—	—	350,300	—	23,000
Granted	—	—	—	—	—
Forfeited	—	—	3,000	—	—
Vested:	—	—	347,300	—	—
End of the year	—	—	—	—	23,000
Vested: (shares)					
Previous fiscal year end	35,700	157,500	25,800	4,000	—
Vested:	—	—	347,300	—	23,000
Exercised	7,900	65,500	1,600	2,800	—
Forfeited	—	—	1,000	—	—
End of the year	27,800	92,000	370,500	1,200	23,000

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	—	—	410,000
Granted	—	—	—
Forfeited	—	—	4,000
Vested:	—	—	—
End of the year	—	—	406,000
Vested: (shares)			
Previous fiscal year end	56,700	250,300	7,600
Vested:	—	—	—
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	—	—	455,400
Granted	—	—	—
Forfeited	—	—	5,000
Vested:	—	—	—
End of the year	—	—	450,400
Vested: (shares)			
Previous fiscal year end	39,800	228,300	1,000
Vested:	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
End of the year	39,800	228,300	1,000

Nomura Real Estate Holdings, Inc.

FY2018	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	10,700	49,400
Forfeited	—	—
Vested:	—	—
End of the year	10,700	49,400
Vested: (shares)		
Previous fiscal year end	—	—
Vested:	—	—
Exercised	—	—
Forfeited	—	—
End of the year	—	—

(2) Unit price data

Nomura Real Estate Holdings, Inc.

FY2011	3rd issue of stock options
Exercise price (¥)	1,457
Average price upon exercise (¥)	2,425
Fair value on grant date (¥)	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 (¥)	—	2,159	2,282
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 (¥)	—	2,133	2,662
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 (¥)	2,446	2,183	2,504
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 (¥)	2,320	2,332	2,409	2,140	—
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

Nomura Real Estate Holdings, Inc.

FY2018	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	1
Average price upon exercise (¥)	—	—
Fair value on grant date (¥)	2,029	2,029

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, 2019 (FY2018) 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 FY2018 stock options	Nomura Real Estate Holdings, Inc. 2nd issue of FY2018 stock options
Expected volatility of the share price (Note 1)	32.58%	32.58%
Expected remaining life of the option (Note 2)	5.5years	5.5years
Expected dividend (Note 3) per share	¥75 (\$0.68)	¥75 (\$0.68)
Risk-free interest rate (Note 4)	0.00%	0.00%

- Notes: 1. Calculated based on the actual stock price for five years and six months (from January 2013 to July 2018).
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, 2019 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.

25. Business Combinations

Business combinations by acquisition

1. Consolidation of lothbury investment management group limited and 11 other companies

1. Outline of business combination

(1) Name of the acquired company and the descriptions of its business

Name: Lothbury Investment Management Group Limited ("Lothbury") and 11 other companies

Description of business: Investment management

(2) Main reasons for the business combination

Lothbury has outstanding capabilities in investment management in the U.K., and is highly regarded by institutional investors in the U.K. as well as in other countries overseas. By collaborating with Lothbury, the Company will advance its global business in investment management, such as to contribute to institutional investors in their global investment in real estates.

(3) Date of the business combination

November 30, 2018

(4) Legal form of the business combination

Acquisition of equity interest in exchange for cash consideration

(5) Name of the entity after the business combination

No change

(6) Ratio of acquired voting rights

75%

(7) Main rationales for determining the acquiring company

LIM HOLDINGS LTD, a consolidated subsidiary of the Company, acquired the equity interest of the acquiree in exchange for cash consideration.

2. Period of the acquired company's financial results included in the consolidated financial statements

From December 1, 2018 to December 31, 2018

3. Acquisition costs of the acquired company and breakdown by type of consideration

Cash and deposits	¥5,539 million (\$49,910 thousand)
Acquisition costs	¥5,539 million (\$49,910 thousand)

4. Description and amount of major acquisition-related expenses

The information has been omitted due to its effect to the consolidated statement of income for the fiscal year ended March 31, 2019 being minor.

5. Amount of incurred goodwill, reasons, amortization method and period

(1) Amount of goodwill

¥1,311 million (\$11,819 thousand)

(2) Reasons for goodwill

The acquisition costs of the acquired company exceeded the market value of the net assets of the acquired company at the time of the business combination. As such, the Company accounted for the difference as goodwill.

(3) Amortization method and period of goodwill

The straight-line method over 20 years

6. The amount of total assets acquired and total liabilities incurred on the day of the business combination and their major breakdowns

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥1,337	\$12,054
Non-current assets	4,972	44,802
Total assets	¥6,310	\$56,857

	(Millions of yen)	(Thousands of U.S. dollars)
Current liabilities	¥ 470	\$ 4,243
Non-current liabilities	824	7,432
Total liabilities	¥1,295	\$11,675

7. The amount of acquisition cost allocated to intangible assets other than goodwill, breakdown by major type, and weighted-average amortization period in total and by major type

Customer-related assets	¥4,814 million (\$43,376 thousand)	20 years
Total	¥4,814 million (\$43,376 thousand)	20 years

8. Estimated amount and calculation method of the impact on the consolidated statement of income for the fiscal year ended March 31, 2019 assuming that the business combination had been completed at the beginning of the fiscal year

The information has been omitted due to its effect to the consolidated statement of income for the fiscal year ended March 31, 2019 being minor.

II. Ryubundo Co., Ltd. and one other company

1. Outline of business combination

(1) Name of the acquired company and the descriptions of its business

Name: Ryubundo Co., Ltd. and one other company

Description of business: Hotel management, etc.

(2) Main reasons for the business combination

By combining the strength in the base of hotel guests, abundant know-how and human resources available in hotel management that are highly acclaimed by the market, and the Company's expertise in land acquisition and development, it is expected that the Group as a whole will strengthen its development and management capabilities in the hotel business.

(3) Date of the business combination

March 1, 2019

(4) Legal form of the business combination

Acquisition of equity interest in exchange for cash consideration

(5) Name of the entity after the business combination

No change

(6) Ratio of acquired voting rights

100%

(7) Main rationales for determining the acquiring company

Nomura Real Estate Development Co., Ltd., a consolidated subsidiary of the Company, acquired the equity interest of the acquire in exchange for cash consideration.

2. Period of the acquired company's financial results included in the consolidated financial statements

From March 1, 2019 to March 31, 2019

3. Acquisition costs of the acquired company and breakdown by type of consideration

Cash and deposits	¥18,257 million (\$164,497 thousand)
Acquisition costs	¥18,257 million (\$164,497 thousand)

4. Description and amount of major acquisition-related expenses

Advisory fees etc.	¥617 million (\$5,564 thousand)
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5. Amount of incurred goodwill, reasons, amortization method and period

(1) Amount of goodwill

¥761 million (\$6,863 thousand)

(2) Reasons for goodwill

The acquisition costs of the acquired company exceeded the market value for the net assets of the acquired company at the time of the business combination. As such, the Company accounted for the difference as goodwill.

(3) Amortization method and period of goodwill

The straight-line method over 20 years

6. The amount of total assets acquired and total liabilities incurred on the day of the business combination and their major breakdowns

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 2,221	\$ 20,010
Non-current assets	24,069	216,859
Total assets	¥26,290	\$236,869

	(Millions of yen)	(Thousands of U.S. dollars)
Current liabilities	¥1,040	\$ 9,376
Non-current liabilities	7,753	69,859
Total liabilities	¥8,794	\$79,235

7. Estimated amount and calculation method of the impact on the consolidated statement of income for the fiscal year ended March 31, 2019 assuming that the business combination had been completed at the beginning of the fiscal year

The information has been omitted due to its effect to the consolidated statement of income for the fiscal year ended March 31, 2019 being minor.

26. Information on Related Parties

1. Transactions with related parties

(1) Transactions between the Company and related parties

Officers, major individual shareholders and others of the Company
Previous fiscal year (From April 1, 2017 to March 31, 2018)

Type	Name	Location	Stated capital or capital contribution (Millions of yen)	Description of business or profession	Voting rights holding or held (%)	Relationship with the Company	Transaction details	Amount of transaction (Millions of yen)	Items	Fiscal year-end balance (Millions of yen)
Officers of major subsidiaries	Seishi Miyajima	—	—	Director and Chairman of the Board of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	¥17	—	—
Officers of major subsidiaries	Yoshitaka Noguchi	—	—	Managing Executive Officer of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	14	—	—
Officers of major subsidiaries	Yuji Kurokawa	—	—	President of Nomura Real Estate Partners Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	14	—	—
Officers of major subsidiaries	Tatsuo Inoue	—	—	Director and Chairman of the Board of NREG TOSHIBA BUILDING Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	14	—	—
Officers of major subsidiaries	Masayuki Nakayama	—	—	Director of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	13	—	—
Officers of major subsidiaries	Masaomi Katayama	—	—	Managing Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	13	—	—
Officers of major subsidiaries	Kenichi Maeda	—	—	President of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	10	—	—
Officer	Seichi Miyajima	—	—	Executive Vice President of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	10	—	—
Officer	Haruhiko Nakamura	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	¥10	—	—

Notes: 1. Amount of transaction does not include consumption taxes.
2. Stock options were granted by the Company pursuant to the Companies Act.

Current fiscal year under review (From April 1, 2018 to March 31, 2019)

Type	Name	Location	Stated capital or capital contribution (Millions of yen)	Description of business or profession	Voting rights holding or held (%)	Relationship with the Company	Transaction details	Amount of transaction (Millions of yen)	Amount of transaction (Thousands of U.S. dollars)	Items	Fiscal year-end balance (Millions of yen)
Officer	Minoru Hatada	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	¥22	\$203	—	—
Officers of major subsidiaries	Shingo Iwakiri	—	—	Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	17	158	—	—
Officers of major subsidiaries	Hiroyasu Yoshida	—	—	President of NREG TOSHIBA BUILDING Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	13	125	—	—
Officer	Toshiaki Seki	—	—	Executive Vice President of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	11	100	—	—
Officers of major subsidiaries	Hiroshi Kurokawa	—	—	Managing Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	11	99	—	—
Officer	Masaomi Katayama	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	¥10	\$ 92	—	—

Notes: 1. Amount of transaction does not include consumption taxes.
2. Stock options were granted by the Company pursuant to the Companies Act.

(2) Transactions between consolidated subsidiaries of the Company and related parties

Officers, major individual shareholders and others of the Company

Previous fiscal year (From April 1, 2017 to March 31, 2018)

Type	Name	Location	Stated capital or capital contribution (Millions of yen)	Description of business or profession	Voting rights holding or held (%)	Relationship with the Company	Transaction details	Amount of transaction (Millions of yen)	Items	Fiscal year-end balance (Millions of yen)
Close relatives of officers	Close relatives of Hiroyuki Kimura	—	—	—	—	Selling condominiums and optional construction	Selling condominiums and optional construction	¥73	—	—
The companies in which close relatives of officers holding the majority of voting rights	K.K. Kotobuki Fudosan (Note 3)	Kodaira City, Tokyo	1	Real estate	—	Real estate brokerage	Real estate brokerage	¥32	—	—

Notes: 1. Amount of transaction does not include consumption taxes.
2. Transaction price and terms of payment are similar to generally accepted practices.
3. Close relatives of Hideki Saito, Executive Officer of the subsidiary of the Company, own the majority of the voting rights.

Current fiscal year under review (From April 1, 2018 to March 31, 2019)

Type	Name	Location	Stated capital or capital contribution (Millions of yen)	Description of business or profession	Voting rights holding or held (%)	Relationship with the Company	Transaction details	Amount of transaction (Millions of yen)	Amount of transaction (Thousands of U.S. dollars)	Items	Fiscal year-end balance (Millions of yen)
Officers of major subsidiaries	Masaharu Shino	—	—	Executive Officer of Nomura Real Estate Partners Co., Ltd.	Held 0.0%	Real estate sales	Real estate sales	¥86	\$780	—	—
Officer	Katsuya Tanaka	—	—	Executive Officer of the Company	Held 0.0%	Real estate sales	Real estate sales	¥79	\$712	—	—

Notes: 1. Amount of transaction does not include consumption taxes.
2. Transaction price and terms of payment are similar to generally accepted practices

27. Subsequent Events

Not applicable for the fiscal year ended March 31, 2019.

Independent Auditors' Report



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1720
Fax: +81 3 3503 1828
ey.com

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, 2019, 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, 2019, 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 25, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited