

# Financial Report

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For the Year Ended March 31, 2020

# 2020

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# Management’s Discussion and Analysis

## Progress and Results of Business

In the real estate market, the residential market saw sales prices continue to rise while supply volume declined due to factors such as intensification of competition for land acquisition, and there continued to be a significant impact on sales based on differences in the levels of the convenience of the regions and the properties themselves. In the office market, there was a trend of many deals due to the need for more space and relocations in connection with reconstruction of buildings, and declining vacancy rates and increasing rent revenue continued nationwide. Also, in the real estate investment market, the total market size steadily expanded thanks to the favorable domestic real estate market conditions.

However, the impact of novel coronavirus disease (“COVID-19”) on the real estate market has emerged through a decline in hotel occupancy rates and decreased sales of retail facilities.

In the Group’s business, efforts have been focused mainly on hotels, fitness clubs and retail facilities from the perspective of actively preventing the spread of COVID-19 based on requests from the national government and local governments, but the impact on the results for the fiscal year under review was insignificant.

In this business environment, the Nomura Real Estate Group (the “Group”) posted record operating revenue and profit with the following consolidated performance for the fiscal year ended March 31, 2020: Operating revenue of ¥676,495 million, which represents an increase of 1.2% year on year; operating profit of ¥81,905 million, an increase of 3.5%; business profit\*1 of ¥82,833 million, an increase of 4.0%; ordinary profit of ¥73,077 million, an increase of 5.4%; and profit attributable to owners of parent of ¥48,886 million, an increase of 6.6%.

From the fiscal year ended March 31, 2020, the Leasing Business Unit has been renamed the Commercial Real Estate Business Unit. Nomura Real Estate Life & Sports Co., Ltd., and Nomura Real Estate Wellness Co., Ltd. and the senior business of Nomura Real Estate Development Co., Ltd., which had been classified under the Property & Facility Management Business Unit, have been reclassified under the Commercial Real Estate Business Unit and the Residential Development Business Unit, respectively. The rental housing business of Nomura Real Estate Development Co., Ltd., which had been classified under the Commercial Real Estate Business Unit, has been reclassified under the Residential Development Business Unit. The presentation of comparative financial information for the previous fiscal year reflects the changes made in these reclassifications.

As a result of the transfer of a portion of shares in NF Power Service Co., Ltd., the Company ceased being a consolidated subsidiary on April 1, 2019.

## Operating Results by Segment

■ An overview of segment achievements is given below:

### Residential Development Business Unit

Operating revenue in the Residential Development Business Unit totaled ¥334,710 million, which represents a decrease of 10.8% year on year, and business profit totaled ¥24,905 million, a decrease of 0.5% year on year, resulting in a decrease in operating revenue and business profit almost at the same level as the previous fiscal year.

Although there was a decrease in the number of housing units sold in the housing sales business, the gross profit margin ratio for this business improved to 20.4% (19.1% in the previous fiscal year).

In regard to housing sales, 4,739 units were recorded as sales (a decrease of 1,151 units year on year), including PROUD Ebisu Hillside Garden (Shibuya-ku, Tokyo), PROUD CITY Hiyoshi Residence I (Kohoku-ku, Yokohama-shi, Kanagawa) for condominiums, and PROUD SEASON Setagaya Kinuta (Setagaya-ku, Tokyo) for detached housings. As of the end of the fiscal year under review, the number of completed housing inventories totaled 509 units (an increase of 233 units compared with the end of the previous fiscal year) and the number of contracted but not recorded housing units totaled 2,611 units (a decrease of 385 units compared with the end of the previous fiscal year).

In development projects in regional core cities in Japan and overseas, the Group has engaged in joining a redevelopment project in Takasaki Station East Exit (Takasaki-shi, Gunma) in Japan and expanding its business in Ho Chi Minh City, Vietnam, and Changzhou, China.

Furthermore, the Group is promoting the creation of housing aimed at net zero energy use through insulation, power saving and power generation in PROUD Takadanobaba (Shinjuku-ku, Tokyo) which was selected by the Ministry of the Environment for the High-rise ZEH-M (Net Zero Energy House - Condominium) Support Project\*2.

### Commercial Real Estate Business Unit

Operating revenue in the Commercial Real Estate Business Unit totaled ¥215,820 million, which represents an increase of 25.8% year on year, and business profit totaled ¥39,238 million, an increase of 3.1%, resulting in increases in both operating revenue and business profit compared with the previous fiscal year. This was mainly due to increases in revenues of properties for sales resulting from the sale of properties to REITs, etc., in the Investment Management Business Unit and strategic replacement of assets aimed at the creation of a highly competitive rental asset portfolio.

Construction of facilities including the PMO Nishishinjuku office building (Shinjuku-ku, Tokyo), the Landport Narashino logistics

facility (Narashino-shi, Chiba) and the GICROS GINZA GEMS retail facility (Chuo-ku, Tokyo) have been completed.

Furthermore, in order to respond to changes in diversifying customer needs, the Group launched and began operation of the new brands of H’O serviced small offices and H’T satellite shared offices based on the concept of “humans first” in the office business, and the MEFULL service-specialized retail facilities and SOCOLA community-based retail facilities in the retail business.

In overseas business, the Group acquired the entirety of ZEN PLAZA CO., LTD, which owns and operates the Zen Plaza office building in Ho Chi Minh City, Vietnam, and made it into a wholly-owned subsidiary in June 2019.

Furthermore, the Group is engaged in the resolution of social issues and provision of new value through business activities, such as office brands meeting changes in companies’ needs and work-styles (PMO, H’O and H’T), efforts to eliminate CO<sub>2</sub> emissions due to electric power purchased utilizing the “CO<sub>2</sub> Zero Plan” in the NOHGA HOTEL Series and Hotel Niwa, and Nomura Real Estate Life & Sports Co., Ltd., which operates the MEGALOS sports club receiving the industry’s first award for the Tokyo Sports Promotion Model Company.

### Investment Management Business Unit

Operating revenue in the Investment Management Business Unit totaled ¥12,059 million, which represents an increase of 25.1% year on year, and business profit totaled ¥7,149 million, an increase of 19.8%, resulting in increases in both operating revenue and business profit compared with the previous fiscal year.

This was mainly due to an increase in assets under management at the domestic asset manager Nomura Real Estate Asset Management Co., Ltd. and the full year contribution of revenue and profit of Lothbury Investment Management Limited, a real estate investment manager in the UK which became a consolidated subsidiary of the Company in the previous fiscal year.

Assets under management steadily increased in the core domestic REIT business, such as Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Private REIT, Inc. acquiring a total of 15 properties (total transaction amount of ¥55,081 million) including PMO Akihabara North (Taito-ku, Tokyo), Landport Narashino (Narashino-shi, Chiba), GEMS Sangenjaya (Setagaya-ku, Tokyo) and PROUD FLAT Shibuya Tomigaya (Shibuya-ku, Tokyo) from Nomura Real Estate Development Co., Ltd., in addition to progress in the formation of private equity funds meeting the needs of investors.

Furthermore, Nomura Real Estate Asset Management Co., Ltd. has been actively engaged in the provision of new value including consideration of ESG (environment, society and governance) in real

estate investment and received the Principles for Financial Action for the 21st Century award from the Minister of the Environment (Best Practice Example). This is because Nomura Real Estate Master Fund, Inc., which is entrusted with investment, obtained and registered thirdparty certification for the “Eco Action 21” environmental management system, which is a first for J-REITs\*1, and was recognized for contributing to the promotion of efforts for making REITs and the entire real estate industry greener.

### Property Brokerage & CRE Business Unit

Operating revenue in the Property Brokerage & CRE\*2 Business Unit totaled ¥39,110 million, which represents an increase of 4.9% year on year, and business profit totaled ¥9,109 million, an increase of 11.5%, resulting in increases in operating revenue and business profit compared with the previous fiscal year.

This was mainly due to an increase in brokerage commission fees, resulting from increases in the number of transactions and total transaction value in retail business.

We have expanded the business areas in the retail business by opening the Yotsuya Center (Shinjuku-ku, Tokyo), Akabane Center (Kita-ku, Tokyo), Kyoto Center (Shimogyo-ku, Kyoto-shi, Kyoto) and Kobe Sannomiya Center (Chuo-ku, Kobe-shi, Hyogo), bringing the total number of branch stores to 85, and in the wholesale business by opening the Hiroshima Sales Office (Naka-ku, Hiroshima-shi, Hiroshima) and the Sendai Sales Office (Aoba-ku, Sendai-shi, Miyagi).

Furthermore, Nomura Real Estate Urban Net Co., Ltd., which operates retail business, is engaged in the provision of new services to customers by actively utilizing ICT (Information and Communication Technology) such as introducing “VR Home Staging” that uses virtual reality technology utilizing AI to reproduce spaces within residential properties and coordinating the furniture in rooms.

In addition, the Company was also ranked first in both the “Detached housing sales” and “Condominium purchases” rankings of real estate brokerage companies in the 2019 Oricon Customer Satisfaction Survey for the fourth consecutive year.

### Property & Facility Management Business Unit

Operating revenue in the Property & Facility Management Business Unit totaled ¥92,982 million, which represents an increase of 1.8% year on year, and business profit totaled ¥8,181 million, an increase of 9.6%, resulting in increases in both revenue and business profit compared with the previous fiscal year.

This was mainly due to an increase in revenue of property and facility management associated with the increase in the number of residential properties under management and an increase in

\*1: Business profit = operating profit + share of profit (loss) of entities accounted for using equity method + amortization of intangible assets associated with corporate acquisitions  
\*2: The High-rise ZEH-M (Net Zero Energy House - Condominium) Support Project included in projects to promote the reduction of carbon emissions through the FY2019 ZEH (Net Zero Energy House) subsidy for business expenses for reducing carbondioxide emissions.

\*1: J-REIT: Real Estate Investment Trust Securities listed on Japanese stock exchanges  
\*2: CRE: Corporate Real Estate. Real estate strategy support services for enterprises (such as consulting on the effective utilization and trading of real estate)

revenue from construction orders due to the provision of re:Pre-mium large-scale repair works providing long-term warranties for PROUD condominiums.

In addition, as of the end of the fiscal year under review, the number of buildings under management was 723 buildings (down 9 from the end of the previous fiscal year), and the number of condominiums under management was 182,230 units (up 4,648).

Five facilities such as Landport Ome II commenced operation in the solar power generation business, and the number of renewable energy facilities using the rooftops of logistics facilities reached 18.

Furthermore, in Nomura Real Estate Partners Co., Ltd., initiatives that contributed to the creation of high-quality housing stock were promoted through business activities such as the three large-scale repair works of the PROUD series utilizing re:Premium being certified for “Good Condominium Management” under the FY2019 “Project to Promote Long-term Good Housing Renovation,” which is supported by the Ministry of Land, Infrastructure, Transport and Tourism.

In addition, the Company was ranked first in the 2019 Sumai Surfin “Management Company Customer Satisfaction Survey” for the 11th consecutive year and also ranked first in the “Tokyo Metropolitan Area Condominium Management Company” ranking in the 2019 Oricon Customer Satisfaction Survey for the third consecutive year.

#### ■ Other Business Unit

Operating revenue in the Other Business Unit totaled ¥168 million, which represents an increase of 77.4% year on year, and business loss totaled ¥106 million (the previous fiscal year was business loss of ¥43 million).

#### Analysis of Financial Position

##### ■ Assets

Total assets were ¥1,801,273 million, which represents an increase of ¥41,818 million compared to the end of the previous fiscal year. This was mainly because inventories increased by ¥77,809 million, while securities decreased by ¥37,000 million.

##### ■ Liabilities

Total liabilities were ¥1,236,153 million, which represents an increase of ¥18,260 million compared to the end of the previous fiscal year. This was mainly because notes and accounts payable-trade increased by ¥40,270 million and deposits received increased by ¥8,648 million, while borrowings decreased by ¥44,000 million.

##### ■ Net Assets

Net assets were ¥565,120 million, which represents an increase of ¥23,557 million compared to the end of the previous fiscal year. This was mainly because retained earnings increased by ¥34,510 million, while there was a decrease in net assets due to the acquisition of treasury shares in the amount of ¥8,551 million.

#### Cash Flows

##### ■ Cash flows from Operating Activities

Net cash provided by operating activities increased by ¥56,618 million (a year-on-year decrease of ¥33,345 million). This was mainly due to ¥73,090 million in profit before income taxes was recorded and trade payables increased while there was an increase in inventories and there were payments of income taxes.

##### ■ Cash flows from Investing Activities

Net cash used in investing activities decreased by ¥30,490 million (a year-on-year increase of ¥16,208 million). This was mainly due to the purchase of plant and equipment and intangible assets and the purchase of investment securities through equity method investments in overseas development projects.

##### ■ Cash flows from Financing Activities

Net cash used in financing activities decreased by ¥66,821 million (a year-on-year decrease of ¥80,545 million). This was mainly due to the repayments of long-term borrowings and the payment of cash dividends.

#### Facilities Situation

In the fiscal year ended March 31, 2020, the Group's total capital investments amounted to ¥20,360 million, including the “KAMEIDO PROJECT/large-scale commercial facility portion (name undecided)” (Koto-ku, Tokyo).

The breakdown of capital investment by department is as follows.

Business Unit (Millions of yen)	Previous fiscal year (April 1, 2018 to March 31, 2019)	Current fiscal year (April 1, 2019 to March 31, 2020)	Change
Residential Development	¥ 537	¥ 738	¥ 201
Commercial Real Estate	15,880	16,452	571
Investment Management	10	181	170
Property Brokerage and CRE	488	405	(82)
Property and Facility Management	1,692	1,770	78
Other	19	14	(4)
Subtotal	18,628	19,563	935
Adjustments	1,148	796	(351)
Total	¥19,776	¥20,360	¥ 583

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, 2020.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m²)	Completion	Acquisition Price (Millions of yen)
NREG TOSHIBA BUILDING Co., Ltd.	GICROS GINZA GEMS (Chuo-ku Tokyo)	Commercial Real Estate	Retail facilities	Steel-framed construction (partially steel-framed reinforced concrete and reinforced concrete construction), 3 floors below ground, 11 floors above ground	Building: 2,683 Land: 312	July 2019	¥4,940

In accordance with the acquisition of shares in ZEN PLAZA CO., LTD, in the fiscal year ended March 31, 2020, 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 (m²)	Book Value (Millions of yen)
ZEN PLAZA CO., LTD	ZEN PLAZA (Ho Chi Minh, Vietnam)	Commercial Real Estate	Office	Steel frame and brick construction, 2 floors below ground, 14 floors above ground	Building: 16,074 Land: 1,472	¥3,060

Note: Land area includes leased land

In the fiscal year ended March 31, 2020, the following non-current assets were transferred to real estate for sale.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m²)	Book Value (Millions of yen)
NREG TOSHIBA BUILDING Co., Ltd.	Creare Toshiba Motosumiyoshi (Nakahara-ku, Kawasaki-shi, Kanagawa) and 44 other residential	Commercial Real Estate	Residential	Reinforced concrete construction, 7 floors above ground	Building: 7,390 Land: 4,233	¥24,210

Note: The space area shows the details of Creare Toshiba Motosumiyoshi and includes name, department, main use, structure size or facility details.

The following facilities were sold during the fiscal year ended March 31, 2020.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m²)	Book Value (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Wako Building (Minato-ku, Tokyo)	Commercial Real Estate	Office	Steel-framed reinforced concrete construction, 1 floor below ground, 8 floors above ground	Building: 3,171 Land: 621	¥7,426

Major Facilities and Equipment

Major facilities and equipment in the Commercial Real Estate Business Unit for the Nomura Real Estate Group and its consolidated subsidiaries are as follows.

1) Office and retail facilities, etc.

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion or [Time of Acquisition]	Land Area (m <sup>2</sup> )	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	¥12,199	¥129,809	¥457	¥142,466
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	27,871	14,584	867	43,323
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	13,236	22,245	404	35,886
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	12,844	19,227	321	32,393
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	17,968	8,809	436	27,214
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	1,757	22,677	6	24,442
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	1,711	21,116	0	22,828
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	5,711	16,303	277	22,292
Nomura Real Estate Development Co., Ltd.	Kameido 6 chome Project (tentative name) *2 *4 (Koto-ku, Tokyo)	Land slated for building construction	—	—	[December 2017]	24,822	—	20,099	—	20,099
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	9,533	10,247	309	20,090
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	3,114	16,418	118	19,652
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	3,356	15,707	18	19,083

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion or [Time of Acquisition]	Land Area (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
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	¥1,513	¥16,038	¥ 28	¥17,581
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Shibadaimon 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	3,314	10,650	63	14,028
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	1,268	12,584	5	13,858
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	11,383	—	822	12,206
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	370	10,956	2	11,329
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	406	10,553	8	10,969
Nomura Real Estate Development Co., Ltd.	bono Sagamiono Shopping Center *3 (Minami-ku, Sagamihara-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	5,346	4,649	286	10,281
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	4,622	4,942	8	9,574
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.	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	2,952	5,660	26	8,639
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	3,336	5,247	29	8,612
Nomura Real Estate Development Co., Ltd.	Nomura Otemachi Kita Building (tentative name) (Chiyoda-ku, Tokyo)	Land slated for building construction	—	—	[September 2017]	886	—	7,292	—	7,292

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion or [Time of Acquisition]	Land Area (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
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	¥3,830	¥3,306	¥ 75	¥7,212
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), 3 floors below ground, 40 floors above ground	43,093	March 1993	8,325	2,331	4,585	78	6,995
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	3,464	3,109	368	6,942
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	923	5,989	3	6,916
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	782	5,768	44	6,595
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	2,778	3,182	2	5,963
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	750	4,999	0	5,750
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	2,482	3,073	38	5,594
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	3,910	1,516	32	5,459
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	875	4,413	51	5,340
NREG TOSHIBA BUILDING Co., Ltd.	GICROS GINZA GEMS (Chuo-ku, Tokyo)	Retail facility	Steel-framed construction (partially steel-framed reinforced concrete and reinforced concrete construction), 3 floors below ground, 11 floors above ground	2,683	July 2019	312	1,931	2,979	66	4,977
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	1,113	3,716	89	4,920

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion or [Time of Acquisition]	Land Area (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
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	¥154	¥4,394	¥—	¥4,549
Nomura Real Estate Development Co., Ltd.	NOHGA HOTEL AKIHABARA TOKYO (tentative name) (Chiyoda-ku, Tokyo)	Land slated for building construction	—	—	[March 2018]	663	—	4,169	—	4,169
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	2,065	1,918	22	4,006
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	202	3,551	0	3,754
Nomura Real Estate Development Co., Ltd.	NOHGA HOTEL KIYOMIZU KYOTO (tentative name) *3 (Higashiyama-ku, Kyoto-shi, Kyoto)	Land slated for building construction	—	—	[September 2018]	1,382	—	3,676	—	3,676
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	848	2,700	4	3,553
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	585	2,817	2	3,404

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 be situated.

## 2) Fitness club

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion or [Time of Acquisition]	Land Area (m <sup>2</sup> )	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Life & Sports Co., Ltd.	Megaros Souka and other 46 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	¥7,696	¥—	¥1,047	¥8,743

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.



In addition to the table above, the main subleased buildings leased by the Group in the Urban Development Department are as follows

Company Name	Property Name (Location)	Rentable Area (m <sup>2</sup> )
Nomura Real Estate Development Co., Ltd.	Megaros Souka and other 46 facilities (Souka-shi, Saitama and others)	17,298
Nomura Real Estate Development Co., Ltd.	AKS Building (Chiyoda-ku, Tokyo)	7,516

Facilities Establishment, Sales and Renovation

As of March 31, 2020, the following facilities are scheduled to be established, sold or renovated. There was 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)		Sources of funding	Schedule	
					Total	Amount Paid		Start	Completion
Nomura Real Estate Development Co., Ltd.	TOKYO TORANOMON GLOBAL SQUARE (tentative name) (Minato-ku, Tokyo)	Commercial Real Estate	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 4 floors below ground, 24 floors above ground	¥35,361	¥14,648	Borrowings and own funds	Fiscal year ended March 31, 2018	Fiscal year ending March 31, 2021
Nomura Real Estate Development Co., Ltd.	NOHGA HOTEL KIYOMIZU KYOTO (tentative name) (Higashiyama-ku, Kyoto-shi, Kyoto)	Commercial Real Estate	Hotel	Steel-framed construction, 1 floor below ground, 6 floors above ground	11,827	3,884	Borrowings and own funds	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2022
Nomura Real Estate Development Co., Ltd.	Nomura Otemachi Kita Building (tentative name) (Chiyoda-ku, Tokyo)	Commercial Real Estate	Office	Concrete-filled steel pipe construction (partially reinforced concrete construction), 1 floor below groun d, 10 floors above ground	11,460	7,419	Borrowings and own funds	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2022
Nomura Real Estate Development Co., Ltd.	NOHGA HOTEL AKIHABARA TOKYO (tentative name) (Chiyoda-ku, Tokyo)	Commercial Real Estate	Hotel	Steel-framed construction, 10 floors above ground	6,766	4,624	Borrowings and own funds	Fiscal year ended March 31, 2019	Fiscal year ending March 31, 2021

2) Sale of major facility

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m <sup>2</sup> )	Completion	Land Area (m <sup>2</sup> )	Schedule to Sell
Nomura Real Estate Development Co., Ltd.	Toranomon Central Building (Minato-ku, Tokyo)	Commercial Real Estate	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	Fiscal year ending March 31, 2021

3) Renovation of major facility

Company Name	Property Name (Location)	Business Segment	Planned Aggregate Investment (Millions of yen)		Construction Period	Note
			Total	Amount Paid		
Nomura Real Estate Development Co., Ltd.	—	Commercial Real Estate	¥4,718	¥—	April 2020 – March 2021	Construction for facility renovation

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

Basic Policy Regarding Profit Distribution and Dividends

Under the Mid- to Long-term Business Plan, which was formulated in April 2019, the Company has targeted the total return ratio to be around 40-50% in Phase 1 (from the fiscal year ended March 31, 2020 to the fiscal year ending March 31, 2022).

As for dividends, the Company intends to set the year-end dividend for the fiscal year ended March 31, 2020 at ¥40.0 per share as forecasted. Combined with the second quarter-end dividend, the annual dividend per share will be ¥80.0. As a result, the total return ratio during the fiscal year ended March 31, 2020, which included the acquisition of treasury shares, was 46.5%.

Consolidated Performance Outlook for the fiscal year ending March 31, 2021

Forecasts of consolidated operating results for the fiscal year ending March 31, 2021 have yet to be determined, as it is difficult to reasonably calculate the impact of the spread of COVID-19 on business activities and business results. The information will be disclosed once it is possible to make rational calculations in the future.

Risks Affecting the Business of Nomura Real Estate Group  
1) Basic Policy for Risk Management

The Group regards risk management as a “business management methodology that aims to improve corporate value by managing all risks related to the attainment of corporate group organizational and business objectives in an integrated and unified manner while controlling risk within the company’s risk tolerance limits.”

With the aim of ensuring the soundness of business management through proper management and operation of risks, the Group has formulated the Risk Management Regulations.

As its basic policy, the Group assures business continuity and stable development by implementing risk management and classifies its main risks into four categories, namely “A: Investment risk,” “B: External risk,” “C: Disaster risk,” “D: Internal risk.” Among them, risks listed below are regarded as important risks that should be managed, and performing effective and efficient risk management is provided according to the scale and characteristics of each risk.

<Important risks needing to be managed among main risks>

- Risks that could have a major impact on Group management
- Risks that could have a major impact on society
- Risk of litigation or other serious problems
- Other major risks that should be managed by the Group

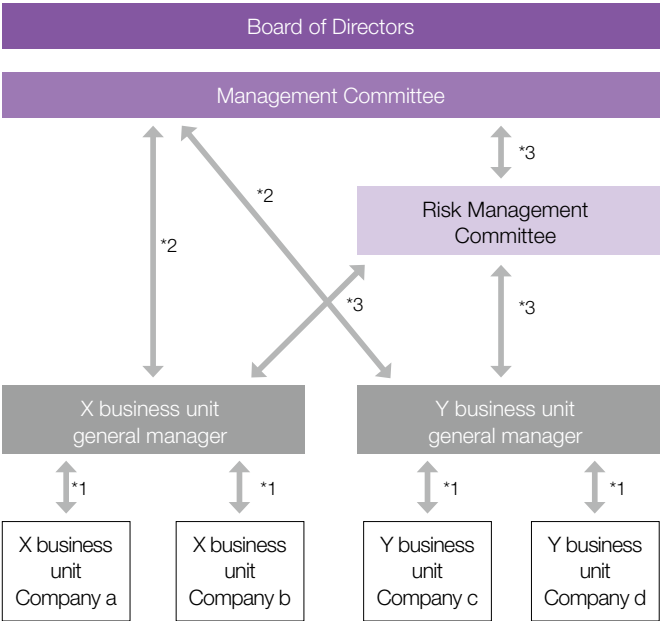
2) Risk Management Structure

To discuss various risks related to group management, the Company has prescribed the Management Committee as the integrated risk management body and operates a system to regularly monitor, evaluate and analyze the state of main risks, provide necessary guidance and advice to each business unit and Group company while regularly reporting details to the Board of Directors. The Management Committee, which is the integrated management body, directly monitors “A: Investment risk” and “B: External risk,” while the Risk Management Committee, established as a subordinate organization of the Management Committee, conducts regular monitoring, evaluation and analysis of “C: Disaster risk” and “D: Internal risk” and these committees discuss basic response policies regarding risk prevention, response when risk occurs, and prevention of recurrence after risk occurs. Moreover, we established the Group Risk Meeting consisting of directors and executive officers of each Group company appointed by the Chair of the Risk Management Committee to share risk information and response policies within the Group. With regard to risk management, each business unit manager will supervise the risk management of their affiliated business unit and report on the situation to the Management Committee or Risk Management Committee as necessary. Concurrently, the president of each group company (the head of each division at Nomura Real Estate Development Co., Ltd.) are responsible for reporting risk management matters to the business unit manager in a timely and appropriate manner.

In addition, we have defined the organization in charge of business in each group company as the “first line” of risk management, the organization in charge of corporate operations at the Company and each group company as the “second line” of risk management, and the organization in charge of internal audits at the Company and each group company as the “third line” of risk management. With each “line” playing its role in risk management, for example, the “second line” and “third line” of the Company providing support, guidance and cooperation to the “second line” and “third line” of the group companies, respectively, we have established an appropriate defense line.

In the event of a major problem requiring urgency, the chair of the Risk Management Committee decides the basic policies such as countermeasures upon consulting with the executives responsible for relevant departments in accordance with the Risk Management Regulations and reports to the President (Group CEO) and provides instructions such as response in accordance with the basic policy.

Risk Management System (conceptual diagram)

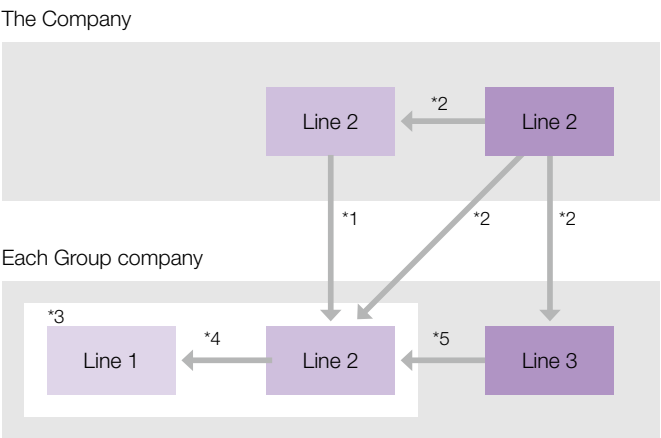


\*1. Each company reports on risks to the business unit manager of the affiliated business unit and the business unit manager provides guidance and monitors the risk management of each company.

\*2. The head of each business unit reports to the Management Committee on "A: Investment risk" and "B: External risk" that pertains to their own department and the Management Committee provides guidance and monitors the risk management associated with "A: Investment risk" and "B: External risk" of each department.

\*3. The head of each business unit reports to the Risk Management Committee on "C: Disaster risk" and "D: Internal risk" that pertains to their own department and the Risk Management Committee provides guidance and monitors the risk management associated with "C: Disaster risk" and "D: Internal risk" of each business unit. Furthermore, the Risk Management Committee reports to the Management Committee on the details of its own deliberations and on the status of each business unit's risk management associated with "C: Disaster risk" and "D: Internal risk."

Defense Line (conceptual diagram)



\*1 The Company's second defense line provides appropriate support and guidance for each group company's second defense line with respect to overall risk management based on the Group's management policy and strategic objectives and monitors each group company's second-line activities.

\*2 The Company's third line monitors activities of Group companies by providing appropriate guidance to and cooperating with the third lines of each Group company. Concurrently, it audits matters relating to risk management of the second line of the Company, or of the first and second lines of each Group company when necessary, and verifies their effectiveness and efficiency and provides necessary advice.

\*3 The first line of each Group company recognizes, evaluates, and controls risks associated with each business, establishes and operates a system that responds to risks, and carries out appropriate risk-taking.

\*4 The second line of each group company supports the risk management of the first line of its own company while monitoring to verify whether the risk management of the first line is being properly undertaken.

\*5 The third line of each Group company audits matters related to risk management of each department of the first line and second line of its own company, verifies the effectiveness and efficiency, and provides necessary advice.

3) Details of main risks

The following are regarded as main risks that managers could make a significant influence on the financial position, business performance and cash flows of consolidated subsidiaries. Matters concerning the future and the recognition of risks in the text are those determined by the Group as of the date of the submission of the Financial Report (June 23, 2020). The followings, however, does not cover all risks. Risks that are unpredictable or deemed insignificant at this point in time could have an impact on businesses in the future. In the fiscal year ended March 31, 2020, many events occurred that were related to Main risk item (7) "Risks caused by disasters (earthquakes, typhoons, floods, tsunamis, volcanic eruptions, major fires, epidemics of infectious diseases, etc.) that have a major impact on customers and business continuity." These included storm and flood damage caused by typhoons No. 15 and No. 19 and the spread of COVID-19.

The Group's risk categories, main risk items, and basic response policies are as follows.

Risk category	Definition
(A) Investment risk	Risk related to individual investments (real estate investment, strategic investment (M&A), etc.)
(B) External risk	Risk related to external factors influencing business
(C) Disaster risk	Risk caused by disasters that have a large impact on customers and business continuity
(D) Internal risk	Operational risk occurring at the Company and each group company

Risk category	Main risk items	Basic response policies
(A) Investment risk	1) Risk associated with real estate investment 2) Risk associated with strategic investment (M&A) and new businesses	
(B) External risk	3) Risk associated with market changes 4) Risk caused by changes in economic conditions 5) Risk caused by changes in political/social conditions/ systems (law, tax system, accounting, others) 6) Risk from lagging behind innovation and changes in the social structure related to the business	Make appropriate responses to risk items for which returns shall be obtained according to the level of risk    Make appropriate responses to risk items that results in reduced competitiveness and lost opportunities
(C) Disaster risk	7) Risk caused by disasters (earthquakes, typhoons, floods, tsunamis, volcanic eruptions, major fires, epidemics of infectious diseases, etc.) that have a major impact on customers and business continuity	
(D) Internal risk	8) Risk of violations of laws and ordinances 9) Risk of quality defects 10) Risk of occurrence of information system crisis 11) Risk of inadequate response to matters related to human resources 12) Risk of occurrence of fraud and negligence	Make appropriate responses to risk items for which that should be responded to and managed so that the risk does not materialize or the risk is minimized when it materializes

The details of each major risk item and main initiatives are as follows.

Risk item	Risk category	Risk details	Main initiatives
1. Risk associated with real estate investment	(A) Investment risk	In the real estate investment and development business carried out by the Group, there are cases in which business does not proceed as planned due to such factors as unexpected soil pollution, delays in obtaining permits and licenses, and the need for additional construction. In such cases, the occurrence of changes in the initial business schedule, delays in completion and recognition timing, and additional costs could affect the Group's financial position and business performance.	Decisions on the real estate investment/development business are made at the meetings such as the Management Committee or the Board of Directors of the Company or of group companies upon identifying, analyzing and evaluating risk in advance and considering risk taking or risk avoidance policies. In particular, for soil pollution the Company implements a historical survey and a pollution survey in advance and if pollution is confirmed the Company will cease the acquisition of the land or have the pollution removed by a external specialist. Moreover, following the acquisition of the land for development, the department in charge of the business ascertains the risk of any schedule delay and the state of construction costs. Should an especially an important event occur, the department shall report this to the Management Committee or the Board of Directors of the Company or group companies when necessary and respond to the issues.
2. Risk associated with strategic investment (M&A) and new businesses	(A) Investment risk	<p>The Group positions M&amp;A as one of its growth strategies and aims to enhance the corporate value of the Group by implementing M&amp;A for which synergies can be expected. However, the inability to achieve profit growth from the M&amp;A target companies and synergies expected could affect the Group's financial position and business performance.</p> <p>The Group goes beyond the existing business domains to explore opportunities in new businesses as well as examines and makes investments in new asset types. However, the inability to execute business according to original plans or achieve synergies with group companies could affect the Group's financial position and business performance.</p>	<p>In executing M&amp;A, the main investment targets and investment purposes shall be defined. At the same time, factors such as the synergies with the Group's existing businesses, business plans, financial details, and contract-related matters shall be carefully examined and considered and M&amp;A shall be implemented when it is determined that this will contribute to the Group's business results in the future. In addition, after the M&amp;A is executed, the Board of Directors or the Management Committee shall regularly monitor the status of the integration process between the target company and the Group, management issues, and response policies.</p> <p>In considering new businesses, the Company carefully investigates and examines the synergies with the Group's existing businesses as well as business plans. A new business is commenced when judgement is made that it will contribute to the business performance of the Group in the future. After entering a new business, its performance is regularly monitored, and if deemed necessary to make modifications or a re-start, it will put to deliberation by the Board of Directors or Management Committee.</p>

Risk item	Risk category	Risk details	Main initiatives
3. Risk associated with market changes	(B) External risk	The Group carries out a variety of real estate-related businesses and any changes in the business environment or market conditions in each business could have an impact on the Group's business performance. In addition, changes in economic conditions or the occurrence of disasters could have an impact on the business environment or market conditions of real-estate related businesses. In the Residential Development Business Unit, a decline in customer desire to purchase leads to a decrease in sales prices and an increase in inventories and this could result in a situation whereby expected profits under the business plan cannot be secured and valuation losses on inventories held are recorded. In Commercial Real Estate Business Unit, a decline in rent levels, a rise in vacancy rates and increase in the CAP rate that leads to a decline in asset price could result in a situation whereby expected profits under the business plan cannot be secured and valuation losses on inventories and non-current assets held are recorded. In addition, a decline in demand in the real estate transaction market, a share price decline in the REIT market, a decline in demand for investment funds, and a rise in construction cost could have an impact on the Group's financial condition and business performance.	The Group regularly updates its awareness of the external environment of each business and works to ascertain impacts on business results, monitor the progress of business and improve precision. When making investment decisions in the real estate investment/development business, our basic policy is to understand and forecast the current and future market conditions and confirm past market trends and curb to a certain extent the impact from changes in market conditions. Moreover, we formulate an investment budget upon undertaking risk assessment to secure a certain shareholders' equity ratio even if market conditions change rapidly. Since the impact of COVID-19 on the real estate-related business environment and market emerged from the last part of this fiscal year ended March 31, 2020, the Group has continued to verify the impact on each business according to each business characteristic. In addition, when making investment decisions at each Group company, we are reviewing the operation of certain internal rules such as investment standards and responding to risk arising from market changes.
4. Risk caused by changes in economic conditions	(B) External risk	Domestic and overseas economic recessions, an increase in funding costs due to rising market interest rates, fluctuations in yen-denominated investments and recovered amounts, or amounts of foreign currency assets and liabilities on the consolidated financial statements due to fluctuations in exchange rates could have an impact on the Group's financial condition and business performance.	Regarding changes in economic conditions, the Group regularly updates its awareness of the external environment and works to ascertain impacts on business results. In addition, since the emergence of the impact of COVID-19, we are paying particularly close attention to trends in corporate earnings, personal income and consumption. In our funding through borrowings, we respond to the risk of rises in short-term interest rates by using mainly long-term and fixed-rate borrowings. For foreign exchange fluctuation risk, we have established a foreign exchange hedging policy that considers the types of businesses we undertake overseas and we operate in accordance with this policy.



Risk item	Risk category	Risk details	Main initiatives
5. Risk caused by changes in political/social conditions/systems (law, tax system, accounting, others)	(B) External risk	<p>Various types of laws and regulations in Japan and overseas are applicable to each of the Group's businesses. For example, in addition to the the Real Estate Brokerage Act and the Building Standards Act, other real-estate related laws and regulations as well as the Financial Instruments and Exchange Act are applicable in Japan. In case there are changes or additions to these laws and regulations or other laws and regulations become applicable due to an expansion in the business scope in the future they could have an impact on the Group's financial position and business performance.</p> <p>Also, in the case of changes to various tax systems and accounting systems in Japan and overseas that have an impact on the real estate business, the resulting increased costs for acquiring, holding, and selling assets, a decline in customer desire to purchase, a shift in corporate facility strategy, and revision of investment plans could have an impact on the Group's financial position and business performance.</p> <p>Overseas, there are risks specific to each country's social situations and risks related to laws, regulations and tax laws different from those in Japan. In the case of changes in social situations or changes or the establishment of laws, regulations and tax laws that have been unexpected at the beginning of conducting business in each country, the occurrence of new obligations and expenses as well as obstacles to promote business could have an impact on the Group's financial position and business performance.</p>	<p>We collect and analyze information on trends in various laws and regulations, tax systems and accounting systems from industry groups, external experts, business partners, and consider responses at each of the Company's respective organizations on the "second line" and discuss those matters expected to have a significant impact at the Board of Directors or the Management Committee depending on the details. During this consolidated fiscal year, we held discussions on "Response to the Reform of the Japanese Civil Code (Law of Obligations).</p> <p>Moreover, in overseas business, we set up a country-specific investment limit in accordance with the Group's financial risk allowance after conducting investigations and analyses of each country's social situations. In addition, we seek the knowledge of external experts regarding applicable laws, regulations and tax laws when starting a business overseas, and after starting a business we regularly confirm the state of changes to important related laws and regulations that have an impact on business strategy, revenue and expenditures, and progress in countries where we do business and in the case there are any changes discussions are carried out at the Board of Directors or the Management Committee upon evaluating the impact and discussing response policies.</p>
6. Risk from lagging behind innovation and changes in the social structure related to the business	(B) External risk	<p>Should technological innovation or the emergence of innovative new participants in a variety of real estate-related businesses that the Group engages in result in a large change in the industrial structure or business environment and the Company is late in responding to changes in customer needs accompanying changes in the social structure, the Company's competitive advantage could decline and this could have an impact on the group's financial position and business performance.</p>	<p>Amid the changing business environment, the Group has created unique new value and provided this to society and its customers by leveraging its strengths that include real estate development capabilities based on market-in approach and its commitment to the quality in urban development and real estate-related services. To further enhance this strength, we have established the ICT &amp; Innovation Planning Department and this department is undertaking R&amp;D in new business domains and planning, promoting and supporting the emergence of innovation and ICT digital strategies. We have also established Business Idea Proposal System that enables employees of each Group company to make proposals on new businesses that transcend the framework of their everyday work and promote new businesses and the commercialization of new products and services. Moreover, we will make efforts to create a corporate culture that takes on the challenge of realizing value creation by promoting reforms and strengthen Group collaboration through the Nomura Real Estate Group Award, an award system within the Group. We are also making efforts to create new business by collaborating with venture companies possessing innovative technologies and services through corporate venture capital.</p>

Risk item	Risk category	Risk details	Main initiatives
7. Risk caused by disasters (earthquakes, typhoons, floods, tsunamis, volcanic eruptions, major fires, epidemics of infectious diseases, etc.) that have a major impact on customers and business continuity	(C) Disaster risk	<p>Large earthquakes, storms and flood damage, and infectious disease epidemics could make it difficult for the Company and its business partners to undertake normal business and there could be cases of the occurrence of the risk of loss of earnings and the risk of delay of earnings. Risk of loss of earnings include decreases in leasing revenue and operational revenue due to the suspension of operations or restrictions on facilities that the Group owns and operates and a decrease in income due to the loss of business opportunities.</p> <p>Moreover, risk of delay of earnings include changes in sales recording period due to the suspension of operations for housing sales and changes in the timing of sales recording/completion due to the extension of construction periods owing to such factors as suspension of construction by contractors and these could have an impact on the Group's business results and financial condition. In addition, natural disasters such as earthquakes, fires, storms and floods, or sudden accidents, could result in damage or loss of real estate owned, operated or managed by the Group and this could have an impact on the Group's financial condition and business performance.</p>	<p>The Group recognizes an increase in occurrence of various disasters as an important social issue. Based on discussions with government and disaster prevention experts, we are working to ensure the safety and security when a disaster occurs. If a disaster occurs, we engage in disaster prevention activities so that its impact is minimized and the Group and its employees can continue business and a normal life. At the same time, we have formulated a business continuity plan (BCP) and action plan and engage in initiatives related to the Group's business continuity. In preparing for an earthquake that directly hits under the Tokyo Metropolitan Area, we have established a BCP, set up an emergency chain of command, and assigned duties to ensure business continuity, and established a system to minimize the impact of disasters. Furthermore, once per year we hold Disaster Task Force Establishment Drills to confirm responses prescribed in the BCP (assuring the safety of the lives of executives and employees, establishing a chain of command system, restoring business) as we prepare for emergencies.</p> <p>Regarding an occurrence of earthquakes, fires, storms, floods, or other sudden accidents, we have set up regulations on how to respond to torrential rain and flooding, formulated a disaster prevention response manual, and created a disaster prevention guidebook for distribution to residents, management associations, tenants, and facility users in the properties we own to ensure their safety and bring them peace of mind when a disaster occurs.</p> <p>&lt;Matters related to COVID-19&gt; Based on the BCP that had been formulated to respond to a new influenza outbreak, we established a basic policy for the Group's countermeasures and continuously update it. At the beginning of March 2020, we established a task force chaired by the Group CEO, gathered information from government and administrative authorities, and considered and implemented measures that place top priority on ensuring the health of customers, employees and their families and preventing the spread of infection while considering and implementing countermeasures for business continuity. From the perspective of preventing the spread of infection, we decided to suspend the operation of fitness clubs and defer or reduce rent payments to a certain level to provide support for the business continuity of tenants who were impacted by the closure of commercial facilities at the government's and local authorities' request. Including the hotel business, which was directly affected by a significant decrease in the number of tourists, many businesses have experienced a temporary decline in revenue. However, these corporate actions align with our approach to promote the Company's sustainability and CSR efforts, which are to resolve social issues through business activities and respond to customer needs, and therefore contribute to enhance corporate value in the medium to long term.</p>

Risk item	Risk category	Risk details	Main initiatives
8. Risk of violations of laws and ordinances	(D) Internal risk	In the real estate brokerage business, the main business of the Group, there are cases when the Company receives administrative sanctions from government authorities due to a violation of laws such as an error in explaining important matters to customers, misrepresentation of facts, or non-notification of disadvantageous matters. Also, in the case the Group violates the Building Standards Act, the Financial Instruments and Exchange Act, Companies Act, Act on the Protection of Personal Information, Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, and other laws related to the Group's business, the loss of the Group's credibility and the imposition of fines could have an impact on the Group's business performance.	The Company has formulated the Nomura Real Estate Group Code of Action that defines the basic code of actions for executives and employees, including complying with laws and regulations and acting with higher ethical standards, and prescribed internal rules. We are making efforts to familiarize employees with the Code of Action and internal rules through periodic training, promote education on an ongoing basis and facilitate enlightenment. For primary laws such as the Real Estate Brokerage Act, we formulate a business work flow specific to each law to ensure legal compliance, ensure a thorough awareness through training and on-the-job training (OJT), and implement regular voluntary inspections for compliance.
9. Risk of quality defect	(D) Internal risk	In case of deficiencies such as design and construction defects in the Group's real estate development business or in the case of a management deficiency in the properties for leasing or under management, the loss of trust in the Group, unexpected costs and delays in development plans and operation plans could have an impact on the Group's business performance.	In the real estate development business, to secure quality in design and construction upon placing an order for the design and construction work of a building with a third party who has a certain level of creditability and technical capabilities, the Group prescribed the Design and Construction Standards (structure, construction, equipment, and electrical) and the Quality Manuals and ensure thorough compliance from the parties with which we order design and construction work while also checking the state of construction and carrying out quality inspections as the ordering party. Regarding leased and managed properties, we will prepare business standard documents related to property management and safety and temporary construction guidelines for repair work as we undertake business. We will also provide property insurance for damages in the unlikely event of a deficiency or accident.
10. Risk of occurrence of information system crisis	(D) Internal risk	To achieve sustainable growth as the diversity of products and services provided to customers increases, the Group believes it must further improve productivity and work efficiency and is actively utilizing the benefits of the Internet (the Cloud) (speed, flexibility, cost) for establishing an ICT environment and promoting DX to achieve these improvements. In addition, the Group handles a large volume of personal information in each business due to necessity in executing business. For this reason, in the unlikely case the Company's system cannot be used normally or in case personal information is leaked to the outside due to unexpected circumstances such as cyberattacks and unauthorized access, the loss of credibility and the resulting decrease in sales and damage compensation costs could have an impact on the Company's business performance.	As we actively promote initiatives that utilize information systems and ICT, we believe that ensuring information security will be of unprecedented importance and we have strengthened measures to restrict access via Internet connections as well as measures for log management and the loss of information devices and are progressing with the establishment of an ICT environment in preparation for cyberattacks and information leakage. The Company is also striving to comply with relevant laws and regulations for personal information and to ensure proper handling of this information. Moreover, with the aim of realizing organized management of information and maintaining and improving security levels within the Group, we have prescribed the Information Security Regulations and the Information Handling Guidelines, regularly provide education and enlightenment to our employees, protect the rights and interests of our customers and ensure the stable operation of an ICT environment within the Group. In addition, the Company has cyber insurance in preparation for an unlikely accident such as an information leakage.

Risk item	Risk category	Risk details	Main initiatives
11. Risk of inadequate response to matters related to human resources	(D) Internal risk	We regard human resources as our largest asset and the source of new value creation for the sustainable growth of the Group. Therefore, in the event that the working hours of Group executives and employees are not properly ascertained and long working hours damage the health of executives and employees and we receive administrative sanctions from government authorities because our personnel system and its operation do not comply with labor standards and related laws and regulations, the outflow of the Group's human resources, the loss of trust, and the imposition of fines could have an impact on the Group's business performance. In terms of personnel and labor management at overseas bases, there is risk of administrative sanctions by government authorities for introducing or operating a system that violates local labor customs, the risk of losing know-how due to the retirement of local employees, and a risk that the health of employees will be damaged due to the lack of systems to provide appropriate support for living in a foreign country.	The Group prescribes working with vigor and achieving wellness as its action guideline. The Group aims to provide wellness management so that all its executives and employees can carry out their work energetically and in good physical and mental health, which leads to sustainable corporate growth. To properly grasp working hours, we have introduced and operate an attendance management system and for particularly long working hours, this situation is monitored regularly. Furthermore, the compliance of our personnel system and its operation is regularly verified by outside experts to prevent the emergence of risks. Moreover, overseas there are local laws, cultures, and customs. Therefore, we utilize the knowledge of external experts to build personnel/labor systems, establish consultation desks for staff stationed overseas, and provide services to help the staffs find, and provide support for visits to, medical institutions.
12. Risk of occurrence of fraud and negligence	(D) Internal risk	Within the Group, risk could occur due to fraud perpetuated by executives and employees, information leakage due to improper management of information, and operational negligence. In the case this risk emerges, the loss of credibility and the resulting decrease in sales and damage compensation costs could have an impact on the Company's business performance.	Group executives and employees comply with laws and regulations as well as with the internal rules and regulations established by each company of Nomura Real Estate Group. Furthermore, we have established the Nomura Real Estate Group Code of Action with the aim of acting in accordance with even higher ethical standards, and we continuously provide education and enlightenment to executives and employee.

# Consolidated Balance Sheets

Nomura Real Estate Holdings, Inc. and its subsidiaries  
March 31, 2019 and 2020

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and deposits (Notes 17)	¥ 81,351	¥ 78,401
Notes and accounts receivable-trade	26,601	25,359
Securities (Notes 17 and 18)	37,000	—
Real estate for sale (Note 8)	161,224	234,973
Real estate for sale in process	290,398	298,787
Land held for development (Note 8)	184,650	180,358
Equity investments (Notes 17 and 18)	18,066	30,983
Other	50,274	57,882
Allowance for doubtful accounts	(39)	(20)
Total current assets	849,528	906,726
<b>Non-Current Assets</b>		
Property, plant and equipment		
Buildings and structures (Notes 4 and 8)	394,979	380,420
Accumulated depreciation	(171,594)	(173,461)
Buildings and structures, net	223,385	206,958
Land (Note 7 and 8)	544,226	526,809
Other (Note 8)	29,885	33,781
Accumulated depreciation	(10,464)	(11,227)
Other, net	19,421	22,553
Total property, plant and equipment	787,033	756,321
Intangible assets	18,104	20,223
Investments and other assets		
Investment securities (Notes 6, 17 and 18)	50,522	58,952
Lease and guarantee deposits (Note 17)	25,448	27,999
Deferred tax assets (Note 22)	20,863	22,696
Other	7,956	8,354
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	104,789	118,003
Total non-current assets	909,926	894,547
<b>Total Assets</b>	<b>¥1,759,455</b>	<b>¥1,801,273</b>

See notes to consolidated financial statements.

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable-trade	¥ 53,927	¥ 94,197
Short-term borrowings (Notes 17 and 29)	79,500	72,000
Current portion of bonds payable	—	20,000
Income taxes payable (Note 22)	13,318	19,476
Deposits received	26,915	35,564
Provision for bonuses	8,176	8,410
Provision for bonuses for directors (and other officers)	495	473
Provision for loss on business liquidation	26	19
Other	49,513	51,927
Total current liabilities	231,873	302,068
<b>Non-Current Liabilities</b>		
Bonds payable (Notes 17 and 29)	140,000	120,000
Long-term borrowings (Notes 17 and 29)	694,500	658,000
Leasehold and guarantee deposits received (Note 4)	59,249	62,392
Deferred tax liabilities (Note 22)	61,563	61,389
Deferred tax liabilities for land revaluation (Note 7)	3,900	3,900
Provision for share-based remuneration	719	1,541
Provision for loss on subleasing business	15	—
Retirement benefit liability (Note 20)	18,175	18,705
Other	7,895	8,157
Total non-current liabilities	986,019	934,084
<b>Total Liabilities</b>	<b>1,217,893</b>	<b>1,236,153</b>
<b>Net Assets</b>		
<b>Shareholders' Equity (Note 14)</b>		
Share capital	117,293	117,822
Capital surplus	110,537	111,065
Retained earnings	307,570	342,081
Treasury shares	(18,787)	(27,339)
Total shareholders' equity	516,613	543,630
<b>Accumulated Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	6,718	2,915
Deferred gains or losses on hedges	(259)	1,044
Revaluation reserve for land (Note 7)	7,860	7,860
Foreign currency translation adjustment	(677)	(1,322)
Remeasurements of defined benefit plans (Note 20)	(3,507)	(3,950)
Total accumulated other comprehensive income	10,134	6,547
Share acquisition rights	2,346	1,850
Non-controlling interests	12,467	13,091
<b>Total Net Assets</b>	<b>541,562</b>	<b>565,120</b>
<b>Total Liabilities and Net Assets</b>	<b>¥1,759,455</b>	<b>¥1,801,273</b>

See notes to consolidated financial statements.

# Consolidated Statements of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31, 2019 and 2020

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Operating Revenues and Expenses</b>		
Operating Revenue	¥668,510	¥676,495
Operating Costs	479,797	482,772
<b>Operating Gross Profit</b>	<b>188,712</b>	<b>193,723</b>
Selling, General and Administrative Expenses	109,549	111,817
<b>Operating Profit</b>	<b>79,162</b>	<b>81,905</b>
Non-Operating Income		
Interest income	44	86
Dividend income	69	122
Share of profit of entities accounted for using equity method	167	313
Contract cancellation settlement	—	398
Gain on sales of investment securities	—	102
Gain on donation of non-current assets	54	—
Other	409	327
Total non-operating income	746	1,350
Non-Operating Expenses		
Interest expenses	8,753	8,788
Other	1,831	1,389
Total non-operating expenses	10,584	10,178
<b>Ordinary Profit</b>	<b>69,323</b>	<b>73,077</b>
Extraordinary Income		
Gain on sales of non-current assets (Note 9)	—	393
Total non-operating expenses	—	393
Extraordinary Losses		
Impairment loss (Note 11)	1,989	121
Loss on building reconstruction	835	260
Loss on transfer of non-current assets	1,091	—
Total extraordinary losses	3,916	381
<b>Profit before Income Taxes</b>	<b>65,407</b>	<b>73,090</b>
Income Taxes—Current	23,263	24,388
Income Taxes—Deferred	(4,385)	(934)
Total Income Taxes (Note 22)	18,877	23,454
Profit	46,529	49,636
Profit Attributable to Non-Controlling Interests	655	749
<b>Profit Attributable to Owners of Parent</b>	<b>¥ 45,873</b>	<b>¥ 48,886</b>

See notes to consolidated financial statements.

# Consolidated Statements of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31, 2019 and 2020

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Profit</b>	<b>¥46,529</b>	<b>¥49,636</b>
<b>Other Comprehensive Income (Note 12)</b>		
Valuation difference on available-for-sale securities	2,201	(3,804)
Deferred gains or losses on hedges	(521)	1,303
Revaluation reserve for land	(0)	(0)
Foreign currency translation adjustment	(216)	52
Remeasurements of defined benefit plans, net of tax	98	(442)
Share of other comprehensive income of entities accounted for using equity method	(296)	(660)
Total other comprehensive income	1,265	(3,551)
<b>Comprehensive Income (Note 12)</b>	<b>¥47,795</b>	<b>¥46,084</b>
(Breakdown)		
Comprehensive income attributable to owners of parent	¥47,201	¥45,229
Comprehensive income attributable to non-controlling interests	594	785

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31, 2019 and 2020

	(Millions of yen)													
	Shareholders' Equity					Accumulated other comprehensive income								
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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	¥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
Changes of items during period														
Issuance of new shares	221	221	—	—	442	—	—	—	—	—	—	—	—	442
Dividends of surplus	—	—	(13,602)	—	(13,602)	—	—	—	—	—	—	—	—	(13,602)
Profit attributable to owners of parent	—	—	45,873	—	45,873	—	—	—	—	—	—	—	—	45,873
Purchase of treasury shares	—	—	—	(8,783)	(8,783)	—	—	—	—	—	—	—	—	(8,783)
Disposal of treasury shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	—	2,202	(521)	(0)	(451)	98	1,327	(77)	1,400	2,649
Total changes of items during period	221	221	32,271	(8,783)	23,930	2,202	(521)	(0)	(451)	98	1,327	(77)	1,400	26,579
Balance at March 31, 2019	¥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
Changes of items during period														
Issuance of new shares	528	528	—	—	1,056	—	—	—	—	—	—	—	—	1,056
Dividends of surplus	—	—	(14,375)	—	(14,375)	—	—	—	—	—	—	—	—	(14,375)
Profit attributable to owners of parent	—	—	48,886	—	48,886	—	—	—	—	—	—	—	—	48,886
Purchase of treasury shares	—	—	—	(8,573)	(8,573)	—	—	—	—	—	—	—	—	(8,573)
Disposal of treasury shares	—	—	—	21	21	—	—	—	—	—	—	—	—	21
Net changes in items other than shareholders' equity	—	—	—	—	—	(3,803)	1,303	(0)	(644)	(442)	(3,587)	(495)	624	(3,458)
Total changes of items during period	528	528	34,510	(8,551)	27,016	(3,803)	1,303	(0)	(644)	(442)	(3,587)	(495)	624	23,557
Balance at March 31, 2020	¥117,822	¥111,065	¥342,081	¥(27,339)	¥543,630	¥2,915	¥1,044	¥7,860	¥(1,322)	¥(3,950)	¥6,547	¥1,850	¥13,091	¥565,120

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31, 2019 and 2020

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Cash Flows from Operating Activities</b>		
Profit before income taxes	¥ 65,407	¥ 73,090
Depreciation	19,201	19,805
Impairment loss	1,989	121
Loss (gain) on sales of non-current assets	—	(393)
Share of (loss) profit of entities accounted for using equity method	(167)	(313)
Increase (decrease) in allowance for doubtful accounts	0	(19)
Increase (decrease) in provision for loss on business liquidation	(9)	(7)
Increase (decrease) in provision for loss on subleasing business	(87)	(15)
Increase (decrease) in net defined benefit liability	(291)	513
Interest and dividend income	(114)	(208)
Interest expenses	8,753	8,788
Decrease (increase) in trade receivables	(8,922)	1,266
Decrease (increase) in inventories	32,938	(53,594)
Decrease (increase) in equity investments	(8,454)	(12,916)
Increase (decrease) in trade payables	11,781	40,258
Increase (decrease) in deposits received	8,102	8,648
Other, net	(8,105)	(2,670)
<b>Subtotal</b>	<b>122,023</b>	<b>82,352</b>
Interest and dividends received	257	390
Interest paid	(8,181)	(8,197)
Income taxes paid	(24,134)	(17,927)
Net cash provided by (used in) operating activities	89,964	56,618
<b>Cash Flows from Investing Activities</b>		
Purchase of investment securities	(4,971)	(15,779)
Proceeds from sales and liquidation of investment securities	143	1,375
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(21,544)	(3,461)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(85)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	520	—
Purchase of property, plant and equipment and intangible assets	(20,824)	(20,363)
Proceeds from sales of property, plant and equipment and intangible assets	0	7,819
Payments of leasehold and guarantee deposits	(649)	(2,393)
Proceeds from refund of leasehold and guarantee deposits	951	2,492
Repayments of lease and guarantee deposits received	(3,859)	(2,797)
Proceeds from lease and guarantee deposits received	3,219	3,272
Other, net	314	(569)
Net cash provided by (used in) investing activities	(46,699)	(30,490)
<b>Cash Flows from Financing Activities</b>		
Net increase (decrease) in short-term borrowings	(8,000)	(4,000)
Repayments of finance lease obligations	(160)	(235)
Proceeds from long-term borrowings	112,500	14,500
Repayments of long-term borrowings	(68,300)	(54,500)
Proceeds from issuance of shares	122	524
Proceeds from sales of treasury shares	—	22
Purchase of treasury shares	(8,790)	(8,631)
Dividends paid	(13,602)	(14,375)
Dividends paid to non-controlling interests	(44)	(125)
Net cash provided by (used in) financing activities	13,723	(66,821)
Effect of exchange rate change on cash and cash equivalents	(5)	(24)
Net increase (decrease) in cash and cash equivalents	56,983	(40,718)
Cash and cash equivalents at beginning of period	61,347	118,330
<b>Cash and cash equivalents at end of period</b>	<b>¥118,330</b>	<b>¥ 77,611</b>

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries  
March 31, 2019 and 2020

## 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.

## 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) Valuation Standards and Methods for Significant Assets

#### 1) 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.

#### 2) Derivatives

The market value method is adopted.

#### 3) Inventories

Inventories are mainly stated at cost, determined by the specific identification cost method (the amounts of inventories in the accompanying Consolidated Balance Sheets are computed based on the write-down method reflecting decreased profitability).

### (3) Depreciation Method for Significant Depreciable Assets

#### 1) Property, plant 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

#### 2) Intangible Assets (Except for Leased Assets)

Amortization of intangible assets is computed by the straight-line method.

Estimated useful life for costs of software for internal use is five years.

### 3) 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.

### (4) Standards for Recognition of Material Allowances

#### 1) Allowance for Doubtful Accounts

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

#### 2) Provision for Bonuses

The estimated amount of payments attributable to the current fiscal year is recorded to allocate expenditures for bonuses paid to employees.

#### 3) Provision for Directors (and other officers)

The estimated amount of payments attributable to the current fiscal year is recorded to allocate expenditures for bonuses paid to directors.

#### 4) Provision for Losses on Business Liquidation

The estimated amounts of losses occurring due to withdrawal from businesses are recorded.

#### 5) Provision for Share-based remuneration

The estimated amount to be incurred at the end of the current fiscal year is recorded to prepare for the issuance of the Company’s stock to directors and employees based on stock delivery regulations.

### (5) Provision for Retirement Benefits

#### 1) Period Attribution Method for Expected 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.

#### 2) Method for Recording Actuarial Gains and Losses and Expenses for Prior Service Costs

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.

### (6) Recognition of Significant 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.

**(7) Standard for Translation of Significant Foreign-currency-denominated Assets or Liabilities into Japanese Yen**

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.

**(8) Significant Hedge Accounting Method**

**1) Hedge Accounting Method**

Deferred hedge accounting is adopted. In addition, exceptional treatment is applied when interest rate swaps meet the conditions for exceptional treatment, and allocation treatment is applied when currency swaps meet the requirements for allocation treatment.

**2) Hedging Instruments and Hedged Items**

<Hedging instruments>	<Hedged items>
Interest rate swap contracts	Borrowings
Currency swaps and foreign exchange forward contracts	Securities denominated in foreign currencies

**3) Hedging Policy**

Hedging is used for interest rate fluctuation risk and foreign exchange fluctuation risk as prescribed by internal rules.

**4) Evaluation of Effectiveness**

The Group evaluates hedge effectiveness by comparing changes in market fluctuations or in cumulative cash flows of the hedged items with the corresponding changes in the hedging derivative instruments and using the ratio of the fluctuations. However, the evaluation of effectiveness is omitted for interest rate swaps for which exceptional treatment is applied.

**(9) Amortization of Goodwill**

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

**(10) Scope of Funds in the Consolidated Statements of Cash Flows**

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.

**(11) Other Significant Matters for Preparing the Consolidated Financial Statements**

Consumption taxes and local consumption taxes are accounted for by the tax-exclusion method. However, nondeductible consumption taxes related to assets are included in the acquisition cost and other consumption taxes are expensed in the fiscal year as incurred.

**3. 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 ¥3,761 million and 1,715,202 shares, respectively, as of March 31, 2020.

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.

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 ¥573 million and 252,815 shares, respectively, as of March 31, 2020.

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

**Impact of COVID-19 When Making Accounting Estimates**

With regard to the impact of the spread of COVID-19, it is difficult to accurately forecast how the virus will spread in the future and when it will end. For the fiscal year ended March 31, 2020, the Group made accounting estimates for the valuation of inventories and the impairment of fixed assets based on the assumption that COVID-19 will end without extending over a long period of time and its impact on the housing sales market and the real estate rental market will thus be limited.

It should be noted that there are numerous uncertainties about the impact of COVID-19 and this virus could cause a significant impact on the state of the Group’s financial condition, operating results, and cash flows in the fiscal year ended March 31, 2021.

**4. Pledged Assets and Secured Liabilities**

Investment securities in the amount of ¥158 million are pledged as collateral for trade payables and a portion of liabilities of investee companies, respectively.

## 5. Contingent Liabilities

Contingent liabilities as of March 31, 2019 and 2020 are as follows:

	(Millions of yen)	
	2019	2020
Guarantees for home loans of house purchasers from banks and other	¥113,368	¥125,775
Guarantees for borrowings to co-owners of EBS building	393	319
Haneda Future Tokutei Mokuteki Kaisha	—	65
	¥113,761	¥126,159

## 6. 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 borrowings received from financial institutions by the companies. The outstanding borrowings 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.

	(Millions of yen)			(Millions of yen)	
	2019			2020	
ORIGIN RAMKHAMHAENG COMPANY LIMITED	¥	209	ORIGIN PRIME 2 COMPANY LIMITED	¥	1,369
		(102)			(671)
ORIGIN PRIME 2 COMPANY LIMITED		191	ORIGIN PARK T1 COMPANY LIMITED		6,680
		(94)			(3,273)
ORIGIN PARK T1 COMPANY LIMITED		6,980	ORIGIN SPHERE COMPANY LIMITED		406
		(3,420)			(198)
ORIGIN SPHERE COMPANY LIMITED		1,039	ORIGIN VERTICAL COMPANY LIMITED		1,487
		(509)			(728)
ORIGIN VERTICAL COMPANY LIMITED		1,519	Origin One Thonglor Co.,Ltd.		1,649
		(744)			(808)
Total		9,940			11,592
		¥(4,870)			¥ (5,680)

## 7. 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.

## 8. Reclassification of Assets

As a result of revising the holding purpose of assets, the following amounts have been transferred during the fiscal years ended March 31, 2019 and 2020.

	Transfer during the year (Millions of yen)	
	2019	2020
Real estate for sale from non-current assets	¥69,212	¥24,214
Land held for development from non-current assets	7,820	—

## 9. Gain on Sales of Non-Current Assets

The breakdown of gain on sales of property and equipment for the fiscal years ended March 31, 2019 and 2020 is as follows: (Not applicable for the fiscal year ended March 31, 2019.)

	Gain on sales (Millions of yen)	
	2019	2020
Land	¥—	¥300
Buildings	—	93
Total	¥—	¥393

## 10. 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).

There were no write-downs of inventories during the fiscal year ended March 31, 2019. Write-downs of inventories as a result of a decrease in profitability for the year ended March 31, 2020 were ¥22 million, and recognized in operating costs.

## 11. Impairment Loss

The Group recognized an impairment loss on the following groups of assets for the fiscal years ended March 31, 2019 and 2020.

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 difference has been recognized in extraordinary losses as an 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.

2020	Primary use	Type	Location
	Branches (2 locations in total)	Buildings Other property, plant and equipment	Nakagyo-ku, Kyoto-shi, Kyoto 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., comprising those for which profitability from operating activities remained negative, the carrying amount has been reduced to the recoverable amount and the difference has been recognized in extraordinary losses as an impairment loss of ¥121 million for the fiscal year. The impairment loss consists of ¥120 million of buildings and ¥0 million of other. The recoverable value of this asset group is measured in based on value in use. Value in use is evaluated as zero because future cash flow is expected to be negative.

## 12. Consolidated Statements of Comprehensive Income

The amount of recycling and amount of income tax effects associated with other comprehensive income for the years ended March 31, 2019 and 2020 are as follows:

	(Millions of yen)	
	2019	2020
Valuation difference on available-for-sale securities:		
Amount recognized during the year	¥3,169	¥(5,482)
Amount of recycling	3	0
Before income tax effect	3,172	(5,481)
Income tax effect	(971)	1,677
Valuation difference on available-for-sale securities	2,201	(3,804)
Deferred gains or losses on hedges:		
Amount recognized during the year	(750)	1,890
Amount of recycling	—	(2)
Before income tax effect	(750)	1,888
Income tax effect	229	(585)
Deferred gains or losses on hedges	(521)	1,303
Revaluation reserve for land:		
Income tax effect	(0)	(0)
Foreign currency translation adjustment:		
Amount recognized during the year	(216)	52
Amount of recycling	—	—
Before income tax effect	(216)	52
Income tax effect	—	—
Foreign currency translation adjustment	(216)	52
Remeasurements of defined benefit plans:		
Amount recognized during the year	(301)	(962)
Amount of recycling	443	324
Before income tax effect	141	(637)
Income tax effect	(43)	195
Remeasurements of defined benefit plans	98	(442)
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	(432)	(1,021)
Amount of recycling	2	—
Before income tax effect	(429)	(1,021)
Income tax effect	133	360
Share of other comprehensive income of affiliates accounted for using the equity method	(296)	(660)
Total other comprehensive income	¥1,265	¥(3,551)

## 13. Consolidated Statements of Changes in Net Assets

### Previous fiscal year (From April 1, 2018 to March 31, 2019)

#### 1. Shares outstanding and Treasury stock

	At the beginning of current fiscal year (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	At the end of current fiscal year (Thousands of shares)
Shares issued				
Common stock <sup>1</sup>	192,155	217	—	192,373
Total	192,155	217	—	192,373
Treasury stock				
Common stock <sup>2</sup>	3,956	3,864	—	7,821
Total	3,956	3,864	—	7,821

Notes: 1. The increase of 217,000 outstanding shares of common stock was due to the exercise of stock options.  
2. The number of shares of treasury stock in common stock includes shares of the stock (1,725,000 shares as of the end of the fiscal year under review) held by the executive compensation Board Incentive Plan trust ("the BIP Trust").  
3. The increase of 3,864,000 shares in treasury stock in common stock includes the increase of 2,139,000 shares acquired upon a resolution by the Board of Directors of the Company, the increase of 1,725,000 shares as a result of purchase of treasury stock by the BIP Trust and the increase of 0 shares due to purchases of fractional shares.

#### 2. Share acquisition rights and treasury stock acquisition rights

Company	Description	Type of shares to be issued	Number of shares to be issued (in thousands)			At the end of current fiscal year	Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease		
Parent company	Acquisition rights as stock options	—	—	—	—	—	2,346

#### 3. Dividends

##### (1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on April 26, 2018	Common stock	6,586	35	March 31, 2018	June 5, 2018
Meeting of the Board of Directors on October 29, 2018	Common stock	7,015	37.50	September 30, 2018	December 3, 2018

Notes: The total amount of dividends resolved at the meeting of the Board of Directors held on October 29, 2018 includes dividends distributed of 8 million yen pertaining to shares of the Company stock held by the BIP Trust.

##### (2) Dividends for which the record date was in the year ended March 31, 2019 and the effective date is in the year ended March 31, 2020

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on April 25, 2019	Common stock	6,985	Retained earnings	37.50	March 31, 2019	June 4, 2019

Notes: The total amount of dividends resolved at the meeting of the Board of Directors held on April 25, 2019 includes dividends distributed of 64 million yen pertaining to shares of the Company stock held by the BIP Trust.

### Current fiscal year (From April 1, 2019 To March 31, 2020)

#### 1. Shares outstanding and Treasury stock

	At the beginning of current fiscal year (Thousands of shares)	Increase (Thousands of shares)	Decrease (Thousands of shares)	At the end of current fiscal year (Thousands of shares)
Shares issued				
Common stock <sup>1</sup>	192,373	502	—	192,875
Total	192,373	502	—	192,875
Treasury stock				
Common stock <sup>2</sup>	7,821	3,555	9	11,367
Total	7,821	3,555	9	11,367

Notes: 1. The increase of 502,000 outstanding shares of common stock was due to the exercise of stock options.  
2. The number of shares of treasury stock in common stock includes shares of the stock held by the BIP Trust and the Employee Stock Ownership Plan trust ("the ESOP Trust") (1,968,000 shares as of the end of the fiscal year under review).  
3. The increase of 3,555,000 shares of treasury stock in common stock includes the increase of 3,302,000 shares acquired upon a resolution by the Board of Directors of the Company and the increase of 253,000 shares as a result of purchases of treasury stock by the ESOP Trust.  
4. The decrease of 9,000 shares of treasury stock in common stock was due to deliveries of shares of the stock by the BIP Trust and the ESOP Trust.

#### 2. Share acquisition rights and treasury stock acquisition rights

Company	Description	Type of shares to be issued	Number of shares to be issued (in thousands)			At the end of current fiscal year	Balance at the end of current fiscal year (Millions of yen)
			At the beginning of current fiscal year	Increase	Decrease		
Parent company	Acquisition rights as stock options	—	—	—	—	—	1,850

#### 3. Dividends

##### (1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on April 25, 2019	Common stock	6,985	37.50	March 31, 2019	June 4, 2019
Meeting of the Board of Directors on October 28, 2019	Common stock	7,390	40.00	September 30, 2019	December 2, 2019

Notes: 1. The total amount of dividends resolved at the meeting of the Board of Directors held on April 25, 2019 includes dividends distributed of 64 million yen pertaining to shares of the Company stock held by the BIP Trust.  
2. The total amount of dividends resolved at the meeting of the Board of Directors held on October 28, 2019 includes dividends distributed of 78 million yen pertaining to shares of the Company stock held by the BIP Trust and the ESOP Trust.

##### (2) Dividends for which the record date was in the year ended March 31, 2020 and the effective date is in the year ending March 31, 2021

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Meeting of the Board of Directors on May 1, 2020	Common stock	7,339	Retained earnings	40.00	March 31, 2020	June 9, 2020

Notes: The total amount of dividends resolved at the meeting of the Board of Directors held on May 1, 2020 includes dividends distributed of ¥78 million pertaining to shares of the Company stock held by the BIP Trust and the ESOP Trust.



## 14. Shareholders' Equity

Under the Companies Act of Japan (the “Act”), all funds obtained through the issuance of common stock must be treated as common stock and, by resolution of the board of directors, an amount equivalent to less than half of those funds may be appropriated to the capital reserve (a component of capital surplus).

The Act provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

As of March 31, 2020, the Group's capital reserve amounted to ¥111,065 million, and no legal reserve was recorded.

## 15. Supplementary Cash Flow Information

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

	(Millions of yen)	
	2019	2020
Cash and deposits	¥ 81,351	¥78,401
Securities	37,000	—
Time deposits with maturities of more than three months	(20)	(789)
Cash and cash equivalents	¥118,330	¥77,611

## 16. 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, 2019 and 2020.

	(Millions of yen)	
Operating leases	2019	2020
Future lease payments:		
Due within 1 year	¥ 3,518	¥ 3,074
Due after 1 year	14,651	15,858
Total	18,169	18,933
Future lease receipts:		
Due within 1 year	25,448	27,197
Due after 1 year	85,700	99,482
Total	¥111,149	¥126,679

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

## 17. 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 borrowings 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 fluctuations and issuer credit risk. In some derivative instruments, including currency swaps, 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 credit-worthy 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 19. 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, 2019 and 2020 are as follows. Items for which fair value is extremely difficult to determine have not been included.

	Book value	Fair value	Difference
2019		(Millions of yen)	
(1) Cash and deposits	¥ 81,351	¥ 81,351	¥ —
(2) Securities	37,000	37,000	—
(3) Investment securities <sup>1</sup>	40,846	40,886	39
Total assets	159,198	159,237	39
(1) Short-term borrowings <sup>2</sup>	26,000	26,000	—
(2) Bonds payable	140,000	141,589	1,589
(3) Long-term borrowings <sup>2</sup>	748,000	771,437	23,437
Total liabilities	914,000	939,027	25,027
Derivative transactions <sup>3</sup>	¥ (1,010)	¥ (1,010)	¥ —

Notes: 1. Includes government bonds, etc. presented as lease and guarantee deposits on the Consolidated Balance Sheets.

2. Current portion of long-term borrowings is included in (3) Long-term borrowings.

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

	Book value	Fair value	Difference
2020		(Millions of yen)	
(1) Cash and deposits	¥ 78,401	¥ 78,401	¥ —
(2) Securities	—	—	—
(3) Investment securities <sup>1</sup>	34,211	34,235	23
Total assets	112,612	112,636	23
(1) Short-term borrowings <sup>2</sup>	22,000	22,000	—
(2) Bonds payable	140,000	140,815	815
(3) Long-term borrowings <sup>2</sup>	708,000	728,789	20,789
Total liabilities	870,000	891,605	21,605
Derivative transactions <sup>3</sup>	¥ 337	¥ 337	¥ —

Notes: 1. Includes government bonds, etc. presented as lease and guarantee deposits on the Consolidated Balance Sheets.

2. Current portion of long-term borrowings is included in (3) Long-term borrowings.

3. Current portion of bonds payable is included in (2) Bonds Payable.

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

## Notes:

### 1. 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 18. Securities for information on those securities in (2) and (3).

#### Liabilities

##### (1) Short-term borrowings

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 borrowings

For long-term borrowings, fair value is determined by discounting the total amount of principal and interest at the assumed interest rate on new borrowings of the same type. Long-term borrowings 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 borrowings of the same type.

## Derivatives

Please see Note 19. Derivative Financial Instruments for information on derivative transactions.

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

	(Millions of yen)	
Book value	2019	2020
Unlisted stocks	¥29,279	¥56,995

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."

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

	(Millions of yen)			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
2019				
Cash and deposits	¥ 81,351	¥ —	¥ —	¥ —
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds, etc.	265	460	805	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) Debt securities	2	5	—	—
(2) Others	37,000	—	—	—
Total	¥118,618	¥ 465	¥ 805	¥ —

	(Millions of yen)			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
2020				
Cash and deposits	¥ 78,401	¥ —	¥ —	¥ —
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds, etc.	116	624	525	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) Debt securities	2	2	—	—
(2) Others	—	—	—	—
Total	¥ 78,520	¥ 626	¥ 525	¥ —

#### 4. Repayment schedule for bonds payable and long-term borrowings at March 31, 2019 and 2020

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
2019	(Millions of yen)					
Short-term borrowings	¥ 26,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	20,000	10,000	10,000	—	100,000
Long-term borrowings	53,500	50,000	56,000	69,000	77,500	442,000
Total	¥ 79,500	¥ 70,000	¥ 66,000	¥ 79,000	¥ 77,500	¥542,000

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
2020	(Millions of yen)					
Short-term borrowings	¥ 22,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	20,000	10,000	10,000	—	10,000	90,000
Long-term borrowings	50,000	56,000	69,000	77,500	64,000	391,500
Total	¥ 92,000	¥ 66,000	¥ 79,000	¥ 77,500	¥ 74,000	¥481,500

## 18. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Group as of March 31, 2019 and 2020

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

	(Millions of yen)		
	Book value	Acquisition cost	Difference
2019			
Securities whose fair value exceeds book value:			
(1) Government and municipal bonds, etc.	¥1,536	¥1,576	¥ 39
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	1,536	1,576	39
Securities whose fair value does not exceeds book value:			
(1) Government and municipal bonds, etc.	—	—	—
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	¥1,536	¥1,576	¥ 39

	(Millions of yen)		
	Book value	Acquisition cost	Difference
2020			
Securities whose fair value exceeds book value:			
(1) Government and municipal bonds, etc.	¥1,270	¥1,294	¥ 23
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	1,270	1,294	23
Securities whose fair value does not exceeds book value:			
(1) Government and municipal bonds, etc.	—	—	—
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	¥1,270	¥1,294	¥ 23

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

	(Millions of yen)		
	Book value	Acquisition cost	Difference
2019			
Securities whose book value exceeds acquisition cost:			
(1) Stocks	¥ 695	¥ 137	¥ 558
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	37,504	28,238	9,266
Subtotal	38,200	28,375	9,824
Securities whose book value does not exceed acquisition cost:	693	872	(179)
(1) Stocks			
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	7	7	—
3) Other	—	—	—
(3) Other	37,408	37,451	(42)
Subtotal	38,109	38,331	(221)
Total	¥76,309	¥66,706	¥ 9,603

	(Millions of yen)		
	Book value	Acquisition cost	Difference
2020			
Securities whose book value exceeds acquisition cost:			
(1) Stocks	¥ 511	¥ 128	¥ 382
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	31,601	27,654	3,946
Subtotal	32,113	27,783	4,329
Securities whose book value does not exceed acquisition cost:			
(1) Stocks	821	1,002	(180)
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	5	5	—
3) Other	—	—	—
(3) Other	—	—	—
Subtotal	827	1,007	(180)
Total	¥32,940	¥28,791	¥ 4,149

#### (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, 2019 and 2020.

	2019		
	(Millions of yen)		
Type	Proceeds from sales	Aggregate gains	Aggregate losses
(1) Stocks	¥3	¥2	¥—
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	¥3	¥2	¥—

Type	2020		
	(Millions of yen)		
	Proceeds from sales	Aggregate gains	Aggregate losses
(1) Stocks	¥772	¥88	¥—
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	¥772	¥88	¥—

## 19. 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

Hedge accounting method	Type of derivatives	Major hedged items	2019		
			Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in U.S. dollars	Securities denominated in foreign currencies	¥ 2,540	¥ 231	¥ (88)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Thai baht	Securities denominated in foreign currencies	¥ 9,036	¥3,816	¥ (446)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Chinese Yuan	Securities denominated in foreign currencies	¥ 2,562	¥ —	¥ (80)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Philippine peso	Securities denominated in foreign currencies	¥ 1,829	¥1,829	¥ (133)
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	¥1,101	¥ —	¥ (131)
Deferral hedge accounting	Forward exchange contract Sell Thai baht / Buy yen	Securities denominated in foreign currencies	¥ 2,454	¥ —	¥ (34)
Deferral hedge accounting	Forward exchange contract Sell Chinese Yuan / Buy U.S. dollars	Securities denominated in foreign currencies	¥ 1,123	¥ —	¥ (95)
Total			¥20,648	¥5,877	¥ (1,010)

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

Hedge accounting method	Type of derivatives	Major hedged items	2020		
			Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in U.S. dollars	Securities denominated in foreign currencies	¥15,483	¥ —	¥ 240
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Thai baht	Securities denominated in foreign currencies	¥13,269	¥ —	¥ 374
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Chinese Yuan	Securities denominated in foreign currencies	¥15,099	¥ —	¥ (64)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Philippine peso	Securities denominated in foreign currencies	¥ 1,834	¥1,834	¥(201)
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	¥ 523	¥ —	¥ (12)
Total			¥46,210	¥1,834	¥ 337

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

Hedge accounting method	Type of derivatives	Major hedged items	2019		
			Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate / Pay fixed rate	Long-term debt	¥247,000	¥220,500	(Note)
Total			¥247,000	¥220,500	—

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.

Hedge accounting method	Type of derivatives	Major hedged items	2020		
			Contract amount	Contract amount due after one year	Fair value
			(Millions of yen)		
Exceptional treatment for interest rate swaps	Interest rate swaps Receive floating rate / Pay fixed rate	Long-term debt	¥220,500	¥195,500	(Note)
Total			¥220,500	¥195,500	—

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.

## 20. 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 the simplified method.

### (2) Defined Benefit Plan

A reconciliation of the changes in retirement benefit obligations for the fiscal years ended March 31, 2019 and 2020 (excluding plans applying a simplified method)

	(Millions of yen)	
	2019	2020
Retirement benefit obligations at the beginning of the year	¥36,315	¥37,578
Service cost	1,839	1,891
Interest cost	171	176
Actuarial gain or loss	74	289
Retirement benefit payments	(821)	(974)
Retirement benefit obligations at the end of the year	¥37,578	¥38,961

A reconciliation of the changes in balance of plan assets for the fiscal years ended March 31, 2019 and 2020 (excluding plans applying a simplified method)

	(Millions of yen)	
	2019	2020
Fair value of plan assets at the beginning of the year	¥19,988	¥21,454
Expected return on plan assets	379	321
Actuarial gain or loss	(117)	(660)
Employer contributions	1,650	1,677
Retirement benefit payments	(446)	(477)
Fair value of plan assets at the end of the year	¥21,454	¥22,314

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal years ended March 31, 2019 and 2020

	(Millions of yen)	
	2019	2020
Net defined benefit liability at the beginning of the year	¥2,048	¥2,050
Increase due to acquisition of new subsidiaries	91	15
Retirement benefit expenses	227	313
Retirement benefit payments	(292)	(296)
Contributions to plan	(23)	(25)
Net defined benefit liability at the end of the year	¥2,050	¥2,058

A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2019 and 2020, and net defined benefit liability on the Consolidated Balance Sheets

	(Millions of yen)	
	2019	2020
Funded retirement benefit obligations	¥ 26,555	¥ 31,908
Fair value of plan assets	(21,604)	(22,490)
Subtotal	4,950	9,417
Unfunded retirement benefit obligations	13,225	9,287
Net liabilities on the Consolidated Balance Sheet	18,175	18,705
Net defined benefit liability	18,175	18,705
Net liabilities on the Consolidated Balance Sheet	¥ 18,175	¥ 18,705

Note: It includes the plans applying a simplified method.

### Breakdown of retirement benefit expenses

	(Millions of yen)	
	2019	2020
Service cost	¥1,839	¥1,891
Interest cost	171	176
Expected return on plan assets	(379)	(321)
Amortization of actuarial gain or loss	729	707
Amortization of prior service cost	(395)	(395)
Retirement benefit expenses calculated by the simplified method	227	313
Other	13	10
Retirement benefit expenses for defined benefit plan	¥2,205	¥2,382

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

	(Millions of yen)	
	2019	2020
Prior service cost	¥(395)	¥(395)
Actuarial gain or loss	537	(242)
Total	¥ 141	¥(637)

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

	(Millions of yen)	
	2019	2020
Unrecognized prior service cost	¥ 593	¥ 197
Unrecognized actuarial gain or loss	(5,647)	(5,889)
Total	¥(5,054)	¥(5,691)

### Composition of plan assets by major classifications

	2019	2020
Claims	37%	39%
Equity	22%	20%
General account	14%	14%
Other	27%	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):

	2019	2020
Discount rate	0.2~0.5%	0.2~0.5%
Expected rate of return on plan assets	1.9%	1.5%
Expected salary increase rate	2.0~7.5%	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, 2019 and 2020 are ¥643 million and ¥710 million.

## 21. Stock Options

Information regarding the Group's stock option plans is summarized as follows:

### 1. Description

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	Directors and executive officers: 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.

2. Scale of offer and status of changes

(1) Number of stock options

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	14,700	47,500
Vested:	—	—	—
Exercised	8,400	14,700	41,500
Forfeited	—	—	6,000
End of the year	—	—	—

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	29,400	218,800
Vested:	—	—	—
Exercised	6,400	13,900	43,700
Forfeited	—	—	8,700
End of the year	—	15,500	166,400

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	—
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	23,400	70,700	212,200
Vested:	—	—	—
Exercised	13,500	26,100	59,500
Forfeited	—	—	1,600
End of the year	9,900	44,600	151,100

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	4th issue of stock options	5th issue of stock options
Non-vested: (shares)					
Previous fiscal year end	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested:	—	—	—	—	—
End of the year	—	—	—	—	—
Vested: (shares)					
Previous fiscal year end	27,800	92,000	370,500	1,200	23,000
Vested:	—	—	—	—	—
Exercised	11,700	32,800	—	1,200	—
Forfeited	—	—	42,200	—	1,000
End of the year	16,100	59,200	328,300	—	22,000

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	—	—	406,000
Granted	—	—	—
Forfeited	—	—	6,400
Vested:	—	—	399,600
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	56,700	250,300	7,600
Vested:	—	—	399,600
Exercised	—	105,400	123,400
Forfeited	—	—	1,000
End of the year	56,700	144,900	282,800

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	—	—	450,400
Granted	—	—	—
Forfeited	—	—	9,600
Vested:	—	—	12,000
End of the year	—	—	428,800
Vested: (shares)			
Previous fiscal year end	39,800	228,300	1,000
Vested:	—	—	12,000
Exercised	—	—	—
Forfeited	—	—	—
End of the year	39,800	228,300	13,000

Nomura Real Estate Holdings, Inc.

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

**(2) Unit price data**

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 (¥)	2,059	2,211	2,293
Fair value on grant date (¥)	1,283	1,283	454

Nomura Real Estate Holdings, Inc.

FY2013	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,429
Average price upon exercise (¥)	1,786	2,433	2,725
Fair value on grant date (¥)	454	2,297	675

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,016
Average price upon exercise (¥)	1,993	2,262	2,586
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 (¥)	1,979	2,353	—	2,443	—
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 (¥)	—	2,319	2,510
Fair value on grant date (¥)	1,593	1,593	377

## 22. Income Taxes

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

### 3. 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.

Breakdown of major causes of deferred tax assets and liabilities

	(Millions of yen)	
	2019	2020
Deferred tax assets:		
Unrealized profits	¥ 12,427	¥ 12,324
Net defined benefit liability	5,578	5,736
Impairment loss	5,576	5,469
Provision for bonuses	2,359	2,403
Excess of depreciation	1,561	1,914
Inventory write-downs	656	652
Revaluation of assets on consolidation	451	438
Provision for loss on subleasing business	4	—
Other	7,031	7,820
Gross deferred tax assets	35,647	36,760
Valuation allowance	(3,207)	(3,846)
Total deferred tax assets	32,439	32,914
Deferred tax liabilities:		
Revaluation of assets on consolidation	(51,474)	(51,487)
Reserve for deferred income taxes	(17,869)	(17,673)
Other	(3,795)	(2,446)
Total deferred tax liabilities	(73,140)	(71,606)
Net deferred tax liabilities	¥(40,700)	¥(38,692)

Breakdown of major causes of the difference between the effective statutory tax rate and the effective income tax rate after the application of tax effect accounting

	2019	2020
Statutory tax rate (adjustment)	30.6%	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.
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%	

## 23. Schedule of Asset Retirement Obligations

The note has been omitted due to the lack of materiality.

## 24. Real Estate for Rent

Some of the Company's consolidated subsidiaries own rental office buildings and rental retail 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 Sheets, changes during the fiscal year and fair values of these rental properties and properties including the portion used as rental properties are as follows.

	(Millions of yen)	
	2019	2020
Real estate for rent		
Book value in the Consolidated Balance Sheets		
Balance at the beginning of the fiscal year	¥794,478	¥703,232
Changes during the fiscal year	(91,246)	(22,130)
Balance at the end of the fiscal year	703,232	681,101
Fair value at the end of the fiscal year	¥878,919	¥859,620
Properties including the portion used as real estate for rent		
Book value in the Consolidated Balance Sheets		
Balance at the beginning of the fiscal year	¥26,026	¥ 26,125
Changes during the fiscal year	98	(258)
Balance at the end of the fiscal year	26,125	25,867
Fair value at the end of the fiscal year	¥56,820	¥ 57,030

Notes: 1. Book values in the Consolidated Balance Sheet are the amounts determined by deducting accumulated depreciation from the acquisition cost.  
2. Fair values as of March 31, 2019 and 2020 are determined based primarily on values according to Real Estate Appraisal Standards (including adjustments based on certain indexes). However, if no significant fluctuations in certain appraisal values or indexes considered to appropriately reflect market values have occurred since the time of acquisition from third party or the time of the most recent appraisal, the Group bases the fair value on an amount that has been adjusted using the aforesaid values or indexes.

Income and loss on rental properties and other properties used as rental properties are as follows.

	(Millions of yen)	
	2019	2020
Rental properties		
Operating profit	¥29,169	¥24,908
Others (gains (losses) on sale of property, etc.)	(52)	—
Other properties used as rental properties		
Operating profit	1,094	1,135
Others (gains (losses) on sale of property, etc.)	—	—

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 profit for this type of real estate is not recorded.  
2. Others include impairment loss (¥38 million) in the fiscal year ended March 31, 2019.

25. Segment Information

(1) Segment summary

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

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

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

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

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

(3) Information regarding sales, gains or losses, assets, liabilities and other items by reportable segment

Results by segment for the fiscal year ended March 31, 2019

	(Millions of yen)									
	Reportable segments									
	Residential Development	Commercial Real Estate	Investment Manage- ment	Property Brokerage & CRE	Property & Facility Management	Subtotal	Other (Note) 1	Total	Adjustments (Note) 2	Amount Recorded in Consolidated Financial Statements (Note) 3
Operating revenue										
External customers	374,473	169,587	9,639	35,157	79,557	668,415	94	668,510	—	668,510
Inter-segment	899	2,024	2	2,141	11,816	16,884	0	16,885	(16,885)	—
Subtotal	375,373	171,612	9,641	37,298	91,374	685,300	94	685,395	(16,885)	668,510
Operating profit or loss (Note) 3	25,069	37,600	5,943	8,170	7,434	84,219	(43)	84,176	(5,013)	79,162
Share of profit (loss) of entities accounted for using equity method (Note) 3	(37)	204	—	—	—	167	—	167	—	167
Amortization of intangible assets associated with corporate acquisitions (Note) 3	—	238	26	—	29	294	—	294	—	294
Segment profit or loss (Business profit or loss) (Note) 3	25,032	38,043	5,969	8,170	7,464	84,680	(43)	84,637	(5,013)	79,623
Segment assets	463,277	1,086,064	42,463	28,228	42,294	1,662,328	929	1,663,258	96,197	1,759,455
Other items										
Depreciation	455	16,938	49	506	542	18,493	2	18,495	705	19,201
Investment in affiliates accounted for using equity method	20,474	7,461	—	76	—	28,012	—	28,012	114	28,127
Increase in property, plant and equipment and intangible assets	537	16,816	10	488	755	18,609	19	18,628	1,148	19,776

Notes: 1. The "Other" category represents operating segments that are not included in reportable segments.  
2. (1) The deduction of ¥5,013 million shown in the adjustments column for segment profit or loss includes an increase in elimination of intersegment transactions of ¥2,642 million and a deduction of ¥7,655 million for corporate expenses not allocated to each reportable segment. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments.  
(2) The addition of ¥96,197 million shown in the adjustments column for segment assets includes a deduction of ¥49,241 million for the elimination of inter-segment transactions and an addition of ¥145,439 million for corporate assets not allocated to each reportable segment.  
3. Segment profit or loss (Business profit or loss) = operating profit + share of profit (loss) of entities accounted for using equity method + amortization of intangible assets associated with corporate acquisitions.

Results by segment for the fiscal year ended March 31, 2020

	(Millions of yen)									
	Reportable segments									
	Residential Development	Commercial Real Estate	Investment Manage- ment	Property Brokerage & CRE	Property & Facility Management	Subtotal	Other (Note) 1	Total	Adjustments (Note) 2	Amount Recorded in Consolidated Financial Statements (Note) 3
Operating revenue										
External customers	333,914	212,534	12,058	37,229	80,589	676,327	168	676,495	—	676,495
Inter-segment	795	3,286	0	1,880	12,393	18,356	0	18,356	(18,356)	—
Subtotal	334,710	215,820	12,059	39,110	92,982	694,683	168	694,852	(18,356)	676,495
Operating profit or loss (Note) 3	24,925	38,669	6,853	9,117	8,089	87,656	(106)	87,549	(5,644)	81,905
Share of profit (loss) of entities accounted for using equity method (Note) 3	(20)	279	—	(8)	62	313	—	313	—	313
Amortization of intangible assets associated with corporate acquisitions (Note) 3	—	289	296	—	29	614	—	614	—	614
Segment profit or loss (Business profit or loss) (Note) 3	24,905	39,238	7,149	9,109	8,181	88,584	(106)	88,478	(5,644)	82,833
Segment assets	505,710	1,126,619	43,053	19,136	44,474	1,738,995	937	1,739,933	61,340	1,801,273
Other items										
Depreciation	531	16,712	297	507	658	18,707	2	18,710	1,094	19,805
Investment in affiliates accounted for using equity method	47,940	7,997	—	75	98	56,111	—	56,111	315	56,427
Increase in property, plant and equipment and intangible assets	738	16,452	181	405	1,770	19,548	14	19,563	796	20,360

Notes: 1. The "Other" category represents operating segments that are not included in reportable segments.  
2. (1) The deduction of ¥5,644 million shown in the adjustments column for segment profit or loss includes an increase in elimination of intersegment transactions of ¥2,120 million and a deduction of ¥7,764 million for corporate expenses not allocated to each reportable segment. These corporate expenses mainly consist of general and administrative expenses not attributable to reportable segments..  
(2) The addition of ¥61,340 million shown in the adjustments column for segment assets includes a deduction of ¥45,897 million for the elimination of inter-segment transactions and an addition of ¥107,237 million for corporate assets not allocated to each reportable segment.  
3. Segment profit or loss (Business profit or loss) = operating profit + share of profit (loss) of entities accounted for using equity method + amortization of intangible assets associated with corporate acquisitions.

Notes relating to changes in reportable segments etc.

From the fiscal year ended March 31, 2020, Leasing Business Unit has been renamed Commercial Real Estate Business Unit. Nomura Real Estate Life & Sports Co., Ltd., and the senior business of Nomura Real Estate Wellness Co., Ltd. and Nomura Real Estate Development Co., Ltd., which had been classified under the Property & Facility Management Business Unit, have been reclassified under the Commercial Real Estate Business Unit and the Residential Development Business Unit, respectively. The rental housing business of Nomura Real Estate Development Co., Ltd., which had been classified under the Commercial Real Estate Business Unit, has been reclassified under the Residential Development Business Unit.

The segment information for the fiscal year ended March 31, 2019 is prepared and disclosed based on the calculation methods after this change.

Notes relating to changes in profit or loss calculation methods for each reportable segment

From the fiscal year ended March 31, 2020, the Company changed the method of calculation of profit or loss for each reportable segment to "Business profit or loss" in consideration of profit or loss in the overseas business and amortization associated with mergers and acquisitions. The effect of this change on segment profit or loss (business profit or loss) for the fiscal year ended March 31, 2020 was immaterial.

The segment information for the fiscal year ended March 31, 2019 is prepared and disclosed based on the calculation methods after this change.



Related information

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

1. Information by product and service

Information by product and service is omitted because this same information is disclosed in, “(3) Information regarding amounts of sales, gains or losses, assets, liabilities and other items by reportable segment”.

2. Information by region

Information by region is omitted because sales to external customers in Japan and the amount of property, plant and equipment located in Japan exceeded 90% of the sales in the Consolidated Statements of Income and the amount of property and equipment in the Consolidated Balance Sheets.

3. Information by major customer

(Millions of yen)		
Name of customer	Operating revenue	Relevant segment
Nomura Real Estate Master Fund, Inc.	¥73,523	Commercial Real Estate Business

Fiscal year 2019 (From April 1, 2019 to March 31, 2020)

1. Information by product and service

Information by product and service is omitted because this same information is disclosed in, “(3). Information regarding amounts of sales, gains or losses, assets, liabilities and other items by reportable segment”.

2. Information by region

Information by region is omitted because sales to external customers in Japan and the amount of property, plant and equipment located in Japan exceeded 90% of sales in the Consolidated Statements of Income and the amount of property and equipment in the Consolidated Balance Sheet.

3. 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.

Impairment loss on noncurrent assets by reportable segment

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

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

Fiscal year 2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)						
2020	Residential Development	Commercial Real Estate	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Impairment loss	¥—	¥121	¥—	¥—	¥—	¥121

Information on amortization of goodwill and the unamortized balance by reportable segment

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

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

Fiscal year 2019 (From April 1, 2019 to March 31, 2020)

(Millions of yen)						
	Residential Development	Commercial Real Estate	Investment Management	Property Brokerage & CRE	Property & Facility Management	Total
Amortization	¥—	¥ 289	¥ 65	¥—	¥29	¥ 383
Balance at March 31, 2020	¥—	¥3,247	¥1,268	¥—	¥87	¥4,603

Information concerning gain on negative goodwill by reportable segment

Not applicable.

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

Fiscal year 2018 (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)	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	—	—
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	—	—
Officers of major subsidiaries	Yuko Yoshida	—	—	President of NREG TOSHIBA BUILDING Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	13	—	—
Officer	Toshiaki Seki	—	—	Executive Vice President of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	11	—	—
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	—	—
Officer	Masaomi Katayama	—	—	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.

Fiscal year 2019 (From April 1, 2019 to March 31, 2020)

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)
Officer	Seishi Miyajima	—	—	Executive Vice President of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	¥28	—	—
Officers of major subsidiaries	Minoru Hatada	—	—	Managing Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	23	—	—
Officer	Juntaro Kimura	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	19	—	—
Officer	Norio Ambe	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	17	—	—
Officer	Makoto Haga	—	—	Director of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	16	—	—
Officer	Toshiaki Seki	—	—	Executive Vice President of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	16	—	—
Officers of major subsidiaries	Eiji Enomoto	—	—	Director of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	16	—	—
Officers of major subsidiaries	Hiroyuki Kimura	—	—	Director of Nomura Real Estate Asset Management Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	15	—	—
Officer	Masaomi Katayama	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	14	—	—
Officers of major subsidiaries	Makoto Tajima	—	—	Director of Nomura Real Estate Partners Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	14	—	—
Officers of major subsidiaries	Motomi Uki	—	—	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	12	—	—
Officers of major subsidiaries	Katsuaki Mizuno	—	—	Managing Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	12	—	—
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	12	—	—
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	11	—	—
Officers of major subsidiaries	Haruhiko Nakamura	—	—	Managing Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	11	—	—
Officer	Takashi Kaku	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	10	—	—
Officers of major subsidiaries	Nobuo Nakano	—	—	Director of Nomura Real Estate Partners Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	10	—	—
Officers of major subsidiaries	Masatsugu Matsuzaki	—	—	Managing Executive Officer of Nomura Real Estate Development Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	10	—	—
Officers of major subsidiaries	Masayuki Hagiwara	—	—	Director of NREG TOSHIBA BUILDING Co., Ltd.	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.

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

Officers, major individual shareholders and others of the Company

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

Type	Name	Location	Stated capital or capital contri- bution (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	Masaharu Shino	—	—	Executive Officer of Nomura Real Estate Partners Co., Ltd.	Held 0.0%	Real estate sales	Real estate sales	¥86	—	—
Officers	Katsuya Tanaka	—	—	Executive Officer of the Company	Held 0.0%	Real estate sales	Real estate sales	¥79	—	—

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

Fiscal year 2019 (From April 1, 2019 to March 31, 2020)

Type	Name	Location	Stated capital or capital contri- bution (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 Atsushi Yoshikawa	—	—	—	—	Real estate sales	Real estate sales	¥63	—	—

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

27. Per Share Information

	(Yen)	
	2019	2020
Net assets per share	¥2,854.21	¥3,031.15
Basic earnings per share	245.99	267.21
Diluted earnings per share	¥ 244.55	¥ 265.88

The basis for the calculation of basic earnings per share and diluted earnings per share is as follows.

	2019	2020
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	¥ 45,873	¥ 48,886
Profit not attributed to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common stock (Millions of yen)	45,873	48,886
Average number of shares of common stock outstanding during the period (Thousand shares)	186,489	182,954
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Millions of yen)	—	—
Increase in number of shares of common stock (Thousand shares)	1,097	913
Of which, stock acquisition rights (Thousand shares)	1,097	913
Description of potentially dilutive common shares not included in the computation of diluted earnings per share because of their anti-dilutive effect	Nomura Real Estate Holdings, Inc. 3rd Stock Acquisition Rights in FY2013 (Number of rights: 2,188) Nomura Real Estate Holdings, Inc. 3rd Stock Acquisition Rights in FY2015 (Number of rights: 3,705) Nomura Real Estate Holdings, Inc. 5th Stock Acquisition Rights in FY2015 (Number of rights: 230) Nomura Real Estate Holdings, Inc. 3rd Stock Acquisition Rights in FY2017 (Number of rights: 4,514)	Nomura Real Estate Holdings, Inc. 3rd Stock Acquisition Rights in FY2013 (Number of rights: 1,664) Nomura Real Estate Holdings, Inc. 3rd Stock Acquisition Rights in FY2015 (Number of rights: 3,283) Nomura Real Estate Holdings, Inc. 3rd Stock Acquisition Rights in FY2017 (Number of rights: 4,418)

Notes: For the purposes of calculating net assets per share, the Company's shares owned by the executive compensation BIP (Board Incentive Plan) trust and ESOP (Employee Stock Ownership Plan) are included in the treasury shares deducted from the total number of shares issued at end of period. In calculating the basic earnings per share and diluted earnings per share, the said shares are included in the treasury shares deducted in the calculation of the average number of shares outstanding during the period. For the fiscal years ended March 31, 2019 and 2020, the number of the treasury shares at the end of period deducted in calculating net assets per share was 1,725 thousand shares and 1,968 thousand shares, respectively, and the average number of treasury shares, during the period deducted in calculating the basic earnings per share and diluted earnings per share was 655 thousand shares and 1,937 thousand shares, respectively.

28. Subsequent Events

Not applicable for the fiscal year ended March 31, 2020

29. Consolidated Supplemental Schedules

Schedule of Bonds Payable

Name	Description	Date of issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Nomura Real Estate Holdings, Inc.	3rd unsecured bonds (Note) 1	August 12, 2010	10,000	10,000 (10,000)	2.0	None	August 12, 2020
Nomura Real Estate Holdings, Inc.	4th unsecured bonds	October 28, 2014	10,000	10,000	0.8	None	October 28, 2024
Nomura Real Estate Holdings, Inc.	5th unsecured bonds	June 1, 2015	10,000	10,000	0.9	None	May 30, 2025
Nomura Real Estate Holdings, Inc.	6th unsecured bonds (Note) 1	January 28, 2016	10,000	10,000 (10,000)	0.4	None	January 28, 2021
Nomura Real Estate Holdings, Inc.	7th unsecured bonds	January 28, 2016	10,000	10,000	0.8	None	January 28, 2026
Nomura Real Estate Holdings, Inc.	8th unsecured bonds	June 2, 2016	10,000	10,000	0.2	None	June 2, 2021
Nomura Real Estate Holdings, Inc.	9th unsecured bonds	June 2, 2016	10,000	10,000	1.0	None	June 2, 2036
Nomura Real Estate Holdings, Inc.	10th unsecured bonds	September 12, 2017	10,000	10,000	0.2	None	September 12, 2022
Nomura Real Estate Holdings, Inc.	11th unsecured bonds	September 12, 2017	10,000	10,000	1.0	None	September 11, 2037
Nomura Real Estate Holdings, Inc.	Unsecured bonds with 1st deferred interest payment clause/early redemption clause (with subordination agreement)	March 13, 2018	30,000	30,000	1.3	None	March 13, 2058
Nomura Real Estate Holdings, Inc.	Unsecured bonds with 2nd deferred interest payment clause/early redemption clause (with subordination agreement)	March 13, 2018	20,000	20,000	1.5	None	March 12, 2060
Total	—	—	140,000	140,000 (20,000)	—	—	—

Notes: 1. The figures in parentheses are the scheduled redemption amounts within one year.  
2. The scheduled redemption amounts for the five years subsequent to the end of the fiscal year ended March 2020 are as follows.

	Due within one year	Due after one year but within two years	Due after two year but within three years	Due after three year but within four years	Due after four year but within five years
	(Millions of yen)				
Bonds	20,000	10,000	10,000	—	10,000

## Schedule of Borrowings

Category	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	¥ 26,000	¥ 22,000	0.2	—
Current portion of long-term borrowings	53,500	50,000	0.5	—
Current portion of lease obligations	149	247	—	—
Long-term borrowings (excluding current portion)	694,500	658,000	0.6	2023 to 2024
Lease obligations (excluding current portion)	1,564	2,001	—	2021 to 2036
Total	¥775,713	¥732,249	—	—

Notes: 1. For the average interest rate, the weighted average interest rate for the balance of borrowings at year-end borrowings is stated.  
2. The average interest rate on lease obligations is not stated because some consolidated subsidiaries record lease obligations on the consolidated balance sheet at an amount before deducting the interest equivalent amount included in the total lease fees.  
3. The scheduled redemption amounts of long-term borrowings payable and lease obligations (excluding current portion) for the five years subsequent to the end of the fiscal year ended March 2020 are as follows.

	Due after one year but within two years	Due after two year but within three years	Due after three year but within four years	Due after four year but within five years
	(Millions of yen)			
Long-term borrowings	¥56,000	¥69,000	¥77,500	¥64,000
Lease obligations	256	223	221	220

## Schedule of Asset Retirement Obligations

The schedule of asset retirement obligations at the beginning and end of the fiscal year is omitted in accordance with Article 92-2 of the Regulations for Consolidated Financial Statement because the amounts of asset retirement obligations were not larger than 1% of total liabilities and net assets at the beginning and end of the fiscal year.

## Other

Quarterly financial information for the fiscal year ended March 31, 2020

Cumulative period	1st Quarter (Three months ended June 30, 2019)	2nd Quarter (Six months ended September 30, 2019)	3rd Quarter (Nine months ended December 31, 2019)	4th Quarter (Fiscal year ended March 31, 2020)
Operating revenue (Millions of yen)	¥112,448	¥247,015	¥331,560	¥676,495
Profit before income taxes (Millions of yen)	4,028	18,238	22,088	73,090
Profit attributable to owners of parent (Millions of yen)	2,975	12,468	14,662	48,886
Basic earnings per share (Yen)	16.15	67.86	79.98	267.21

Each quarter	1st Quarter (Three months ended June 30, 2019)	2nd Quarter (Six months ended September 30, 2019)	3rd Quarter (Nine months ended December 31, 2019)	4th Quarter (Fiscal year ended March 31, 2020)
Basic earnings per share (Yen)	¥16.15	¥51.81	¥12.02	¥188.25

## Independent Auditor's Report

The Board of Directors  
Nomura Real Estate Holdings, Inc.

## Opinion

We have audited the accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Write-downs of housing held for sale	
Description of Key Audit Matter	Auditor's Response
<p>The Company records real estate held in connection with the housing sales business ("housing for sale") as inventory such as Real estate for sale, Real estate for sale in process and Land held for development on the consolidated balance sheet. Housing for sale is exposed to risks such as changes in the housing market in the future and delays in development and declines in sales prices may lead to write-downs.</p> <p>The valuation of housing for sale involves subjective judgment in management's forecasts and expectations regarding the housing market conditions.</p> <p>Since the potential impact on the financial statements is material and the valuation includes significant judgment and assumptions by management and requires critical judgment in the auditing process, we have determined this to be a key audit matter.</p>	<p>We conducted the following procedures to assess whether the write-downs on housing for sales has been properly recognized:</p> <ul style="list-style-type: none"> <li>For all properties, we inspected the expected gross margin rate and compared the book value with the net realizable value based on the actual latest sales results for similar properties.</li> <li>For properties with low expected gross margins or properties with delays in development, we inspected the business plans, inquired of the relevant departments on the future sales and development plans and conducted site visits for a sample of properties.</li> <li>In order to identify matters which may affect the valuation, we reviewed the minutes of the Board of Directors and other meetings and inquired of the relevant departments. We evaluated whether the Company considered those matters in the valuation.</li> </ul>

Write-downs of commercial property held for sale	
Description of Key Audit Matter	Auditor's Response
<p>The Company records commercial property held for sale ("commercial property for sale") as inventory such as Real estate for sale, Real estate for sale in process and Land held for development on the consolidated balance sheet. The commercial property for sale is exposed to risks such as changes in the commercial property market in the future, and delays in development and leasing. Declines in sales prices may lead to write-downs.</p> <p>The valuation of commercial property for sale involves subjective judgments in management's forecasts and expectations regarding future commercial property market conditions. In addition, the valuation by external real estate appraisers used by management in certain situations ("external valuation") also includes assumptions and judgment on future commercial property market conditions.</p> <p>Since the potential impact on the financial statements is material and the valuation includes significant judgment and assumptions by management and requires critical judgment in the auditing process, we have determined this to be a key audit matter.</p>	<p>We conducted the following procedures to assess whether the write-downs on commercial property for sale has been properly recognized:</p> <ul style="list-style-type: none"> <li>For all properties, we compared the book value to the expected sales price in the business plan or external valuation.</li> <li>We inspected all external valuation reports used by the Company and inquired of each real estate appraiser about certain valuation assumptions such as expected rent, occupancy rate, and capitalization rate. We also compared certain of these assumptions with market information.</li> <li>For properties with notice of cancellation from tenants, we evaluated the reasonableness of estimated rent and vacancy period after the tenants leave and conducted site visits.</li> <li>In order to identify matters that may affect the valuation, we reviewed the minutes of the Board of Directors and other meetings and inquired of the relevant departments. We evaluated whether the Company considered those matters in the valuation.</li> </ul>



Impairment of commercial property held for leasing business	
Description of Key Audit Matter	Auditor's Response
<p>The Company records commercial property held for leasing business ("rental property") as Non-Current Assets such as Buildings and structures and Land on the consolidated balance sheet. Rental property is exposed to risks such as changes in the commercial property market in the future and the book value may not be recoverable due to such as a decline in rent resulting in an impairment loss.</p> <p>The impairment accounting process for rental property involves subjective judgments in management's forecasts and expectations regarding future commercial property market conditions. In addition, external valuation used by management in certain situations involves assumptions and judgment on the future real estate leasing market conditions.</p> <p>Since the potential impact on the financial statements is material and impairment accounting process includes significant judgment and assumptions by management and requires critical judgment in the auditing process, we have determined this to be a key audit matter.</p>	<p>We conducted the following procedure to assess whether the impairment of the rental property has been properly recognized:</p> <ul style="list-style-type: none"> <li>• We obtained the impairment work sheets prepared by the Company and agreed the book value and profit or loss of each property to the relevant accounting record and the appraised value to the external valuation report.</li> <li>• For all properties where the indication of impairment was identified, we compared their book values with the respective total expected cash flows to be generated by themselves.</li> <li>• For a sample of properties, we inspected the external valuation reports and inquired of the external appraisers and the relevant departments of the Company about assumptions for valuation and expected cash flows including expected rent, occupancy rate, and capitalization rate. We also compared certain of these assumptions with market information.</li> <li>• In order to identify matters that may affect the determination of impairment, we reviewed the minutes of the Board of Directors and other meetings and inquired of the responsible departments. We evaluated whether the Company considered those matters in the determination of impairment.</li> </ul>

#### Responsibilities of Management and the Audit and Supervisory Committee 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Conflicts of Interest**

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 23, 2020

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