

Financial Report

For the Year Ended March 31, 2021

2021

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Management's Discussion and Analysis

Progress and Results of Business

Regarding the real estate market conditions, the residential development market saw a decrease in the supply of housing units due to the impact of the suspension of sales activities and other factors, while sales trends were steady overall due to the diversification of customer needs with respect to area and space associated with increased use of teleworking, etc. and support from a low interest rate environment and various taxation measures. In the leasing office market, although there has been an increasing trend in vacancy rates and a declining trend in rent revenue, mainly in the central areas of Tokyo, during the COVID-19 pandemic there has been a rapid diversification in perceived value of offices, including the increasing demand for shared offices and satellite offices which are attracting attention to their significance as spaces for innovation and communication. In the real estate investment market, property transactions were active toward the end of the fiscal year and the market continued to grow due to global monetary easing and public spending and the strong appetite for investment in domestic real estate by investors in Japan and overseas. Moreover, the real estate brokerage market has been persistently mounting a recovery since the middle of the fiscal year amid a scenario where the retail business posted a record-high number of monthly transactions with respect to used condominiums in the Tokyo metropolitan area particularly due to an increase in relocation demand combined with more widespread prevalence of business deals conducted online as people turn to digital technologies.

In this business environment, the Nomura Real Estate Group (the "Group") posted the following consolidated performance for this fiscal year under review: Operating revenue of ¥580,660 million, which represents a decrease of 14.2% year on year; operating profit of ¥76,333 million, a decrease of 6.8%; business profit¹ of ¥76,448 million, a decrease of 7.7%; ordinary profit of ¥65,965 million, a decrease of 9.7%; and profit attributable to owners of parent of ¥42,198 million, a decrease of 13.7%.

Starting from the fiscal year under review, the overseas condominium development and sales business, which had been classified under the Residential Development Business Unit in Nomura Real Estate Development Co., Ltd. and the overseas office and other properties development and leasing business, and ZEN PLAZA CO., LTD., which had been classified under the Commercial Real Estate Business Unit in Nomura Real Estate Development Co., Ltd., have been reclassified under Other. NREG TOSHIBA BUILDING Co., Ltd. became a wholly owned subsidiary on April 1, 2020. In conjunction, NREG TOSHIBA BUILDING Co., Ltd.'s wholly owned subsidiary NREG TOSHIBA BUILDING FACILITIES Co., Ltd., which had been classified under the Commercial Real Estate Business Unit, has been merged, as the absorbed company, with Nomura Real Estate Partners Co., Ltd., which has been classified under the Property & Facility Management Business Unit, as the surviving company. In line with this change, the year-on-year changes in the

overview by division have been calculated and presented by restating the figures for the previous fiscal year using the classifications after the change.

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 ¥272,577 million, which represents a decrease of 18.4% year on year, and business profit totaled ¥22,404 million, a decrease of 11.6% year on year, resulting in decreases in both operating revenue and business profit compared with the previous fiscal year. This was mainly due to a decrease in the number of housing unit sold in the housing sales business.

In regard to housing sales, 3,669 units were recorded as sales (a decrease of 1,070 units year on year), including condominiums at PROUD TOWER Musashi-Koganei Cross and PROUD CITY Hiyoshi Residence II and detached housing units at PROUD SEASON Koganei-Midori-machi. The gross margin ratio for this business improved to 22.6% (20.4% in the previous fiscal year). The number of housing units contracted but not recorded as sales was 3,276 units as of the end of the fiscal year under review (an increase of 665 units year on year) and the contract progress rate against the scheduled housing sales for the next fiscal year was 65.3% at the beginning of the fiscal year ending March 31, 2022.

Furthermore, as initiatives to contribute to a sustainable society through business activities, the Group is promoting the creation of housings that are designed to increase thermal insulation and save energy at PROUD TOWER Kameido Cross Gate Tower, which was selected by the Ministry of Economy, Trade and Industry for the "High-rise ZEH-M (Net Zero Energy House - Condominium) Demonstration Project²" and making proactive use of domestically produced lumber to help reduce CO₂ emissions and so forth in our collective housing projects such as PROUD Kanda Surugadai and PROUD Nerima Nakamurabashi Marks.

■ Commercial Real Estate Business Unit

Operating revenue in the Commercial Real Estate Business Unit totaled ¥179,227 million, which represents a decrease of 15.5% year on year, and business profit totaled ¥35,469 million, a decrease of 9.6%, resulting in decreases in both operating revenue and business profit compared with the previous fiscal year. This was mainly due to a decrease in revenue from property for sales business and decreases in revenue from retail facility leasing business, hotel business and fitness club operation business due to the impact of COVID-19.

The construction of 20 facilities including the TOKYO TORANOMON GLOBAL SQUARE office building, the Landport Shinonome / Yasuda soko logistics facility, and the SOCOLA Musashi-Koganei Cross retail facility have been completed.

The Group has also been developing its PMO, H¹O and H¹T office brands that meet diversifying companies' diversifying needs and changes in workstyles, and has expanded its H¹T satellite offices to 82 branch locations as of the end of the fiscal year under review.

Furthermore, when it comes to its initiatives to contribute to a sustainable society through business activities, the Commercial Real Estate Business Unit has also been proceeding with use of domestically produced lumber and became the first in Japan's office building realm to acquire SGEC/PEFC Project CoC Certification¹ under the International Forest certification scheme with respect to H¹O Hirakawacho. As for directly managed hotels, having come up with a series of ideas to ensure that customers are able to use its hotels with peace of mind amid the COVID-19 pandemic, the Group was the first in Japan to acquire the SafeGuard label² for its hotel facilities that meet the world's health and safety standards.

■ Investment Management Business Unit

Operating revenue in the Investment Management Business Unit totaled ¥12,456 million, which represents an increase of 3.3% year on year, and business profit totaled ¥7,587 million, an increase of 6.1%, resulting in increases in both operating revenue and business profit compared with the previous fiscal year. This was mainly due to increases in the assets under management in the domestic asset management companies.

Assets under management steadily increased in the core domestic REIT business with Nomura Real Estate Master Fund, Inc. (NMF) and Nomura Real Estate Private REIT, Inc. (NPR) having acquired a total of 10 properties (total transaction amount of ¥60,013 million) including PMO Shibuya, Landport Atsugi Aikawamachi and PROUD FLAT Ryogoku from Nomura Real Estate Development Co., Ltd., in addition to progress in the formation of private equity funds meeting the needs of investors.

Furthermore, addressing expectations of investor needs aligned with ESG (environment, society and governance) trends, Nomura Real Estate Asset Management Co., Ltd. declared its support of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Meanwhile, NMF and NPR subsequently became the first in the REIT industry to disclose qualitative assessments regarding risks and opportunities of climate-related financial information in line with temperature scenarios under the Paris Agreement. Our efforts have culminated in Global Real Estate Sustainability Benchmark (GRESB)³ ratings of at least four stars over four consecutive years.

■ Property Brokerage & CRE Business Unit

Operating revenue in the Property Brokerage & CRE⁴ Business Unit totaled ¥39,436 million, which represents an increase of 0.8% year on year, and business profit totaled ¥8,976 million, a decrease of

1.2%, resulting in an increase in operating revenue and a decrease in business profit compared with the previous fiscal year.

In the retail business, we now have 87 branch stores upon having opened Monzen-nakacho Center and Futamatagawa Center in April 2020. In that same business we have also been taking steps to provide new services as a means of addressing changes in customer attitudes amid the COVID-19 pandemic by utilizing digital technologies. For instance, we have been developing an app specifically for home loan applications and otherwise rolling out our Ouchide Model Room service enabling users to enjoy the new condominium model room experience online.

In addition, Nomura Real Estate Urban Net Co., Ltd. was also first in the detached housing sales ranking of 2020 Oricon Customer Satisfaction Survey of real estate brokerage companies for the fifth consecutive year.

Meanwhile, we have undertaken organizational restructuring with respect to the real estate brokerage and consulting business of the Property Brokerage & CRE Business Unit, which had previously engaged in such business under a two-company framework consisting of Nomura Real Estate Development Co., Ltd. and Nomura Real Estate Urban Net Co., Ltd. On April 1, 2021, we accordingly established Nomura Real Estate Solutions Co., Ltd., which is to promote the wholesale and retail businesses under a single company, thereby serving as a comprehensive real estate brokerage company that addresses diversifying needs of both corporate and individual customers.

■ Property & Facility Management Business Unit

Operating revenue in the Property & Facility Management Business Unit totaled ¥98,384 million, which represents an increase of 0.1% year on year, and business profit totaled ¥9,281 million, an increase of 8.4%, resulting in increases in both operating revenue and business profit compared with the previous fiscal year. This was mainly due to an increase in revenue from property and facility management with the increase in the number of properties under management, and an improvement of the profitability of the construction ordered.

In addition, as of the end of the fiscal year under review, the number of buildings under management was 788 buildings (up 2 from the end of the previous fiscal year), and the number of condominiums under management was 183,162 units (up 903).

Furthermore, Nomura Real Estate Partners Co., Ltd. has been promoting initiatives through its business activities in terms of achieving energy conservation and extending the longevity of older condominiums, the number of which is poised to surge going forward. In that regard, it qualified for a Ministry of Economy, Trade and Industry (METI) subsidy program for projects to assist business operators seeking to streamline energy use in fiscal 2020, for work that involved upgrading air conditioning and ventilation units and light fixtures that was proposed as a means of conserving energy

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) Demonstration Project included under subsidies for support of energy-saving investment promotion through the FY2020.

1: This is a scheme for certifying lumber products from certified forests that have been properly managed and harvested with the goal of achieving sustainable forest management.
2: SafeGuard is a verification service established in April 2020 by Bureau Veritas, a world leader in testing, inspection, and certification services.
3: GRESB is an annual benchmark assessment that measuring ESG considerations for more than 1,200 participating property companies and funds worldwide.
4: CRE: Corporate Real Estate. Real estate strategy support services for enterprises (such as consulting on the effective utilization and trading of real estate).

in our managed buildings. It also qualified as a model business in extending the longevity of condominium stock, supported by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for repairs to the drainage pipes in common-use areas (completely replacement of different types of drainage pipe with resin pipe in common-use areas), undertaken with the aims of increasing performance and reducing life-cycle costs at our managed condominiums.

For the 12th consecutive year, Nomura Real Estate Partners Co., Ltd. was ranked first in the 2020 SumaiSurfin “Management Company Customer Satisfaction Survey”, and in the 2020 Oricon Customer Satisfaction Survey Nomura Real Estate Partners Co., Ltd. was first in the Tokyo metropolitan area condominium management company ranking for the fourth consecutive year, and first in the Tokai area condominium management company ranking for the first time.

Other

Operating revenue in Other totaled ¥2,070 million, which represents an increase of 81.0% year on year, and business loss totaled ¥1,495 million (business loss of the previous fiscal year was ¥1,012 million). This was mainly due to investments for business expansion, while the number of housing unit sold in the overseas housing sales business increased.

These results include KNIGHTS BRIDGE PRIME Ratchayothin in Bangkok, Thailand and MIDTOWN THE SIGNATURE in Ho Chi Minh City, Vietnam, in the overseas housing sales business.

Furthermore, during the fiscal year under review, we fortified our operations in nations and regions where we already have a presence, which involved taking part in multiple large development projects in Vietnam, including the Ecopark Project in the Hanoi area and the Grand Park Project in Ho Chi Minh City, and also multiple projects in Bangkok, Thailand, including the Ramintra Project in the housing sales business. Meanwhile, we have also been actively expanding our business areas and territories, with such efforts including our acquisition of 127-133 Charing Cross Road, London, our initial entry into the office development business in the UK. The following are the main risks that have the potential to significantly influence the financial position, business performance and cash flows of the consolidated subsidiaries. From these main risks the Company has selected risks requiring particular attention during the fiscal year ending March 31, 2022 taking into consideration factors such as the magnitude of the potential impact on its businesses and the external environment.

Analysis of Financial Position

Assets

Total assets were ¥1,921,306 million, which represents an increase of ¥120,033 million compared to the end of the previous fiscal year. This was mainly because inventories increased by ¥160,786 million, while property, plant and equipment decreased by ¥42,096 million.

Liabilities

Total liabilities were ¥1,334,956 million, which represents an increase of ¥98,802 million compared to the end of the previous fiscal year. This was mainly because interest-bearing debt increased by ¥138,500 million, while notes and accounts payable - trade decreased by ¥33,034 million.

Net Assets

Net assets were ¥586,350 million, which represents an increase of ¥21,230 million compared to the end of the previous fiscal year. This was mainly because retained earnings increased by ¥27,516 million and valuation difference on available-for-sale securities increased by ¥4,911 million, while non-controlling interests decreased by ¥11,475 million.

Cash Flows

Cash flows from Operating Activities

Net cash provided by (used in) operating activities decreased by ¥63,504 million (a year-on-year decrease of ¥120,122 million). This was mainly due to an increase in inventories and a decrease in trade payables, while ¥62,820 million in profit before income taxes was recorded.

Cash flows from Investing Activities

Net cash provided by (used in) investing activities decreased by ¥55,789 million (a year-on-year decrease of ¥25,298 million). This was mainly due to the purchase of plant and equipment and intangible assets and the purchase of investment securities.

Cash flows from Financing Activities

Net cash provided by (used in) financing activities increased by ¥112,376 million (a year-on-year increase of ¥179,197 million). This was mainly due to the fund procurement through long-term borrowings and the issuance of bonds payable.

Facilities Situation

In the fiscal year ended March 31, 2021, the Group's total capital investments amounted to ¥45,575 million, including “TOKYO TORANOMON GLOBAL SQUARE” (Minato-ku, Tokyo).

The breakdown of capital investment by department is as follows.

Business Unit (Millions of yen)	Previous fiscal year (April 1, 2019 to March 31, 2020)	Current fiscal year (April 1, 2020 to March 31, 2021)	Change
Residential Development	¥ 714	¥ 541	¥ (173)
Commercial Real Estate	16,249	43,776	27,527
Investment Management	181	42	(139)
Property Brokerage and CRE	405	534	128
Property and Facility Management	1,774	304	(1,469)
Other	311	210	(101)
Subtotal	19,637	45,410	25,772
Adjustments	722	165	(557)
Total	¥20,360	¥45,575	¥25,215

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, 2021.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Completion	Acquisition Price (Millions of yen)
Nomura Real Estate Development Co., Ltd.	TOKYO TORANOMON GLOBAL SQUARE ¹ (Minato-ku, Tokyo)	Commercial Real Estate	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 4 floors below ground, 24 floors above ground	Building: 20,860 Land: 1,183	June 2020	¥34,556
Nomura Real Estate Development Co., Ltd.	NOHGA HOTEL AKIHABARA TOKYO (Chiyoda-ku, Tokyo)	Commercial Real Estate	Hotel	Steel-framed construction, 10 floors above ground	Building: 4,016 Land: 663	June 2020	6,038

1: Both the total floor area and land area are the equity conversion areas.

The following facilities were acquired in the fiscal year ended March 31, 2021.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Book Value (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Kaigan Building (Minato-ku, Tokyo)	Commercial Real Estate	Office	Steel-framed construction, 8 floors above ground	Building: 5,262 Land: 1,307	¥4,947

In accordance with the acquisition of shares in 127 Charing Cross Road Limited in the fiscal year ended March 31, 2021, the following facility is classified as a major facility.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Book Value (Millions of yen)
127 Charing Cross Road Limited	127-133 Charing Cross Road (London, UK)	Other	Office	Reinforced concrete construction 1 floor below ground, 4 floors above ground	Building: 4,672 Land: 1,244	¥8,407

In the fiscal year ended March 31, 2021, 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 (m ²)	Book Value (Millions of yen)
Mainly Nomura Real Estate Development Co., Ltd.	Yokohama Nomura Building ^{1 2} (Nishi-ku, Yokohama-shi Kanagawa) and 8 other properties	Commercial Real Estate	Office	Steel-framed construction, 17 floors above ground, 1 other building	Building: 58,755 Land: 6,721	¥56,796

1: Data of Property Name, Major Use, Size of Construction or Details of Facility, etc. and Area information is for the Yokohama Nomura Building. Both total floor area the land area are the equity conversion areas.

2: Data shown includes trust beneficiary rights.

The following facilities were sold during the fiscal year ended March 31, 2021.

Company Name	Property Name (Location)	Business Segment	Major Use	Size of Construction or Details of Facility, etc.	Area (m ²)	Book Value (Millions of yen)
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Ginza Building ^{1 2} (Chuo-ku, Tokyo)	Commercial Real Estate	Office	Steel-framed reinforced concrete construction (partially reinforced concrete and steel-framed construction), 5 floors below ground, 17 floors above ground	Building: 13,106 Land: 1,560	¥11,961
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	Building: 4,431 Land: 548	5,746

1: A portion of the building's unit ownership was sold.

2: Area of building and land and book value represent the portion for sale. Both total floor area the land area are the equity conversion areas.

Major Facilities and Equipment

Major facilities and equipment in the Nomura Real Estate Group (Nomura Real Estate Holdings, Inc. and its consolidated subsidiaries) are as follows.

(1) Commercial Real Estate Business Unit

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 ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Building	Land	Other	Total
Nomura Real Estate 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	¥11,119	¥129,809	¥703	¥141,631
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	26,183	14,584	762	41,531
Nomura Real Estate 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	12,431	22,245	395	35,072
Nomura Real Estate Development Co., Ltd.	TOKYO TORANOMON GLOBAL SQUARE *3 (Minato-ku, Tokyo)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 4 floors below ground, 24 floors above ground	20,860	June 2020	1,183	12,437	22,078	416	34,932
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	12,130	19,227	312	31,671
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	1,479	21,116	0	22,596
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	5,647	16,303	341	22,292
Nomura Real Estate Development Co., Ltd.	Kameido 6 chome Project *2 *4 (Koto-ku, Tokyo)	Land slated for building construction	—	—	[December 2017]	20,834	—	19,991	—	19,991
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	9,280	March 2009	1,710	3,011	16,418	75	19,505
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	3,199	15,707	15	18,923
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	1,224	16,052	29	17,306
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	9,750	February 1994	749	1,276	12,584	4	13,865

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Building	Land	Other	Total
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	¥3,108	¥10,650	¥ 55	¥13,815
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 floor below ground, 17 floors above ground	13,641	March 1982	1,624	887	11,565	22	12,475
Nomura Real Estate 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	353	10,956	1	11,311
Nomura Real Estate 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	9,699	—	709	10,408
Nomura Real Estate Development Co., Ltd.	bono Sagamiono Shopping Center *3 (Minami-ku, Sagami-hara-shi, Kanagawa)	Retail facility	Reinforced concrete construction (partially steel-framed construction), 1 floor below ground, 11 floors above ground	43,059	January 2013	5,797	5,010	4,649	216	9,875
Nomura Real Estate Development Co., Ltd.	SOCOLA Minamigyotoku Project *2 (Ichikawa-shi, Chiba)	Retail facility	Steel-framed construction (partially reinforced concrete construction), 2 floor below ground, 2 floors above ground	35,612	[March 2016]	16,503	4,464	4,942	7	9,414
Nomura Real Estate 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	2,842	5,660	21	8,524
Nomura Real Estate 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	3,230	5,247	46	8,524
127 Charing Cross Road Limited	127-133 Charing Cross Road (London, UK)	Office	Reinforced concrete construction, 1 floor below ground, 4 floors above ground	4,672	[March 2021]	1,244	1,921	6,485	—	8,407
Nomura Real Estate Development Co., Ltd.	Nomura Otemachi Kita Building Plan (Chiyoda-ku, Tokyo)	Land slated for building construction	—	—	[Mainly September 2015]	886	—	7,467	—	7,467
Nomura Real Estate 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	2,244	4,585	61	6,891
Nomura Real Estate Building Co., Ltd.	Toshiba Osaka Building / Nomura Fudosan Midosuji-honcho 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	886	5,989	4	6,881

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Building	Land	Other	Total
Nomura Real Estate 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	¥ 951	¥5,768	¥ 31	¥6,751
Nomura Real Estate 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	3,294	3,109	337	6,741
Nomura Real Estate Development Co., Ltd.	NOHGA HOTEL AKIHABARA TOKYO (Chiyoda-ku, Tokyo)	Hotel	Steel-framed construction, 10 floors above ground	4,016	June 2020	663	1,761	4,169	408	6,339
Nomura Real Estate Development Co., Ltd.	Nihonbashi 1-chome Naka District Urban Area Redevelopment Project *5 (Chuo-ku, Tokyo)	Land slated for building construction	—	—	[March 2008]	1,376	—	6,161	—	6,161
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	2,678	3,182	2	5,862
Nomura Real Estate Development Co., Ltd.	SOCOLA Musashikoganei Cross *6 *7 (Koganei-shi, Tokyo)	Retail facility	Reinforced concrete construction (partially steel-framed construction), 4 floors above ground	10,040	March 2020	1,643	4,237	1,301	196	5,736
Nomura Real Estate 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	2,368	3,073	34	5,476
Nomura Real Estate 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	3,736	1,516	28	5,282
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	825	4,413	41	5,280
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	129	4,856	—	4,986
Nomura Real Estate 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	1,850	2,979	55	4,885
Nomura Real Estate Development Co., Ltd.	Nomura Fudosan Kaigan Building (Minato-ku, Tokyo)	Office	Steel-framed construction, 8 floors above ground	5,262	February 1992	1,307	1,415	3,465	2	4,883
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 other buildings	5,333	January 2013	701	1,064	3,716	77	4,859

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Building	Land	Other	Total
Nomura Real Estate Building Co., Ltd.	Toshiba Fukuoka Building (Chuo-ku, Fukuoka-shi, Fukuoka)	Office	Steel-framed construction (partially steel-framed reinforced concrete construction), 2 floors below ground, 17 floors above ground	23,711	July 1993	4,597	¥1,973	¥1,918	¥ 19	¥3,911
Nomura Real Estate 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	184	3,551	0	3,736
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	—	3,691	—	3,691
Nomura Real Estate Building Co., Ltd.	Nomura Real Estate Nishi-Shinjuku Kyodo Building (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	813	2,700	3	3,517
Nomura Real Estate 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	635	2,817	1	3,454

Notes: 1. "Building" represents building accounts, "land" represents land and leasehold interests in land accounts and "others" represents structures; machinery and equipment; tools, furniture and fixtures; vehicles; and leased asset accounts. "Total" represents the sum of leasehold interests in land accounts and property, plant and equipment excluding construction in progress accounts.
2. Includes the trust beneficial right.
3. Both the total floor area the land area are the equity conversion areas.
4. Land area refers to total area at the planning stage including residential development business.
5. Land area includes leased land.
6. Total floor area represents the exclusive element of a unit ownership building. Also, land area is multiplied by our ownership ratio.
7. Size of Construction or Details of Facility, etc. represents the retail facilities portion of unit ownership building.

2) Fitness club

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Facility	Land	Other	Total
Nomura Real Estate Life & Sports Co., Ltd.	MEGALOS Souka and other 45 facilities (Souka-shi, Saitama and others)	Fitness club	Reinforced concrete construction, 3 floors, 1 other building and fitness club	15,321	June 2002	15,430	¥7,218	¥—	¥974	¥8,193

Notes: 1. "Building" represents building accounts, "land" represents land and leasehold interests in land accounts and "others" represents structures; machinery and equipment; tools, furniture and fixtures; vehicles; and leased asset accounts. "Total" represents the sum of leasehold interests in land accounts and property, plant and equipment excluding construction in progress accounts.
2. "Total floor area" represents the total owned area of MEGALOS Kashiwa, MEGALOS Chikusa 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 Commercial Real Estate Business Unit are as follows.

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

(2) Other

Company Name	Property Name (Location)	Major Use	Size of Construction or Details of Facility, etc.	Total Floor Area (m ²)	Completion or [Time of Acquisition]	Land Area (m ²)	Book Value (Millions of yen)			
							Building	Land	Other	Total
127 Charing Cross Road Limited	127-133 Charing Cross Road (London, UK)	Office	Reinforced concrete construction, 1 floor below ground, 4 floors above ground	4,672	[March 2021]	1,244	¥1,921	¥6,485	—	¥8,407

Facilities Establishment, Sales and Renovation

As of March 31, 2021, 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.	NOHGA HOTEL KİYOMIZU KYOTO (tentative name) (Higashiyama-ku, Kyoto-shi, Kyoto)	Commercial Real Estate	Hotel	Steel-framed construction, 1 floor below ground, 6 floors above ground	¥11,896	¥3,890	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 ground, 10 floors above ground	11,460	8,379	Borrowings and own funds	Fiscal year ended March 31, 2020	Fiscal year ending March 31, 2022

2) 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	¥2,954	¥—	April 2021 – March 2022	Construction for facility renovation

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

Basic Policy Concerning Profit Distribution and Dividends for the fiscal years ended March 31, 2021 and 2022

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 fiscal year ended March 31, 2020 to fiscal year ending March 31, 2022).

As for the dividend, the Company set the year-end dividend for the fiscal year ended March 31, 2021 at ¥42.5 per share, which is an increase of ¥2.5 from forecasted. Combined with the second quarter-end dividend, the annual dividend per share is ¥82.5. As a result, total return ratio during this fiscal year, which included the acquisition of treasury shares, is 45.3%.

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>

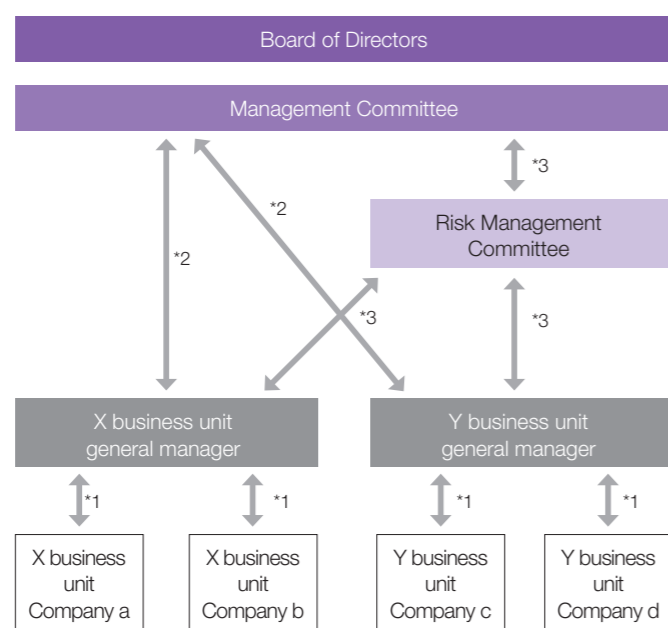
- Risks that could have a major impact on Group management
- Risks that could have a major impact on society
- Risk of litigation or other serious problems
- Other major risks that should be managed by the Group

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 efficient organizations and processes that support governance and risk management.

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)

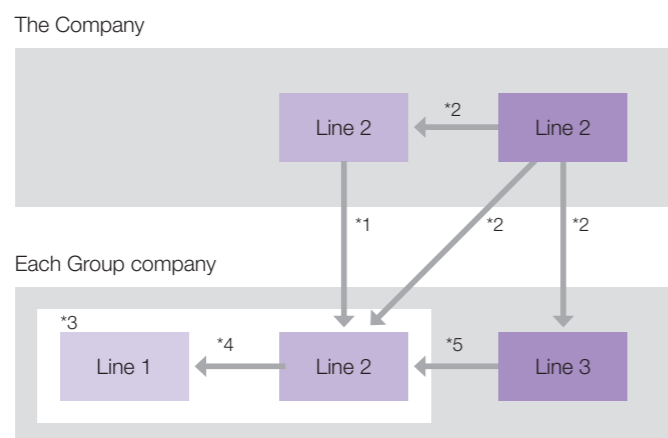


*1. Each company reports on risks to the business unit manager of the affiliated business unit and the business unit manager provides guidance and monitors the risk management of each company.

*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."

Three Lines Model (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 the main risks that the management recognizes that have the potential to significantly influence the financial position, business performance and cash flows of the company and the consolidated subsidiaries. From these main risks the Company has selected risks requiring particular attention during the fiscal year ending March 31, 2022 taking into consideration factors such as the magnitude of the potential impact on its businesses and the external environment. Matters concerning the future and the recognition of risks in the text are as determined by the Group as of the end of this fiscal year. The following, however, does not include all risks. Risks that are unpredictable or deemed insignificant at this point in time may impact on businesses in the future.

(Major risks)

Risk category	Definition	Main risk items
(A) Investment risk	Risks related to individual investments (real estate investments, strategic investments (M&A), etc.)	1) Risks associated with real estate investment 2) Risks associated with strategic investment (M&A) and new businesses
(B) External risk	Risks related to external factors influencing business	3) Risks associated with market changes 4) Risks generated by changes in economic conditions 5) Risks generated by changes in political/social conditions/systems (law, tax systems, accounting, others) 6) Risks due to lagging behind in innovation and changes in the structure of society related to the business
(C) Disaster risk	Risks generated by disasters that have a large impact on customers and business continuity	7) Risks related to disasters (earthquakes, typhoons, floods, tsunamis, volcanic eruptions, major fires, epidemics of infectious disease epidemics, etc.) that have a major impact on customers and business continuity
(D) Internal risk	Operational risks occurring at the Company and each group company	8) Risks related to the violation of laws and ordinances 9) Risks related to quality defects 10) Risks related to occurrence of information system crisis 11) Risks from inadequate responses to matters related to human resources 12) Risks related to occurrence of fraud and negligence

(Risks requiring particular attention)

(A) Investment risk	<ul style="list-style-type: none"> Deterioration of profitability and delay of business schedule in the real estate development business Delays in the recovery of businesses substantially impacted by COVID-19 (fitness club business, hotel business, and other businesses)
(B) External risk	<ul style="list-style-type: none"> Changes in the stock market or the real estate trading market and the stock market Changes in the economies and real estate markets of overseas countries Changes in people's behavior due to COVID-19 Slowness in taking advantage of continuously-evolving digital technology
(C) Disaster risk	<ul style="list-style-type: none"> Increase in natural disasters such as torrential rains Impact of COVID-19 epidemics on business continuity
(D) Internal risk	<ul style="list-style-type: none"> Occurrence of design and construction defects in the real estate development business Delays in the establishment of a human resources systems securing diverse personnel Occurrence of information leakage, business delay, damage, etc. due to cyber attacks

(The details of each major risk item and main initiatives)

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 an 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&A as one of its growth strategies and aims to enhance the corporate value of the Group by implementing M&A for which synergies can be expected. However, the inability to achieve profit growth from the M&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&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&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&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.	<p>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 ensure a certain level of soundness regarding our financial condition even if market conditions change rapidly.</p> <p>In the fiscal year ended March 31, 2021, since the impact of COVID-19 emerged in the real estate-related business environment and market conditions, the Company verified the impact on each business according to each business characteristic of the Group and deliberated on the response policies and future strategies at the Management Committee and other venues. Also, under the state of emergency issued from April to May of this fiscal year ended March 31, 2021, to identify impacts on each business the Company undertook a partial review of the operation of certain internal rules such as standards when making investment decisions at each Group company and responded to risks arising from market changes.</p>
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 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.</p> <p>In overseas business, 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>

Risk item	Risk category	Risk details	Main initiatives
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>Additionally, with regard to climate change, should the Company be late in responding to the changing needs of customers for real estate and in responding to technologies related to high environmental performance and energy performance, the competitive advantage of the Company's products and services could decline and this could have an impact on the Group's financial position and business performance.</p>	<p>In the midst of a changing business environment, the Group has been creating new and highly unique value for society and customers by leveraging its strengths, such as real estate development capabilities based on the "market-in" concept and a commitment to quality in urban development and real estate-related services. In order to further enhance these strengths, we have established the DX & Innovation Management Dept., which is responsible for research and development of new business fields, planning, promotion, and support for innovation creation, digital strategies, etc. We have also established the "Business Idea Proposal System," which allows employees of Group companies to propose new businesses, products and services beyond the boundaries of their daily work. At the same time, through the Nomura Real Estate Group Awards, an internal award system, we are working to create a corporate culture that encourages the creation of value through innovation and to strengthen collaboration within the Group. In addition, through the provision of corporate venture capital, the Company is collaborating with the startups that it has taken stakes in, which possess innovative technologies and services, and has begun to provide services that utilize these digital technologies.</p> <p>For risks related to climate change, the Company analyzes the risks and opportunities regarding events assumed in each scenario upon ascertaining future scenarios such as those in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. Concurrently, to properly ascertain customer needs, the Company implements customer satisfaction surveys and implements environmental performance assessments when undertaking the development, product planning and development of condominiums that meet ZEH-M standards and obtains environmental certifications.</p>

<Matters related to COVID-19>
COVID-19 has triggered rapid changes are occurring in lifestyles, work styles, and attitudes toward consumption and leisure. During the fiscal year ended March 31, 2021, each department worked to promote business activities adapted to the changes that have accelerated during the pandemic, such as remote sales / electronic contract systems and the expansion of the shared office business. They have also endeavored to identify diversifying customer needs and explore new types of added value.

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 that the frequency of disasters has increased, and this is an important social issue. Based on discussions with government and disaster preparedness experts, we are working to ensure the safety and security in the event a disaster occurs. We engage in disaster preparedness activities to ensure that, if a disaster occurs, its impact is minimized and the Group and its employees are able to continue business and their normal lives. We have formulated a business continuity plan (BCP) and action plan and engage in initiatives related to the Group's business continuity.</p> <p>In preparing for an earthquake occurring directly under the Tokyo Metropolitan Area, we have established a BCP and an emergency chain of command, 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 ensure the responses prescribed by the BCP are effective, insuring the safety of executives and employees and establishing a chain of command system, so that we are prepared for restoring business after an emergency.</p> <p>In addition, the Company has established a checklist of actions to be taken when a typhoon's landfall is forecast and formulates an action plan for preparations and initial responses when a disaster occurs overseas.</p> <p>Regarding earthquakes, fires, storms, floods, and other sudden accidents, we have set up regulations for responses to torrential rains and flooding, formulated a disaster response manual, and created a disaster preparedness 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><Matters related to COVID-19> In accordance with the established BCP for addressing the outbreak of a new strain of influenza, the Group formulated a basic response policy and continuously updates this policy. In addition, a task force chaired by the Group's CEO has been established. This task force gathers information published by the local and national governments and other authorities. Ensuring the health of customers, employees and their families and preventing the spread of infection are positioned as priorities. Taking this into account, the Group is implementing the following measures to ensure business continuity.</p> <ul style="list-style-type: none"> • Active use of remote working and staggered commuting • Strengthen the system environment to carry out remote work • Measures to reduce the risk of infection, mainly by implementing the thorough use of masks and the installation of acrylic partitions and disinfectant stations

Risk item	Risk category	Risk details	Main initiatives
			<ul style="list-style-type: none"> • Early implementation of measures to reduce the risk of secondary infection inside the company, including instructing employees that come in peripheral contact with infected individuals or individuals that have come in close contact with an infected person to stay home • Select core operations and establish an action manual aimed to business continuity during an infection epidemic • Establish common rules mainly related to infection prevention and the flow for taking PCR tests and make it common knowledge among all executives and workers • As a Group as a whole, create a reporting and instruction system in the event of an outbreak of infected individuals or individuals that have come in close contact with an infected person <p>Moreover, from the perspective of preventing the spread of infection, the fitness club were closed, and rent deferral and exemption measures were taken to a certain extent in order to support the business continuity of retail facility tenants affected by the government / local government's request for suspension. In these businesses, including the hotel business, which was directly affected by the decrease in tourists, we were forced to temporarily reduce sales, but through our business activities, we are trying to solve social issues and at the same time meet the needs of our customers. We believe that this is a corporate behavior that is in line with the concept of promoting sustainability, and that it will contribute to improving corporate value from a medium- to long-term perspective.</p>
8. Risk of violations of laws and ordinances	(D) Internal risk	<p>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.</p>	<p>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.</p> <p>In addition, regarding the inappropriate entertainment of foreign public officials and other civil servants, the Company has established "regulations to prevent the bribery of foreign public official and other civil servants" and "bribery prevention guidelines." The Company is implementing regular training for executives, employees and overseas local hires related to overseas businesses.</p>

Risk item	Risk category	Risk details	Main initiatives
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 cyber attacks and information leaks by conducting system security diagnosis by the third party and introducing a behavior detection system for virus scanning and abnormal movements. 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. There is a risk the Group's inability to secure required personnel due to delays in the establishment of a labor environment that takes in a diverse range of human resources (employees that work short hours mainly due to childcare and nursing, sexual minorities, people with disabilities, seniors, foreign nationals and others) will be a factor in a decline in corporate competitiveness. 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 laws and 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. Along with introducing various systems, including recommendations to take paid leave, the promotion of teleworking, and a program for taking time off or working shorter hours for childcare and nursing and to build a labor environment conducive for a diverse workforce, we are working to improve the level of understanding related to diversity among executives and employees through regular training sessions. In order to properly grasp working hours, we have introduced an attendance management system to manage it, and especially for long working hours, we regularly monitor the situation. 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 Ethics with the aim of acting in accordance with even higher ethical standards, and we continuously provide education and enlightenment to executives and employees. In addition, the Company has established a system to enhance the effectiveness of compliance activities in each workplace by assigning a compliance promotion officer to each department, office and branch of the Company and Group companies. Furthermore, the Company has established the "Nomura Real Estate Group Risk Helpline," an internal whistleblowing system shared by all Group companies, and has set up internal and external contact points for reporting wrongdoing and seeking advice on how to proceed. Informants are also assured of the confidentiality of their reports, and are prevented from being treated unfavorably by reason of their reports.

Consolidated Balance Sheets

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2020 and 2021

Assets	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Current Assets		
Cash and deposits (Note 13)	¥ 78,401	¥ 71,625
Notes and accounts receivable-trade	25,359	19,635
Real estate for sale (Note 6)	234,973	336,308
Real estate for sale in process	298,787	326,165
Land held for development	180,358	212,727
Equity investments (Notes 13 and 14)	30,983	28,770
Other	57,882	48,104
Allowance for doubtful accounts	(20)	(14)
Total current assets	906,726	1,043,321
Non-Current Assets		
Property, plant and equipment		
Buildings and structures (Note 6)	380,420	361,895
Accumulated depreciation	(173,461)	(176,168)
Buildings and structures, net	206,958	185,727
Land (Note 6)	526,809	506,097
Other (Note 6)	33,781	34,988
Accumulated depreciation	(11,227)	(12,589)
Other, net	22,553	22,399
Total property, plant and equipment	756,321	714,224
Intangible assets	20,223	18,468
Investments and other assets		
Investment securities (Notes 6, 13 and 14)	58,952	86,428
Leasehold and guarantee deposits (Note 13)	27,999	27,655
Deferred tax assets (Note 18)	22,696	23,097
Other	8,354	8,111
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	118,003	145,292
Total non-current assets	894,547	877,985
Total Assets	¥1,801,273	¥1,921,306

See notes to consolidated financial statements.

Liabilities	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Current Liabilities		
Notes and accounts payable-trade	¥ 94,197	¥ 61,162
Short-term borrowings (Notes 13 and 25)	72,000	87,000
Current portion of bonds payable	20,000	10,000
Income taxes payable (Note 18)	19,476	18,572
Deposits received	35,564	25,140
Provision for bonuses	8,410	8,599
Provision for bonuses for directors (and other officers)	473	455
Provision for loss on business liquidation	19	13
Other	51,927	58,378
Total current liabilities	302,068	269,322
Non-Current Liabilities		
Bonds payable (Notes 13 and 25)	120,000	160,000
Long-term borrowings (Notes 13 and 25)	658,000	751,500
Leasehold and guarantee deposits received (Note 6)	62,392	58,855
Deferred tax liabilities (Note 18)	61,389	59,934
Deferred tax liabilities for land revaluation (Note 6)	3,900	3,891
Provision for share awards	1,541	2,734
Retirement benefit liability (Note 16)	18,705	16,216
Other	8,157	12,501
Total non-current liabilities	934,084	1,065,633
Total Liabilities	1,236,153	1,334,956
Net Assets		
Shareholders' Equity (Note 10)		
Share capital	117,822	118,043
Capital surplus	111,065	114,433
Retained earnings	342,081	369,597
Treasury shares	(27,339)	(30,125)
Total shareholders' equity	543,630	571,948
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	2,915	7,827
Deferred gains or losses on hedges	1,044	(1,342)
Revaluation reserve for land (Note 6)	7,860	7,869
Foreign currency translation adjustment	(1,322)	(995)
Remeasurements of defined benefit plans (Note 16)	(3,950)	(1,979)
Total accumulated other comprehensive income	6,547	11,379
Share acquisition rights	1,850	1,406
Non-controlling interests	13,091	1,616
Total Net Assets	565,120	586,350
Total Liabilities and Net Assets	¥1,801,273	¥1,921,306

See notes to consolidated financial statements.

Consolidated Statements of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years ended March 31, 2020 and 2021

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Operating Revenue	¥676,495	¥580,660
Operating Costs	482,772	397,602
Operating Gross Profit	193,723	183,057
Selling, General and Administrative Expenses	111,817	106,724
Operating Profit	81,905	76,333
Non-Operating Income		
Interest income	86	95
Dividend income	122	63
Share of profit of entities accounted for using equity method	313	—
Gain on sale of non-current assets	—	96
Adjustment income for cancellation	398	—
Gain on sale of investment securities	102	—
Gain on reversal of share acquisition rights	31	123
Other	295	368
Total non-operating income	1,350	747
Non-Operating Expenses		
Interest expenses	8,788	9,015
Share of loss of entities accounted for using equity method	—	510
Other	1,389	1,590
Total non-operating expenses	10,178	11,115
Ordinary Profit	73,077	65,965
Extraordinary Income		
Subsidies for employment adjustment	—	565
Gain on sale of non-current assets (Note 7)	393	—
Total extraordinary income	393	565
Extraordinary Losses		
Impairment loss (Note 7)	121	1,285
Loss on COVID-19	—	1,715
Loss on building reconstruction	260	708
Total extraordinary losses	381	3,710
Profit before Income Taxes	73,090	62,820
Income Taxes-Current	24,388	24,752
Income Taxes-Deferred	(934)	(4,159)
Total Income Taxes (Note 18)	23,454	20,593
Profit	49,636	42,227
Profit Attributable to Non-Controlling Interests	749	28
Profit Attributable to Owners of Parent	¥ 48,886	¥ 42,198

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years ended March 31, 2020 and 2021

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	¥49,636	¥42,227
Other Comprehensive Income (Note 8)		
Valuation difference on available-for-sale securities	(3,804)	4,910
Deferred gains or losses on hedges	1,303	(2,386)
Revaluation reserve for land	(0)	8
Foreign currency translation adjustment	52	(531)
Remeasurements of defined benefit plans, net of tax	(442)	1,970
Share of other comprehensive income of entities accounted for using equity method	(660)	821
Total other comprehensive income	(3,551)	4,793
Comprehensive Income (Note 8)	¥46,084	¥47,020
(Breakdown)		
Comprehensive income attributable to owners of parent	¥45,299	¥47,030
Comprehensive income attributable to non-controlling interests	785	(10)

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, 2020 and 2021

	(Millions of yen)													
	Shareholders' Equity					Accumulated other comprehensive income								
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or 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, 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 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 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
Changes during period														
Issuance of new shares	221	221	—	—	442	—	—	—	—	—	—	—	—	442
Dividends of surplus	—	—	(14,682)	—	(14,682)	—	—	—	—	—	—	—	—	(14,682)
Profit attributable to owners of parent	—	—	42,198	—	42,198	—	—	—	—	—	—	—	—	42,198
Purchase of treasury shares	—	—	—	(2,798)	(2,798)	—	—	—	—	—	—	—	—	(2,798)
Disposal of treasury shares	—	—	—	11	11	—	—	—	—	—	—	—	—	11
Change in ownership interest of parent due to transactions with non-controlling interests	—	3,146	—	—	3,146	—	—	—	—	—	—	—	—	3,146
Net changes in items other than shareholders' equity	—	—	—	—	—	4,911	(2,386)	8	327	1,970	4,831	(444)	(11,475)	(7,087)
Total changes during period	221	3,367	27,516	(2,786)	28,318	4,911	(2,386)	8	327	1,970	4,831	(444)	(11,475)	21,230
Balance at March 31, 2021	¥118,043	¥114,433	¥369,597	¥(30,125)	¥571,948	¥7,827	¥(1,342)	¥7,869	¥(995)	¥(1,979)	¥11,379	¥1,406	¥1,616	¥586,350

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years ended March 31, 2020 and 2021

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash Flows from Operating Activities		
Profit before income taxes	¥ 73,090	¥ 62,820
Depreciation	19,805	20,021
Impairment loss	121	1,285
Loss (gain) on sales of non-current assets	(393)	—
Share of loss (profit) of entities accounted for using equity method	(313)	510
Increase (decrease) in allowance for doubtful accounts	(19)	(5)
Increase (decrease) in provision for loss on business liquidation	(7)	(6)
Increase (decrease) in provision for loss on subleasing business	(15)	—
Increase (decrease) in net defined benefit liability	513	(2,488)
Interest and dividend income	(208)	(159)
Interest expenses	8,788	9,015
Decrease (increase) in trade receivables	1,266	5,708
Decrease (increase) in inventories	(53,594)	(103,858)
Decrease (increase) in equity investments	(12,916)	2,213
Increase (decrease) in trade payables	40,258	(33,024)
Increase (decrease) in deposits received	8,648	(10,422)
Other, net	(2,670)	19,549
Subtotal	82,352	(28,840)
Interest and dividends received	390	284
Interest paid	(8,197)	(9,407)
Income taxes paid	(17,927)	(25,540)
Net cash provided by (used in) operating activities	56,618	(63,504)
Cash Flows from Investing Activities		
Purchase of investment securities	(15,779)	(19,827)
Proceeds from sales and liquidation of investment securities	1,375	150
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,461)	(8,334)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(85)	—
Purchase of property, plant and equipment and intangible assets	(20,363)	(45,665)
Proceeds from sales of property, plant and equipment and intangible assets	7,819	18,445
Payments of leasehold and guarantee deposits	(2,393)	(1,734)
Proceeds from refund of leasehold and guarantee deposits	2,492	2,255
Repayments of lease and guarantee deposits received	(2,797)	(6,401)
Proceeds from lease and guarantee deposits received	3,272	5,192
Other, net	(569)	129
Net cash provided by (used in) investing activities	(30,490)	(55,789)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term borrowings	(4,000)	9,000
Repayments of finance lease obligations	(235)	(183)
Proceeds from long-term borrowings	14,500	149,500
Repayments of long-term borrowings	(54,500)	(50,000)
Proceeds from issuance of shares	524	105
Proceeds from issuance of bonds	—	49,737
Redemption of bonds	—	(20,000)
Proceeds from sales of treasury shares	22	11
Purchase of treasury shares	(8,631)	(2,803)
Dividends paid	(14,375)	(14,682)
Dividends paid to non-controlling interests	(125)	(83)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(8,226)
Net cash provided by (used in) financing activities	(66,821)	112,376
Effect of exchange rate change on cash and cash equivalents	(24)	(69)
Net increase (decrease) in cash and cash equivalents	(40,718)	(6,987)
Cash and cash equivalents at beginning of period	118,330	77,611
Cash and cash equivalents at end of period	¥ 77,611	¥ 70,624

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2020 and 2021

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.

(Significant Accounting Policies)

1. Matters Related to the Scope of Consolidation

(1) Number of consolidated subsidiaries

41 companies

NOMURA REAL ESTATE UK LIMITED and 127 Charing Cross Road Limited were included in the scope of consolidation as the Company acquired new equity interests in them during the fiscal year ended March 31, 2021.

NREG Toshiba Building Facilities Co., Ltd. was excluded from the scope of consolidation during the fiscal year ended March 31, 2021 because it was merged with Nomura Real Estate Partners Co., Ltd.

NREG TOSHIBA BUILDING Co., Ltd. changed its name to Nomura Real Estate Building Co., Ltd. and Geo-Akamatsu Co., Ltd. changed its name to Nomura Real Estate Retail Properties Co., Ltd.

(2) Names of major unconsolidated subsidiaries, etc.

Main non-consolidated subsidiaries

Minami-Azabu Development Co., Ltd.

(Reason for exclusion from the scope of consolidation)

Non-consolidated subsidiaries are excluded from the scope of consolidation because they are small and their combined total assets, revenues, net profit (amount corresponding to the Company’s equity interest), retained earnings (amount corresponding to the Company’s equity interest), etc., do not have a material impact on the consolidated financial statements.

2. Application of the Equity Method

(1) Number of non-consolidated subsidiaries accounted for using the equity method

2 companies

Main company’s name: Minami-Azabu Development Co., Ltd.

(2) Number of affiliated companies accounted for using the equity method

30 companies

Main company’s name: Ginza Parking Center Co., Ltd.

MV VIET NAM REAL ESTATE TRADING JOINT STOCK COMPANY, DRI GP2 Co., Ltd., and MV1 VIET NAM REAL ESTATE TRADING LIMITED LIABILITY COMPANY are included in the equity method affiliates because the Company newly acquired equity interests in them during the fiscal year ended March 31, 2021.

3. Matters Related to the Fiscal Years of Consolidated Subsidiaries

Of the consolidated subsidiaries, the fiscal year of UNJ Properties LLC ends on December 31.

In preparing the consolidated financial statements, the Company uses financial statements of this consolidated subsidiary that are based on a provisional closing of accounts on the consolidated closing date.

Of the consolidated subsidiaries, the fiscal years of the following companies end on December 31: Nomura Real Estate Consulting (Beijing) Co., Ltd., NOMURA REAL ESTATE ASIA PTE, LTD., NOMURA REAL ESTATE HONG KONG LIMITED, HCMC office investment Limited, LIM HOLDINGS LTD, Lothbury Investment Management Group Limited and 12 other companies, Zen Plaza Investment Limited, ZEN PLAZA CO., LTD., NOMURA REAL ESTATE VIETNAM CO, LTD., NOMURA REAL ESTATE (THAILAND) CO., LTD., and NOMURA REAL ESTATE UK LIMITED. In addition, the fiscal year of Midosuji Mirai Development LLC ends on February 28.

In preparing the consolidated financial statements, the financial statements of these companies as of their respective closing dates are used.

However, necessary adjustments have been made in consolidation for significant transactions that occurred between their respective closing dates and the consolidated closing date.

4. Matters Related to Accounting Policies

(1) 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. (All valuation differences are processed by the direct net assets method, and the selling cost is calculated 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).

(2) Depreciation Method for Significant Depreciable Assets

1) Property, plant and equipment (Except for Leased Assets)

Depreciation of property, plant 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 is 5 years, which can be useful in the company.

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.

(3) 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 Bonuses 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 Stock-Based Remuneration

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

(4) 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 10 years, which is within the average number of remaining service years of the eligible employees.

(5) Recognition of Significant Revenues and Related Costs

(Accounting standards for Net sales of completed construction contracts and Cost of sales of completed construction contracts)

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.

(Accounting standards for advertising expenses)

In the housing sales business, to appropriately match expenses and revenues, advertising expenses of selling expenses incurred prior to delivery to customers are recorded as prepaid expenses and they are expensed in one lump at the time of delivery.

(6) 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 on the consolidated balance sheet date. Differences arising from this 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 on 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 this translation are presented as "Foreign currency translation adjustments" in Net Assets.

(7) 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 the 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 the interest rate swaps for which exceptional treatment is applied.

(8) Amortization of Goodwill

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

(9) 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.

(10) Other Significant Matters for Preparing the Consolidated Financial Statements

Consumption taxes and local consumption taxes are accounted for using 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.

2. Significant Accounting Estimates

1. Valuation of Inventories

Inventories held by the Group consist mainly of housing held for sale and commercial property held for sale.

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Loss on valuation of inventories: ¥540 million

(2) Other information that contributes to the understanding among financial statement users' understanding of the statements

1) Housing held for sale

i. Calculation method

The Company calculates this by comparing the net realizable value of the housing held for sale with the book value thereof. The net realizable value is based on the sale price, product cost, etc. determined in the business plan formulated at the time of site acquisition, construction order, and start of sale. In addition to the above, the net realizable value is subject to change depending on the progress of the business and sales.

ii. Key assumptions

The key assumptions used in the calculation of the net realizable value are the estimated sale price and the product cost, and these are estimated based on the location, size, product marketability, actual transactions in the surrounding area, market forecasts, and rents, occupancy rates, and cap rates based on past experience. With regard to the impact of the spread of COVID-19, the Company has made the assumption that the infection will be controlled in the real estate leasing market and real estate investment market will be limited.

iii. Impact on consolidated financial statements of the following fiscal year

Estimates of estimated sale price and product costs, which are key assumptions, are subject to uncertainty.

Estimated sale price may differ from future results due to changes in the housing market and other factors, and estimates of product costs may differ from future results due to the changes in the construction market, the occurrence of additional construction, schedule delays, and other factors.

2) Commercial property held for sale

i. Calculation method

The Company performs calculations by comparing the net realizable value of commercial property held for sale with the book value thereof. The net realizable value is based on the estimated sale price, product cost, etc. determined at the time of site acquisition, construction order, start of leasing (tenant recruitment), and decision to sell. For commercial property held for sale where there is concern about a decline in profitability due to the progress of tenant recruitment, etc., the estimated sale price is based on the appraisal value of a real estate appraiser, etc.

ii. Key assumptions

The key assumptions used in the calculation of the net realizable value are the estimated sale price and the product cost, and these are estimated based on the location, size, product marketability, actual transactions in the surrounding area, market forecasts, and rents, occupancy rates, and cap rates based on past experience. With regard to the impact of the spread of COVID-19, the Company has made the assumption that the infection will be contained without being prolonged and that the impact on the real estate leasing market and real estate investment market will be limited.

iii. Impact on consolidated financial statements of the following fiscal year

Estimated sale prices and product costs, which are key assumptions, are subject to uncertainty. Estimated sale prices may differ from future results due to changes in real estate leasing and real estate investment markets, and estimated product costs may differ from future results due to the changes in the construction market, the occurrence of additional construction, schedule delays, and other factors.

2. Impairment of Non-Current Assets

Non-current assets held by the Group consist mainly of real estate held for leasing business purposes.

(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2021

Impairment loss: ¥1,285 million

(2) Other information that contributes to the understanding among financial statement users' understanding of the statements

i. Calculation method

When an indication arises that the carrying amount of real estate held for leasing business purposes may not be recoverable, the Company assesses and calculates the impairment loss on the relevant real estate.

(Indication of Impairment)

The Group considers the following events to be indications of impairment of real estate held for leasing business purposes:

- Properties for which operating profit (loss), which is defined as leasing revenues minus leasing costs, has been negative or is expected to be negative for two consecutive fiscal years
- Properties for which changes have occurred or are expected to occur that significantly reduce the recoverable amount
- Properties for which the business environment has deteriorated significantly or is expected to deteriorate significantly
- Properties for which the market price (fair value) has declined significantly (by 50% or more)

(Recognition and Measurement of Impairment)

For properties that are judged to have signs of impairment, they are compared the book value with the total amount of undiscounted future cash flows, and recognized that it is necessary to carry out impairment if the book value is larger. For properties that are considered to be impaired, impairment loss is measured by reducing the recoverable amount from the book value.

The recoverable amount is calculated based on the net realizable value or the value in use. Net realizable value is based on the appraisal value of a real estate appraiser, etc. The value in use is calculated by discounting the future cash flows.

ii. Key assumptions

The key assumptions used in the calculation of undiscounted future cash flows and value in use are leasing revenues, leasing costs, and discount rates, which are estimated based on the property's location, size, actual leasing transactions in the surrounding area, market forecasts, and historical rents, occupancy rates, and cap rates. With regard to the impact of the COVID-19 pandemic, the Company has made the assumption that the infection will be controlled and not prolonged and that the impact on the real estate leasing market will be limited.

iii. Impact on consolidated financial statements of the following fiscal year

Estimates of leasing revenues and leasing costs, which are key assumptions, are subject to uncertainty, and future results may differ from these estimates due to changes in the real estate leasing market and other factors.

3. Accounting Standards Published But Not Yet Applied

1. Accounting Standard for Revenue Recognition, etc.

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan)

Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021, Accounting Standards Board of Japan)

(1) Outline

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard for revenue recognition and published "Revenue from Contracts with Customers" (IFRS 15 for the IASB and Topic 606 for the FASB) in May 2014. In light of the fact that IFRS 15 would come effective for fiscal years beginning on or after January 1, 2018 and Topic 606 would come into effective for fiscal years beginning on or after December 15, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and published it together with the implementation guidance.

The basic policy of the ASBJ in developing the accounting standard for revenue recognition was to define the accounting standard from the perspective of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, by incorporating the basic principles of IFRS 15 as a starting point. In addition, if there are matters that should be taken into consideration with respect to practices that have been followed in Japan, alternative treatments will be added to the extent that comparability is not impaired.

(2) Scheduled Date of Adoption

The Company expects to adopt the accounting standard effective from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the Adoption of the Accounting Standard, etc.

The impact of implementation of the Accounting Standard for Revenue Recognition, etc. on the consolidated financial statements is immaterial.

2. Accounting Standards for Fair Value Measurement, etc.

Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)

Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019, Accounting Standards Board of Japan)

Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)

Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Outline

In light of the fact that the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have issued almost identical detailed guidance on fair value measurement (The IASB's IFRS 13 "Fair Value Measurement" for the IASB and The FASB's Topic 820 "Fair Value Measurement" for the FASB), the Accounting Standards Board of Japan (ASBJ) published the "Accounting Standard for Fair Value Measurement" and other related standards in an effort to harmonize Japanese GAAP with international accounting standards, mainly with respect to guidance and disclosures about the fair value of financial instruments.

The basic policy of the ASBJ in developing the accounting standard for fair value measurement was to incorporate basically all of the provisions of IFRS 13 from the perspective of improving the comparability of financial statements from domestic and foreign companies through the use of uniform measurement methods. At the same time, in order to give consideration to practices that have been followed in Japan to date, other treatments for specific matters will be determined to the extent that comparability between financial statements is not significantly impaired.

(2) Scheduled Date of Adoption

The Company expects to adopt the accounting standard effective from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the Adoption of the Accounting Standards, etc.

The Company is currently evaluating the impact of the adoption of the Accounting Standard for Fair Value Measurement, etc. on its consolidated financial statements.

4. Changes in Presentation Method

The accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) is applied in preparing the consolidated financial statements effective from the end of the fiscal year ended March 31, 2021 and is disclosed in "Notes Concerning Significant Accounting Estimates of the Consolidated Financial Statements." However, in these notes do not include information for the fiscal year ended March 31, 2020 has been omitted in accordance with the transitional treatment stipulated in the provision in paragraph 11 of the accounting standard.

5. 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."). 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 Board Incentive Plan trust ("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 ¥3,749 million and 1,709,734 shares, respectively, as of March 31, 2021.

Furthermore, the estimated amount of the above executive compensation at the end of the fiscal year ended March 31, 2021 is recorded as provision for share-based remuneration.

ESOP Trust for Granting Stock

The Company and certain consolidated subsidiaries have introduced an "Employee Stock Ownership Plan trust ("ESOP trust") for Granting Stock" (the "Plan") 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, 2021.

Furthermore, the estimated amount of the above compensation scheme at the end of the fiscal year ended March 31, 2021 is recorded as provision for share-based remuneration.

Accounting Standards for Advertising Expenses

The Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No.24, March 31, 2020) is applied in preparing the consolidated financial statements effective from the end of the fiscal year ended March 31, 2021 and, as a principle and procedure for accounting treatment adopted when the provisions of related accounting standards, etc. are not clear, the standard for recording advertising expenses is newly disclosed in "Standards on Recognition of Material Revenues and Expenses".

6. Notes to Consolidated Balance Sheets

1. Matters related to non-consolidated subsidiaries and affiliates are as follows:

	(Millions of yen)	
	2020	2021
Equity investments (stocks, etc.)	¥30,983	¥28,770
Investment securities (stocks, etc.)	¥25,444	¥46,296

2. Pledged assets and secured liabilities

Investment securities of ¥158 million are pledged as collateral for the debt of the investee.

3. Guaranteed liabilities

The Company has guaranteed borrowings from financial institutions etc. by the following customers. The Company is obligated, along with the joint venture partners, to guarantee the debt of Origin One Sukhumvit 24 Co., Ltd. and Origin One Phromphong Co., Ltd. in proportion to the percentage equity stake. The amounts of the Company's guarantee obligations, which are based on its percentage equity stakes in the two companies, are indicated in parentheses.

		(Millions of yen)	
2020		2021	
Customers using housing loans	¥125,775	Customers using housing loans	¥ 75,666
EBS Building Co-operators	319	EBS Building Co-operators	243
Haneda Mirai Specific Purpose Company	65	Haneda Mirai Specific Purpose Company	65
	—	Tokio Property Services Pte Ltd	16
	—	Origin One Sukhumvit 24 Co., Ltd.	290
	—		(142)
	—	Origin One Phromphong Co., Ltd.	134
	—		(65)
Total	126,159	Total	76,416
	¥ (126,159)		¥ (76,199)

4. Additional investment obligations etc.

The Company, along with the joint venture partners, has additional investment obligations etc. toward the following affiliated companies in connection with their borrowings from financial institutions, and these obligations are based on the percentage equity stake. The outstanding balances of borrowings by the affiliates are as follows, and the amounts of the Company's obligations, which are based on its percentage equity stakes, are indicated in parentheses.

		(Millions of yen)	
2020		2021	
ORIGIN PRIME 2 COMPANY LIMITED	¥ 1,369 (671)		—
ORIGIN PARK T1 COMPANY LIMITED	6,680 (3,273)	ORIGIN PARK T1 COMPANY LIMITED	¥ 8,881 (4,352)
ORIGIN SPHERE COMPANY LIMITED	406 (198)		—
ORIGIN VERTICAL COMPANY LIMITED	1,487 (728)	ORIGIN VERTICAL COMPANY LIMITED	107 (52)
Origin One Thonglor Co., Ltd.	1,649 (808)	Origin One Thonglor Co., Ltd.	2,088 (1,023)
	—	PARK ORIGIN RATCHATHEWI COMPANY LIMITED	1,697 (831)
	—	PARK ORIGIN PRARAM 4 COMPANY LIMITED	2,768 (1,356)
Total	11,592 ¥ (5,680)	Total	15,543 ¥ (7,616)

5. In accordance with the Act on Revaluation of Land

In accordance with the Act on Revaluation of Land (Act No. 34 enacted on March 31, 1998), land used for business purposes was revalued.

The amount equivalent to the tax on the difference is recorded in the liabilities section as "Deferred tax liabilities related to land revaluation", and the amount deducted is recorded in the net assets section as "Revaluation reserve for land".

Method of revaluation: Calculated using a method that makes reasonable adjustments to the assessed value of non-current asset for property tax, as stipulated in Article 2, Item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 enacted on March 31, 1998)

Date of revaluation: March 31, 2002

6. As a result of a review of the purposes of holding assets, the following amounts have been reclassified.

	(Millions of yen)	
	2020	2021
From non-current assets to real estate for sale	¥24,214	¥56,798

7. Notes to Consolidated Statements of Income

1. Figures for end-of-term inventory reflect reductions in carrying value due to declines in profitability, and the following losses on valuation of inventories are included in the cost of sales:

(Millions of yen)	
2020	2021
¥22	¥540

2. Major components and amounts of selling, general and administrative expenses are as follows:

	(Millions of yen)	
	2020	2021
Advertising expenses	¥21,026	¥15,460
Employee salaries and allowances	35,742	36,987
Transfer of provision for bonuses	6,908	7,388
Transfer of provision for bonuses for directors (and other officers)	474	455
Retirement benefit expenses	2,709	3,002
Transfer of provision for allowance for doubtful accounts	¥ 2	¥ 5

3. Research and development expenses included in selling, general and administrative expenses and operating costs are as follows:

(Millions of yen)	
2020	2021
¥42	¥34

4. The breakdown of gain on sale of non-current assets is as follows:

	(Millions of yen)	
	2020	2021
Land	¥300	¥—
Buildings etc.	93	—
Total	¥393	¥—

5. Impairment loss

The Group recorded an impairment loss on the following asset group:

Previous fiscal year (April 1, 2019 to March 31, 2020)

Main purpose of use	Type	Location
Stores	Buildings	Nakagyo-ku, Kyoto-shi, Kyoto, etc.
(Total: 2 locations)	Other tangible non-current assets	

The Group has grouped its assets into the smallest units that generate cash flows that are largely independent of the cash flows of other assets or asset groups. The head office building and other buildings are considered to be common assets.

As a result, during the fiscal year ended March 31, 2020, the carrying value of two asset groups for which income from operating activities has been continuously negative was reduced to the recoverable amount, and the amount of the reduction was recorded as an impairment loss (¥121 million) under extraordinary losses. The breakdown of the impairment loss was ¥120 million for buildings and ¥0 million for other.

The recoverable amount of these asset groups is measured based on the value in use, and the value in use is assessed as zero because the future cash flow is expected to be negative.

Current fiscal year (From April 1, 2020 to March 31, 2021)

Main purpose of use	Type	Location
Stores and leased assets	Buildings	Sagamiono-shi, Kanagawa, etc.
Other	Land	
(Total: 8 locations)	Other tangible non-current assets	

The Group has grouped its assets into the smallest units that generate cash flows that are largely independent of the cash flows of other assets or asset groups. The head office building and other buildings are considered to be common assets.

As a result, in the current fiscal year, the carrying values of eight asset groups that are scheduled to be used for other purposes or be sold or for which income from operating activities has been continuously negative were reduced to their recoverable amounts. The amount of the reduction was recorded as an impairment loss (¥1,285 million) under extraordinary losses, and comprised ¥998 million on buildings, ¥18 million on land, and ¥269 million on other assets.

The recoverable amounts of these asset groups are measured based on the net selling price or the value in use, and the net selling price is the expected selling price. Furthermore, the value in use is assessed as zero because the future cash flow is expected to be negative.

6. Loss due to COVID-19

The main component of the loss due to COVID-19 was fixed costs such as personnel expenses and land lease fees related to fitness clubs and other facilities that closed temporarily during the pandemic.

8. 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, 2020 and 2021 are as follows:

	(Millions of yen)	
	2020	2021
Valuation difference on available-for-sale securities:		
Amount recognized during the year	¥(5,482)	¥6,853
Amount of recycling	0	224
Before income tax effect	(5,481)	7,078
Income tax effect	1,677	(2,167)
Valuation difference on available-for-sale securities	(3,804)	4,910
Deferred gains or losses on hedges:		
Amount recognized during the year	1,890	(3,439)
Amount of recycling	(2)	—
Before income tax effect	1,888	(3,439)
Income tax effect	(585)	1,053
Deferred gains or losses on hedges	1,303	(2,386)
Revaluation reserve for land:		
Income tax effect	(0)	8
Foreign currency translation adjustment:		
Amount recognized during the year	52	(531)
Amount of recycling	—	—
Before income tax effect	52	(531)
Income tax effect	—	—
Foreign currency translation adjustment	52	(531)
Remeasurements of defined benefit plans:		
Amount recognized during the year	(962)	2,157
Amount of recycling	324	681
Before income tax effect	(637)	2,838
Income tax effect	195	(868)
Remeasurements of defined benefit plans	(442)	1,970
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount recognized during the year	(1,021)	1,184
Amount of recycling	—	—
Before income tax effect	(1,021)	1,184
Income tax effect	360	(362)
Share of other comprehensive income of affiliates accounted for using the equity method	(660)	821
Total other comprehensive income	¥(3,551)	¥4,793

9. Consolidated Statements of Changes in Net Assets

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

1. Shares outstanding and Treasury stock

	At the beginning of	Increase	Decrease	At the end of current fiscal year
	(Thousands of shares)			(Thousands of shares)
Shares issued				
Common stock ¹	192,373	502	—	192,875
Total	192,373	502	—	192,875
Treasury stock				
Common stock ²	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 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 share acquisition rights

Company	Description	Type of shares to be issued	Number of shares to be issued (in thousands)			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 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 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 ended 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.

Current fiscal year (From April 1, 2020 to March 31, 2021)

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 ¹	192,875	223	—	193,099
Total	192,875	223	—	193,099
Treasury stock				
Common stock ²	11,367	1,128	5	12,490
Total	11,367	1,128	5	12,490

Notes: 1. The increase of 223,000 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 ESOP Trust (1,962,000 shares as of the end of the fiscal year under review).
3. The increase of 1,128,000 shares of treasury stock in common stock acquired upon a resolution by the Board of Directors of the Company.
4. The decrease of 5,000 shares of treasury stock in common stock was due to deliveries of shares of the stock by the BIP Trust and the ESOP Trust.
5. At a meeting of the Board of Directors held on January 28, 2021, the Company resolved to retire treasury stock pursuant to Article 178 of the Companies Act. Details of the portion of this treasury stock not yet retired as of the end of the current consolidated fiscal year are as follows:
Carrying value: ¥25,803 million
Type of shares: Common stock
No. of shares: 10,528,000 shares
Note that all of the above shares as well as the treasury stock acquired between April 1 and April 26, 2021 have been retired as of May 31, 2021.
Total no. of shares retired: 10,980,000 shares

2. Share acquisition rights and treasury share acquisition rights

Company	Description	Type of shares to be issued	Number of shares to be issued (in thousands)			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	—	—	—	—	1,406

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 May 1, 2020	Common stock	7,339	40.00	March 31, 2020	June 9, 2020
Meeting of the Board of Directors on October 27, 2020	Common stock	7,343	40.00	September 30, 2020	December 1, 2020

Notes: 1. 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.
2. The total amount of dividends resolved at the meeting of the Board of Directors held on October 27, 2020 includes dividends distributed of ¥78 million 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, 2021 and the effective date is in the year ending March 31, 2022

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 27, 2021	Common stock	7,759	Retained earnings	42.50	March 31, 2021	June 4, 2021

Notes: The total amount of dividends resolved at the meeting of the Board of Directors held on April 27, 2021 includes dividends distributed of ¥83 million pertaining to shares of the Company stock held by the BIP Trust and the ESOP Trust.

10. 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, 2021, the Group's capital reserve amounted to ¥114,433 million, and no legal reserve was recorded.

11. 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)	
	2020	2021
Cash and deposits	¥78,401	¥71,625
Time deposits with maturities of more than three months	(789)	(1,000)
Cash and cash equivalents	¥77,611	¥70,624

12. 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, 2020 and 2021.

	(Millions of yen)	
	2020	2021
Operating leases		
Future lease payments:		
Due within 1 year	¥ 3,074	¥ 3,990
Due after 1 year	15,858	14,699
Total	18,933	18,689
Future lease receipts:		
Due within 1 year	27,197	30,062
Due after 1 year	99,482	78,214
Total	¥126,679	¥108,276

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

13. Financial Instruments

1. Policies on 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 are interest rate swap transactions for the purpose of hedging against the risk of fluctuations in interest payments related to borrowings, currency swap transactions for the purpose of hedging against the risk of fluctuations in foreign currencies related to foreign currency-denominated securities, and foreign exchange contract transactions. Regarding hedging instruments and hedging targets related to hedge instruments, hedging items, and methods for evaluating the effectiveness of hedging, see Note 1. "Basis of Presentation of Consolidated Financial Statements" "4. Matters Related to Accounting Policies (7) Significant Hedge Accounting Method".

(3) Policies and Systems for Risk Management

The Company regularly checks the fair 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 15. Derivative Financial Instruments does not represent the market risk regarding the derivative transactions.

2. Fair Values of Financial Instruments

The book values, fair values and differences of financial instruments as of March 31, 2020 and 2021 are as follows. Items for which fair value is extremely difficult to determine have not been included.

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

2021	Book value	Fair value	Difference
		(Millions of yen)	
(1) Cash and deposits	¥ 71,625	¥ 71,625	¥ —
(2) Investment securities ¹	40,526	40,542	15
Total assets	112,152	112,167	15
(1) Short-term borrowings ²	31,000	31,000	—
(2) Bonds payable ³	170,000	171,631	1,631
(3) Long-term borrowings ²	807,500	823,714	16,214
Total liabilities	1,008,500	1,026,345	17,845
Derivative transactions ³	¥ (3,913)	¥ (3,913)	¥ —

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) 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 14. Securities for information on those securities in (2).

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 15. Derivative Financial Instruments for information on derivative transactions.

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

Book value	(Millions of yen)	
	2020	2021
Unlisted stocks	¥56,995	¥75,821

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 (2) Investment securities.

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

3. Redemption schedule for financial assets with maturities

2020	(Millions of yen)			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
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	¥ —

2021	(Millions of yen)			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥71,625	¥ —	¥ —	¥ —
Securities and investment securities				
Held-to-maturity debt securities				
(1) Government and municipal bonds, etc.	58	765	325	—
(2) Corporate bonds	—	—	—	—
Available-for-sale securities with maturities				
(1) Debt securities	3	—	—	—
(2) Others	—	—	—	—
Total	¥71,687	¥ 765	¥ 325	¥ —

4. Repayment schedule for bonds payable and long-term borrowings at March 31, 2020 and 2021

2020	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(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

2021	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
	(Millions of yen)					
Short-term borrowings	¥ 31,000	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	10,000	10,000	20,000	10,000	30,000	90,000
Long-term borrowings	56,000	69,000	77,500	64,000	120,000	421,000
Total	¥ 97,000	¥ 79,000	¥ 97,500	¥ 74,000	¥150,000	¥511,000

14. Securities

The following tables summarize the book value and fair value of securities held by the Group as of March 31, 2020 and 2021

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

2020	(Millions of yen)		
	Book value	Fair value	Difference
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

2021	(Millions of yen)		
	Book value	Fair value	Difference
Securities whose fair value exceeds book value:			
(1) Government and municipal bonds, etc.	¥1,152	¥1,168	¥ 15
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	1,152	1,168	15
Securities whose fair value does not exceeds book value:			
(1) Government and municipal bonds, etc.	—	—	—
(2) Bonds payable	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	¥1,152	¥1,168	¥ 15

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

2020	(Millions of yen)		
	Book value	Acquisition cost	Difference
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

2021	(Millions of yen)		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds acquisition cost:			
(1) Stocks	¥ 1,250	¥ 632	¥ 618
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	38,006	27,381	10,624
Subtotal	39,256	28,013	11,242
Securities whose book value does not exceed acquisition cost:			
(1) Stocks	113	125	(12)
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	3	3	—
3) Other	—	—	—
(3) Other	—	—	—
Subtotal	117	129	(12)
Total	¥39,373	¥28,142	¥11,230

(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, 2020 and 2021.

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	¥—

Type	2021 (Millions of yen)		
	Proceeds from sales	Aggregate gains	Aggregate losses
(1) Stocks	¥149	¥—	¥224
(2) Bonds			
1) Government and municipal bonds, etc.	—	—	—
2) Bonds payable	—	—	—
3) Other	—	—	—
(3) Other	—	—	—
Total	¥149	¥—	¥224

15. 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	2020		
			Contract amount	Contract amount due after one year	Fair value
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.

Hedge accounting method	Type of derivatives	Major hedged items	2021		
			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	¥30,066	¥ —	¥(1,409)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Thai baht	Securities denominated in foreign currencies	9,175	1,774	(384)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Chinese Yuan	Securities denominated in foreign currencies	15,099	—	(1,114)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in Philippine peso	Securities denominated in foreign currencies	1,834	1,834	(292)
Deferral hedge accounting	Currency swaps Receipts in yen / Payments in British pounds		8,802	—	(594)
Deferral hedge accounting	Forward exchange contract Sell U.S. dollars / Buy yen	Securities denominated in foreign currencies	829	—	(44)
Deferral hedge accounting	Forward exchange contract Sell Thai baht / Buy yen		3,290	—	(74)
Total			¥69,098	¥3,609	¥(3,913)

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	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.

Hedge accounting method	Type of derivatives	Major hedged items	2021		
			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	¥203,500	¥172,500	(Note)
Total			¥203,500	¥172,500	—

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.

16. 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, 2020 and 2021 (excluding plans applying a simplified method)

	(Millions of yen)	
	2020	2021
Retirement benefit obligations at the beginning of the year	¥37,578	¥38,961
Service cost	1,891	1,936
Interest cost	176	182
Actuarial gain or loss	289	370
Retirement benefit payments	(974)	(822)
Retirement benefit obligations at the end of the year	¥38,961	¥40,627

A reconciliation of the changes in balance of plan assets for the fiscal years ended March 31, 2020 and 2021 (excluding plans applying a simplified method)

	(Millions of yen)	
	2020	2021
Fair value of plan assets at the beginning of the year	¥21,454	¥22,314
Expected return on plan assets	321	401
Actuarial gain or loss	(660)	2,506
Employer contributions	1,677	1,563
Retirement benefit payments	(477)	(525)
Fair value of plan assets at the end of the year	¥22,314	¥26,261

A reconciliation of the changes in balance of net defined benefit liability applying a simplified method for the fiscal years ended March 31, 2020 and 2021

	(Millions of yen)	
	2020	2021
Net defined benefit liability at the beginning of the year	¥2,050	¥2,058
Increase due to acquisition of new subsidiaries	15	—
Retirement benefit expenses	313	127
Retirement benefit payments	(296)	(312)
Contributions to plan	(25)	(23)
Net defined benefit liability at the end of the year	¥2,058	¥1,850

A reconciliation of retirement benefit obligations as well as plan assets at March 31, 2020 and 2021, and net defined benefit liability on the Consolidated Balance Sheets

	(Millions of yen)	
	2020	2021
Funded retirement benefit obligations	¥ 31,908	¥ 33,503
Fair value of plan assets	(22,490)	(26,460)
Subtotal	9,417	7,043
Unfunded retirement benefit obligations	9,287	9,172
Net liabilities on the Consolidated Balance Sheet	18,705	16,216
Net defined benefit liability	18,705	16,216
Net liabilities on the Consolidated Balance Sheet	¥ 18,705	¥ 16,216

Note: It includes the plans applying a simplified method.

Breakdown of retirement benefit expenses

	(Millions of yen)	
	2020	2021
Service cost	¥1,891	¥1,936
Interest cost	176	182
Expected return on plan assets	(321)	(401)
Amortization of actuarial gain or loss	707	901
Amortization of prior service cost	(395)	(197)
Retirement benefit expenses calculated by the simplified method	313	127
Other	10	20
Retirement benefit expenses for defined benefit plan	¥2,382	¥2,567

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

	(Millions of yen)	
	2020	2021
Prior service cost	¥(395)	¥ (197)
Actuarial gain or loss	(242)	3,036
Total	¥(637)	¥2,838

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

	(Millions of yen)	
	2020	2021
Unrecognized prior service cost	¥ 197	¥ —
Unrecognized actuarial gain or loss	(5,889)	(2,853)
Total	¥(5,691)	¥(2,853)

Composition of plan assets by major classifications

	2020	2021
Claims	39%	37%
Equity	20%	26%
General account	14%	13%
Other	27%	24%
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.

Calculation basis for major actuarial calculations

	2020	2021
Discount rate	0.2-0.5%	0.2-0.5%
Expected rate of return on plan assets	1.5%	1.8%
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, 2020 and 2021 are ¥710 million and ¥791 million.

17. Stock Options

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

1. Expenses for stock options and items

	(Millions of yen)	
	2020	2021
Selling, General and Administrative Expenses	¥68	¥17

2. Amount recorded as profit due to expiration due to non-exercise of rights

	(Millions of yen)	
	2020	2021
	¥31	¥123

3. Description, scale and fluctuation of stock options

(1) Description

Nomura Real Estate Holdings, Inc.

FY2013	2nd issue of stock options	3rd issue of stock options
Settlement date	June 27, 2013	June 27, 2013
Recipients	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 1)	Common stock: 143,300 shares	Common stock: 333,300 shares
Grant date	July 23, 2013	July 23, 2013
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	July 23, 2015 – July 22, 2020	July 23, 2015 – July 22, 2020
Number of share acquisition rights (units) (Note 2)	—	—
Type, content and number of shares subject to the share acquisition rights (Note 2)	—	—
Amount paid-in (¥) upon exercise of the share acquisition rights (Note 2)	1 per share	2,429 per share However, the said paid-in amount (hereinafter "exercise price") may be adjusted based on provisions in (Note 5).
Stock issuance price and capitalization amount (¥) in the event of issuance of shares upon exercise of the share acquisition rights (Note 2)	Issuance price: 2,298 Capitalization amount: 1,149	Issuance price: 3,104 Capitalization amount: 1,552
Terms and conditions for exercising the share acquisition rights (Note 2)	As indicated in (Note 3)	As indicated in (Note 6)
Matters related to the transfer of share acquisition rights (Note 2)	Acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of this Company.	
Matters related to the grant of share acquisition rights in connection with corporate restructuring actions (Note 2)	As indicated in (Note 4)	As indicated in (Note 7)

Nomura Real Estate Holdings, Inc.

FY2014	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Settlement date	June 27, 2014	June 27, 2014	June 27, 2014
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 1)	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
Number of share acquisition rights (units) (Note 2)	—	265	1,252 [918]
Type, content and number of shares subject to the share acquisition rights (Note 2)	—	Common stock: 26,500 shares	Common stock: 125,200 shares [91,800 shares]
Amount paid-in (¥) upon exercise of the share acquisition rights (Note 2)	1 per share	1 per share	2,016 per share However, the said paid-in amount (hereinafter "exercise price") may be adjusted based on provisions in (Note 5).
Stock issuance price and capitalization amount (¥) in the event of issuance of shares upon exercise of the share acquisition rights (Note 2)	Issuance price: 1,719 Capitalization amount: 859.5	Issuance price: 1,719 Capitalization amount: 859.5	Issuance price: 2,387 Capitalization amount: 1,193.5
Terms and conditions for exercising the share acquisition rights (Note 2)	As indicated in (Note 3)	As indicated in (Note 3)	As indicated in (Note 6)
Matters related to the transfer of share acquisition rights (Note 2)	Acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of this Company.		
Matters related to the grant of share acquisition rights in connection with corporate restructuring actions (Note 2)	As indicated in (Note 4)	As indicated in (Note 4)	As indicated in (Note 7)

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd issue of stock options	5th issue of stock options
Settlement date	June 26, 2015	June 26, 2015	June 26, 2015	September 17, 2015
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) Employees of the Company's subsidiaries (20 persons)
Type/number of shares reserved (Note 1)	Common stock: 35,700 shares	Common stock: 157,500 shares	Common stock: 380,900 shares	Common stock: 24,000 shares
Grant date	July 23, 2015	July 23, 2015	July 23, 2015	October 14, 2015
Vesting conditions	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
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
Number of share acquisition rights (units) (Note 2)	87	502	3,142 [3,110]	220 [204]
Type, content and number of shares subject to the share acquisition rights (Note 2)	Common stock: 8,700 shares	Common stock: 50,200 shares	Common stock: 314,200 shares [311,000 shares]	Common stock: 22,000 shares [20,400 shares]
Amount paid-in (¥) upon exercise of the share acquisition rights (Note 2)	1 per share	1 per share	2,741 per share However, the said paid-in amount (hereinafter "exercise price") may be adjusted based on provisions in (Note 5).	2,355 per share However, the said paid-in amount (hereinafter "exercise price") may be adjusted based on provisions in (Note 5).
Stock issuance price and capitalization amount (¥) in the event of issuance of shares upon exercise of the share acquisition rights (Note 2)	Issuance price: 2,261 Capitalization amount: 1,130.5	Issuance price: 2,261 Capitalization amount: 1,130.5	Issuance price: 3,257 Capitalization amount: 1,628.5	Issuance price: 2,891 Capitalization amount: 1,445.5
Terms and conditions for exercising the share acquisition rights (Note 2)	As indicated in (Note 3)	As indicated in (Note 3)	As indicated in (Note 6)	As indicated in (Note 6)
Matters related to the transfer of share acquisition rights (Note 2)	Acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of this Company.			
Matters related to the grant of share acquisition rights in connection with corporate restructuring actions (Note 2)	As indicated in (Note 4)	As indicated in (Note 4)	As indicated in (Note 7)	As indicated in (Note 7)

Nomura Real Estate Holdings, Inc.

FY2016	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Settlement date	June 29, 2016	June 29, 2016	June 29, 2016
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 1)	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
Number of share acquisition rights (units) (Note 2)	378	1,262 [1,167]	2,513 [2,345]
Type, content and number of shares subject to the share acquisition rights (Note 2)	Common stock: 37,800 shares	Common stock: 126,200 shares [116,700 shares]	Common stock: 251,300 shares [234,500 shares]
Amount paid-in (¥) upon exercise of the share acquisition rights (Note 2)	1 per share	1 per share	1,927 per share However, the said paid-in amount (hereinafter "exercise price") may be adjusted based on provisions in (Note 5).
Stock issuance price and capitalization amount (¥) in the event of issuance of shares upon exercise of the share acquisition rights (Note 2)	Issuance price: 1,594 Capitalization amount: 797	Issuance price: 1,594 Capitalization amount: 797	Issuance price: 2,304 Capitalization amount: 1,152
Terms and conditions for exercising the share acquisition rights (Note 2)	As indicated in (Note 3)	As indicated in (Note 3)	As indicated in (Note 6)
Matters related to the transfer of share acquisition rights (Note 2)	Acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of this Company.		
Matters related to the grant of share acquisition rights in connection with corporate restructuring actions (Note 2)	As indicated in (Note 4)	As indicated in (Note 4)	As indicated in (Note 7)

Nomura Real Estate Holdings, Inc.

FY2017	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Settlement date	June 29, 2017	June 29, 2017	June 29, 2017
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 1)	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
Number of share acquisition rights (units) (Note 2)	398	1,536 [1,434]	4,356 [4,002]
Type, content and number of shares subject to the share acquisition rights (Note 2)	Common stock: 39,800 shares	Common stock: 153,600 shares [143,400 shares]	Common stock: 435,600 shares [400,200 shares]
Amount paid-in (¥) upon exercise of the share acquisition rights (Note 2)	1 per share	1 per share	2,400 per share However, the said paid-in amount (hereinafter "exercise price") may be adjusted based on provisions in (Note 5).
Stock issuance price and capitalization amount (¥) in the event of issuance of shares upon exercise of the share acquisition rights (Note 2)	Issuance price: 1,840 Capitalization amount: 920	Issuance price: 1,840 Capitalization amount: 920	Issuance price: 2,799 Capitalization amount: 1,399.5
Terms and conditions for exercising the share acquisition rights (Note 2)	As indicated in (Note 3)	As indicated in (Note 3)	As indicated in (Note 6)
Matters related to the transfer of share acquisition rights (Note 2)	Acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of this Company.		
Matters related to the grant of share acquisition rights in connection with corporate restructuring actions (Note 2)	As indicated in (Note 4)	As indicated in (Note 4)	As indicated in (Note 7)

Nomura Real Estate Holdings, Inc.

FY2018	1st issue of stock options	2nd issue of stock options
Settlement date	June 26, 2018	June 26, 2018
Recipients	Directors of the Company (5 persons)	Directors and executive officers of the Company's subsidiaries (36 persons)
Type/number of shares reserved (Note 1)	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
Number of share acquisition rights (units) (Note 2)	107	494
Type, content and number of shares subject to the share acquisition rights (Note 2)	Common stock: 10,700 shares	Common stock: 49,400 shares
Amount paid-in (¥) upon exercise of the share acquisition rights (Note 2)	1 per share	1 per share
Stock issuance price and capitalization amount (¥) in the event of issuance of shares upon exercise of the share acquisition rights (Note 2)	Issuance price: 2,030 Capitalization amount: 1,015	Issuance price: 2,030 Capitalization amount: 1,015
Terms and conditions for exercising the share acquisition rights (Note 2)	As indicated in (Note 3)	As indicated in (Note 3)
Matters related to the transfer of share acquisition rights (Note 2)	Acquisition of share acquisition rights by transfer requires the approval of the Board of Directors of this Company.	
Matters related to the grant of share acquisition rights in connection with corporate restructuring actions (Note 2)	As indicated in (Note 4)	As indicated in (Note 4)

- Notes: 1. Described in terms of the number of shares.
2. Information as of the end of the fiscal year ended March 31, 2021 is indicated. Any part of the information which was changed during the period from the end of the current fiscal year to the end of the month previous to the filing date (May 31, 2021) is indicated inside brackets () as of the end of the month previous to the filing date, and no change has been made in any other parts since the end of the current fiscal year.
3. i) A person who has received the allotment of the share acquisition rights (the "Eligible Person") must be in a position of Director, Audit & Supervisory Board Member, Executive Officer, Counselor, Advisor, Special Officer, Special Advisor, or in an equivalent position thereto, or employee of the Company or any of its subsidiaries (collectively, the "Required Position") until the time of exercise of the share acquisition rights on a continuing basis.
ii) Notwithstanding i) above, in the case the Eligible Person has lost the Required Position, the Eligible Person may exercise share acquisition rights only from and including whichever is later of the date of loss of the Required Position or the commencement date of "Exercisable period" in the above table (the "Exercise Period"), to and including the date on which one year has elapsed from the aforesaid date on the condition that the last day is on or before the expiration date of the Exercise Period.
iii) When the Eligible Person has passed away, his/her heir is deemed to be able to succeed and exercise the share acquisition rights if the Eligible Person has met the conditions of i) above immediately before the death, or the Eligible Person had been able to exercise share acquisition rights in accordance with the provision of ii) above immediately before the death (such heir who succeeded the share acquisition rights is hereinafter referred to as the "Successor of Rights"); provided, however, that in the case of i) above, the Successor of Rights may exercise share acquisition rights only from and including whichever is later of the date of death of the Eligible Person or the commencement date of the Exercise Period, to and including the date on which one year has elapsed from the aforesaid date on the condition that the last day is on or before the expiration date of the Exercise Period, and in the case of ii) above, the Successor of Rights may exercise share acquisition rights during the same period as the period allowed for the Eligible Person to exercise those in accordance with ii) above.
iv) When the Successor of Rights has passed away, his/her heir may not exercise the share acquisition rights.
v) The Eligible Person or the Successor of Rights may not exercise the allotted share acquisition rights in more than two times.
vi) A fraction of one share acquisition right may not be exercised.
vii) Other terms and conditions shall be as per specifications in the "Share Acquisition Rights Allotment Agreement" to be entered into between the Company and the Eligible Person.

4. The Company, in the case of merger (limited only to cases in which the Company is dissolved by merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, "Reorganization"), may issue the share acquisition rights of the company that survives the merger, the company incorporated as a result of the merger, the company which succeeds, in whole or in part, to any rights and obligations that a company effecting an absorption-type company split holds in connection with its business, the company that is incorporated in the incorporation-type company split, the company that acquires all of the issued shares of the company effecting the share exchange, or the company incorporated as a result of the share transfer (collectively, "Reorganized Company") to each person holding share acquisition rights that remain outstanding at the time directly before when the effects of the Reorganization arises (collectively, "Remaining Share Acquisition Rights"), based on the conditions set forth below. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights. However, this shall be limited to the case where the issuance of share acquisition rights of the Reorganized Company is stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a stock exchange agreement, or a share transfer plan in accordance with following conditions.
- i) Number of share acquisition rights of the Reorganized Company to be delivered
A number equal to the number of the Remaining Share Acquisition Rights shall be delivered to each such Eligible Person.
 - ii) Class of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights
To be Ordinary shares of the Reorganized Company
 - iii) Number of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights
To be determined in accordance with the "Number of shares underlying share acquisition rights" in the above table, taking into consideration the conditions, etc. of the Reorganization.
 - iv) Value of property to be contributed upon exercise of share acquisition rights and calculation methods thereof
The subject of contribution upon exercise of share acquisition rights shall be cash and the amount shall be obtained by multiplying ¥1, which is the price to be paid per share, by the number of shares of the Reorganized Company underlying the share acquisition rights determined in accordance with iii) above.
 - v) Period during which share acquisition rights may be exercised
Period during which share acquisition rights may be exercised shall begin on the date of commencement of the Exercise Period or the effective date of the Reorganization, whichever is later, and end on the expiration date of the Exercise Period.
 - vi) Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of share acquisition rights
 - (1) The amount of capital stock increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be half the maximum amount of increase in capital stock, etc., calculated in accordance with the provision in Paragraph 1, Article 17 of the Regulation on Accounting of Companies. Any fraction of less than ¥1 resulting from the calculation shall be rounded up to the nearest yen.
 - (2) The amount of legal capital surplus increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be the amount obtained by subtracting the capital stock increase stipulated in (1) above from the maximum amount of increase in capital stock, etc., described in (1) above.
 - vii) Restriction on acquisition of the share acquisition rights by transfer
Any acquisition of the share acquisition rights by transfer is subject to the approval of the Reorganized Company.
 - viii) Terms and conditions for exercise of share acquisition rights
To be determined in accordance with the aforementioned Note 3.
 - ix) Matters concerning acquisition of share acquisition rights
In cases where the Board of Directors of the Company resolves to call a General Meeting of Shareholders to approve any of the following agenda items (or if a resolution by the General Meeting of Shareholders is not necessary, in cases where a resolution of the Board of Directors of the Company is made concerning any of the following agenda items), or in cases where there is a call from shareholders to hold such General Meeting of Shareholders, and when the acquisition date has been determined by the Board of Directors, the Company may acquire all or part of share acquisition rights without contribution upon arrival of the date.
 - (1) Agenda item for approval of a merger agreement under which the Company shall become a disappearing company
 - (2) Agenda item for approval of absorption-type company split agreement or incorporation-type company split plan under which the Company shall become a split company
 - (3) Agenda item for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary
 - (4) Agenda item for an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of all shares to be issued by the Company shall require the approval of the Company
 - (5) Agenda item for an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of shares to be delivered upon exercise of the share acquisition rights shall require the approval of the Company or that the Company may acquire all of such class of shares by resolution at a General Meeting of Shareholders
 - x) Treatment of any fractional shares arising upon exercise of share acquisition rights
Any fraction of less than one share included in the number of shares to be delivered to a share acquisition rights holder shall be discarded.
5. If the Company conducts a share split or share consolidation of its common stock, the Exercise Price shall be adjusted using the following formula, and fractional yen amounts due to the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price after adjustment} \times \frac{1}{\text{Ratio of share split or consolidation}}$$

In addition, in cases where the Company issues a call for subscribers for the shares of common stock that the Company thereby issued or the shares of common stock of the Company held by the Company thereby disposed of, and the amount to be paid in is particularly advantageous to the subscribers, the Exercise Price shall be adjusted in accordance with the following formula, and resulting fractions of less than ¥1 shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of outstanding shares} + \frac{\text{Number of newly issued shares} \times \text{Paid-in amount per share}}{\text{Fair value per share}}}{\text{Number of outstanding shares} + \text{Number of newly issued shares}}$$

"Number of outstanding shares" in the aforementioned formula is the total number of issued shares of the Company's common stock minus the number of treasury shares of the Company's common stock. For the disposal of treasury shares of the Company's common stock, "Number of newly issued shares" is replaced by "Number of treasury shares to be disposed" and "Paid-in amount per share" by "Disposal price per share."

Other than the above, in cases where the Company carries out an allotment without contribution of shares or share acquisition rights, or in other cases where it is necessary for the Company to adjust the Exercise Price, the Company shall adjust the Exercise Price as deemed necessary.

6. i) A person who has received the allotment of the share acquisition rights (the "Eligible Person") must be in a position of Director, Audit & Supervisory Board Member, Executive Officer, Counselor, Advisor, Special Officer, Special Advisor, or in an equivalent position thereto, or employee of the Company or any of its subsidiaries (collectively, the "Required Position") until the time of exercise of the share acquisition rights on a continuing basis.
 - ii) With regard to the Eligible Person, there must not be a situation where retirement under instruction or punitive dismissal has been decided pursuant to the rules of employment of the Company or its subsidiaries, or a similar situation, as of the time of exercise of the share acquisition rights.
 - iii) Notwithstanding i) above, share acquisition rights may be exercised even when the Eligible Person has lost the Required Position, if the reason for the loss of the Required Position is mandatory retirement at the age limit, retirement because of reaching contractual age-limit, retirement assigned by company, retirement mainly because of physical disability resulting from occupational injury or illness, dismissal because of unavoidable operational reason (layoff) or resignation or retirement similar to these. In this case, the Eligible Person may exercise share acquisition rights only from and including whichever is later of the date of loss of the Required Position or the commencement date of the Exercise Period, to and including the date on which one year has elapsed from the aforesaid date on the condition that the last day is on or before the expiration date of the Exercise Period.
 - iv) When the Eligible Person has passed away, his/her heir is deemed to be able to succeed and exercise the share acquisition rights if the Eligible Person has met the conditions of i) and ii) above immediately before the death, or the Eligible Person had been able to exercise share acquisition rights in accordance with the provision of iii) above immediately before the death; provided, however, that in the case of i) above, the Successor of Rights may exercise share acquisition rights only from and including whichever is later of the date of death of the Eligible Person or the commencement date of the Exercise Period, to and including the date on which one year has elapsed from the aforesaid date on the condition that the last day is on or before the expiration date of the Exercise Period, and in the case of iii) above, the Successor of Rights may exercise share acquisition rights during the same period as the period allowed for the Eligible Person to exercise those in accordance with iii) above.
 - v) When the Successor of Rights passed away, his/her heir may not exercise the share acquisition rights.
 - vi) The Eligible Person or Successor of Rights may not exercise the share acquisition rights in multiple installments exceeding two installments.
 - vii) A fraction of one share acquisition right may not be exercised.
 - viii) Other terms and conditions shall be as per specifications in the "Share Acquisition Rights Allotment Agreement" to be entered into between the Company and the Eligible Person.
7. The Company, in the case of merger (limited only to cases in which the Company is dissolved by merger), absorption-type company split, incorporation-type company split, share exchange or share transfer (collectively, "Reorganization"), may issue the share acquisition rights of the company that survives the merger, the company incorporated as a result of the merger, the company which succeeds, in whole or in part, to any rights and obligations that a company effecting an absorption-type company split holds in connection with its business, the company that is incorporated in the incorporation-type company split, the company that acquires all of the issued shares of the company effecting the share exchange, or the company incorporated as a result of the share transfer (collectively, "Reorganized Company") to each person holding share acquisition rights that remain outstanding at the time directly before when the effects of the Reorganization arises (collectively, "Remaining Share Acquisition Rights"), based on the conditions set forth below. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights. However, this shall be limited to the case where the issuance of share acquisition rights of the Reorganized Company is stipulated in an absorption-type merger agreement, an incorporation-type merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a stock exchange agreement or a share transfer plan in accordance with following conditions.
 - i) Number of share acquisition rights of the Reorganized Company to be delivered
A number equal to the number of the Remaining Share Acquisition Rights shall be delivered to each such Eligible Person.
 - ii) Class of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights
Ordinary shares of the Reorganized Company
 - iii) Number of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights
To be determined in accordance with the "Number of shares underlying share acquisition rights" in the above table, taking into consideration the conditions, etc. of the Reorganization.
 - iv) Value of property to be contributed upon exercise of share acquisition rights and calculation methods thereof
The subject of contribution upon exercise of share acquisition rights shall be cash, and the amount shall be obtained by multiplying the price determined in accordance with the Exercise Price of "Paid-in amount on exercise of share acquisition rights" stated in the table by taking into consideration the conditions and other factors of the Reorganization, by the number of shares of the Reorganized Company underlying share acquisition rights in iii) above.
 - v) Period during which share acquisition rights may be exercised
Period during which share acquisition rights may be exercised shall begin on the date of commencement of the Exercise Period or the effective date of the Reorganization, whichever is later, and end on the expiration date of the Exercise Period.
 - vi) Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of share acquisition rights
 - (1) The amount of capital stock increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be half the maximum amount of increase in capital stock, etc., calculated in accordance with the provision in Paragraph 1, Article 17 of the Regulation on Accounting of Companies. Any fraction of less than ¥1 resulting from the calculation shall be rounded up to the nearest yen.
 - (2) The amount of legal capital surplus increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be the amount obtained by subtracting the capital stock increase stipulated in (1) above from the maximum amount of increase in capital stock, etc., described in (1) above.
 - vii) Restriction on acquisition of the share acquisition rights by transfer
Any acquisition of the share acquisition rights by transfer is subject to the approval of the Reorganized Company.
 - viii) Terms and conditions for exercise of share acquisition rights
To be determined in accordance with the aforementioned Note 6.
 - ix) Matters concerning acquisition of share acquisition rights
In cases where the Board of Directors of the Company resolves to call a General Meeting of Shareholders to approve any of the following agenda items (or if a resolution by the General Meeting of Shareholders is not necessary, in cases where a resolution of the Board of Directors of the Company is made concerning any of the following agenda items), or in cases where there is a call from shareholders to hold such General Meeting of Shareholders, and when the acquisition date has been determined by the Board of Directors, the Company may acquire all or part of share acquisition rights without contribution upon arrival of the date.

- (1) Agenda item for approval of a merger agreement under which the Company shall become a disappearing company
(2) Agenda item for approval of absorption-type company split agreement or incorporation-type company split plan under which the Company shall become a split company
(3) Agenda item for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary
(4) Agenda item for an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of all shares to be issued by the Company shall require the approval of the Company
(5) Agenda item for an amendment to the Articles of Incorporation in order to establish the provision that an acquisition by way of transfer of shares to be delivered upon exercise of the share acquisition rights shall require the approval of the Company or that the Company may acquire all of such class of shares by resolution at a General Meeting of Shareholders
x) Treatment of any fractional shares arising upon exercise of share acquisition rights
Any fraction of less than one share included in the number of shares to be delivered to a share acquisition rights holder shall be discarded.

(2) Scale of offer and status of changes

(1) Number of stock options

Nomura Real Estate Holdings, Inc.

FY2013	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	15,500	166,400
Vested:	—	—
Exercised	15,500	—
Forfeited	—	166,400
End of the year	—	—

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	9,900	44,600	151,100
Vested:	—	—	—
Exercised	9,900	18,100	20,300
Forfeited	—	—	5,600
End of the year	—	26,500	125,200

Nomura Real Estate Holdings, Inc.

FY2015	1st issue of stock options	2nd issue of stock options	3rd 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	16,100	59,200	328,300	22,000
Vested:	—	—	—	—
Exercised	7,400	9,000	1,200	—
Forfeited	—	—	12,900	—
End of the year	8,700	50,200	314,200	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	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	—
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	56,700	144,900	282,800
Vested:	—	—	—
Exercised	18,900	18,700	23,800
Forfeited	—	—	7,700
End of the year	37,800	126,200	251,300

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	—	—	428,800
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	428,800
End of the year	—	—	—
Vested: (shares)			
Previous fiscal year end	39,800	228,300	13,000
Vested:	—	—	428,800
Exercised	—	74,700	6,200
Forfeited	—	—	—
End of the year	39,800	153,600	435,600

Nomura Real Estate Holdings, Inc.

FY2018	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	—	—
Forfeited	—	—
Vested:	—	—
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.

FY2013	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	2,429
Average price upon exercise (¥)	2,433	2,725
Fair value on grant date (¥)	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	5th issue of stock options
Exercise price (¥)	1	1	2,741	2,355
Average price upon exercise (¥)	1,979	2,353	—	—
Fair value on grant date (¥)	2,260	2,260	516	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

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

4. 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.

18. Income Taxes

Breakdown of major causes of deferred tax assets and liabilities

	(Millions of yen)	
	2020	2021
Deferred tax assets:		
Unrealized profits	¥ 12,324	¥ 12,582
Net defined benefit liability	5,736	4,967
Impairment loss	5,469	5,050
Provision for bonuses	2,403	2,452
Excess of depreciation	1,914	2,751
Inventory write-downs	652	698
Revaluation of assets on consolidation	438	395
Other	7,820	12,243
Gross deferred tax assets	36,760	41,142
Valuation allowance	(3,846)	(5,500)
Total deferred tax assets	32,914	35,641
Deferred tax liabilities:		
Revaluation of assets on consolidation	(51,487)	(49,832)
Reserve for deferred income taxes	(17,673)	(16,821)
Other	(2,446)	(5,825)
Total deferred tax liabilities	(71,606)	(72,478)
Net deferred tax liabilities	¥(38,692)	¥(36,836)

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

	2020	2021
Statutory tax rate (adjustment)	The note has been omitted	30.6%
Entertainment and other expenses that are permanently nondeductible	because the difference between	2.5%
Tax effect related to investments in subsidiaries	the statutory tax rate and the	0.4%
Others	effective tax rate is less than 5%	-0.7%
Effective income tax rate after application of tax effect accounting	of the statutory tax rate.	32.8%

19. Schedule of Asset Retirement Obligations

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

20. 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)	
	2020	2021
Real estate for rent		
Book value in the Consolidated Balance Sheets		
Balance at the beginning of the fiscal year	¥703,232	¥681,101
Changes during the fiscal year	(22,130)	(44,148)
Balance at the end of the fiscal year	681,101	636,953
Fair value at the end of the fiscal year	¥859,620	¥815,677
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	¥ 26,125	¥ 25,867
Changes during the fiscal year	(258)	(35)
Balance at the end of the fiscal year	25,867	25,831
Fair value at the end of the fiscal year	¥ 57,030	¥ 56,730

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, 2020 and 2021 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)	
	2020	2021
Rental properties		
Operating profit	¥24,908	¥20,394
Others (gains (losses) on sale of property, etc.)	—	(964)
Other properties used as rental properties		
Operating profit	1,135	1,021
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 (¥708 million) in the fiscal year ended March 31, 2021.

21. Segment Information etc.

(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, 2020

	(Millions of yen)									
	Reportable segments						Other (Note) 1	Total	Adjustments (Note) 2	Amount Recorded in Consolidated Financial Statements (Note) 3
Residential Development	Commercial Real Estate	Investment Management	Property Brokerage & CRE	Property & Facility Management	Subtotal					
Operating revenue										
External customers	333,170	208,895	12,058	37,229	83,996	675,352	1,143	676,495	—	676,495
Inter-segment	795	3,237	0	1,880	14,278	20,193	0	20,193	(20,193)	—
Subtotal	333,966	212,133	12,059	39,110	98,274	695,545	1,143	696,688	(20,193)	676,495
Operating profit or loss (Note 3)	25,351	38,941	6,853	9,097	8,474	88,718	(1,267)	87,451	(5,545)	81,905
Share of profit (loss) of entities accounted for using equity method (Note 3)	(11)	32	—	(8)	62	74	239	313	—	313
Amortization of intangible assets associated with corporate acquisitions (Note 3)	—	273	296	—	29	599	15	614	—	614
Segment profit or loss (Business profit or loss) (Note 3)	25,339	39,247	7,149	9,088	8,566	89,392	(1,012)	88,379	(5,545)	82,833
Segment assets	457,505	1,112,664	43,053	19,240	47,106	1,679,570	61,730	1,741,300	59,972	1,801,273
Other items										
Depreciation	531	16,661	297	529	674	18,695	64	18,760	1,044	19,805
Investment in affiliates accounted for using equity method	546	927	—	75	98	1,648	54,463	56,111	315	56,427
Increase in property, plant and equipment and intangible assets	714	16,249	181	405	1,774	19,325	311	19,637	722	20,360

Notes: 1. The "Other" category represents operating segments that are not included in reportable segments.
2. (1) The deduction of ¥5,545 million shown in the adjustments column for segment profit or loss includes an increase in elimination of intersegment transactions of ¥2,119 million and a deduction of ¥7,664 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 ¥59,972 million shown in the adjustments column for segment assets includes a deduction of ¥46,119 million for the elimination of inter-segment transactions and an addition of ¥106,092 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, 2021

	(Millions of yen)									
	Reportable segments									Amount Recorded in Consolidated Financial Statements (Note) 3
	Residential Development	Commercial Real Estate	Investment Management	Property Brokerage & CRE	Property & Facility Management	Subtotal	Other (Note) 1	Total	Adjustments (Note) 2	
Operating revenue										
External customers	271,767	173,851	12,456	36,611	83,929	578,616	2,043	580,660	—	580,660
Inter-segment	809	5,376	—	2,824	14,455	23,466	26	23,492	(23,492)	—
Subtotal	272,577	179,227	12,456	39,436	98,384	602,083	2,070	604,153	(23,492)	580,660
Operating profit or loss (Note 3)	22,421	35,138	7,296	8,962	9,089	82,908	(798)	82,110	(5,776)	76,333
Share of profit (loss) of entities accounted for using equity method (Note 3)	(16)	57	—	13	163	217	(727)	(510)	—	(510)
Amortization of intangible assets associated with corporate acquisitions (Note 3)	—	273	291	—	29	594	30	624	—	624
Segment profit or loss (Business profit or loss) (Note 3)	22,404	35,469	7,587	8,976	9,281	83,720	(1,495)	82,224	(5,776)	76,448
Segment assets	505,976	1,160,805	42,868	25,201	50,095	1,784,946	89,237	1,874,184	47,122	1,921,306
Other items										
Depreciation	516	16,892	300	496	745	18,950	112	19,063	958	20,021
Investment in affiliates accounted for using equity method	529	973	—	87	262	1,852	72,638	74,490	576	75,067
Increase in property, plant and equipment and intangible assets	541	43,776	42	534	304	45,200	210	45,410	165	45,575

Notes: 1. The "Other" category represents operating segments that are not included in reportable segments.

2. (1) The deduction of ¥5,776 million shown in the adjustments column for segment profit or loss (business profit or loss) includes elimination of intersegment transactions of ¥1,730 million and a deduction of ¥7,507 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 ¥47,122 million shown in the adjustments column for segment assets includes a deduction of ¥56,823 million for the elimination of inter-segment transactions and an addition of ¥103,946 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.

4. Notes relating to changes in reportable segments etc.

From the fiscal year ended March 31, 2021, in accordance with the review of the organizational structure, as of April 1, 2020, NREG TOSHIBA BUILDING FACILITIES Co., Ltd., which had been classified under the Commercial Real Estate Business Unit, had been an absorbed company in an absorption-type merger with Nomura Real Estate Partners Co., Ltd. being the surviving company, which is the Company's consolidated subsidiary and has been classified under the Property Management & Facility Business Unit.

The overseas condominium development and sales business, which had been classified under the Residential Development Business Unit in Nomura Real Estate Development Co., Ltd. and the overseas offices and other properties development and leasing business, and ZEN PLAZA CO., LTD., which had been classified under the Commercial Real Estate Business Unit in Nomura Real Estate Development Co., Ltd., have been reclassified under Other.

In line with this change, the segment information disclosed for the fiscal year ended March 31, 2020 is based on the changed classification.

Related information

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.

Fiscal year 2020 (From April 1, 2020 to March 31, 2021)

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 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	Other	Adjustment amount	Total
2020								
Impairment loss	¥—	¥121	¥—	¥—	¥—	¥—	¥—	¥121

Fiscal year 2020 (From April 1, 2020 to March 31, 2021)

	(Millions of yen)							
	Residential Development	Commercial Real Estate	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other	Adjustment amount	Total
2021								
Impairment loss	¥—	¥1,285	¥—	¥—	¥—	¥—	¥—	¥1,285

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

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	Other	Adjustment amount	Total
Amortization	¥—	¥ 273	¥ 65	¥—	¥29	¥15	¥—	¥ 383
Balance at March 31, 2020	¥—	¥2,781	¥1,268	¥—	¥87	¥465	¥—	¥4,603

Fiscal year 2020 (From April 1, 2020 to March 31, 2021)

	(Millions of yen)							
	Residential Development	Commercial Real Estate	Investment Management	Property Brokerage & CRE	Property & Facility Management	Other	Adjustment amount	Total
Amortization	¥—	¥ 273	¥ 64	¥—	¥29	¥30	¥—	¥ 397
Balance at March 31, 2021	¥—	¥2,508	¥1,173	¥—	¥58	¥411	¥—	¥4,151

Information concerning gain on negative goodwill by reportable segment

Not applicable.

22. Information on Related Parties

1. Transactions between the Company and related parties

Officers and major shareholders of companies submitting consolidated financial statements (limited to individuals), etc.

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	Seichi Miyajima	—	—	Executive Vice President and Director	Held 0.0%	Exercise of stock options	Exercise of stock options	¥28	—	—
Officers of major subsidiaries	Minoru Hatada	—	—	Senior 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 and Director	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 and Director 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	Norio 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 exercised by the Company pursuant to the Companies Act.

Fiscal year 2020 (From April 1, 2020 to March 31, 2021)

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	Shigeyuki Yamamoto	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	¥15	—	—
Officers of major subsidiaries	Shinji Ono	—	—	Managing Executive Officer of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	15	—	—
Officers of major subsidiaries	Toru Kamizono	—	—	Managing Executive Officer of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	14	—	—
Officer	Toshiaki Seki	—	—	Executive Vice President and Director	Held 0.0%	Exercise of stock options	Exercise of stock options	12	—	—
Officer	Takashi Kaku	—	—	Executive Officer of the Company	Held 0.0%	Exercise of stock options	Exercise of stock options	12	—	—
Officers of major subsidiaries	Juntaro Kimura	—	—	Representative Director Chair of Nomura Real Estate Urban Net Co., Ltd.	Held 0.0%	Exercise of stock options	Exercise of stock options	11	—	—
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	10	—	—
Officers of major subsidiaries	Kouichiro Suzuki	—	—	Managing Executive Officer of Nomura Real Estate Development 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 exercised 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 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)
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 same to generally accepted practices.

Fiscal year 2020 (From April 1, 2020 to March 31, 2021)

Type	Name	Location	Stated capital or capital contribution (Millions of yen)	Description of business or profession	Voting rights holding or held (%)	Relationship with the Company	Transaction details	Amount of transaction (Millions of yen)	Items	Fiscal year-end balance (Millions of yen)
Officers	Eiji Kutsukake	—	—	—	Held 0.0%	Condominium sales and optional construction	Condominium sales and optional construction	¥58	—	—
A company in which officers and their close relatives own a majority of voting rights	Kengo Kuma and Associates (Note 3)	Minato-ku, Tokyo	10	Architectural Design	—	Outsourcing of design-related work	Outsourcing of design-related work	42	—	—
Officers	Tetsuro Higashi	—	—	—	—	Condominium sales	Condominium sales	¥40	—	—

Notes: 1. Amount of transaction does not include consumption taxes.
2. Transaction price and terms of payment are same to generally accepted practices.
3. Satoko Shinohara, the Director of the Company, and her close relatives own the majority of voting rights.

23. Per Share Information

	(Yen)	
	2020	2021
Net assets per share	¥3,031.15	¥3,229.80
Basic earnings per share	267.21	232.53
Diluted earnings per share	¥ 265.88	¥ 231.73

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

	2020	2021
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	¥ 48,886	¥ 42,198
Profit not attributed to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent available to common stock (Millions of yen)	48,886	42,198
Average number of shares of common stock outstanding during the period (Thousand shares)	182,954	181,479
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)	913	622
Of which, share acquisition rights (Thousand shares)	(913)	(622)
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 Share Acquisition Rights in FY2013 (Number of rights: 1,664) Nomura Real Estate Holdings, Inc. 3rd Share Acquisition Rights in FY2015 (Number of rights: 3,283) Nomura Real Estate Holdings, Inc. 3rd Share Acquisition Rights in FY2017 (Number of rights: 4,418)	Nomura Real Estate Holdings, Inc. the 3rd Share Acquisition Rights in FY2015 (Number of rights: 3,142) Nomura Real Estate Holdings, Inc. the 5th Share Acquisition Rights in FY2015 (Number of rights: 220) Nomura Real Estate Holdings, Inc. the 3rd Share Acquisition Rights in FY2017 (Number of rights: 4,356)

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 year ended March 31, 2020, the number of the treasury shares at the end of period deducted in calculating net assets per share was 1,968 thousand shares and 1,962 thousand shares for the fiscal year ended March 31, 2021, and the average number of treasury shares during the period deducted in calculating the basic earnings per share and diluted earnings per share was 1,937 thousand shares for the fiscal year ended March 31, 2020 and 1,964 thousand shares for the fiscal year ended March 31, 2021.

24. Significant Subsequent Events

Not applicable.

25. 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	—	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	—	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 (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.	12th unsecured bonds	June 2, 2020	—	20,000	0.1	None	June 9, 2023
Nomura Real Estate Holdings, Inc.	13th unsecured bonds	June 2, 2020	—	10,000	0.2	None	June 9, 2025
Nomura Real Estate Holdings, Inc.	14th unsecured bonds	June 2, 2020	—	10,000	0.5	None	June 7, 2030
Nomura Real Estate Holdings, Inc.	15th unsecured bonds (Sustainability bonds)	February 26, 2021	—	10,000	0.4	None	February 26, 2031
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	170,000 (10,000)	—	—	—

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 2021 are as follows.

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 consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements 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, 2021 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.

Valuation of housing held for sale	
Description of Key Audit Matters	Auditor's Response
The Company records real estate for sale of ¥336,308 million, real estate for sale in process of ¥326,165 million and land held for development of ¥212,727 million under inventory on the consolidated balance sheet of which the primary components are housing held for sale (hereinafter, "housing for sale"), mainly the development and sales of	We performed the following procedures in relation to the assessment of the write-downs of housing for sale, among others. <ul style="list-style-type: none"> For properties not yet started selling, we selected properties of which the profit margins included in the respective business plans were below a certain threshold that was determined in

	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	10,000	10,000	20,000	10,000	30,000

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	¥ 22,000	¥ 31,000	0.2	—
Current portion of long-term borrowings	50,000	56,000	0.8	—
Current portion of lease obligations	247	226	—	—
Long-term borrowings (excluding current portion)	658,000	751,500	0.8	2023 to 2040
Lease obligations (excluding current portion)	2,001	1,898	—	2022 to 2036
Total	¥732,249	¥840,625	—	—

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 2021 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	¥69,000	¥77,500	¥64,000	¥120,000
Lease obligations	304	232	231	231

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, 2021

Cumulative period	1st Quarter (Three months ended June 30, 2020)	2nd Quarter (Six months ended September 30, 2020)	3rd Quarter (Nine months ended December 31, 2020)	4th Quarter (Fiscal year ended March 31, 2021)
Operating revenue (Millions of yen)	¥136,486	¥223,935	¥373,361	¥580,660
Profit before income taxes (Millions of yen)	13,701	18,226	38,552	62,820
Profit attributable to owners of parent (Millions of yen)	8,833	12,030	25,962	42,198
Basic earnings per share (Yen)	48.67	66.26	142.98	232.53

Each quarter	1st Quarter (Three months ended June 30, 2020)	2nd Quarter (Three months ended September 30, 2020)	3rd Quarter (Three months ended December 31, 2020)	4th Quarter (Three months ended March 31, 2021)
Basic earnings per share (Yen)	¥48.67	¥17.60	¥76.70	¥89.57

<p>condominiums in Japan, as well as domestic commercial properties held for sale to real estate funds, such as REITs, and business companies, etc.</p> <p>In addition to changes in the housing market in general, housing for sale is subject to various individual risks such as declines in selling prices and increases in construction and sales costs driven by changes in consumer preferences, development delays and other specific reasons, which may result in write-downs.</p> <p>The amount of write-downs of housing for sale is measured by comparing net realizable value with the book value. Net realizable value is calculated by deducting sales costs from the selling price for each property, and in case of property under development, also deducting construction costs to be incurred in the future. The Company estimates the selling price of a property based on the planned sales price included in the business plan for the property not yet started selling. For the property already started selling, the selling price is estimated based on the recent contract price for the property included in the same project.</p> <p>For properties whose sales progress is behind schedule, management may reduce the selling price. Also, for properties whose development is behind schedule, there is a possibility that the planned sales price included in the business plan may differ from the actual market price or additional construction costs may be incurred due to a long-term delay in the development period.</p> <p>The significant assumptions in the calculation of the net realizable value are selling prices and additional construction costs. The characteristics of housing for sale such as location, concept and type, sales strategy, and progress of sales and development vary. As a result, each property needs to be assessed on an individual basis even if overall market conditions are favorable.</p> <p>We have determined valuation of housing for sale to be a key audit matter, since we need</p>	<p>consideration of various risks. We reviewed the business plans for each of such properties and compared the selling price in the business plan, which is a significant assumption, with the actual sales prices and contract prices of similar properties.</p> <ul style="list-style-type: none"> • For all properties already started selling, we compared the selling price with the recent contract price in the same project, and made inquiries of management and the relevant department on the possibility of changes to the sales plan. • For each of certain properties whose sales progress was delayed compared with the plan, we conducted onsite visit and made inquiries of the sales manager of the property on the sales progress and the plan and reviewed documents related to sales activities. • For all properties under development, we made inquiries of management and the relevant departments on the possibility of development delays and additional construction costs. • For each of the properties whose development is behind schedule, we made inquiries of management and the relevant departments on the prospective development period, the possibility of additional costs to be incurred and considered their explanations and the impact on the valuation. • In order to understand factors affecting the valuation such as changes in the sales plans, we reviewed the minutes of the board of directors' meetings and other meetings and made inquiries of management and the relevant departments and evaluated whether those factors were considered in the valuation.
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<p>to assess the reasonableness of management judgement related to the significant assumptions above by taking into consideration of a combination of the various factors related to each of the numerous properties.</p>	
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Valuation of commercial property held for sale	
Description of Key Audit Matters	Auditor's Response
<p>The Company records real estate for sale of ¥336,308 million, real estate for sale in process of ¥326,165 million and land held for development of ¥212,727 million under inventory on the consolidated balance sheet. The primary components are housing held for sale, mainly the development and sales of condominiums in Japan, and domestic commercial property held for sale to real estate funds such as REITs and, etc. (hereinafter, "commercial property for sale").</p> <p>Commercial property for sale is subject to various risks such as development delays, difficulties in leasing arrangements and changes in buyer preferences or the financing environment as well as changes in market conditions for commercial property in general, which may result in write-downs.</p> <p>The necessity of write-downs of the commercial property for sale is determined by comparing the net realizable value with the book value. Net realizable value is calculated by deducting sales costs from the selling price for each property, and in case of property under development, also deducting construction costs to be incurred in the future. The Company's selling price is based on the planned sales price included in the business plan for each property. The Company uses a valuation report prepared by an independent third-party real estate appraiser (hereinafter referred to as "external evaluation") for each of the properties that the Company recognizes as subject to relatively higher risks due to factors such as delays in leasing the property.</p>	<p>We performed the following procedures in relation to the assessment of write-downs of commercial property held for sale, among others.</p> <ul style="list-style-type: none"> • We evaluated the reasonableness of the risk criteria established by the Company to select properties for which an external evaluation is deemed necessary, and examined whether the Company obtained external evaluations following the determination under those criteria. • We evaluated the expertise, capabilities, and objectivity of the external real estate appraisers engaged by management. • We reviewed all external evaluations used by the Company and made inquiries of the real estate appraisers regarding the rents occupancy rates, and discount rates, which are significant assumptions used for the valuation, and compared such information with public information released by parties such as major real estate appraisers or listed REITs. • In order to understand factors affecting the valuation such as difficulties in leasing arrangements, we reviewed the minutes of the board of directors' meetings and other meetings and made inquiries of management and the relevant departments and evaluated whether those factors were considered in the valuation.

<p>The significant assumptions in the calculation of net realizable value are the rents, occupancy rates, and discount rates as factors of the calculation of selling price. These assumptions should reflect the individual circumstances and risks for each property. In particular, for property under development that has not yet been leased and property of which specifications and uses are not less common and limited to certain particular users, these assumptions become more subjective.</p> <p>In addition, the Company holds numerous commercial properties for sale, and must extensively consider various factors and specific circumstances for each property in its evaluation, which is highly complex. Moreover, the book value of each commercial property for sale is significant, and the potential impact on the consolidated financial statements in case of write-downs is also significant. Therefore, we have determined that valuation of commercial property for sale to be a key audit matter.</p>	
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Impairment of commercial property held for leasing business	
Description of Key Audit Matters	Auditor's Response
<p>The Company records property, plant and equipment of ¥714,224 million and intangible assets of ¥18,468 million on the consolidated balance sheet. The main components are various types of domestic properties such as offices held for leasing business (hereinafter referred to as "rental property").</p> <p>Rental property is exposed to risks such as changes in market conditions for rental properties, and furthermore, decreases in rent and/or market price may cause the book value to become unrecoverable. Those risks vary depending on the characteristics of each property such as type, location, and building specifications.</p> <p>In impairment testing of rental property, the Company must determine whether or not any</p>	<p>We performed the following procedures on the estimation of market price and future cash flows in the determination of indications of impairment and of impairment loss recognition of the rental property, among others.</p> <ul style="list-style-type: none"> • We evaluated the expertise, capabilities, and objectivity of external real estate appraisers engaged by management. • To assess the decline in market price in the identification of indications of impairment, we selected certain properties using specific criteria and reviewed external evaluations used by the Company and made inquiries of the real estate appraisers and the relevant departments on

<p>indications of impairment exist and if they exist, the Company must determine whether an impairment loss need to be recognized.</p> <p>In the assessment of any decline in market price, which is one of the impairment indicators, the Company uses a valuation report prepared by an independent third-party real estate appraiser (hereinafter, "external evaluation") in determining the market price. Also, the Company uses the external evaluation to calculate the undiscounted future cash flows that are compared against the book value in assessing the need of any impairment losses.</p> <p>Rents, occupancy rates, and discount rates, which are significant assumptions used in the external evaluation to calculate the market price and future cash flows, should reflect the individual circumstances and risks for each property. In particular, for properties with variable rent and property of which specifications and uses are not common and limited to certain particular users, such assumptions become more subjective.</p> <p>In addition, the Company has numerous rental properties, and is required to consider extensively the specific aspects of each property in the valuation, which is complex. Moreover, the book value of each rental property is significant and the potential impact on the consolidated financial statements in case of impairment is also significant. Therefore, we have determined that impairment of commercial property held for leasing business to be a key audit matter.</p>	<p>the rents, occupancy rates, and discount rates, which are significant assumptions used for the valuation, and compared such information with public information released by parties such as major real estate appraisers or listed REITs.</p> <ul style="list-style-type: none"> • For all properties of which indications of impairment were identified, we conducted the same procedures as described above regarding the rents and occupancy rates for the estimated periods, which are significant assumptions for undiscounted future cash flows. • In order to understand factors affecting the valuation such as major tenants vacating the properties and/or building reconstructions, we reviewed the minutes of the board of directors' meetings and other meetings and made inquiries of management and the relevant departments and evaluated whether those factors were considered in the impairment assessment.
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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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2021

金子 秀 嗣 ㊞

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

森 重 俊 寛 ㊞

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