

# Breakthrough



**Annual Report 2008** Year ended March 31, 2008

Bringing Tomorrow Today — NOMURA REAL ESTATE GROUP

 NOMURA REAL ESTATE HOLDINGS

### Group Philosophy

The Group Philosophy is a commitment to both ourselves and to our customers and society. By showing this commitment and continuously delivering a level of customer satisfaction at least commensurate with it, we are determined to be a Group that people can count on even more than in the past.

### Group Message

## Bringing Tomorrow Today

The Group Message crystallizes the philosophy of the Nomura Real Estate Group.

### Group Mission

We hold each and every meeting in high esteem and are grateful for the fruit it has born. Our enthusiasm due to the dynamism of group effort and highly creative individuals enables us to produce the best quality service and product. Giving back to the customers and society is also a high priority for us.

The Group Mission is positioned at the core of the philosophy of the Nomura Real Estate Group. It expresses the shared mission, sense of identity and goals for which the Nomura Real Estate Group everlastingly works.

### Group Symbol, United N

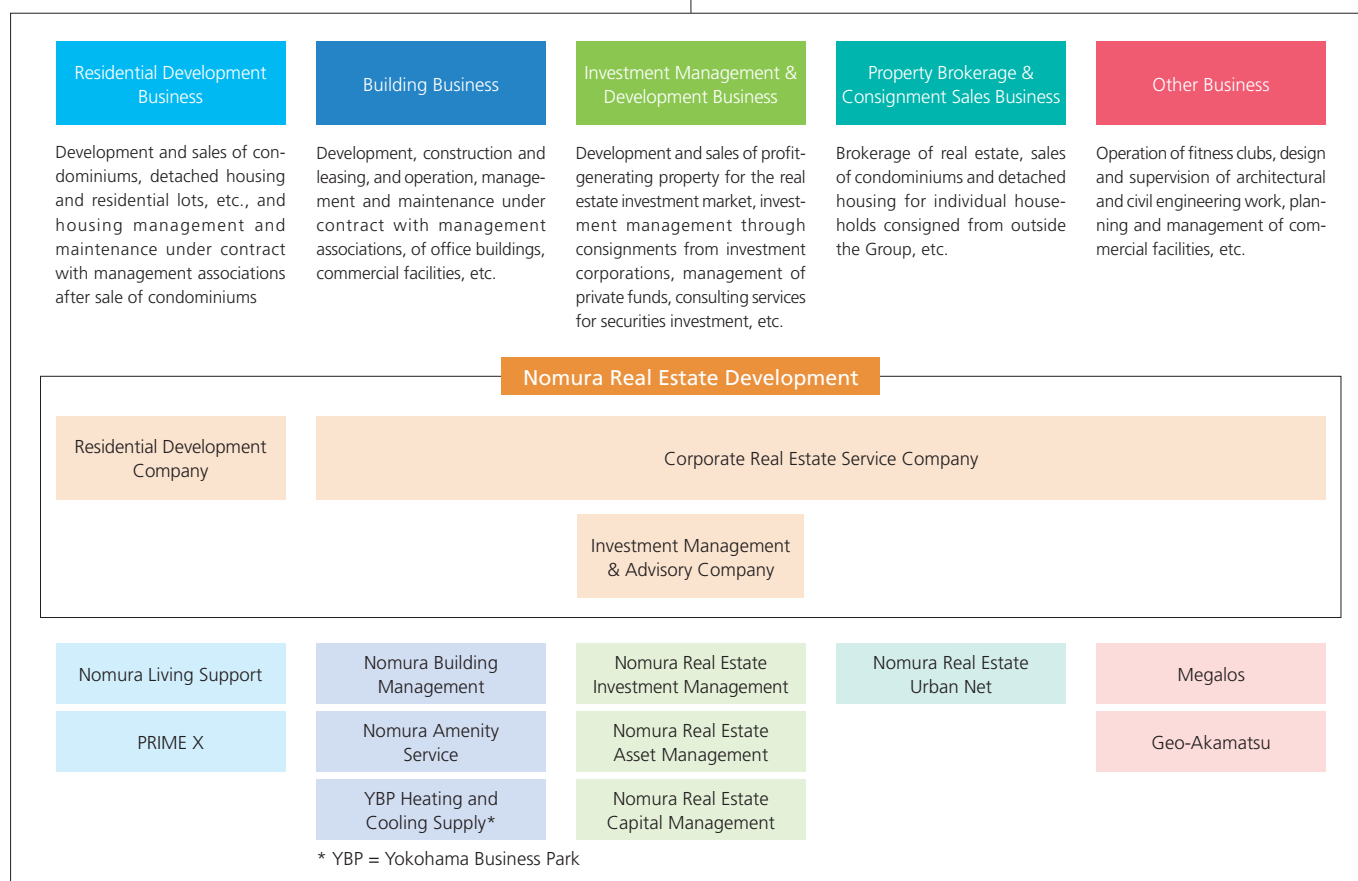


United N is symbolic of our fervent desire to create a better tomorrow by valuing every interaction and forming relationships with many people. This symbol also expresses the important relationships we have with many groups such as customers, shareholders and trading partners, as well as our commitment to being a pacesetter in the creation of a new real estate business paradigm—regardless of convention. At the same time, the symbol represents the new value we will create by combining the passion and skills of every person and company in the Nomura Real Estate Group and their diverse values.

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### NOMURA REAL ESTATE HOLDINGS



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# Consolidated Financial Highlights

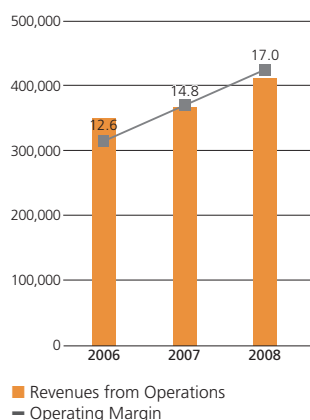
Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31

	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
	2006	2007	2008	2008
<b>Operating Results:</b>				
Revenues from operations	¥ 350,319	¥367,237	¥411,493	\$4,107,131
Gross profit	97,550	108,668	130,391	1,301,437
Operating income	44,267	54,374	69,822	696,894
Net income	12,717	26,297	35,255	351,877
Cash flows from operating activities	(99,830)	(89,850)	7,639	76,249
Cash flows from investing activities	(17,995)	(26,787)	(13,348)	(133,226)
Cash flows from financing activities	113,818	100,863	8,791	87,740
<b>Per Share Data</b> (yen / dollars) (Note 2):				
Net income	¥56,109.84	¥ 200.47	¥ 236.09	\$ 2.36
Cash dividends	2,000.00	20.00	30.00	0.30
<b>Balance Sheet Data</b> (as of March 31):				
Total assets	¥ 689,287	¥836,303	¥891,700	\$8,900,091
Total net assets	60,732 (Note 3)	214,466	235,551	2,351,045
Interest-bearing debt	413,039	394,885	408,016	4,072,422
<b>Ratios:</b>				
Return on assets (Note 4)	6.5%	6.6%	7.9%	
Return on equity	23.7%	19.2%	15.8%	
Operating margin	12.6%	14.8%	17.0%	
Dividend payout ratio	3.6%	10.0%	12.7%	
Shareholders' equity ratio	8.8% (Note 3)	25.5%	26.1%	

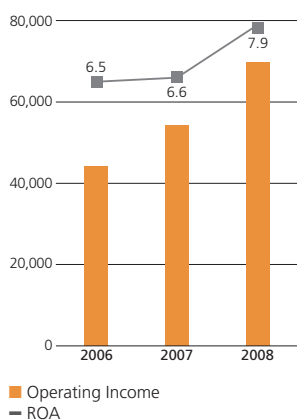
## Notes:

- The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2008, which was ¥100.19 = U.S.\$1.00.
- The Company carried out a 500-for-1 stock split on April 1, 2006.
- For the year ended March 31, 2006, the figure for shareholders' equity is shown for total net assets, and the figure for ratio of shareholders' equity to total assets is shown for shareholders' equity ratio.
- Return on assets = (Operating income + Non-operating income) / Total assets at end of fiscal year.

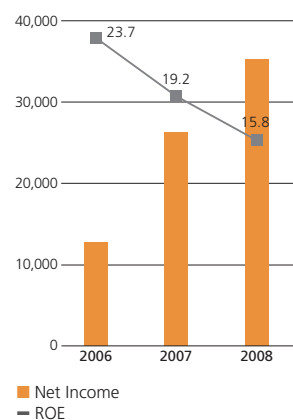
**Revenues from Operations and Operating Margin**  
(Millions of yen / %)



**Operating Income and ROA**  
(Millions of yen / %)



**Net Income and ROE**  
(Millions of yen / %)



## Segment Information

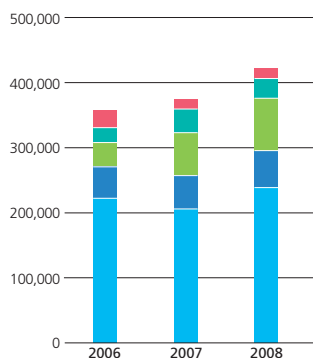
Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31

	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
	2006	2007	2008	2008
<b>Revenues from Operations</b>				
Residential Development Business	¥222,518	¥205,950	¥238,802	\$2,378,375
Building Business	48,288	51,342	56,889	517,880
Investment Management & Development Business (Note 2)	37,272	69,369	80,555	780,975
Property Brokerage & Consignment Sales Business (Note 2)	22,874	32,984	30,183	271,113
Other Business	27,057	15,161	16,837	158,788
Eliminations or corporate	(7,690)	(7,572)	(11,773)	(117,510)
<b>Operating Income</b>				
Residential Development Business	¥ 21,952	¥ 23,627	¥ 26,067	\$ 260,175
Building Business	7,158	8,372	9,414	93,962
Investment Management & Development Business (Note 2)	14,223	20,040	34,778	347,123
Property Brokerage & Consignment Sales Business (Note 2)	5,591	6,961	6,392	63,793
Other Business	323	1,212	1,514	15,113
Eliminations or corporate	(4,981)	(5,838)	(8,343)	(83,272)
<b>Return on Assets of Each Segment (Note 3)</b>				
Residential Development Business	11.1%	9.2%	10.0%	
Building Business	4.2%	4.6%	4.6%	
Investment Management & Development Business (Note 2)	6.5%	6.7%	10.8%	
Property Brokerage & Consignment Sales Business (Note 2)	14.9%	13.9%	8.8%	
Other Business	1.4%	5.0%	5.6%	
<b>Inventories</b>				
Residential Development Business	¥163,917	¥229,863	¥222,761	\$2,223,385
Building Business	9,077	10,164	11,342	113,204
Investment Management & Development Business (Note 2)	137,388	155,034	171,819	1,714,931
Property Brokerage & Consignment Sales Business (Note 2)	23,704	26,505	42,507	424,263
Other Business	6,604	6,335	6,317	63,050
Eliminations or corporate	(137)	(129)	(127)	(1,267)

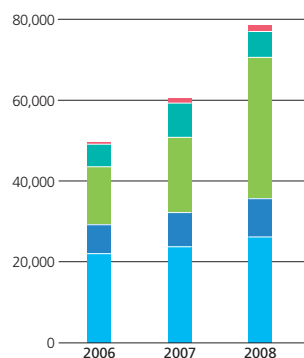
### Notes:

1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2008, of ¥100.19 = US\$1.00.
2. From the fiscal year ended March 31, 2008, some departments that had been classified in the "Property Brokerage & Consignment Sales Business" segment have been transferred to the "Investment Management & Development Business" segment. Amounts up to the fiscal year ended March 31, 2007 have been reclassified to reflect the current segmentation, but 2006 amounts have not been reclassified.
3. ROA of each segment = Segment operating income / Segment assets at end of fiscal year

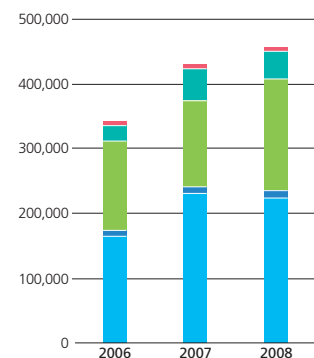
**Revenues from Operations\***  
(Millions of yen)



**Operating Income\***  
(Millions of yen)



**Inventories\***  
(Millions of yen)



■ Residential Development Business  
■ Building Business  
■ Investment Management & Development Business  
■ Property Brokerage & Consignment Sales Business  
■ Other Business

\* "Eliminations or corporate" amounts are not reflected in graphs.

### Breaking Away From the Status Quo to Achieve Growth

The fiscal year ended March 31, 2008 (fiscal 2007) was a year in which the Nomura Real Estate Group (the Group)'s true value as a developer was tested. The condominium market experienced an overall decline in sales resulting from the increase in sales prices caused by steep rises in land prices and construction costs, as well as the revised Building Standards Law enacted in June 2007, which had the effect of lengthening the application period for building approvals and thus reducing the supply of units on the market. In the real estate investment market, there was a sharp decline in business volume for investment-targeted real estate, resulting from the tightening of funding associated with the contraction of credit following the turmoil in financial markets triggered by the subprime loan crisis in the U.S.

While the environment surrounding the real estate industry is currently very tough, we will strive to break away from the status quo and achieve Group growth based on a two-pronged strategy focused on the stable Residential Development Business and the growing Investment Management & Development Business.

### Overview of Fiscal 2007 Results

During fiscal 2007 the Nomura Real Estate Group treated the tough operating environment as a significant business opportunity and worked to increase profitability through such measures as strengthening operating companies' capabilities to adapt to changes in the market. In the Residential Development Business, we leveraged our strength — integrated development, sales and management operations — to enhance our land selection, product planning and marketing abilities. Operating results were also supported by new properties that began operations, sales of properties to which we had finished adding value, and an increase in asset management fees based on growth of assets under management. As a result, the fiscal 2007 performance was extremely

good. Consolidated revenues from operations totaled ¥411,493 million, an increase of 12.1% compared to the previous year, consolidated operating income rose 28.4% to ¥69,821 million, and consolidated net income grew 34.1% to ¥35,254 million. This marked the third consecutive year of record high operating results.

### Progress With Medium-term Business Plan

The Group is currently executing a three-year medium-term business plan starting from fiscal 2007. Under this business plan, we aim to achieve consolidated operating income of ¥72 billion, ROA of 7% and a shareholders' equity ratio of 30% by the close of fiscal 2009. We have established target business volumes for both of the Group's core businesses: the Residential Development Business and the Investment Management & Development Business. In the Residential Development Business, we aim to build our platform to the point where we can post 5,000 units of housing and 1,000 units of rental housing for investment purposes. Meanwhile, in the Investment Management & Development Business, we are aiming for assets under management of ¥1.5 trillion. In fiscal 2007, we posted 3,810 units of housing and 747 units of rental housing for investment purposes, while assets under management exceeded ¥1 trillion at the end of fiscal 2007. We view this as a solid first step for the first year of the medium-term business plan.

The Group understands that the only way to increase the market's trust and give the Group a strong presence is to set targets and continually achieve them. At the Nomura Real Estate Group, we will fully leverage our capabilities as a developer to create even more development profits, which provide added value. Our business strategy involves generating and building up continuous type fee businesses through the business cycle to achieve sustainable growth for the Group as a whole.

Going forward, in the Residential Development Business we will fully leverage our strength of possessing integrated system

development, sales and management operations to boost the PROUD brand value and thereby achieve our end targets. Large redevelopment projects and rebuilding projects require high-level expertise and a strong track record, and as a result there is less competition than with general land acquisition deals, which is a major strength of ours in securing business volume. Therefore, we plan to expand our business in these areas as well.

With respect to the Investment Management & Development Business, in profit-generating property development operations we will firmly establish the business cycle, which comprises sourcing, acquiring, developing, adding value, and selling properties to investors and other parties, and we will strive to establish a business model that focuses on business efficiency. In the investment management area, we will continue to grow assets under management in order to secure and increase stable earnings from dividends and management fees. Additionally, we will continue to develop relationships with long-term investors, particularly domestic pension funds.

The Nomura Real Estate Group will continue to push forward with these strategies and achieve stable and sustainable growth for the entire Group.

#### To Our Shareholders

The Nomura Real Estate Group will continue to build a strong business base and a corporate framework even more resistant to changes in real estate prices, interest rates and other volatility in the market, with achieving the targets of the current medium-term business plan as the highest priority. We must always seek to discover the next source of growth in these rapidly changing times in the real estate market. The Group will work as one to fully use its collective strength and proactively expand into new business areas to build a foundation for future growth, while maintaining a balanced business portfolio.

In these endeavors, we look forward to your continued support and encouragement.

July 2008  
Hirohisa Suzuki  
President



# Growing Amid a Market Correction

Nomura Real Estate Group's Strength—Growing Amid a Market Correction



**Q1** How is Nomura Real Estate Holdings different from other companies in the real estate industry?

**A1** Our business portfolio differs greatly from other companies in the real estate industry. If we look at sources of operating income, other major companies in the industry earn the majority of their operating income from owning and leasing buildings. In contrast, the Nomura Real Estate Group has a well-balanced business portfolio consisting of businesses with differing risk-return characteristics. This business portfolio includes our two core businesses, the Residential Development Business and the Investment Management & Development Business, and the

Building Business, the Property Brokerage & Consignment Sales Business, and Other Business.

In particular, we do not simply increase rental income by increasing the buildings that we own in order to grow stable earnings streams. Rather, a major characteristic of the Nomura Real Estate Group is that we start by increasing assets under management in the Investment Management & Development Business in order to grow dividend income and management fees, based on rental income. In other words, we acquire fixed assets to grow our earnings streams related to the rental market, while preserving and controlling our financial soundness.

In line with our current medium-term business plan, we are pursuing a business strategy of making full use of our functions



as a real estate developer in order to enhance our strengths. In order to achieve our goals of pursuing highly efficient investments and improving our financial soundness, in our profit-generating property development business we are focusing on business speed and investment rotation, and in our investment management business, the Property Brokerage & Consignment Sales Business and elsewhere we are expanding our fee businesses.

#### Overview of Medium-term Business Plan

##### ■ Basic policies

The current medium-term business plan prescribes two fundamental policies.

- 1) Establish a solid earnings base and maintain profit growth  
We will establish a solid earnings base by strengthening our existing businesses and building a balanced business portfolio, and maintain sustained profit growth by increasing business and investment opportunities.
- 2) Pursue high investment efficiency and enhance the soundness of our financial position  
We will work to continuously increase the efficiency of our assets by maintaining and improving our business speed and by effectively distributing management resources. We will also enhance shareholders' equity by accumulating returns.

##### ■ Quantitative targets

- 1) By fiscal 2009, we aim to achieve operating income of ¥72 billion, about 30% higher than fiscal 2006 (ordinary income of ¥62 billion)
- 2) We aim to quickly raise ROA\* to at least 7%, compared to 6.6% for fiscal 2006
- 3) We aim to raise shareholders' equity ratio to 30%, compared to 25.5% for fiscal 2006

\* ROA = (Operating income + Non-operating income) / Total assets at end of fiscal year

##### ■ Business strategies

- 1) Make full use of functions as real estate developer
- 2) Strengthen property sourcing capabilities and strategically expand business opportunities
- 3) Expand investment management operations

##### ■ Targets for main business fields

- 1) Build system to achieve 5,000 housing units and 1,000 rental housing units for investment
- 2) Expand assets under management to ¥1.5 trillion

## Q2 What is Nomura Real Estate Holdings' strength in the investment management business?

A2 Since the late 1990s, the Nomura Real Estate Group has been grasping new business opportunities arising from changes in Japan's real estate ownership structure. We have been an industry pioneer in terms of aggressively developing business in the field of real estate securitization. In this field, it is extremely important to be a good judge of both real estate and finance. The trust that investors place in us is based on our expertise accumulated to date and our track record of business operations, and this trust is one of our biggest strengths. However, views have been expressed that the enactment of the Financial Instruments and Exchange Law and other strengthening of financial legislation may restrict our freedom to do business. My opinion is that if we increase the transparency of funds, this will attract new investments, and if strengthened regulations prompt industry realignments, this will generate business opportunities. With our "Investor Oriented" management philosophy and our commitment to rigorous financial reporting and other information disclosures, together with thorough compliance, this dawn of a new business environment heralds favorable conditions for us.

Although there has been a credit contraction recently in the real estate investment market due to turmoil in the financial markets, the REITs and private funds managed by the Nomura Real Estate Group are held in the same basic regard by equity investors and financial institutions offering loans, with our operational track record to date and conservative financial approach being highly acclaimed.

In the asset management business operations, we will invest in four asset classes: office, residential, commercial and logistics, using our system that can respond to a wide variety of investors with our own asset management platform, which is focused on varied investment targets and operation types. We will fully leverage the Group's property pipeline of our own development properties and brokerage information to focus on acquiring properties, with a view to achieving our goal of 1.5 trillion yen in assets under management by the end of March 2010.

**Q4** There has been a decline in the number of housing units supplied in the Tokyo metropolitan area. What is your take on the volume of condominiums that will be supplied going forward?

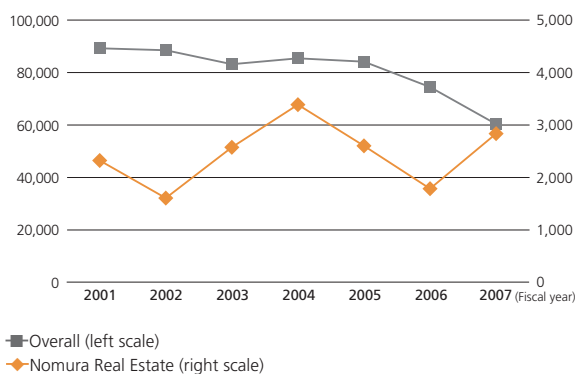
**A4** For many years supply had been about 80,000 units per year in the Tokyo metropolitan area. But in fiscal 2007 this dropped to approximately 60,000 units. However, much of this decline was due to circumstances on the supply side, including the impact of the revised Building Standards Law

Name of firm	Nomura Real Estate Asset Management		Nomura Real Estate Investment Management		Nomura Real Estate Capital Management	
Fund type	REITs		Private funds (real estate)		Private funds (real estate securitization products)	
Fund under management	Nomura Real Estate Office Fund	Nomura Real Estate Residential Fund	Real estate opportunity fund	Property designated fund	CMBS fund	Fund-of-funds
			Commercial facility specialized fund	Logistics facility specialized fund		
	Investors					

and the jump in construction costs, while the demand for condominiums itself did not fall as much. There continues to be an inflow of people to the Tokyo metropolitan area, and the number of households is increasing at a higher rate than that of the number of people, so we can expect a decent amount of demand going forward.

Consequently, it is extremely important to create products that match the diversified customer needs that are emerging as a result of the diversification of household composition and lifestyles. We will conduct meticulous marketing activities covering all aspects from land selection to residence planning, specifications and price setting, and service provision, and continue to develop products that are popular with customers. As a result, we should be able to achieve our target number of units to be supplied even if there is a further drop in the overall number of units supplied.

Number of Condominium Units Supplied  
(Tokyo metropolitan area)



## Q5 How have the amendments to the Building Standards Law impacted Nomura Real Estate Holdings' operating results?

A5 The approval process before construction effectively stopped for about three months after the law was amended in June 2007, but the pace of screening gradually picked up from November onward and is now back at regular speed.

We had expected a certain amount of delay in the schedule with respect to real estate acquired after the decision to amend the law was made. Also, given the large number of projects we were working on, we were able to flexibly adjust our plans for supplying properties to the market, and therefore we do not expect any major impact on operating results. Nevertheless, in fiscal 2008 we expect there to be a larger-than-normal concentration of condominium completions in the fourth quarter.

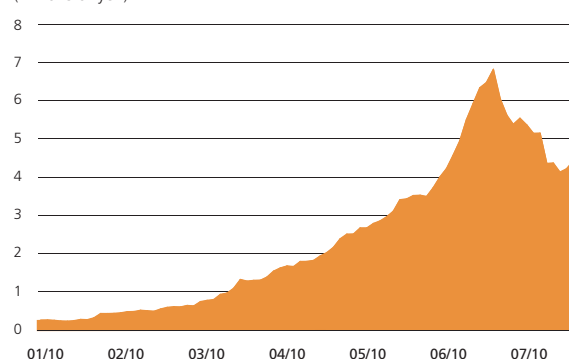


**Q6** What kind of impact did the U.S. sub-prime loan crisis in the summer of 2007 have on Nomura Real Estate Holdings' business?

**A6** We have certainly been affected indirectly, in the market. The global contraction of credit that arose from the sub-prime loan crisis has resulted in a significant change in attitude towards non-recourse loan financing. The supply of funding for some properties has thinned, transaction volume involving real estate for investment purposes has decreased dramatically, and the drop in the stock market has made potential customers less interested in purchasing condominiums targeted at affluent buyers.

On the other hand, the Commercial Mortgage-Backed Securities (CMBS) fund managed by Nomura Real Estate Capital Management Co., Ltd. invests in CMBS backed by Japanese commercial real estate, not in U.S. real estate or securities backed by mortgages. Throughout the rest of the Group there has been no direct impact, because no investments have been made in the securities that were at the center of the sub-prime loan crisis.

Japan-REIT Market Capitalization  
(Trillions of yen)



**Q7** There has been a dramatic decline in the transaction volume of real estate for investment. Will you be able to find buyers for profit-generating properties that the Nomura Real Estate Group has developed?

**A7** In the market for investment in real estate, the credit contraction stemming from the sub-prime loan crisis has resulted in certain private funds finding it difficult to raise money, and transaction volume has declined sharply. Also, some REITs have seen a drop in their share prices, and without capital increases it has become difficult for them to grow externally. However, there are some investors who look to buy properties precisely at a time like this. Quality REITs continue to be able to buy properties, and we will look to respond to such needs by developing properties that meet their requirements. As regards customers for purchasing property in the Group's profit-generating property development operations, hitherto the percentage of sales to private funds and real estate companies for resale was small, while there has been a higher percentage of sales of large properties to major REITs and smaller properties to end users and affluent buyers.

One of the Group's strengths is our ability to uncover purchasing needs by using our direct pipeline that we have built over the years. These needs include those stemming from capital investment activity on the part of companies and the asset management needs of affluent individuals. We are committed to using this strength to keep these customers in the future.

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**Q8** How have rising interest rates impacted Nomura Real Estate Holdings' earnings? Concretely, what countermeasures have you taken against rising interest rates?

**A8** The most obvious impact of rising interest rates has been the increased interest payments we have to make on our interest-bearing debt. On the business front, in residential condominium operations the fact that the burden of loans for our customers has been increasing means that purchasing power is declining. In profit-generating property development operations, the fact that cap rates are rising means that sales prices may fall. As regards countermeasures for rising interest rates, we have been increasing the percentage of borrowings that have long-term fixed rates in order to avoid sudden increases in interest payments and depressed earnings. Furthermore, in October 2007 we issued straight corporate bonds as the first step in procuring long-term fixed funds. Looking ahead, we will watch trends in financial markets and procure funds appropriately.

**Q9** Nomura Real Estate Holdings' share price set a record high of 4,570 yen in 2007, but has since declined to 50-60% of that level. How do you view the market's valuation of your stock?

**A9** Our stock price is the market's valuation of our company, so we must take it seriously. Our share price has fallen in line with the overall drop in stock prices in the real estate sector, despite the fact that our earnings have been good. We are committed above all to increasing the trust placed in us by our investors by achieving the business targets of our medium-term business plan. At the same time, we will continue to focus energy on investor relations activities so that investors gain a better understanding of our business model.

**Q10** What is your policy regarding returning profits to shareholders?

**A10** First, I think it is necessary to make every effort to ensure that the Nomura Real Estate Group is developing in line with the desires of all our stakeholders for maximizing our corporate value.

Our basic policy regarding the returning of profits to shareholders is that dividends should be determined by considering a balance with the retained earnings needed for future earnings growth and trends at other companies, after comprehensively taking into account such factors as business performance during the applicable fiscal year, the management environment going forward, and business and capital investment plans. In both fiscal 2006 and fiscal 2007 we announced consecutively increased dividends, and we intend to raise the dividend payout ratio to around 20% if we achieve the medium-term business plan's target for the shareholders' equity ratio.

Looking ahead, we will continue to examine our policy regarding returning profits to shareholders, including by engaging in interactive communication with all our shareholders.





# PROUD—The Best Living Spaces to

Residential Development Business

## PROUD Provides Unrivaled Contentment

As the brand name of Nomura Real Estate Development's residential products and services, PROUD represents places where residents can pass the time with unrivaled contentment that inspires pride in residents, developers and, furthermore, neighbors. Guided by our integrated development, sales and management operations and our system of quality management, we seek to create durable, universally beautiful residences with an uncompromising commitment to quality



# Spend Time

construction. Leveraging the advanced expertise that we have cultivated up through the present, we will also continue to be actively involved in urban redevelopment and renovation projects.





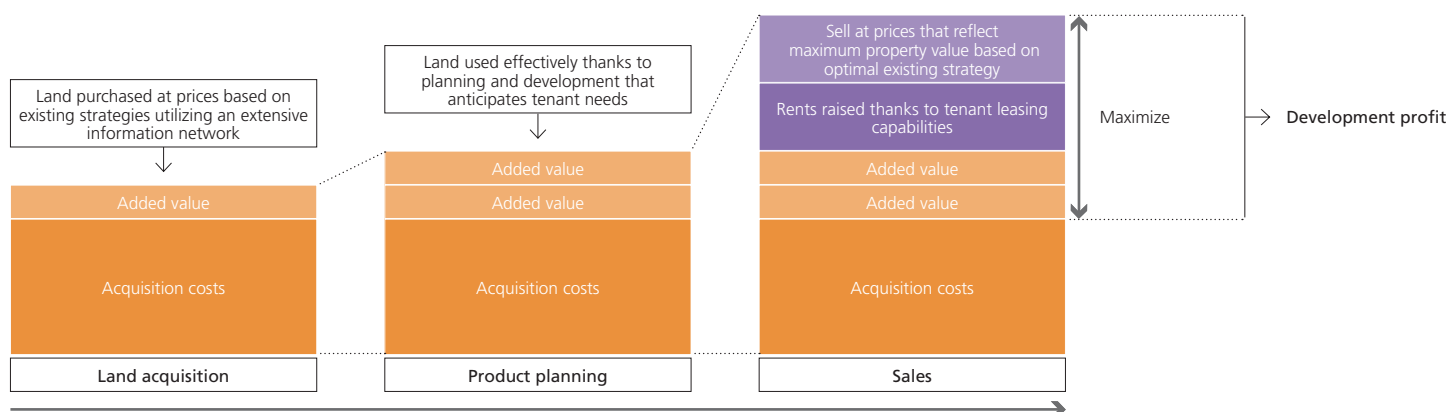
# Uniting Our Real Estate and Finance

## Property development

### Extensive Pipeline of Direct Partners and Ample Development Expertise

We maximize real estate profitability and added value by leveraging information, planning ability and architectural knowledge cultivated over many years to provide optimal solutions in line with the needs of investors and corporate customers. A pipeline of over 3,000 companies that serve as direct partners is one of our major strengths, as it allows us to find buyers for profit-generating properties and acquire additional properties for development.

### Development Profit Generated by Creating Added Value at Each Stage —Land Acquisition, Product Planning and Sales



### Urban Dining Complexes

Project planning conducted after checking locational advantages and convenience of commercial areas and analyzing area needs and market.



Cheers Ginza

### Custom-Made Office Buildings

Custom-designed, meticulously developed office buildings cater to tenant needs.



Kansai Paint  
Head Office Building

### Large-Scale Commercial Facilities

A variety of commercial facilities have been developed, including large-scale shopping centers and urban cinema complexes, suiting characteristics and market needs of the area.



AEON Yachiyo-Midorigaoka Shopping Center



# Skills

## Investment management

### Highly Reliable Management Based on the Investor-Oriented Management Philosophy

The Nomura Real Estate Group manages J-REITs, private real estate funds, funds of real estate-related securities and other assets. We also provide investment services for pension funds and other institutional investors. Our investment professionals have wide-ranging knowledge and expertise in both real estate and finance fields. They regularly meet investor expectations by providing a broad array of investment opportunities that precisely reflect diverse asset management needs while offering highly reliable management services.

### Our Asset Management Platform for Diverse Property Types

Our services broadly cover the four categories of investment properties: office, residential, retail and logistics. The investment strategies we develop are based on the characteristics of each type of property

#### J-REITs

##### Offices



##### Rental housing



#### Private funds

##### Retail facilities

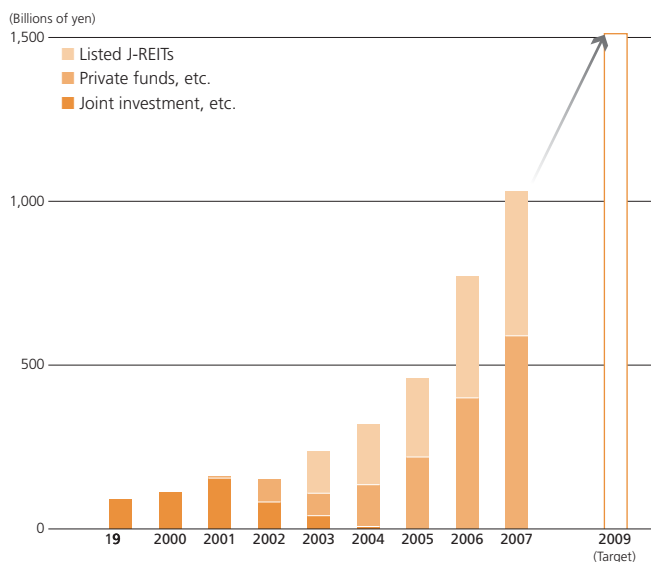


##### Logistics facilities



### Steadily Raise Assets Under Management to ¥1.5 Trillion by the End of Fiscal 2009

Increasing assets under management will raise related fee and dividend income and create a more stable, secure earnings structure.



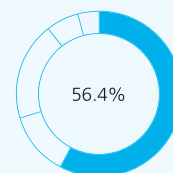
## Residential Development Business



### Main business

- Sales of housing
- Management of condominiums

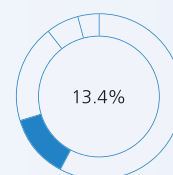
### Composition of revenues\*



## Building Business



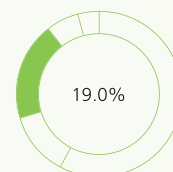
- Leasing (owned)
- Leasing (subleasing)
- Property management and facility management



## Investment Management & Development Business



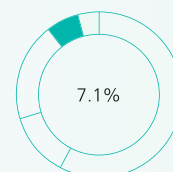
- Property development
- Investment management



## Property Brokerage & Consignment Sales Business



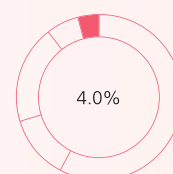
- Property brokerage
- Consignment sales
- Real property sales



## Other Business



- Fitness club operation
- Architectural planning and management
- Planning of commercial facilities

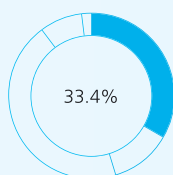


\*Revenues in each segment have been calculated including inter-segment sales and transfers.

## Composition of operating income

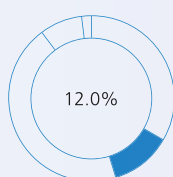
## Major subsidiaries

## Fiscal 2007 topics



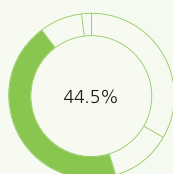
- Nomura Real Estate Development Co., Ltd.
- Nomura Living Support Co., Ltd.
- PRIME X Co., Ltd.

The Residential Development Business provides a diverse lineup of products under the PROUD brand, including large-scale condominium complexes, ultra-high-rise condominiums, large-scale detached housing and urban housing. Two properties that we developed, PROUD Minami Aoyama and THE STAGIO, won Good Design Awards in fiscal 2007, which were sponsored by the Japan Industrial Design Promotion Organization. In addition, our business involving the development of rental condominiums and their sale to real estate funds and other investors has grown into a new earnings base for the Group. In fiscal 2007, we sold PROUD FLAT Kagurazaka and other properties to Nomura Real Estate Residential Fund, Inc.



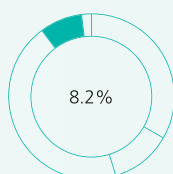
- Nomura Real Estate Development Co., Ltd.
- Nomura Building Management Co., Ltd.
- Nomura Amenity Service Co., Ltd.
- YBP Heating and Cooling Supply Co., Ltd.

In the Building Business, Fukagawa Gatharia Tower-N, which was completed in January 2007, was in operation for the full term and helped to increase earnings. With a view to further raising earnings, we acquired the Daini Edobashi Building in March 2008. We are also making progress on the provisionally named Nihonbashi Nomura Building, a redevelopment project slated for completion in fiscal 2010 that includes renovating the Shinmuromachi Building. The vacancy rate in buildings owned by the Group was 2.2% as of the end of fiscal 2007.



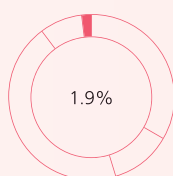
- Nomura Real Estate Development Co., Ltd.
- Nomura Real Estate Investment Management Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Nomura Real Estate Capital Management Co., Ltd.

In the Investment Management & Development Business, profit-generating property development operations resulted in the sale of the AEON Yachiyo-Midorigaoka Shopping Center to Japan Retail Fund Investment Corporation. We also sold the Lasertec Headquarters Building to Lasertec Corporation. The building was developed specifically for the company according to custom specifications. In the area of asset management operations, Morisia Tsudanuma, a commercial complex operated by a private fund for which large-scale renovation had been carried out by Nomura Real Estate Investment Management, opened in March 2008. Property management was contracted out to Geo-Akamatsu Co., Ltd.



- Nomura Real Estate Development Co., Ltd.
- Nomura Real Estate Urban Net Co., Ltd.

The property brokerage operations of the Property Brokerage & Consignment Sales Business endured a decline in transactions with real estate funds and developers due to turmoil in the financial markets. Given these conditions, for individual households, we developed efficient marketing activities through aggressive utilization of the Internet, and for corporations, we reinforced proposal-based marketing. In the area of consignment sales, we worked to win consignments for highly competitive products from high-quality developers and further strengthen our sales ability.



- Nomura Real Estate Development Co., Ltd.
- Megalos Co., Ltd.
- Geo-Akamatsu Co., Ltd.

In the fitness club business, we conducted renovations at some clubs and focused on maintaining the profitability of our existing facilities as well as opening new clubs, in an effort to boost competitiveness and raise member retention rates. The total number of Megalos members was over 120,000 as of the end of fiscal 2007. Megalos was listed on the Nasdaq Securities Exchange in November 2007. Geo-Akamatsu entered the Group in July 2007 via an M&A project. The company plans and designs commercial facilities and provides property management services. It has been classified into this segment.

## Residential Development Business

The Residential Development Business supplies approximately 4,000 housing units a year, primarily in the Tokyo metropolitan area. The Group offers a diverse product lineup under the PROUD brand that includes: PROUD CITY (large-scale condominiums), PROUD TOWER (skyscraper condominiums), PROUD TOWN (large-scale detached housing), and PROUD SEASON (urban detached housing). The PROUD brand embodies our desire to supply the best properties in the area and greatly satisfy our customers. Our concept of PROUD brand being synonymous with Nomura Real Estate Development's high-quality condominiums has steadily entrenched us in the market.

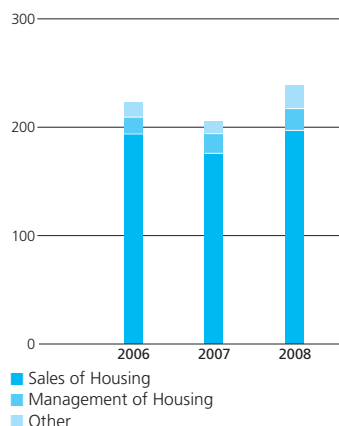
### Overview of Fiscal 2007

In fiscal 2007, the housing market saw an overall decline in contract rates on rising sales prices caused by higher land and construction costs. Suburban-type properties, in particular, had considerable difficulty in attracting buyers. At the same time, properties in good locations sold quite well, revealing a clear trend toward market polarization. Applications for construction inspections were prolonged and supply declined due to the impact of revisions to the Building Standards Law that went into effect in June 2007. Despite this increasingly challenging operating environment, revenues from operations in the Residential Development Business segment increased ¥32,852 million, or 16.0% year-on-year to ¥238,802 million. Operating income rose ¥2,440 million, or 10.3% year-on-year to ¥26,066 million.

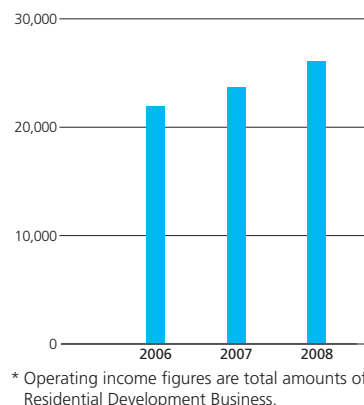
In housing sales operations, we promoted a strategy designed to increase recognition of the PROUD brand and raise brand value. We also worked to further strengthen site selection, product planning and sales capabilities. In the area of housing management operations, we reinforced collaboration with housing sales operations and strove to build integrated development, sales and management operations. Efforts were also made to raise management quality and boost the value of the PROUD brand from a management perspective. Moreover, we also aggressively undertook management consignment orders from companies outside the Group, and attempted to increase the number of managed units and expand orders for repair work.

The business of developing rental housing, bundling properties and selling them to REITs and funds inside and outside the Group is also proceeding

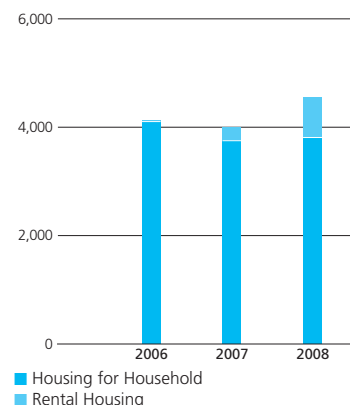
Revenues from Operations  
(Billions of yen)



Operating Income\*  
(Millions of yen)



Number of Housing Sales  
(Units)





PROUD Shin-urayasu  
(Urayasu-city, Chiba)



THE CENTER TOKYO  
(Shinjuku-ku, Tokyo)



PROUD Esaka  
(Suita-city, Osaka)



PROUD SEASON Yokohama Nakayama  
(Yokohama-city, Kanagawa)

vigorously. In fiscal 2007 we sold PROUD FLAT Kagurazaka, PROUD FLAT Sumida Riverside and other properties to Nomura Real Estate Residential Fund, Inc. A total of 747 units were sold, an increase of 499 units from the previous fiscal year, and this business is developing into a new earnings base.

#### Basic Policy in Medium-term Business Plan and Future Expansion

Our medium-term business plan lays out a basic policy that is aimed at making the Group the leading company in the housing industry. We plan to achieve annual housing sales of 5,000 units and rental housing sales of 1,000 units in the final fiscal year of our medium-term business plan by establishing an organization to ensure the stable supply of properties on this scale. Our inventory of land for housing, including land being acquired in fiscal 2008, stands at the equivalent of 11,500 housing units. We will

proactively become involved in areas that capitalize on the Group's particular strengths, including redevelopment, renovation and land readjustment projects, in order to ensure land continues to be acquired in a stable manner going forward. We will also continue to focus on raising quality, the foundation of our brand, while leveraging the strengths of our integrated development, sales and management operations in order to further enhance the value of the PROUD brand.

In the area of rental housing for investors, we are steadily increasing our stock of land, and we plan to recognize 1,700 units in fiscal 2008. In the housing management business, which is a stock-based fee business, we are raising the number of properties managed on commission to 100,000 units and will seek to harness new business opportunities closely connected to customer lifestyles in an effort to generate further growth.

#### Business Results (Millions of yen)

Years ended March 31	2006	2007	2008
Revenues from Operations	¥222,518	¥205,950	¥238,802
Operating Income	21,952	23,627	26,067
Assets	197,316	257,184	259,781
ROA* (%)	11.1%	9.2%	10.0%
Inventories	¥163,917	¥229,863	¥222,761

\* ROA by segment = Segment operating income / Segment assets at end of fiscal year

## Building Business

The Group owns trophy office buildings such as Shinjuku Nomura Building, Yokohama Business Park, and Otemachi Nomura Building in major areas of the office market. Besides leasing the buildings we own, we are also operating subleasing and property management businesses, which enables us to gain a better understanding of the needs of tenants that are specific to the area as well as market trends in a timely manner. At the same time, we respond in a comprehensive manner to customers' needs such as trading and liquidity, and leasing and property brokerage, and we have developed an organization that is able to increase customer satisfaction.

### Overview of Fiscal 2007

In the Building Business, we strove to expand marketing activities closely tailored to tenant needs as well as to maintain and enhance utilization rates. We also continued to work to raise commission income from property management and facility management operations and increase orders from tenants for interior renovations. In terms of income, Fuka-gawa Gatharia Tower-N, which was completed in January 2007, was in operation for the full term, which helped boost revenues. As a result, revenues from operations in the Building Business segment rose ¥5,547 million, or 10.8% year-on-year, to ¥56,889 million. Operating income grew ¥1,041 million, or 12.4% year-on-year, to ¥9,414 million.

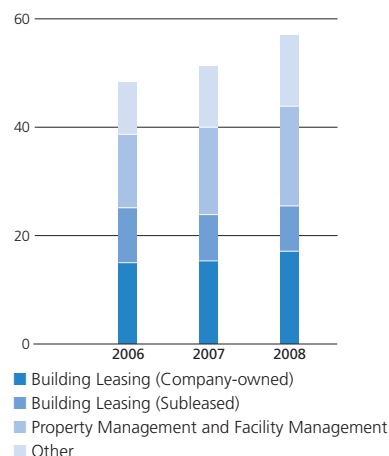
Profits derived from leasing operations improved thanks to an increase in the number of rent revisions for existing tenants that resulted in rent increases. In property and facility management operations, we

thoroughly improved services, which resulted in an increase in the number of consigned properties.

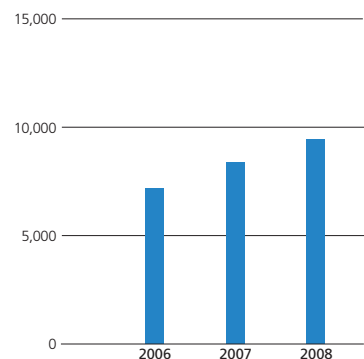
### Basic Policy in Medium-term Business Plan and Future Expansion

With regard to ownership of assets for lease, our policy remains unchanged: we will strategically expand our holdings in line with growth in shareholders' equity by comprehensively considering various factors, including 1) whether the asset was developed by us, 2) whether it constitutes a so-called trophy building in a prime area, and 3) whether it plays a role in giving us access to information about tenants in the area. In March 2008, we focused on the future redevelopment in the Nihonbashi area and acquired the Daini Edobashi Building. In terms of major projects going forward, progress is currently being made on the provisionally named Nihonbashi Nomura Building. The project entails

Revenues from Operations  
(Billions of yen)

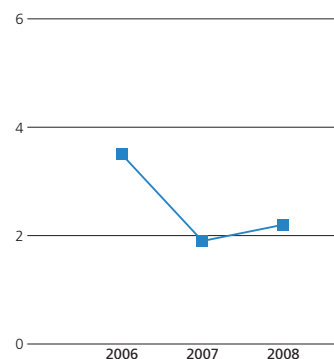


Operating Income\*  
(Millions of yen)



\* Operating income figures are total amounts of Building Business.

Vacancy Rate at Year-end  
(%)







Shinjuku Nomura Building  
(Shinjuku-ku, Tokyo)



Fukagawa Gatharia Tower-N  
(Koto-ku, Tokyo)



Daini Edobashi Building  
(Chuo-ku, Tokyo)

the integrated renovation of surrounding buildings, including the Shinmuromachi Building, which was owned by Nomura Real Estate Development. We are taking advantage of redevelopment opportunities in designated urban areas, the transfer bonus of floor space and various other techniques to substantially increase the building capacity rate. When the building is completed, it will become the Group's key office building in the Nihonbashi area. We will continue to strategically increase owned floor space while at the same time expanding fee-based businesses; specifically, property management and facility management.

Our leased buildings continue to have high utilization rates thanks to our comprehensive service organization for property management and building management, two of the Group's strengths. The Group has successfully met customer needs and enhanced customer satisfaction by

utilizing its management and technological capabilities in regular negotiations with owners and tenants. In addition, these utilization rates have been the result of our strength in directly marketing and leasing properties without relying on intermediaries.

Beyond further expanding the Building Business, we intend to reinforce our organizational network for ascertaining the specific, local needs of tenants and market trends in a timely manner.

#### Business Results (Millions of yen)

Years ended March 31	2006	2007	2008
Revenues from Operations	¥ 48,288	¥ 51,342	¥ 56,889
Operating Income	7,158	8,372	9,414
Assets	170,010	180,587	203,563
ROA* (%)	4.2%	4.6%	4.6%
Inventories	¥ 9,077	¥ 10,164	¥ 11,342

\* ROA by segment = Segment operating income / Segment assets at end of fiscal year

## Investment Management & Development Business

The Investment Management & Development Business is the Group's core business and is steadily achieving growth. This segment comprises two types of activities. In the case of the profit-generating property development, we carry out investment and development by using our own funds, and then generate income by selling these developed properties. In the case of the asset management operations, we manage investors' funds. Our great strengths in this business have been established by the provision of investment opportunities and the accumulation of operational expertise that are able to fulfill a variety of investors' needs, as well as customer confidence built up by our impressive past achievements.

### Overview of Fiscal 2007

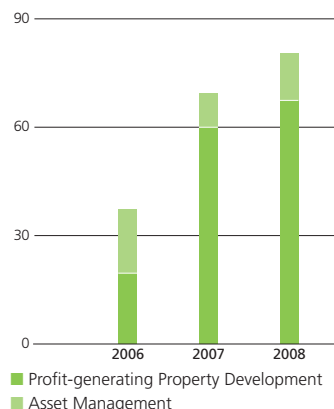
In the Investment Management & Development Business, profit-generating property development operations made progress in developing properties and selling off those for which value had been adequately raised. We also continued to focus on acquiring new projects and promoting existing ones. In investment management operations, we increased the balance of assets under management by Group funds. The Group's pipeline was utilized to push the balance of assets under management up over ¥1 trillion as of the end of fiscal 2007. This resulted in a concomitant increase in asset management fees and revenues. As a result, revenues from operations in the Investment Management & Development Business segment climbed ¥11,186 million, or 16.1% year-on-year, to ¥80,555 million. Operating income increased ¥14,738 million, or 73.5% year-on-year, to ¥34,778 billion.

In the area of profit-generating property development, we sold the

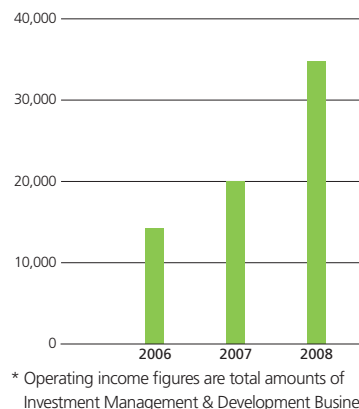
AEON Yachiyo-Midorigaoka Shopping Center, which was developed as a profit-generating property, to Japan Retail Fund Investment Corporation in September 2007. We also recorded the sale of the Lasertec Headquarters Building in March 2008, a customized office building development project in which the Group planned and arranged the product in line with the specific office-related needs of the tenant company. As a result, operating revenues from these operations amounted to ¥67,428 million.

In the area of investment management operations, we commenced operations at Landport Atsugi, a large logistics facility developed by a private fund managed by Nomura Real Estate Investment Management that was completed in April 2007, and Morisia Tsudanuma, a commercial complex in front of a station at which a large-scale renovation had been completed, opened in March 2008. Property management for Morisia Tsudanuma was contracted out to Geo-Akamatsu Co., Ltd., and facility management to Nomura Building Management Co., Ltd. The

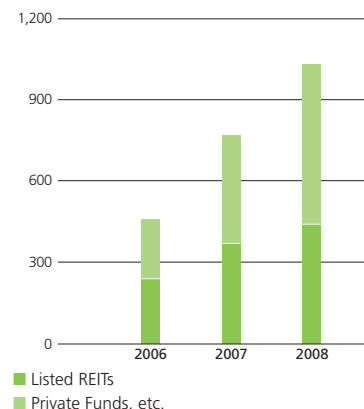
Revenues from Operations  
(Billions of yen)



Operating Income\*  
(Millions of yen)



Assets Under Management  
(Billions of yen)



\* Amounts from April 1, 2007 have been reclassified as per the current segmentation. Amounts prior to then have not been retrospectively reclassified.





AEON Yachiyo-Midorigaoka Shopping Center (Yachiyo-city, Chiba)



Lasertec Headquarters (Yokohama-city, Kanagawa)



Morisia Tsudanuma (Narashino-city, Chiba)

project was a collaborative effort of the companies within the Group and involved pooling of the Group's expertise in commercial facility operations. As a result, revenues from investment management operations amounted to ¥13,126 million. Assets under management rose 33.8% to ¥1,031.5 billion.

#### Basic Policy in Medium-term Business Plan and Future Expansion

Profit-generating property development operations are currently engaged in more than 100 development and value-adding projects. However, going forward, we will successively sell them off to realize development profits and use the funds to invest in new projects. In this way we aim to establish a business model for profit-generating property development operations that focuses on fund cycles and investment returns. We have also started a new initiative, the premium mid-size office (PMO) business. This business involves the development of smaller office buildings with

advanced functionality, security and brand power that match the needs of niche markets, with the aim of setting rents at relatively high levels compared to nearby buildings of the same scale. The PMO business plans to own and operate the buildings over the medium-term and then bundle multiple properties together and sell them as profit-generating properties. Going forward, we intend to further establish this business model by increasing property numbers.

Investment management operations aim to increase assets under management to ¥1.5 trillion by the end of fiscal 2009. Although the current operating environment has temporarily cooled, the real estate securitization market in Japan will expand in the medium- and long-term. The Group will respond to the expectations and trust of investors and arrange projects that ensure stable operation fees and dividends by leveraging our fund procurement and operational execution capabilities.

#### Business Results (Millions of yen)

Years ended March 31	2006	2007	2008
Revenues from Operations	¥ 37,272	¥ 69,370	¥ 80,555
Operating Income	14,223	20,040	34,778
Assets	217,543	297,632	322,937
ROA* (%)	6.5%	6.7%	10.8%
Inventories	¥137,388	¥155,034	¥171,819

\* ROA by segment = Segment operating income / Segment assets at end of fiscal year

# Property Brokerage & Consignment Sales Business

The Group's Property Brokerage & Consignment Sales Business in its individual brokerage operations performs highly efficient management by promoting office networks primarily in the Tokyo metropolitan area and Internet strategies with a comprehensive property information website, "*nomu.com*." The main feature of our corporate real estate brokerage operations is the fact that we make effective use of direct networking channels to more than 3,000 companies that we have cultivated over a long period of time. This leads to exploring the seeds of projects and the conclusion of contracts.



Nomura Real Estate Urban Net Ebisu Center (Shibuya-ku, Tokyo)

## Overview of Fiscal 2007

Property brokerage operations faced a business environment in which property fund-related transactions declined in conjunction with financial market turmoil precipitated by the sub-prime loan crisis. In response, for individual households, we developed efficient marketing activities through aggressive utilization of the Internet. For corporations, we reinforced customer-driven marketing.

In the area of consignment sales, we worked to win consignments for highly competitive products from high-quality developers, given the ongoing polarization of the market. In addition, with more and more properties taking longer to sell, we carried out a variety of locally targeted marketing activities.

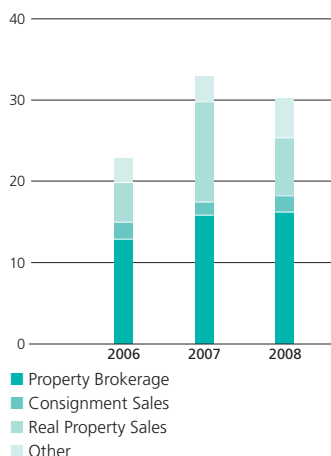
In the area of product real estate sales, we worked to increase sales and capture more brokerage opportunities by developing and enhancing the value of smaller-scale products on the basis of information gathered

through our network of stores and direct communications. Starting in fiscal 2007, some of the development projects previously classified in this segment have been reclassified into the Investment Management & Development Business segment. As a result, revenues from operations in the Property Brokerage & Consignment Sales Business segment decreased ¥2,802 million, or 8.5%, to ¥30,182 million, and operating income declined ¥570 million, or 8.2%, to ¥6,391 million.

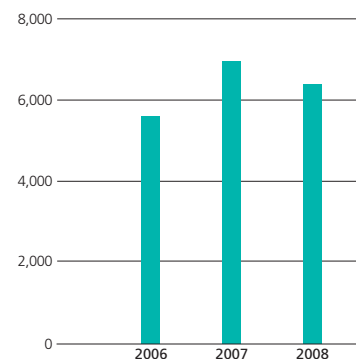
## Basic Policy in Medium-term Business Plan and Future Expansion

In the Group, the basic policy for the Property Brokerage & Consignment Sales Business in the medium-term business plan is to establish the number one brand in customer trust. Specifically, we will step up promotion of the Internet strategy by enhancing the contents of *nomu.com*, a website managed by Nomura Real Estate Urban Net. In addition, we will promote the development of human resources and larger branch offices.

Revenues from Operations  
(Billions of yen)

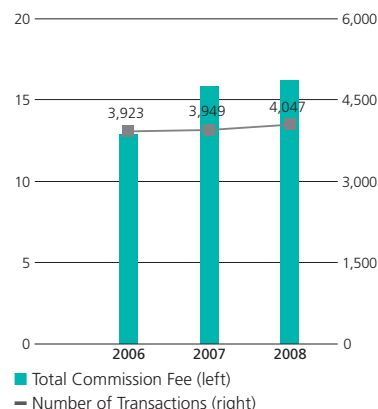


Operating Income\*  
(Millions of yen)



\* Operating income figures are total amounts of Property Brokerage & Consignment Sales Business.

Property Brokerage  
(Billions of yen/number of transactions)



\* Amounts from April 1, 2007 have been reclassified as per the current segmentation. Amounts prior to then have not been retrospectively reclassified.

## Other Business

The fitness club business entails the management of 20 facilities mainly in the Tokyo metropolitan area. We expect to realize synergies with the Nomura Real Estate Group through the acquisition of land information when opening facilities and the maintenance and management of facilities. We regard this as a sector where we will continue to achieve steady growth through the expansion of the facility network. Geo-Akamatsu, which became a member of the Group in 2007, provides a wide range of services related to commercial facilities, including the planning, operation and management.



TRESSA Yokohama  
(Yokohama-city, Kanagawa)

### Overview of Fiscal 2007

In the fitness club business, we focused on maintaining the profitability of our existing facilities while seeking to expand, opening Megalos Urawa Parco in November 2007. In addition, we worked to acquire new members and raise retention rates for existing members by conducting renovation work at a portion of our facilities to boost their competitiveness. As a result, the total number of Megalos members steadily grew to around 120,000 as of March 31, 2008. Geo-Akamatsu Co., Ltd., which entered the Group in July 2007, has been classified into this segment. The company is involved in property management for commercial facilities and other activities.

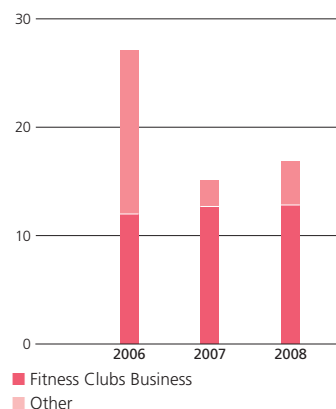
As a result, revenues from operations in the Other Business segment increased ¥1,675 million, or 11.0%, to ¥16,837 million. Operating income increased ¥302 million, or 24.9%, to ¥1,514 million.

### Basic Policy in Medium-term Business Plan and Future Expansion

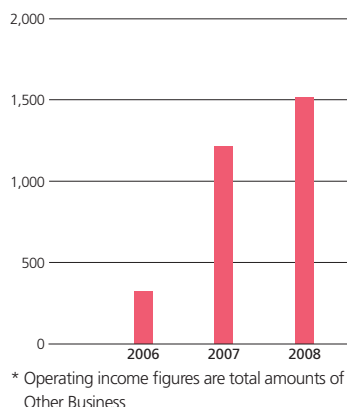
In the fitness industry, increasing numbers of people are utilizing fitness clubs due to growing concern about lifestyle diseases and their prevention. The increase is largely from women and people in middle-age and senior age groups. We intend to accelerate the pace of club openings and promote growth by developing both clubs with new concepts and also clubs in locations where we have not yet developed facilities. We will work to differentiate ourselves from other companies in terms of both facilities and programming by developing large-scale clubs and diverse programs that cater to the needs of each age group. Utilizing this unique approach with our expertise, we will help promote physical and mental health for as many local residents as possible.

Moreover, Geo-Akamatsu, a company involved in property management for commercial facilities, has joined the Group. We will further promote collaboration within the Group to advance initiatives for the development of commercial facilities.

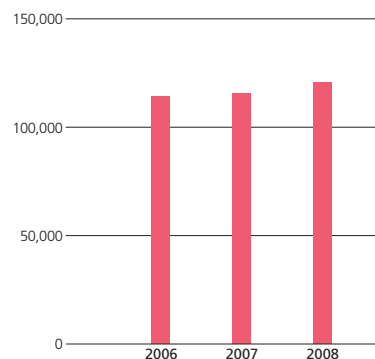
Revenues from Operations  
(Billions of yen)



Operating Income\*  
(Millions of yen)



Number of Megalos Members



## Nomura Building Management Co., Ltd.



July 2008  
President  
Shiro Takahashi

Turbulent conditions currently surround the building management business, but based on a philosophy of "Maintaining the Best Value of Buildings," we have developed the business in line with the times while being driven by a social mission and aspirations shared by all employees. We not only manage buildings owned and leased by Nomura Real Estate, but also manage educational facilities for universities and public facilities for local government on a contractual basis. Through such activities we are expanding the scope of our business endeavors.

### Basic Information

<b>Head office:</b>	1-26-2 Nishi Shinjuku, Shinjuku-ku, Tokyo 163-0562, Japan
<b>Representative:</b>	Shiro Takahashi, President
<b>Business activities:</b>	Building management, interior construction, property management
<b>Capital:</b>	¥100 million
<b>Sales:</b>	¥31,760 million (Fiscal 2007)
<b>Number of employees:</b>	871 (As of March 31, 2008)
<b>Established:</b>	April 1, 1977

### Corporate Philosophy

#### Maintaining the Best Value of Buildings

We will help bring about social affluence by creating comfortable building environments with awareness of the present and a view to the future.

### Properties Managed



Shinjuku Nomura Building



Nomura Yotsubashi Building



Yokohama Business Park



Shin-Fujita Building



Fukuoka Tenjin Center Building



Meiji University



Gakushuin University

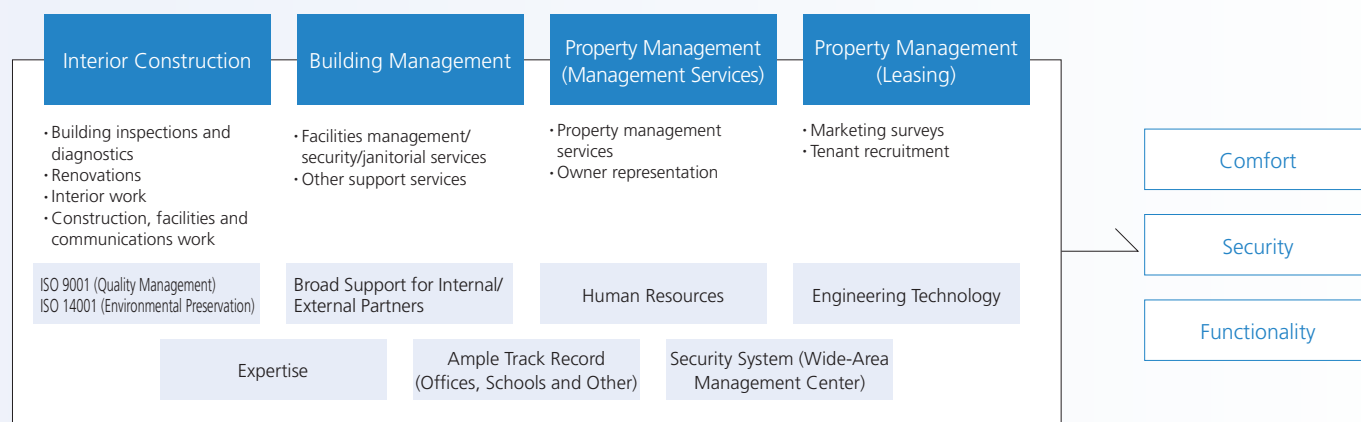


Momijiyama Culture Center



Tennozu Park Side  
Building

April 2007 marked the company's 30th anniversary. During the span of these thirty years, our sales totals have grown considerably. We have been able to achieve this growth thanks in large part to pooling and effectively utilizing the wisdom and ingenuity of employees. Nomura Building Management's growth is underpinned by our employees, their strong will to succeed and our open, straightforward organization. We will continue to promote locally rooted marketing activities and continue being a trusted partner committed to maximizing business value and profit for our customers.



## Strength of Nomura Building Management: High-Quality Management

**1** We have substantial expertise not only in management services, but also in the entire field of building operations, including building management, interior construction and property management.

**2** Our Computer Data Center's facility management services have earned ISO 9001 certification, the first in Japan to do so. We have also acquired ISO 14001 certification for environmental initiatives aimed at helping create a recycling-based society. At the present, eight properties have acquired ISO 9001 certification and one has acquired ISO 14001 certification. As evidenced by this track record, we provide high quality services that earn the trust of customers.

**3** We continue to constantly provide customers with an optimal environment on a timely basis through the Nomura COA Center, which conducts 24-hour remote monitoring all year-round, and the Tokyo Office, which spearheads site management activities. In terms of employee training, we regularly conduct various forms of training and provide courses to help employees become certified. We provide high-quality management by constantly working to improve our technical capacities.

**4** We conduct operations on a nationwide basis via our presence in the urban centers of the Kanto and Kansai regions as well as our three sales offices in Nagoya, Hiroshima and Fukuoka. Moreover, we have ample experience in every building format, including office buildings, educational institutions, public facilities and commercial facilities.



### Basic Viewpoints Regarding Corporate Governance

The Company believes that it must be governed in a way that continuously maximizes corporate value over the long term, while consideration is given to the interest of shareholders and all other stakeholders related to the Nomura Real Estate Group. Furthermore, we aim to enhance the earning power of the entire Group, and while acting as a holding company in managing and supervising the business activities of our subsidiaries, we will strive to build a highly transparent management organization.

### Company Organizations and Establishment of Internal Control Systems

The Company's Board of Directors comprises five directors. It decides important corporate matters and supervises the execution of business operations by directors. Statutory auditors attend meetings of the Board of Directors and provide their opinions as the need arises.

The Company has adopted a statutory auditor system. The Board of Statutory Auditors comprises five statutory auditors, three of whom are external auditors. The Board formulates such matters as audit policies and operational roles, and receives reports and conducts discussions regarding important matters relating to audits carried out on the basis of those policies and roles.

Moreover, the Company has established the holding of Group Management Meeting whose members include the Company's directors and the presidents of major subsidiaries. The purpose of these meetings is to unify intentions to promote Group management and to verify the progress of the budgets of each operating company and execution status of other business operations.

### Risk Management and Compliance Framework

#### Risk Management System

The Company has established a Risk Management Committee whose members include officers in charge of administrative operations at the Company and Group companies, for the purpose of promoting risk management activities within the Group. The Committee deliberates matters relating to risk management, compliance, and information security for the entire Group, and also cooperates and provides guidance with regard to countermeasures when risks occur.

#### Compliance Systems

The Nomura Real Estate Group regards compliance, including the observance of laws and regulations and corporate ethics, as one of the most important management issues. As a set of relevant guidelines, it has formulated the *Nomura Real Estate Group Code of Action*.

To promote continuous educational and awareness activities for executives and employees, we have established a Compliance Department in the Company. It provides advice, guidance, and support to Group companies.

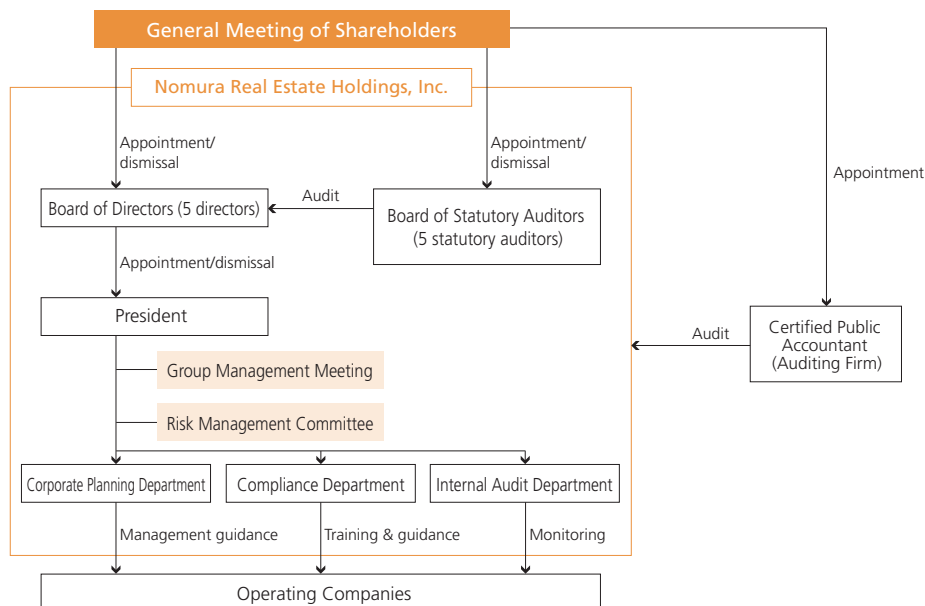
Furthermore, based on our priority of collecting information regarding risks, we have set up the *Nomura Real Estate Group Risk Hotline* as a point of contact for internal reporting by Group employees.

#### Internal Audit System

The Nomura Real Estate Group has established an internal audit department at each Group company, with the exception of some small companies. Each department is supervised under the direct jurisdiction of the Group company president or an officer who does not hold an additional office in a business operations division, which allows the department to maintain organizational independence. In addition, we have established the Internal Audit Department at Nomura Real Estate Holdings that supervises the internal audit functions of the entire Group and performs monitoring, evaluation and auditing in each division within the Company.



## Corporate Governance System



### Corporate Auditor Audit System

The Company has appointed full-time staff as audit officers in the Corporate Planning Department to support corporate auditor audits. Each corporate auditor attends meetings of the Board of Directors and other important meetings and audits the execution of the duties of directors while cooperating with the Internal Audit Department and the accounting auditors as needed.

### Accounting Audits

The Company has concluded an auditing contract with Ernst & Young ShinNihon. In addition to performing regular audits, Ernst & Young ShinNihon discusses and verifies accounting issues as needed and conducts appropriate accounting practices.

All of the certified public accountants that carry out work have no more than seven years of continuous experience in auditing the Company, and the auditing firm has adopted autonomous measures to ensure that its employees who carry out work do not participate for longer than a designated period in the Company's account auditing.

Assistants associated with audit operations comprise four certified public accountants and nine assistant certified public accountants and staff.

### Compensation of Directors and Officers

At the second annual general meeting of shareholders on June 26, 2006, it was resolved that the maximum annual compensation limit for directors and statutory auditors would be ¥650 million and ¥120 million, respectively.

The Company paid the following compensation for fiscal 2007 to directors and statutory auditors.

Five directors	¥305 million
Four statutory auditors	¥ 67 million
(Two are external auditors)	¥ (7 million)
Total: Nine persons	¥372 million

Compensation provided to Ernst & Young ShinNihon, the Company's accounting auditor, was as follows:

Compensation based on operations	
Provided in article 2-1 of Certified Public	
Accountants Law	¥ 30 million
Other than above	¥151 million

### Stock Option Compensation for Directors

The Company has been engaged in revising the compensation system for directors and statutory auditors so that it contributes to the further enhancement of the business performance and corporate value of the Nomura Real Estate Group. During this period, we abolished our system of retirement benefits for directors and statutory auditors, that tended to be inflexible and based on seniority, on March 31, 2006.

At the general meeting of shareholders on June 28, 2007, approval was provided to grant stock options based on the exercise of stock acquisition rights to Company directors in each fiscal year. These stock options, with transfer restrictions attached, are to be within the range of the amount of ¥650 million per annum, as approved at the annual general meeting of shareholders on June 26, 2006. The purpose of providing these stock options is to endeavor to share interests with all shareholders and to further increase corporate value.

### Matters Concerning Parent Company

The Company's parent company is Nomura Land and Building Co., Ltd. (NLB).

#### 1) Capital relationship with Nomura Land and Building Co., Ltd.

The former Nomura Real Estate Development Co., Ltd., the predecessor of both Nomura Real Estate Development Co., Ltd., which is currently a subsidiary of Nomura Real Estate Holdings, and NLB, the Company's parent company, was established on April 15, 1957. Subsequently, in January 1970, it was

divided into NLB, which is engaged mainly in the management of real estate associated with Nomura Securities Co., Ltd., and Nomura Real Estate Development which conducts other real estate operations. In October 2004, it was decided that the Company would become the holding company of the Nomura Real Estate Group. Accordingly, NLB assigned all the outstanding shares of Nomura Real Estate Development to the Company as an in-kind contribution, and became the Company's parent company. Owing to the issuance of new shares associated with the listing of the Company in October 2006 and sale of shares by NLB; NLB held a 64.8% shareholding in Nomura Real Estate Holdings at the end of fiscal 2007.

#### 2) Business transaction relationships

In fiscal 2007, business transactions between NLB and companies in the Nomura Real Estate Group amounted to ¥7 million in the Building Business segment and other areas.

#### 3) Personal relationships

To strengthen audit operations, the Company has accepted two external statutory auditors from NLB. They are Toshio Miura, an executive managing director of NLB, and Mitsuru Nakajima, a director of NLB. Hirohisa Suzuki, the Company's President, is the former President of NLB, but apart from the statutory auditors mentioned above, no executives or employees of the Company are concurrently serving at NLB or on secondment from that company.

The relationship between the Nomura Real Estate Group and NLB is as described above, but it does not exert any influence on the Nomura Real Estate Group's free marketing activities or management decisions. In addition, NLB has subsidiaries outside the Nomura Real Estate Group that are engaged in an overseas hotel management business and other areas, but they do not compete with the Group's business operations.

The Company performs business management independently from the parent company based on the Company's own responsibility.



The Group Philosophy of the Nomura Real Estate Group is expressed in the words “Bringing Tomorrow Today.” The word “Tomorrow” does not give the idea of complacency or contentment with the current situation; rather, it is imbued with the spirit of challenge focused on the future. The word “Bringing” describes the relationship among customers, society, and Group companies and the high goals they share, and it expresses the will to accomplish things. Moreover, it is imbued with the sense that the products and services the Nomura Real Estate Group provides will help people realize their dreams of the future, while linking together the good relationships and connections among customers, society, and the Nomura Real Estate Group. As such, “Bringing Tomorrow Today” is the fundamental concept in all the Group’s various corporate activities, and it includes endeavors to achieve socially sustainable development.

### Nomura Real Estate Group’s Environmental Conservation and Social Contribution Activities

#### Environmental Conservation Activities

In its business activities, the Nomura Real Estate Group always takes account of the impact on the environment. It strives to keep to a minimum the burden that products and services or business activities impose on the environment as far as it is possible. An enormous amount of energy is consumed in the construction and usage period of buildings. Consequently, when developing and operating housing and other buildings, the Group endeavors to pay sufficient consideration to the impact on the environment, including the appropriate use of resources and the alleviation of environmental load, from the design stage to the operating stage.

#### Social Contribution Activities

The Nomura Real Estate Group not only provides high-quality products and services to customers, but also contributes to regional culture and communities. This leads to deeper communication between society and the Group and an improvement in service, as well as the creation of community activities and a rich culture. We believe we can create truly comfortable living spaces for everyone, including our customers.



PROUD TOWER Nerima has acquired the highest evaluation of the Tokyo Metropolitan condominium environmental performance indication.



An exhibition entitled “Learning About the Environment through Fireflies” was held in the Shinjuku Nomura Building.



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President  
①Hirohisa Suzuki

Directors  
②Mototsugu Takai

③Seiji Matsumoto

④Yoji Kurihara

⑤Takao Orihara



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Statutory Auditors  
①Toshio Miura

②Shigeaki Yoshioka

③Mitsuharu Sato

④Shigeru Matsushima

⑤Mitsuru Nakajima

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### Forward-looking Statements

This annual report contains forward-looking statements about the future plans, strategies and performance of Nomura Real Estate Holdings, Inc. ("the Company") and its consolidated subsidiaries ("the Group"). These forward-looking statements are not historical facts. They are estimates, forecasts and projections based on information currently available to the Company and are subject to a number of risks and uncertainties, which include economic trends, intensification of competition in the real estate industry, the legal system and taxation system, and other regulations. As such, actual results may differ from those projected.

## Four-Year Financial Summary

Nomura Real Estate Holdings, Inc.

The fiscal years ended March 31, 2005, 2006, 2007 and 2008

	(Millions of yen)				(Thousands of U.S. dollars)
	2005	2006	2007	2008	2008
<b>Fiscal Year</b>					
Revenues from operations	¥345,894	¥350,319	¥367,237	¥411,493	\$4,107,131
Gross profit	87,531	97,551	108,668	130,391	1,301,437
Gross margin ratio	25.3%	27.8%	29.6%	31.7%	
Selling, general and administrative expenses	51,789	53,283	54,294	60,569	604,547
SG&A ratio to revenues	15.0%	15.2%	14.8%	14.7%	
Operating income	35,742	44,268	54,374	69,822	696,894
Operating margin	10.3%	12.6%	14.8%	17.0%	
Income before income taxes and minority interests	16,359	19,721	47,868	61,260	611,442
Net income	6,474	12,717	26,297	35,255	351,877
Cash flows from operating activities	(24,630)	(99,830)	(89,850)	7,639	76,249
Cash flows from investing activities	(20,462)	(17,995)	(26,787)	(13,348)	(133,226)
Cash flows from financing activities	63,444	113,818	100,863	8,791	87,740
Cash and cash equivalents at fiscal year end	48,223	44,216	28,437	31,511	314,507
<b>Fiscal Year End</b>					
Total assets	580,130	689,287	836,303	891,700	8,900,091
Interest-bearing debt	300,247	413,039	394,885	408,016	4,072,422
Shareholders' equity	46,645	60,732	213,207	233,008	2,334,507
Shareholders' equity ratio	8.0%	8.8%	25.5%	26.1%	
Debt-to-equity ratio (times)	6.4	6.8	1.9	1.8	

	(Yen)				(U.S. dollars)
	2005	2006	2007	2008	2008
<b>Per Share Data (Note)</b>					
Shareholders' equity	¥203,859.93	¥267,956.93	¥1,427.80	¥1,558.96	\$15.62
Net income	44,367.78	56,109.84	200.47	236.09	2.36
Cash dividends	—	2,000.00	20.00	30.00	0.30

Note: The Company carried out a 500-for-1 stock split on April 1, 2006.

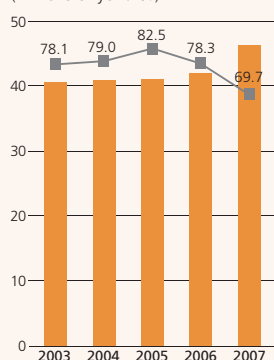
### Trends in the Real Estate Industry

In fiscal 2007, the year ended March 31, 2008, the housing sales market was characterized by a decline in supply of condominiums in the Tokyo metropolitan area for the second consecutive year. This was due to the enactment in June 2007 of the amended Building Standards Law, which extended the application period for building construction and caused a dramatic fall in the supply of housing units. Another factor was the soaring prices of land and construction costs, which pushed up sales prices and led to a decline in the overall contract ratio. Meanwhile, projects in attractive locations sold well, underscoring a clear polarization trend. In the office building leasing market, improved earnings in the corporate

sector have boosted demand for office space and sparked a revival in urban centers, where vacancy rates have remained low and rents have continued to rise, especially in centrally located urban buildings with excellent locations and facilities. In the real estate investment market, turmoil in financial markets caused credit to tighten, leading to declines in prices of REIT units and causing conditions for raising funds—key to making acquisitions that are vital for growth in the REIT market—to become more difficult than ever.

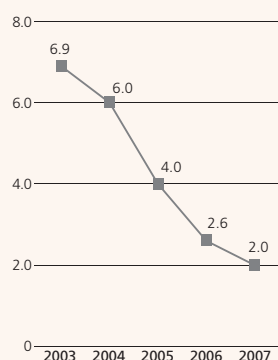
Thus, the future trends of the real estate market are increasingly uncertain. The Group is committed to pushing ahead with business strategies that pay careful attention to future market trends.

Average prices and contract rates for condominiums in the Tokyo metropolitan area  
For the calendar years  
(Millions of yen / %)



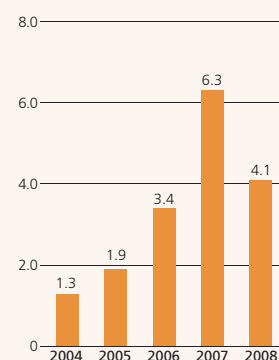
■ Average price  
— Contract rate  
Source: Real Estate Economic Institute Co., Ltd.

Vacancy rates in Tokyo's 23 wards  
As of December 31  
(%)



Source: K.K. Ikoma Data Service System

J-REIT market's total valuation  
As of March 31  
(Trillions of yen)



Source: Tokyo Stock Exchange, Inc.

### Analysis of Operating Results

Facing growing uncertainty in the real estate market, companies in the Nomura Real Estate Group sought to strengthen their market responsiveness and took various measures aimed at further improving their earnings power. As a result, the Group achieved year-on-year increases in revenue and income, with revenues from operations and all profit indicators reaching record-high levels.

In fiscal 2007, revenues from operations amounted to ¥411,493 million, up ¥44,256 million, or 12.1%, from fiscal 2006. This increase stemmed from a number of factors. These included solid gains in numbers of units sold and managed in the Residential Development Business, as well as a significant year-on-year increase in the number of units handled by the rental housing business, centering on PROUD FLAT rental units.

Also contributing was the Investment Management & Development Business, which sold the AEON Yachiyo-Midorigaoka Shopping Center, developed as a profit-generating property, to Japan Retail Fund Investment Corporation.

Operating income rose ¥15,448 million, or 28.4%, to ¥69,822 million. This major increase in earnings was due largely to the Investment Management & Development Business, which generated significant capital gains from the sale of profit-generating properties developed in-house.

After payment of income taxes, net income for the year amounted to ¥35,255 million, up ¥8,958 million, or 34.1%, from the previous year.

Earnings by business segment are outlined on the following page. It should be noted that revenues from operations in each segment include intersegment sales and transfers.

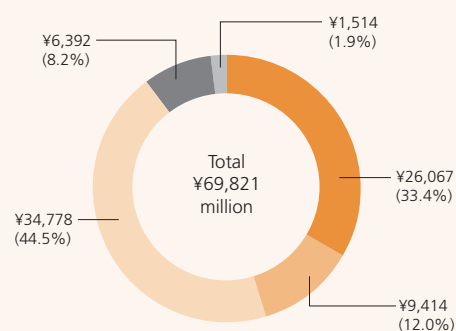
## Segment earnings

	(Millions of yen)			
Years ended March 31	2005	2006	2007	2008
Residential Development Business:				
Revenues from operations	¥251,925	¥222,517	¥205,950	¥238,802
Operating income	23,903	21,951	23,627	26,067
Building Business:				
Revenues from operations	45,826	48,288	51,342	56,889
Operating income	6,459	7,158	8,372	9,414
Investment Management & Development Business:				
Revenues from operations	7,719	37,272	65,867	80,555
Operating income	4,606	14,223	18,613	34,778
Property Brokerage & Consignment Sales Business:				
Revenues from operations	19,641	22,874	36,488	30,183
Operating income	5,010	5,591	8,389	6,392
Other Business:				
Revenues from operations	27,716	27,057	15,162	16,837
Operating income (loss)	(203)	323	1,212	1,514

The pie chart below shows the percentage of operating income generated by each segment. The Group has achieved a well-balanced business portfolio.

## Breakdown of operating income in fiscal 2007

(Millions of yen / %)



- Residential Development Business
- Building Business
- Investment Management & Development Business
- Property Brokerage & Consignment Sales Business
- Other Business

Note: Since operating income for each business does not include "eliminations or corporate" in segment information, the sum of operating income of the businesses presented in the pie chart differs from the total amount shown in the center of such pie chart. The shares of consolidated operating income by business have been calculated based on operating income for each segment.

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

Years ended March 31	2005	2006	2007	2008
Residential Development Business:				
Condominium sales (units)	4,629	3,656	3,245	3,463
Detached housing sales (units)	374	448	507	347
Gross margin ratio of housing sales (%)	19.2	20.5	22.2	22.7
Completed housing units held in inventories (units)	68	64	6	275
Rental condominium sales for investors (units)	0	36	248	747
Condominiums under management (units)	86,385	92,758	97,847	103,102
Building Business:				
Vacancy rate (%)	3.5	3.5	1.9	2.2
Investment Management & Development Business:				
Assets under management (millions of yen)	319,713	460,320	771,211	1,031,528
Property Brokerage & Consignment Sales Business:				
Brokerage (number of transactions)	3,698	3,923	3,949	4,047
Brokerage-total transaction value (millions of yen)	323,389	347,990	388,479	406,635
Other Business:				
Members of MEGALOS	94,966	113,973	115,457	120,543

#### Analysis of Financial Position

As of March 31, 2008, current assets stood at ¥630,917 million, up ¥50,401 million, or 8.7%, from a year earlier. One main factor in the increase was a ¥26,847 million rise in inventories, stemming from the accumulation of properties slated for development as profit-generating properties, including those acquired by the Investment Management & Development Business, as well as from an increase in sponsor equity as the Group expanded the scale of private funds. Also boosting current assets was a ¥14,928 million increase in equity investments due to the broadened scale of private funds. By contrast, the stock of land owned by the Residential Development Business remained mostly unchanged. Since the Group invests in equity from the viewpoint of being “in the same boat” as investors when undertaking the management of funds, the balance of equity investments increases in tandem with assets under management.

Among fixed assets, net property and equipment grew ¥20.3 billion. This was due to the purchase of the Daini Edobashi Building, as well as the reclassification of two profit-generating properties, deemed by the Company as best suited to long-term holding as rental properties, to property and equipment.

By contrast, investment securities declined significantly. This was due to falling prices of two office and residential REITS held by the Company as sponsor.

Total liabilities increased ¥34.3 billion, to ¥656.1 billion. Within this amount, interest-bearing debt rose ¥13.1 billion, to ¥408.0 billion.

Net property and equipment grew ¥20,280 million, or 11.6%, to ¥195,272 million, mainly reflecting the purchase of office buildings by the Residential Development Business. Investments and other assets declined ¥16,924 million, or 21.7%, to ¥61,241 million, stemming mainly from a ¥17,173 million decrease in investment securities due to falling prices and sluggish securities markets. At fiscal year end, therefore, the Group had total assets of ¥891,700 million, up ¥55,397 million, or 6.6%, from a year earlier.

Current liabilities rose ¥33,256 million, or 14.4%, to ¥263,973 million, due primarily to an increase in accrued construction costs at fiscal year end, reflecting the high number of condominiums completed in February and March 2008.

Despite a ¥12,588 million decline in long-term debt, long-term liabilities edged up ¥1,056 million, or ¥0.3%, to ¥392,175 million. This was due mainly to a ¥20,000 million issuance of corporate bonds made in October 2007 to fund future growth. Total interest-bearing debt rose ¥13,131 million, to ¥408,016 million. As a result, total liabilities increased ¥34,312 million, or 5.5%, to ¥656,149 million.

Net assets climbed ¥21,085 million, or 9.8%, to ¥235,551 million, owing mainly to the treatment of net income, totaling ¥35,254 million, as retained earnings. This was despite a ¥10,214 million decline in net unrealized holding gains on securities, reflecting weak securities markets. Accordingly, the debt-to-equity ratio improved to 1.8 times, and the shareholders' equity ratio grew to 26.1%.

## Cash Flows

### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥7,639 million, compared with net cash used in such activities of ¥89,850 million in the previous fiscal year. Major factors boosting cash flows included income before income taxes and minority interests, which totaled ¥61,260 million. This was despite purchases of profit-generating properties by the Investment Management & Development Business, as well as active investments in line with an expansion of private funds.

### Cash flows from investing activities

Net cash used in investing activities totaled ¥13,348 million, ¥13,439 million less than in the previous year. Major factors included the purchase of the Daini Edobashi Building and other property and equipment, as well as shares in Geo-Akamatsu Co., Ltd. By contrast, there was a decrease in loans.

### Cash flows from financing activities

Net cash provided by financing activities was ¥8,791 million, down ¥92,072 million from the previous year. Although the Company repaid long-term debt that came due during the period, it also raised funds through long-term borrowings and the issuance of corporate bonds to meet funding demands from its operating activities.

As a result, cash and cash equivalents at fiscal year end stood at ¥31,511 million, up ¥3,074 million from a year earlier.

## Basic Policy Concerning Profit Distribution

The Company's basic policy regarding the distribution of profits to shareholders requires that decisions take into account a balance with retained earnings, after comprehensively considering such factors as business performance in the applicable fiscal year, the operating environment going forward, and capital investment plans. Our plan is to utilize retained earnings for proactive business investments, including inventory purchases and equity investments, with the aim of generating earnings in the future.

In accordance with this basic policy, the Company declared a year-end cash dividend of ¥15.00 per share. Combined with the ¥15.00 interim dividend already paid, this brought annual dividends for the year to ¥30.00 per share. For fiscal 2008, the Company intends to pay interim and year-end dividends of ¥20.00 each, for a total of ¥40.00 per share, up ¥10.00 from fiscal 2007.

## Risks Affecting the Business of Nomura Real Estate Group

We believe that the following major risks have the potential to significantly impact the operating results and financial condition of the Group, as well as the decisions of investors. Being properly aware of the potential for such risks to materialize, the Group is establishing and strengthening its internal control systems to ensure ongoing improvements, while at the same time performing comprehensive risk management. It should be noted that matters concerning the future in this document have been determined based on information available to the Group at the end of fiscal 2007.

### 1) Trends in the real estate market

In fiscal 2007, the Group posted a solid performance, generating record-high operating earnings and operating income, as it did in fiscal 2006. Going forward, however, certain events could have an adverse impact on the Group's business performance. These include a rise in interest rates, stagnant economic conditions, deterioration in corporate earnings and consumer spending, and excess supply in the real estate market. Such events could cause a decline in purchasing sentiment among customers of the Residential Development Business and the Property Brokerage & Consignment Sales Business, our core businesses. For the Building Business and the Investment Management & Development Business, moreover, such events could also spark declines in office rents, increases in vacancy rates, or falls in asset values.

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

A number of laws and regulations apply to the various businesses of the Nomura Real Estate Group, which will be subject to new regulations as it expands its operational scope in the future. Going forward, the Group may face new obligations and expense burdens if the Building Standards Law, the Building Lots and Buildings Transaction Business Law, or other real estate-related laws are revised, or if new legislation is implemented. Such events could adversely affect the Group's business performance.

Furthermore, if the tax system related to real estate is revised, this could lead to an increase in expenses for holding, acquisition, and sales of assets, or a decline in the purchasing sentiment of customers. It could also prompt a change in the facility strategies of companies and revisions of their investment plans. Such events could have an adverse impact on the Group's business performance.



### 3) Licenses and permits for major businesses

The Group obtains the licenses and permits, such as real estate brokerage and construction licenses, when carrying out business activities.

Currently, there are no reasons for any of these licenses or permits to be cancelled or subject to penalties. However, in the future, if such licenses or permits are cancelled or subject to penalties for whatever reason, this could adversely affect the Group's business performance.

### 4) Impact of interest-bearing debt

The Group aims to increase earnings by aggressively advancing its various businesses. In the Investment Management & Development Business, for example, our strategy is to increase inventories and expand equity investments. To meet such demand for capital, the Group raises funds through borrowings from financial institutions and the issuance of corporate bonds. At the end of fiscal 2007, the balance of interest-bearing debt stood at ¥408,016 million, up ¥13,131 million from a year earlier. (This was equivalent to 45.8% of total assets, down 1.5 points from the end of the previous year.) When raising funds by borrowing, the Group attempts to deal with the risk of a short-term rise in interest rates mainly by taking out long-term, fixed-rate loans. However, an increase in borrowing costs due to a rise in market interest rates could have a negative impact on the Group's business performance and financial condition.

### 5) Natural disasters

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

### 6) Personal information

In the course of carrying out its operations, the various businesses of the Group handle large quantities of personal information. The Group endeavors to comply with various laws and regulations pertaining to personal information, such as the Law Concerning Protection of Personal Information, and also handle information in the proper manner. Moreover, Group companies have produced various documents, such as "Information Security Provisions," "Rules for Handling Personal Information" and "Guidelines for Entrusting the Handling of Personal Information." In these ways, the Group strives to train and educate employees and protect the interests of customers.

In the event of external leakage of personal information due to unforeseen circumstances, however, confidence in the Group could be lost, leading to a decrease in sales and the incurrence of expenses to pay compensation for damages. This could have an adverse impact on the Group's business performance.

### 7) Soil pollution

Under the Soil Contamination Countermeasures Law, owners of land are obliged to evaluate and report on the soil pollution status of their properties with respect to the presence of specific harmful substances, and also to take measures to remove such polluting substances.

When considering purchases of land for business use, the Group conducts historical and pollution assessments in advance. If the presence of pollution is confirmed, the Group either cancels the acquisition or engages specialists to remove such pollution. However, it is possible that the aforementioned assessments fail to confirm the full extent of soil pollution, or that the seller is unable to fulfill his or her guarantee against defects even if soil pollution is detected. Detection of soil pollution on land purchased by the Group, therefore, could lead to changes in the Group's original business schedules or to the incurrence of the additional expenses, which could have a negative impact on its business performance or financial condition.

### 8) Asbestos

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

### 9) Concentration of revenues in fourth quarter

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

## Consolidated Balance Sheets

Nomura Real Estate Holdings, Inc.  
March 31, 2007 and 2008

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
ASSETS	2007	2008	2008
<b>Current Assets:</b>			
Cash and bank deposits (Note 2(3))	¥ 28,439	¥ 31,513	\$ 314,527
Notes and accounts receivable	9,305	9,041	90,240
Inventories (Notes 5, 7 and 8)	427,774	454,621	4,537,590
Equity investments (Note 3)	77,945	92,873	926,969
Deferred income taxes (Note 9)	11,528	10,391	103,709
Other current assets	25,595	32,551	324,893
Allowance for doubtful accounts	(70)	(73)	(725)
Total current assets	580,516	630,917	6,297,203
<b>Investments and Other Assets:</b>			
Investment securities (Note 3)	36,758	19,585	195,482
Lease deposits	28,185	27,634	275,811
Deferred income taxes (Note 9)	11,832	12,336	123,130
Other	1,461	1,804	18,006
Allowance for doubtful accounts	(71)	(118)	(1,178)
Total investments and other assets	78,165	61,241	611,251
<b>Property and Equipment, at Cost:</b>			
Land (Notes 5 and 7)	89,141	110,094	1,098,849
Buildings and structures (Note 7)	141,057	141,279	1,410,115
Construction in progress (Note 5)	701	1,924	19,208
Machinery and equipment (Note 5)	5,587	5,832	58,206
	236,486	259,129	2,586,378
Accumulated depreciation	(61,494)	(63,857)	(637,363)
Net property and equipment	174,992	195,272	1,949,015
<b>Intangible fixed assets</b>	2,630	4,270	42,622
<b>Total Assets</b>	<b>¥836,303</b>	<b>¥891,700</b>	<b>\$8,900,091</b>

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
LIABILITIES AND NET ASSETS	2007	2008	2008
<b>Current Liabilities:</b>			
Trade accounts payable	¥ 39,058	¥ 63,377	\$ 632,570
Short-term debt and current portion of long-term debt (Notes 4 and 5)	67,766	73,185	730,458
Accrued income taxes (Note 9)	15,165	14,827	147,988
Deposits received	60,281	57,075	569,670
Deferred income taxes (Note 9)	185	165	1,651
Accrued bonuses to employees	3,665	4,104	40,964
Accrued bonuses to directors and corporate auditors	571	591	5,896
Provision for loss on liquidation of subsidiaries	628	280	2,792
Accrued interest	793	987	9,855
Accrued consumption taxes	1,588	584	5,825
Other accounts payable	5,308	5,131	51,217
Rents received in advance	17,507	30,917	308,580
Other current liabilities (Note 7)	18,202	12,750	127,258
Total current liabilities	230,717	263,973	2,634,724
<b>Long-term Liabilities:</b>			
Corporate bonds	–	20,300	202,615
Long-term debt less current portion (Notes 4 and 5)	327,120	314,532	3,139,356
Guarantees and deposits from tenants	31,032	30,127	300,704
Deferred income taxes (Note 9)	11,087	3,855	38,479
Deferred tax liabilities on land revaluation (Note 9)	3,905	3,905	38,973
Allowance for employees' retirement benefits (Note 6)	10,699	12,144	121,207
Provision for loss on subleasing business	3,812	2,890	28,846
Other liabilities	3,465	4,423	44,142
Total long-term liabilities	391,120	392,176	3,914,322
Total Liabilities	621,837	656,149	6,549,046
<b>Net Assets:</b>			
Shareholders' equity (Note 10):			
Common stock	82,646	82,646	824,897
Additional paid-in capital	59,976	59,976	598,623
Retained earnings	59,245	89,273	891,035
Treasury stock	(0)	(1)	(9)
Valuation, translation adjustments and other:			
Net unrealized holding gains on securities	11,429	1,215	12,129
Deferred gains/losses on hedges	(15)	0	(4)
Land revaluation reserve	(327)	(327)	(3,264)
Foreign currency translation adjustments	253	9	85
Stock acquisition rights	–	217	2,167
Minority interests	1,259	2,543	25,386
Total Net Assets	214,466	235,551	2,351,045
Total Liabilities and Net Assets	¥836,303	¥891,700	\$8,900,091

See notes to consolidated financial statements.

## Consolidated Statements of Income

Nomura Real Estate Holdings, Inc.  
Years Ended March 31, 2007 and 2008

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2007	2008	2008
<b>Operating Revenues:</b>			
Revenues from operations	¥367,237	¥411,493	\$4,107,131
<b>Operating Expenses:</b>	312,863	341,671	3,410,237
Cost of revenues from operations	258,569	281,102	2,805,690
Selling, general and administrative expenses	54,294	60,569	604,547
<b>Operating Income</b>	<b>54,374</b>	<b>69,822</b>	<b>696,894</b>
<b>Other Income and Expenses:</b>	(6,506)	(8,562)	(85,452)
Interest income	373	159	1,587
Dividend income	71	58	579
Equity in earnings of unconsolidated subsidiaries and affiliates	–	13	129
Gain on liquidation of affiliates	–	474	4,736
Gain on changes in equity of affiliates	–	138	1,380
Gain on reversal of provision for loss on subleasing business	1,291	356	3,554
Interest expense	(6,514)	(7,284)	(72,703)
Equity in loss of unconsolidated subsidiaries and affiliates	(65)	(0)	(0)
Provision for allowance for doubtful accounts	–	(48)	(476)
Distributions from silent partnerships	(174)	(1,050)	(10,482)
Inventory write-downs	(869)	–	–
Other, net	(619)	(1,378)	(13,756)
<b>Income before Income Taxes and Minority Interests</b>	<b>47,868</b>	<b>61,260</b>	<b>611,442</b>
<b>Income Taxes (Note 9):</b>			
Current	21,648	25,203	251,551
Deferred	(222)	549	5,483
<b>Total</b>	<b>21,426</b>	<b>25,752</b>	<b>257,034</b>
<b>Minority interests</b>	<b>145</b>	<b>253</b>	<b>2,531</b>
<b>Net Income</b>	<b>¥ 26,297</b>	<b>¥ 35,255</b>	<b>\$ 351,877</b>

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Nomura Real Estate Holdings, Inc.  
Years Ended March 31, 2007 and 2008

		(Millions of yen)				
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gains on securities
Balance at March 31, 2006	226,650	¥22,670	¥ –	¥33,288	¥ –	¥ 4,772
Issuance of common stock	149,098,350	59,976	59,976	–	–	–
Cash dividends paid	–	–	–	(453)	–	–
Net income	–	–	–	26,297	–	–
Purchases of treasury stock	–	–	–	–	(0)	–
Other changes	–	–	–	113	–	6,657
Balance at March 31, 2007	149,325,000	¥82,646	¥59,976	¥59,245	¥(0)	¥11,429
Cash dividends paid	–	–	–	(5,227)	–	–
Net income	–	–	–	35,255	–	–
Purchases of treasury stock	–	–	–	–	(1)	–
Other changes	–	–	–	–	–	(10,214)
Balance at March 31, 2008	149,325,000	¥82,646	¥59,976	¥89,273	¥(1)	¥ 1,215

	(Millions of yen)					
	Deferred gains/losses on hedges	Land revaluation reserve	Foreign currency translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2006	¥ –	¥(213)	¥215	¥ –	¥ 988	¥ 61,720
Issuance of common stock	–	–	–	–	–	119,952
Cash dividends paid	–	–	–	–	–	(453)
Net income	–	–	–	–	–	26,297
Purchases of treasury stock	–	–	–	–	–	(0)
Other changes	(15)	(114)	38	–	271	6,950
Balance at March 31, 2007	¥(15)	¥(327)	¥253	¥ –	¥1,259	¥214,466
Cash dividends paid	–	–	–	–	–	(5,227)
Net income	–	–	–	–	–	35,255
Purchases of treasury stock	–	–	–	–	–	(1)
Other changes	15	(0)	(244)	217	1,284	(8,942)
Balance at March 31, 2008	¥ 0	¥(327)	¥ 9	¥217	¥2,543	¥235,551

	(Thousands of U.S. dollars) (Note 1)				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Net unrealized holding gains on securities
Balance at March 31, 2007	\$824,897	\$598,623	\$591,322	\$(2)	\$ 114,076
Cash dividends paid	—	—	(52,164)	—	—
Net income	—	—	351,877	—	—
Purchases of treasury stock	—	—	—	(7)	—
Other changes	—	—	—	—	(101,947)
Balance at March 31, 2008	\$824,897	\$598,623	\$891,035	\$(9)	\$ 12,129

	(Thousands of U.S. dollars) (Note 1)					
	Deferred gains/losses on hedges	Land revaluation reserve	Foreign currency translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2007	\$(154)	\$(3,263)	\$ 2,528	\$ —	\$12,564	\$2,140,591
Cash dividends paid	—	—	—	—	—	(52,164)
Net income	—	—	—	—	—	351,877
Purchases of treasury stock	—	—	—	—	—	(7)
Other changes	150	(1)	(2,443)	2,167	12,822	(89,252)
Balance at March 31, 2008	\$ (4)	\$(3,264)	\$ 85	\$2,167	\$25,386	\$2,351,045

See notes to consolidated financial statements.

Notes:

(1) Effective the fiscal year ended March 31, 2007, minority interests have been included in net assets.

(2) The increase of 149,098,350 shares in the total amount of issued common stock comprises an increase of 113,098,350 shares due to a stock split and an increase of 36,000,000 shares due to a capital increase by public offering.

# Consolidated Statements of Cash Flows

Nomura Real Estate Holdings, Inc.  
Years Ended March 31, 2007 and 2008

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2007	2008	2008
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests	¥47,868	¥61,260	\$611,442
Depreciation	4,546	4,892	48,829
Equity in loss (gain) of unconsolidated subsidiaries and affiliates	65	(13)	(129)
Increase in allowance for doubtful accounts	10	48	478
Increase in allowance for employees' retirement benefits	1,566	1,445	14,421
Decrease in provision for loss on liquidation of subsidiaries	(118)	(348)	(3,476)
Decrease in provision for loss on subleasing business	(2,068)	(922)	(9,206)
Interest and dividend income	(444)	(217)	(2,166)
Interest expense	6,514	7,284	72,703
(Increase) decrease in accounts receivable	(2,047)	467	4,659
Increase in inventories	(87,219)	(35,383)	(353,159)
Increase in equity investments	(36,374)	(14,928)	(148,997)
(Decrease) increase in trade accounts payable	(1,413)	24,257	242,115
Decrease in deposits received	(7,551)	(3,235)	(32,292)
Other, net	7,646	(3,099)	(30,932)
<b>Subtotal</b>	(69,019)	41,508	414,290
Interest and dividends received	1,151	128	1,276
Interest paid	(6,303)	(7,076)	(70,622)
Income taxes paid	(15,679)	(26,921)	(268,695)
<b>Net cash (used in) provided by in operating activities</b>	(89,850)	7,639	76,249
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of investment securities	(9,196)	(8)	(77)
Proceeds from sales of investment securities	154	178	1,775
Payments for purchases of subsidiaries' stock resulting in change in scope of consolidation	—	(997)	(9,950)
Payments for purchases of property and equipment, and intangible fixed assets	(26,917)	(18,174)	(181,398)
Proceeds from sales of property and equipment, and intangible fixed assets	141	12	116
Increase in loans	(82)	(15)	(150)
Decrease in loans	112	5,131	51,218
Increase in lease deposits	(524)	(1,162)	(11,595)
Decrease in lease deposits	1,796	1,820	18,167
Decrease in guarantees from tenants	(3,295)	(3,668)	(36,611)
Increase in guarantees from tenants	10,800	3,218	32,118
Other, net	224	317	3,161
<b>Net cash used in investing activities</b>	(26,787)	(13,348)	(133,226)
<b>Cash Flows from Financing Activities:</b>			
(Decrease) increase in short-term debt	(36,200)	6,350	63,380
Proceeds from long-term debt	76,768	54,315	542,120
Repayment of long-term debt	(53,122)	(67,989)	(678,601)
Proceeds from issuance of corporate bonds	—	20,182	201,439
Payments for redemption of corporate bonds	(5,600)	(25)	(249)
Proceeds from issuance of shares	119,428	0	0
Proceeds from issuance of shares to minority shareholders	49	1,192	11,892
Cash dividends paid	(453)	(5,226)	(52,165)
Payments for dividends to minority shareholders	(7)	(7)	(69)
Net increase in treasury stock	(0)	(1)	(7)
<b>Net cash provided by financing activities</b>	100,863	8,791	87,740
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(15,774)	3,082	30,763
<b>Cash and Cash Equivalents at Beginning of the Fiscal Year</b>	44,216	28,437	283,832
<b>Decrease in Cash and Cash Equivalents Resulting from Change in Scope of Consolidation</b>	(5)	(8)	(88)
<b>Cash and Cash Equivalents at End of the Fiscal Year (Note 2(3))</b>	¥28,437	¥31,511	\$314,507

See notes to consolidated financial statements.



# Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc.  
March 31, 2007 and 2008

## 1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Nomura Real Estate Holdings, Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law 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 understanding of readers. In addition, the notes to the consolidated financial statements include information which may not be required under Japanese GAAP but is presented herein as additional information.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers using the prevailing exchange rate at March 31, 2008 of ¥100.19 = U.S.\$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Significant Accounting Policies

### (1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that the Company controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in the assets resulting from transactions among the consolidated companies has been eliminated.

### (2) Foreign Currency Translation

All current and non-current accounts denominated in foreign currencies are translated into Japanese yen at the spot exchange rates in effect at the consolidated balance sheet date. Differences arising from such translation are recognized as gain or loss. The asset and liability accounts of the overseas subsidiaries and affiliates are translated into Japanese yen at the exchange rates prevailing at the respective balance sheet dates of the subsidiaries and affiliates and the revenue and expense accounts are translated into yen at the average rates of exchange for the year. Differences arising from such translation are presented as "Foreign currency translation adjustments" in Net Assets.

### (3) Cash and Cash Equivalents

In preparing the Consolidated Statements of Cash Flows, cash on hand, readily-available deposits and short-term, highly-liquid investments with maturities not exceeding three months at the time of purchase and with an insignificant risk of market value fluctuation are considered to be cash and cash equivalents.

As of March 31, 2008, the balance of "Cash and cash equivalents" differed from the balance of "Cash and bank deposits" because it did not include time deposits with deposit terms exceeding three months of ¥2 million (\$20 thousand).

As of March 31, 2007, the balance of "Cash and cash equivalents" differed from the balance of "Cash and bank deposits" because it did not include time deposits with deposit terms exceeding three months of ¥2 million.

#### **(4) Recognition of Revenues**

Revenues from sales of housing and other real estate are recognized upon delivery and acceptance by customers.

#### **(5) Inventories**

Effective the fiscal year ended March 31, 2007, 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).

Prior to April 1, 2006, inventories were mainly stated at cost, determined by the specific identification cost method. The Company adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006) effective the year ended March 31, 2007. As a result, income before income taxes and minority interests for the year ended March 31, 2007 decreased by ¥869 million from the amount that would have been recorded using the previous method. The effects of this change on segment information are described in Note 13.

#### **(6) Marketable and Investment Securities**

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

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

#### **(7) Property and Equipment**

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

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

Buildings and structures	2 to 65 years
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Effective the fiscal year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated subsidiaries have changed their method of accounting for depreciation of tangible fixed assets acquired on or after April 1, 2007. The effect of this change on income for the year ended March 31, 2008 was minimal.

Similarly, effective the fiscal year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its consolidated subsidiaries depreciate the difference between 5% of the acquisition cost of assets acquired on or before March 31, 2007 and the memorandum value of said assets uniformly over a five-year period, starting the year following the fiscal year in which the book value of said assets reaches 5% of the acquisition cost using the method of depreciation applied prior to the date when the amendment to the Corporation Tax Law went into effect. Depreciated amounts are included in depreciation expense. The effect of this change on income for the year ended March 31, 2008 was minimal.

#### **(8) Software**

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

#### **(9) Amortization of Goodwill**

Goodwill is amortized using the straight-line method over a period of five years.

#### **(10) 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.

#### **(11) Leases**

Except for finance lease agreements under which ownership of the leased assets is deemed to be transferred to the lessee, lease fees are charged in the same manner as operating leases.

#### **(12) Income Taxes**

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

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

#### **(13) Allowance for Employees' Retirement Benefits**

In order to provide for employees' retirement benefits, the Company and its subsidiaries account for the liability for retirement benefits based on the estimated amounts of projected benefit obligation and plan assets at the end of the fiscal year.

Actuarial gain or loss is included in the Consolidated Statements of Income from the year following the fiscal year in which the gain or loss is recognized on a straight-line basis over a 10-year period, which is shorter than the average remaining service period of the eligible employees.

#### **(14) Allowance for Directors' and Statutory Auditors' Retirement Benefits**

The Company and certain of its subsidiaries approved resolutions for the final payment of retirement benefits for directors and statutory auditors following the termination of the retirement benefit plan for directors and statutory auditors based on the approval of a resolution at the annual general meeting of shareholders held in June 2006.

As a result, "Allowance for directors' and statutory auditors' retirement benefits" has been included in "Other current liabilities" effective the year ended March 31, 2007.

### **(15) Per Share Information**

Basic net income per share is computed by dividing the net income available for distribution to shareholders of common stock by the weighted-average number of shares of common stock outstanding during each fiscal year. Diluted net income per share is computed by dividing the net income available for distribution to the shareholders by the weighted-average number of shares of common stock outstanding during each fiscal year assuming full conversion of convertible bonds and full execution of warrants.

Diluted net income per share for the year ended March 31, 2008 was ¥236.06 (\$2.36), and the amounts for the year ended March 31, 2007 have not been presented since no potentially dilutive shares of common stock were outstanding as of March 31, 2007.

### **(16) Land Revaluation**

Under "The Law Concerning Revaluation Reserve for Land" promulgated on March 31, 1998, the Company revalued its land held for business use. The tax amount for the difference between the appraisal value and the carrying amount is accounted for as "Deferred tax liabilities on land revaluation" in Liabilities and the net of such tax amount is recorded as "Land revaluation reserve" in Net Assets.

Method of revaluation:

Value of land is determined based on a reasonable adjustment to the assessed value of the fixed assets as stipulated in Item 3, Article 2 of the "Enforcement Ordinance Concerning Land Revaluation" (Ordinance No. 119 enacted on March 31, 1998).

Date of revaluation: March 31, 2002

Market value was less than book value after revaluation by ¥4,099 million at March 31, 2007 and ¥4,075 million (\$40,669 thousand) at March 31, 2008.

### **(17) Derivative Financial Instruments**

In principle, net assets and liabilities arising from derivative financial instruments are measured at fair value, with any changes in unrealized gain or loss credited or charged to income. Hedging transactions are accounted for using deferral hedge accounting, which requires the unrealized gains or losses to be deferred as assets or liabilities until the losses or gains on the underlying hedged items are recognized.

As to interest rate swaps and interest rate caps that meet certain hedging criteria, the Company applies exceptional treatment where the Company does not record these instruments at fair value but charges or credits the net cash flows from these instruments to the interest arising from the hedged borrowings and corporate bonds. For currency swaps and foreign exchange forwards that meet certain hedging criteria, the Company records cash flows from securities and loans denominated in foreign currencies at an amount determined by the swaps and forwards, and no gain or loss is recognized.

### **(18) Accounting Standard for Presentation of Net Assets in the Balance Sheet**

Effective the year ended March 31, 2007, the Company adopted an accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity.

### 3. Securities

The following tables summarize the acquisition cost, book value and market value of securities which the Company held as of March 31, 2007 and 2008:

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

(Millions of yen)						
	Book value	Market value	Difference			
2007						
Securities whose market value exceeds book value:						
Government and municipal bonds, etc.	¥ 5	¥ 5	¥ 0			
Subtotal	5	5	0			
Securities whose market value does not exceed book value:						
Government and municipal bonds, etc.	291	287	(4)			
Subtotal	291	287	(4)			
Total	¥296	¥292	¥(4)			
(Millions of yen)				(Thousands of U.S. dollars)		
	Book value	Market value	Difference	Book value	Market value	Difference
2008						
Securities whose market value exceeds book value:						
Government and municipal bonds, etc.	¥ 35	¥ 36	¥ 1	\$ 351	\$ 356	\$ 5
Subtotal	35	36	1	351	356	5
Securities whose market value does not exceed book value:						
Government and municipal bonds, etc.	271	270	(1)	2,700	2,695	(5)
Subtotal	271	270	(1)	2,700	2,695	(5)
Total	¥306	¥306	¥ 0	\$3,051	\$3,051	\$ 0

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

(Millions of yen)						
	Acquisition cost	Book value	Difference			
2007						
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 1,357	¥ 3,537	¥ 2,180			
Other	35,435	52,533	17,098			
Subtotal	36,792	56,070	19,278			
Securities whose book value does not exceed acquisition cost:						
Stocks	12	8	(4)			
Subtotal	12	8	(4)			
Total	¥36,804	¥56,078	¥19,274			
(Millions of yen)				(Thousands of U.S. dollars)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
2008						
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 1,338	¥ 2,202	¥ 864	\$ 13,356	\$ 21,977	\$ 8,621
Other	19,858	22,944	3,086	198,207	229,004	30,797
Subtotal	21,196	25,146	3,950	211,563	250,981	39,418
Securities whose book value does not exceed acquisition cost:						
Stocks	55	49	(6)	549	492	(57)
Other	22,156	20,274	(1,882)	221,137	202,350	(18,787)
Subtotal	22,211	20,323	(1,888)	221,686	202,842	(18,844)
Total	¥43,407	¥45,469	¥ 2,062	\$433,249	\$453,823	\$20,574

### (3) Sales of Available-for-sale Securities

The table below describes sales of available-for-sale securities for the years ended March 31, 2007 and 2008:

(Millions of yen)						(Thousands of U.S. dollars)		
2007			2008			2008		
Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
¥9,009	¥156	¥—	¥39,332	¥292	¥1	\$392,577	\$2,910	\$5

### (4) Securities Without Market Value

The following table summarizes the book value of securities without market value as of March 31, 2007 and 2008:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Available-for-sale securities:			
Unlisted stocks	¥ 555	¥ 560	\$ 5,590
Preferred investments	4,554	4,714	47,048
Investments in silent partnerships	53,031	61,334	612,180
Investment in limited liability partnership	—	99	987

### (5) Redemption Schedule for Available-for-sale Securities with Maturities and Held-to-maturity Securities

The following tables summarize the redemption schedule for securities classified as available-for-sale securities with maturities and held-to-maturity securities as of March 31, 2007 and 2008:

	(Millions of yen)				(Thousands of U.S. dollars)			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
2007								
Bonds:								
Government and municipal bonds, etc.	¥—	¥290	¥ 5	¥—	\$—	\$2,944	\$100	\$—
Total	¥—	¥290	¥ 5	¥—	\$—	\$2,944	\$100	\$—
2008								
Bonds:								
Government and municipal bonds, etc.	¥—	¥295	¥10	¥—	\$—	\$2,944	\$100	\$—
Total	¥—	¥295	¥10	¥—	\$—	\$2,944	\$100	\$—

#### 4. Short-term and Long-term Debt and Corporate Bonds

Short-term debt as of March 31, 2007 and 2008 mainly consisted of borrowings from banks with a weighted-average interest rate of 1.1%.

Long-term debt and corporate bonds as of March 31, 2007 and 2008 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Unsecured bonds (1.7%), due 2014	¥ —	¥ 10,000	\$ 99,810
Unsecured bonds (2.1%), due 2017	—	10,000	99,810
Secured bonds (3.0%), due 2009	—	300	2,994
Secured	41,070	17,349	173,161
Unsecured	328,815	338,868	3,382,251
Subtotal	369,885	376,517	3,758,026
Less amounts due within one year	(42,765)	(41,685)	(416,055)
	¥327,120	¥334,832	\$3,341,971

Long-term debt consisted mainly of loans from domestic banks and life insurance companies. The weighted-average interest rates were 1.3% and 1.5% at March 31, 2007 and 2008, respectively.

The details of maturities of long-term debt less current portion and corporate bonds subsequent to March 31, 2008 were as follows:

Maturities of long-term debt less current portion and corporate bonds for the years ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2010	¥ 73,287	\$ 731,480
2011	72,229	720,924
2012	61,180	610,636
2013	65,023	648,993
2014 and thereafter	63,113	629,938
	¥334,832	\$3,341,971

#### 5. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2007 and 2008 are summarized as follows:

##### (1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Pledged assets:			
Machinery and equipment	¥31	¥—	\$—
Secured liabilities:			
Short-term debt and current portion of long-term debt	3	—	—
Total	¥ 3	¥—	\$—



## (2) Pledged Assets and Secured Liabilities for Non-recourse Loans

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Pledged assets:			
Inventories (land for sale)	¥51,847	¥ 5,869	\$ 58,578
Land	15,560	15,201	151,718
Construction in progress	575	1,036	10,341
Total	67,982	22,106	220,637
Secured liabilities:			
Short-term debt and current portion of long-term debt	1,015	2,175	21,709
Long-term debt less current portion	40,052	15,174	151,452
Total	¥41,067	¥17,349	\$173,161

Pursuant to Article 128 of the Law Concerning Liquidation of Assets (Law No. 105, 1998), Shinjuku Development, an SPC (special purpose company), has pledged assets as security for ¥300 million in special corporate bonds, with a payment obligation limited to that amount.

## 6. Employees' Retirement Benefits

### (1) Outline of Retirement Benefit Plans

The Company does not have a retirement benefit plan. Among its consolidated subsidiaries, one subsidiary has lump-sum payment and tax-qualified pension plans, which are defined benefit pension plans with a retirement benefit trust. Four subsidiaries have only adopted lump-sum payment plans, and one subsidiary has only a tax-qualified pension plan. Also, one consolidated subsidiary has a lump-sum payment plan (defined benefit type) and a pension plan (defined contribution type). In certain cases, additional retirement benefit payments have been made.

### (2) Details of Retirement Benefit Obligation

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
(1) Projected benefit obligation	¥(21,229)	¥(22,126)	\$(220,840)
(2) Plan assets at fair value	8,783	7,275	72,608
(3) Unfunded retirement benefit obligation (1)+(2)	(12,446)	(14,851)	(148,232)
(4) Unrecognized actuarial gain or loss	1,747	2,707	27,025
(5) Allowance for employees' retirement benefits (3)+(4)	¥(10,699)	¥(12,144)	\$(121,207)

Note: Certain of the consolidated subsidiaries applied a simplified method to calculate their projected benefit obligation.

### (3) Details of Retirement Benefit Expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
(1) Service cost	¥1,270	¥1,305	\$13,022
(2) Interest cost	392	412	4,117
(3) Less: Expected return on plan assets	(192)	(176)	(1,753)
(4) Amortization of actuarial gain or loss	378	390	3,893
(5) Additional retirement benefit payments	54	45	448
(6) Other	99	120	1,197
Retirement benefit expenses	¥2,001	¥2,096	\$20,924

Notes:

1. Retirement benefit expenses of consolidated subsidiaries applying a simplified method are included in "(1) Service cost."

2. "(6) Other" shows the contributions paid to defined contribution pension plans. Certain of the consolidated subsidiaries use a simplified method to calculate their projected benefit obligation.

Assumptions used in accounting for the retirement benefit plans are summarized as follows:

	2007	2008
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%

### 7. Unrealized Transaction

The following unrealized transaction was performed during the year ended March 31, 2008:

Kaihin Makuhari Development Co., Ltd., a consolidated subsidiary of the Company, entrusted a block of rental condominiums developed for sale to a trust bank and assigned its beneficiary rights to Smile Retail Eight, Ltd., an SPC (special purpose company), on March 17, 2008. However, as Nomura Real Estate Development Co., Ltd., also a subsidiary of the Company, has retained equity holdings in silent partnerships (Tokumei Kumiai) in amounts exceeding 5% of the transfer value to Smile Retail Eight, the risks and economic benefits of the assets were consequently not deemed to have been transferred in their entirety to other parties through the SPC. Therefore, the transaction has been accounted for as a financing transaction in accordance with "Practical Principles Concerning Accounting Treatment of Assignor in Liquidation of Real Estate Property Using Special Purpose Companies" (July 31, 2000) for the year ended March 31, 2008.

As a result, the related assets were not accounted for as having been sold and, accordingly, were included in the accompanying Consolidated Balance Sheets at March 31, 2008, while liabilities of ¥8,202 million (\$81,860 thousand) were recorded in "Other current liabilities" in the accompanying Consolidated Balance Sheets at March 31, 2008.

The book value of these assets (inventories) as of March 31, 2008 was ¥5,166 million (\$51,564 thousand).

### 8. Reclassification of Assets

As of March 31, 2008, following a reassessment of the purposes for holding assets, inventories amounting to ¥12,561 million (\$125,381 thousand) were reclassified to property and equipment, and property and equipment amounting to ¥4,026 million (\$40,184 thousand) was reclassified to inventories.

## 9. Income Taxes

The statutory tax rate in Japan was 40.7% for the years ended March 31, 2007 and 2008.

The table below presents an itemized breakdown of factors generating differences between the statutory tax rate and the effective tax rate of the Company and its domestic subsidiaries for the year ended March 31, 2007:

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

	2007
Statutory tax rate	40.7%
Adjustments:	
Permanent differences including entertainment expenses	0.5
Valuation allowance	3.0
Other	0.6
Effective tax rate	44.8%

A reconciliation of the statutory and effective tax rates for the year ended March 31, 2008 has been omitted because the difference between these tax rates was less than 5%.

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2007 and 2008:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Deferred tax assets:			
Unrealized profits	¥11,592	¥13,148	\$131,234
Inventory write-downs	6,787	4,635	46,265
Allowance for employees' retirement benefits	4,336	4,928	49,185
Loss on subleasing business	2,810	2,435	24,303
Accrued bonuses	1,488	1,683	16,804
Trust assets for retirement benefits	703	—	—
Loss on impairment of fixed assets	702	—	—
Excess of depreciation	—	790	7,884
Accrued enterprise taxes	1,287	1,184	11,814
Other	3,469	3,536	35,290
Gross deferred tax assets	33,174	32,339	322,779
Valuation allowance	(3,540)	(3,409)	(34,023)
Total deferred tax assets	29,634	28,930	288,756
Deferred tax liabilities:			
Reserve for deferred income taxes	(8,641)	(8,516)	(84,997)
Net unrealized gain on securities	(7,844)	(835)	(8,333)
Gain on contribution of securities to retirement benefit trust	(662)	(437)	(4,359)
Other	(399)	(436)	(4,359)
Total deferred tax liabilities	(17,546)	(10,224)	(102,048)
Net deferred tax assets	¥12,088	¥18,706	\$186,708

## 10. Shareholders' Equity

Companies in Japan were previously subject to the Commercial Code of Japan (the "Code"); however, the Code was superseded by the Companies Act of Japan (the "Act") which went into effect on May 1, 2006.

Under 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 additional paid-in capital).

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, 2008 and 2007, the Company's capital reserve amounted to ¥59,976 million (\$598,623 thousand), and no retained earnings reserve was recorded.

## 11. Derivative Financial Instruments

It is a policy of the Company and its consolidated subsidiaries to utilize derivative financial instruments only for the purposes of hedging interest rate risk and currency risk, and not for speculative purposes.

The purpose of interest rate swap and interest rate cap contracts is to hedge the risk of increases in financing costs in the future by fixing interest payments for loans, while the purpose of foreign exchange forward contracts and cross currency swap contracts is to hedge the risk of currency fluctuation in securities denominated in foreign currencies.

Interest rate swap and interest rate cap transactions are subject to the risk of changes in interest rate. Foreign exchange forward and currency swap transactions are subject to the risk of changes in foreign exchange rates. The derivative financial instruments are executed with creditworthy financial institutions, and the Company's management believes there is little risk of default by the counterparties to its derivatives positions.

The derivative transactions are executed and managed by the Company's Finance Department in accordance with the established policies and plans of risk management set forth and approved by the officer in charge of the Finance Department based on the applicable internal regulations. The Finance Department also reports the transaction status to the officer in charge on a regular basis. Regarding the Company's consolidated subsidiaries, the derivative transactions are executed and managed in accordance with the designated procedures based on their respective internal regulations.

Details of derivative financial instruments used by the Company are summarized as follows:

Hedging instruments	Hedged items
Interest rate swap and interest rate cap contracts	Loans
Currency swap and foreign exchange forward contracts	Securities denominated in foreign currencies

Fluctuation in cash flows or total market fluctuation of hedged items is compared with that of the hedging instruments to assess the effectiveness of the hedges based on the ratio of the fluctuation.

## 12. Leases

Finance lease transactions, other than those which are deemed to transfer ownership of the leased property to the lessee, are accounted for as operating lease transactions.

Details of significant lease transactions are as follows:

A summary of the *pro forma* amounts of acquisition cost, accumulated depreciation, and net book value of leased properties as of March 31, 2007 and 2008 is as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Acquisition cost:			
Buildings and structures	¥ 30	¥ 15	\$ 153
Machinery and equipment	2,196	1,957	19,529
Other	293	264	2,640
Accumulated depreciation	(1,320)	(1,112)	(11,099)
Net book value	¥ 1,199	¥1,124	\$11,223

Note:

1. The above acquisition cost includes the imputed interest expense portion, since the year-end balances of the future rental expense accounts were only a small percentage of the year-end balances of property and equipment.
2. *Pro forma* depreciation equivalents were computed using the straight-line method over the respective lease periods assuming a nil residual value or a residual indemnity.

The table below presents the future lease payments under finance leases subsequent to March 31, 2007 and 2008:

	(Millions of yen)		(Thousands of U.S. dollars)
Finance leases	2007	2008	2008
Future lease payments:			
Due within 1 year	¥ 396	¥ 421	\$ 4,204
Due over 1 year	803	703	7,019
Total	¥1,199	¥1,124	\$11,223

The table below presents the future lease payments under operating leases subsequent to March 31, 2007 and 2008:

	(Millions of yen)		(Thousands of U.S. dollars)
Operating leases	2007	2008	2008
Future lease payments:			
Due within 1 year	¥ 7,882	¥ 7,937	\$ 79,219
Due over 1 year	46,288	41,223	411,447
Total	¥54,170	¥49,160	\$490,666
Future lease receipts:			
Due within 1 year	¥ 5,911	¥ 5,171	\$ 51,610
Due over 1 year	30,881	19,859	198,218
Total	¥36,792	¥25,030	\$249,828

Note: Future lease receipts are calculated before deducting interest charges, because the book value equivalent of future lease receipts accounts for only a small percentage of property and equipment.

### 13. Segment Information

The Company and its consolidated subsidiaries mainly operate in five business segments: (1) Residential Development, (2) Building, (3) Investment Management & Development, (4) Property Brokerage & Consignment Sales, and (5) Other.

Results by segment for the years ended March 31, 2007 and 2008 were as follows:

#### Results by segment for the fiscal year ended March 31, 2007

	(Millions of yen)							
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Revenues from operations and operating income								
Revenues from operations:								
External customers	¥205,365	¥ 46,912	¥ 65,653	¥34,486	¥14,821	¥367,237	¥ –	¥367,237
Inter-segment	585	4,430	214	2,002	341	7,572	(7,572)	–
Subtotal	205,950	51,342	65,867	36,488	15,162	374,809	(7,572)	367,237
Operating expenses	182,323	42,970	47,254	28,099	13,950	314,596	(1,733)	312,863
Operating income	¥ 23,627	¥ 8,372	¥ 18,613	¥ 8,389	¥ 1,212	¥ 60,213	¥ (5,839)	¥ 54,374
Total assets, depreciation, and capital expenditure								
Total assets	¥257,184	¥180,587	¥275,202	¥72,531	¥24,004	¥809,508	¥ 26,795	¥836,303
Depreciation	213	3,232	115	98	674	4,332	214	4,546
Capital expenditure	336	11,988	24,549	218	1,039	38,130	(10,019)	28,111

#### Results by segment for the fiscal year ended March 31, 2008

	(Millions of yen)							
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Revenues from operations and operating income								
Revenues from operations:								
External customers	¥238,289	¥ 51,886	¥ 78,246	¥27,163	¥15,909	¥411,493	¥ –	¥411,493
Inter-segment	513	5,003	2,309	3,020	928	11,773	(11,773)	–
Subtotal	238,802	56,889	80,555	30,183	16,837	423,266	(11,773)	411,493
Operating expenses	212,735	47,475	45,777	23,791	15,323	345,101	(3,430)	341,671
Operating income	¥ 26,067	¥ 9,414	¥ 34,778	¥ 6,392	¥ 1,514	¥ 78,165	¥ (8,343)	¥ 69,822
Total assets, depreciation, and capital expenditure								
Total assets	¥259,781	¥203,563	¥322,937	¥72,736	¥26,819	¥885,836	¥ 5,864	¥891,700
Depreciation	217	3,559	50	122	740	4,688	204	4,892
Capital expenditure	304	28,084	2,776	239	1,459	32,862	(14,977)	17,885

(Thousands of U.S. dollars)

	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Revenues from operations and operating income								
Revenues from operations:								
External customers	\$2,378,375	\$ 517,880	\$ 780,975	\$271,113	\$158,788	\$4,107,131	\$ –	\$4,107,131
Inter-segment	5,121	49,935	23,053	30,141	9,260	117,510	(117,510)	–
Subtotal	2,383,496	567,815	804,028	301,254	168,048	4,224,641	(117,510)	4,107,131
Operating expenses	2,123,321	473,853	456,905	237,461	152,935	3,444,475	(34,238)	3,410,237
Operating income	\$ 260,175	\$ 93,962	\$ 347,123	\$ 63,793	\$ 15,113	\$ 780,166	\$ (83,272)	\$ 696,894
Total assets, depreciation, and capital expenditure								
Total assets	\$2,592,886	\$2,031,771	\$3,223,247	\$725,975	\$267,684	\$8,841,563	\$ 58,528	\$8,900,091
Depreciation	2,172	35,522	496	1,218	7,386	46,794	2,035	48,829
Capital expenditure	3,038	280,308	27,707	2,381	14,564	327,998	(149,487)	178,511

## Notes:

- Business segments are determined according to the business activities of each company in the consolidated group.
- Principal products and services within each segment
  - Residential Development Business  
Sale of condominiums, detached housing and residential lots, overall management of condominiums
  - Building Business  
Leasing and overall management of office buildings, district heating and cooling services
  - Investment Management & Development Business  
Development and sale of profit-generating property management of and investment in real estate funds
  - Property Brokerage & Consignment Sales Business  
Real estate brokerage and consulting services, sales representation of condominiums and detached housing, insurance brokerage
  - Other Business  
Fitness club management and construction of custom-made housing
- Operating expenses for the fiscal years ended March 31, 2007 and 2008 consisted of ¥5,607 million and ¥6,200 million (\$61,884 thousand), respectively, of unallocatable operating expenses which were included in "Eliminations or corporate." The principal items were expenses related to general administration of the Company and its consolidated subsidiary, Nomura Real Estate Development Co., Ltd.
- Total assets at March 31, 2007 and 2008 consisted of ¥55,188 million and ¥40,987 million (\$409,090 thousand), respectively, of assets not allocated to a segment which were included in "Eliminations or corporate." The principal items were surplus funds (cash and bank deposits), long-term investment funds (investment securities), deferred tax assets, and assets related to general administration of the Company and its consolidated subsidiary, Nomura Real Estate Development Co., Ltd.
- Change in accounting policy (for the fiscal year ended March 31, 2007)
  - Accounting standard for measurement of inventories  
As described in Note 2(5), the Company adopted "Accounting Standard for Measurement of Inventories" (Statement No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006) effective the year ended March 31, 2007. As a result, total assets in the "Other" business segment decreased by ¥869 million from the amount which would have been recorded under the previous method.
- Change in business segmentation  
Until the year ended March 31, 2007, the Group's profit-generating property development business, handled by the corporate brokerage division of Nomura Real Estate Development Co., Ltd. (a consolidated subsidiary), was included in the Property Brokerage & Consignment Sales Business segment. Effective the fiscal year ended March 31, 2008, however, part of that business has been transferred to the Investment Management & Development Business segment. The expanding profit-generating property development business serves as a valuable source of brokerage information for Nomura Real Estate Development Co., Ltd. which has established a dedicated department to handle and promote that business. The change in segmentation was made to better reflect the actual status of the income-producing real estate development business.



Segment information for the fiscal year ended March 31, 2007 under the revised segmentation is presented below:

	(Millions of yen)							
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Revenues from operations and operating income								
Revenues from operations:								
External customers	¥205,365	¥ 46,912	¥ 69,156	¥30,983	¥14,821	¥367,237	¥ –	¥367,237
Inter-segment	585	4,430	214	2,002	341	7,572	(7,572)	–
Subtotal	205,950	51,342	69,370	32,985	15,162	374,809	(7,572)	367,237
Operating expenses	182,323	42,970	49,330	26,023	13,950	314,596	(1,733)	312,863
Operating income	¥ 23,627	¥ 8,372	¥ 20,040	¥ 6,962	¥ 1,212	¥ 60,213	¥ (5,839)	¥ 54,374
Total assets, depreciation, and capital expenditure								
Total assets	¥257,184	¥180,588	¥297,632	¥50,100	¥24,004	¥809,508	¥ 26,795	¥836,303
Depreciation	213	3,232	115	98	674	4,332	214	4,546
Capital expenditure	336	11,988	24,549	218	1,039	38,130	(10,019)	28,111

#### 14. Contingent Liabilities

Contingent liabilities as of March 31, 2007 and 2008 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2007	2008	2008
Guarantees for home loans of house purchasers from banks and other	¥44,411	¥49,925	\$498,304
Guarantees for loans to business partners in the business of commercial buildings for rent	1,188	1,134	11,315
Guarantees for borrowings by affiliates	–	298	2,974
	¥45,599	¥51,357	\$512,593

#### 15. Subsequent Event

##### Payment of Dividends

At the 4th annual general meeting of shareholders held on June 27, 2008, a resolution for the payment of dividends of ¥15.00 (\$0.15) per share, ¥2,240 million (\$22,356 thousand) in total, to shareholders of record as of March 31, 2008 was approved.

## 16. Stock Options

In accordance with the Corporation Law of Japan, on November 30, 2007, the Company granted certain stock options to certain officers and employees of the Company and its consolidated subsidiaries.

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

	Nomura Real Estate Holdings, Inc. 1st issue of stock options	Nomura Real Estate Holdings, Inc. 2nd issue of stock options	Nomura Real Estate Holdings, Inc. 3rd issue of stock options
1. Description			
Recipients	Directors of the Company (5 persons)	Directors of the Company's subsidiaries (43 persons)	Directors of the Company (5 persons) Directors of the Company's subsidiaries (45 persons) Employees of the Company's subsidiaries (116 persons)
Type/number of shares reserved (see Note)	Common stock: 14,800 shares	Common stock: 52,300 shares	Common stock: 180,400 shares
Grant date	November 30, 2007	November 30, 2007	November 30, 2007
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	November 30, 2008 – November 29, 2013	November 30, 2008 – November 29, 2013	November 30, 2009 – November 29, 2014
2. Scale of offer and status of changes			
(1) Number of stock options			
Non-vested:(shares)			
Previous fiscal year end	–	–	–
Granted	14,800	52,300	180,400
Forfeited	–	–	–
Vested:	14,800	52,300	1,200
End of the year	–	–	179,200
Vested:(shares)			
Previous fiscal year end	–	–	–
Vested:	14,800	52,300	1,200
Exercised	–	–	–
Forfeited	–	–	–
End of the year	14,800	52,300	1,200
(2) Unit price data			
Exercise price (¥)	1	1	3,380
Average price upon exercise (¥)	–	–	–
Fair value on grant date (¥)	2,903	2,903	714

Note: With respect to stock options outstanding at March 31, 2008, the number of stock options is calculated based on the number of shares of common stock which would be required to be issued if all such stock options were to be exercised.



■ Certified Public Accountants

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## Report of Independent Auditors

The Board of Directors

Nomura Real Estate Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Real Estate Holdings, Inc. and consolidated subsidiaries as of March 31, 2007 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Real Estate Holdings, Inc. and consolidated subsidiaries at March 31, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young Shinnihon*

June 27, 2008

## History of Nomura Real Estate Group

**April 1957**

Nomura Real Estate Development Co., Ltd. established in Chuo-ku, Tokyo

**May 1961**

Started purchasing residential land in Kajiwarayama, Kamakura, and entered housing development business as a developer



**October 1963**

Launched condominium development business with the construction of Co-op Take-no-Maru in Yokohama

**May 1978**

Headquarters moved to Shinjuku Nomura Building



**March 1988**

Started construction of Yokohama Business Park (YBP), the largest business development solely in the private sector



**November 1989**

Launched the fitness club business with the opening of the Tsurukawa Midoriyama Club

**March 1994**

Started selling A-City Hills and Towers at Seifu-Shinto residential and commercial area, in Hiroshima Seibu Kyuryo City, Hiroshima

**April 2000**

Launched property information website *nomu.com*®

**nomu.com**

**April 2001**

Nomura Real Estate Development Co., Ltd. established in-house company system (three companies for residential services, corporate services and investment management)

**December 2002**

Unified brand named PROUD established for residential products and service

**PROUD**

**December 2003**

Nomura Real Estate Office Fund, Inc. listed on the Tokyo Stock Exchange



**June 2004**

Nomura Real Estate Holdings, Inc. established in Shinjuku-ku, Tokyo

**October 2004**

Nomura Real Estate Holdings, Inc. started business activities as a holding company upon assignment of the entirety of outstanding shares of Nomura Real Estate Development Co., Ltd. from Nomura Land and Building Co., Ltd. as an in-kind contribution

**December 2004**

Holding company system established by implementing a Group reorganization through corporate separations

**October 2006**

Nomura Real Estate Holdings, Inc. listed on First Section of the Tokyo Stock Exchange



**February 2007**

Nomura Real Estate Residential Fund, Inc. listed on the Tokyo Stock Exchange



**April 2007**

50th anniversary of foundation of the Group

**50th**  
おかげさまで50年

**NOMURA**  
Residential Fund

**July 2007**

Geo-Akamatsu Co., Ltd. became a Group member



**November 2007**

Megalos Co., Ltd. listed on the Nasdaq Securities Exchange



## A Group Framework Linking New Value With “Bringing Tomorrow

In 2004 the Nomura Real Estate Group established a holding company system, the first comprehensive real estate company in the industry to do so. Nomura Real Estate Holdings, Inc., the holding company, provides strategic management for the entire Group and enhances the growth and brand power of the entire Group by rigorously developing customer-oriented businesses. The Group companies are working to make the leap to further growth as a powerful corporate group by



**Nomura Real Estate Development Co., Ltd.**  
<http://www.nomura-re.co.jp/english/>



Nomura Real Estate Development is active in three distinct business fields. These are: the residential development business, which operates condominium and detached housing development and sales under the PROUD brand; the corporate real estate business, which offers real property development and brokerage services for corporate clients; and the investment management business which conducts high-profit investment management services.



**Nomura Living Support Co., Ltd.**  
<http://www.nomura-ls.co.jp/> (Only in Japanese)



Nomura Living Support responds to a broad range of customer needs from managing condominiums to renovation, interior coordination and consultation. This company is also responsible for the management and maintenance aspects of the Nomura Real Estate Group's development, sales and management operations for the residential development business.



**Nomura Real Estate Urban Net Co., Ltd.**  
<http://www.nomura-un.co.jp/company/english/>



Nomura Real Estate Urban Net aims to be the No.1 brand for services and consulting such as residential property brokerage for helping customers in changing their place of residence; corporate brokerage for corporate clients; a condominium and detached housing sales agency; and profit-generating property development.



**Nomura Real Estate Investment Management Co., Ltd.**  
<http://www.nreim.co.jp/english/>



Nomura Real Estate Investment Management sets up and manages private funds with a wide range of risk-return arrangements. These funds precisely meet the varying needs of investors regarding real estate investment, with investment goals including commercial facilities and logistics facilities.



**Nomura Building Management Co., Ltd.**  
<http://www.nomura-bm.co.jp/> (Only in Japanese)



Nomura Building Management offers building management, including facility maintenance, and efficient property management as well as the renewal of building interiors. The company also provides expertise regarding all aspects of management related to buildings.



**Nomura Real Estate Asset Management Co., Ltd.**  
<http://www.nre-am.co.jp/english/>



In line with its basic policy of pursuing stable mid- and long-term asset management, Nomura Real Estate Asset Management manages two listed REITs: Nomura Real Estate Office Fund, which invests in office buildings, and Nomura Real Estate Residential Fund, which invests in residential facilities.

## Today”

creatively combining the competitive capabilities of each Group company with the comprehensive power of the entire Group. By making full use of their business characteristics in their respective fields, each company provides products and services that meet market needs. As a result, the companies are raising the corporate value of the entire Group and providing new value to all shareholders, other stakeholders and society at large.

- Residential Development Business
- Building Business
- Investment Management & Development Business

- Property Brokerage & Consignment Sales Business
- Other Business



### Nomura Real Estate Capital Management Co., Ltd.

<http://www.nrecm.com/> (Only in Japanese)

Nomura Real Estate Capital Management specializes in managing securitized real estate funds varying from fund-of-funds to Commercial Mortgage-Backed Securities (CMBS). It is also entrusted with the investments of pension funds and other institutional investors.



### Geo-Akamatsu Co., Ltd.

<http://www.geo-akamatsu.co.jp/foreign/english.html>

Geo-Akamatsu provides a full range of property consulting and other services that make the most of 40 years of experience and accumulated expertise. These services include surveys concerning commercial facilities, project planning, tenant leasing, commercial space design and property management.



### Megalos Co., Ltd.

<http://www.megalos.jp/> (Only in Japanese)

With its business philosophy slogan of “transforming customer satisfaction into happiness,” Megalos plans, develops and manages fitness facilities with top-level service and equipment, housed in the best facilities in the region.



### PRIME X Co., Ltd.

<http://www.prime-x.co.jp/> (Only in Japanese)

Based on its expertise accumulated in the course of real estate activities, Prime X develops Internet advertising businesses that specialize in the real estate and residential business fields. Prime X offers proposals that maximize customer benefits, ranging from the creation of corporate websites and project homepages to building up and managing membership organizations, and conducting sales promotions for projects.

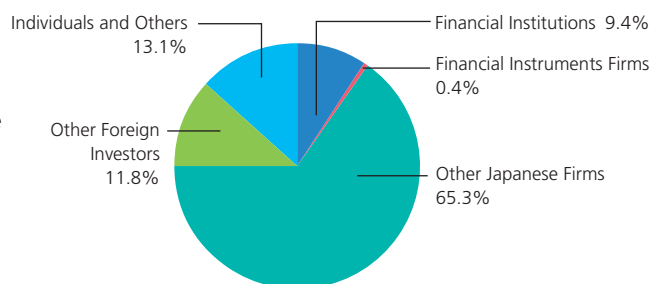


### Yokohama Business Park Heating and Cooling Supply Co., Ltd.

Responsible for the supply of heating and cooling services to Yokohama Business Park, a large-scale business district, through its local heating and cooling system. Using a ‘best mix’ system based on both gas and electricity, the company uses energy efficiently to help keep costs down and reduce environmental effects.

**Common Stock:** ¥82,646 million  
**Number of Authorized Shares:** 450,000,000  
**Number of Shares Issued:** 149,325,000  
**Market Listing:** First Section of  
Tokyo Stock Exchange  
**Minimum Trading Unit:** 100 shares  
**Number of Shareholders:** 47,397

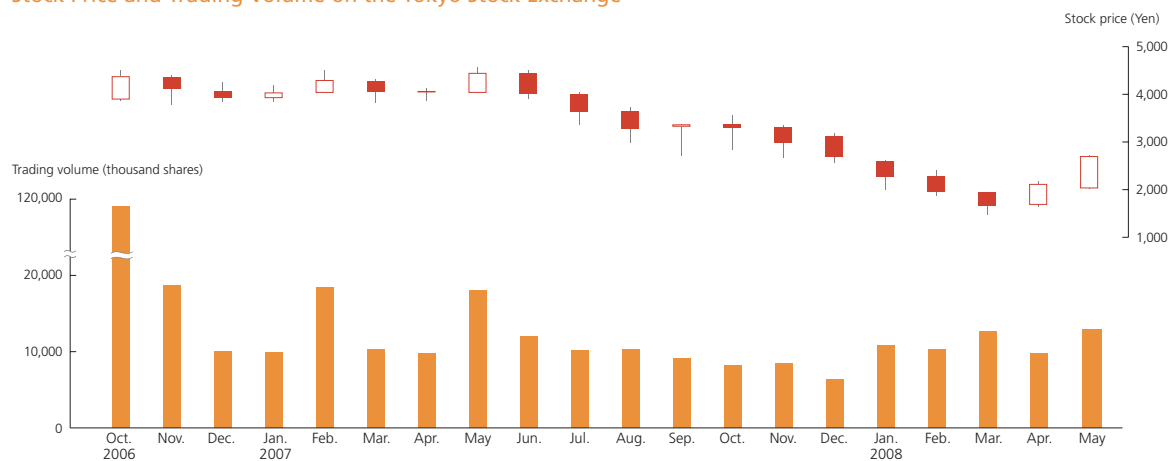
**Composition by Number of Shareholdings (%):**



**Ten Largest Shareholders:**

Name of Shareholder	No. of shares	Shareholding (%)
Nomura Land and Building Co., Ltd.	96,817,500	64.83
The Master Trust Bank of Japan, Ltd. (Trust account)	2,680,200	1.79
Japan Trustee Services Bank, Ltd. (Trust account)	2,524,700	1.69
Nomura Real Estate Holdings Employee Shareholding Association	2,191,282	1.46
The Bank of NY Treaty JASDEC Account	1,758,900	1.17
Japan Trustee Services Bank, Ltd. (Trust account 4)	1,439,200	0.96
Masa Japanese Equity	787,700	0.52
BNP Paribas Securities (Japan) Limited	714,865	0.47
Mitsui Asset Trust and Banking Company, Limited (Nominee account no. 1)	701,600	0.46
NIPPON VEST	700,000	0.46

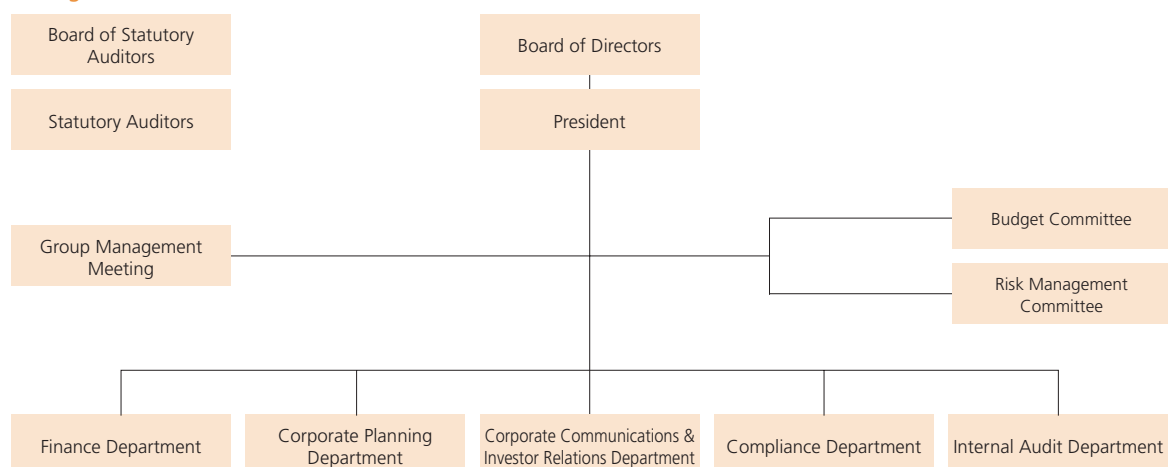
**Stock Price and Trading Volume on the Tokyo Stock Exchange**





**Corporate Name:** Nomura Real Estate Holdings, Inc.  
**Representative:** Hirohisa Suzuki  
**Head Office:** Shinjuku Nomura Building, 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0566, Japan  
**Date of Establishment:** June 1, 2004  
**Number of Employees:** 4,347 (on a consolidated basis)  
**Fiscal Year:** From April 1 to March 31  
**General Meeting of Shareholders:** June

**Management Structure:**



**Website of Nomura Real Estate Holdings:**



**Top Page**

<http://www.nomura-re-hd.co.jp/english/index.html>

Visit our website to learn about features of the Nomura Real Estate Group and strengths of each business.



**To Our Shareholders and Investors**

[http://www.nomura-re-hd.co.jp/english/ir\\_01.html](http://www.nomura-re-hd.co.jp/english/ir_01.html)

Visit this webpage for links to information for shareholders and investors.



**IR Library**

Visit this webpage to view various informative materials, including the prospectus, securities report and other legal documents, and the annual report and messages to shareholders.

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**Nomura Real Estate Holdings, Inc.**

Shinjuku Nomura Building, 1-26-2

Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0566, Japan

URL: <http://www.nomura-re-hd.co.jp/>