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# Evolving...Faster

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**Annual Report 2009** Year ended March 31, 2009

Bringing Tomorrow Today — NOMURA REAL ESTATE GROUP

 NOMURA REAL ESTATE HOLDINGS

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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.

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# Hard Times will Quicken Our Evolution

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In fiscal 2008, the effects of the credit crunch that was triggered by the international financial uncertainty spread to the real economy through falling share prices, stagnant consumption, decreased production output, and a deteriorating employment picture, causing major changes in the global economic environment. The Nomura Real Estate Group has a track record of more than 50 years in the real estate business. When we have been faced with major changes in the market environment, time and time again we have overcome hard times and we have continued to grow by evolving. When the business environment is changing dramatically, the Nomura Real Estate Group demonstrates its capability to adapt to changes in the market and grows even more quickly.

# Consolidated Financial Highlights

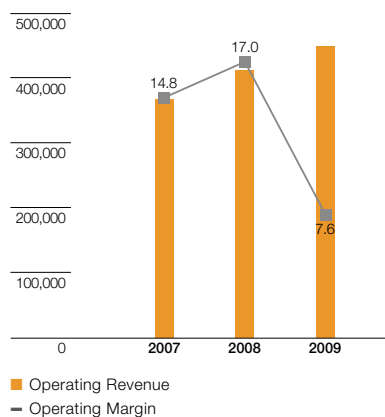
Nomura Real Estate Holdings, Inc. and its subsidiaries  
Years ended March 31

	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
	2007	2008	2009	2009
<b>Operating Results:</b>				
Operating revenue	¥367,237	¥411,493	¥ 448,656	\$ 4,567,401
Gross profit	108,668	130,391	100,764	1,025,795
Operating income	54,374	69,822	34,013	346,256
Net income	26,297	35,255	13,770	140,186
Cash flows from operating activities	(89,850)	7,639	(108,031)	(1,099,773)
Cash flows from investing activities	(26,787)	(13,348)	(141,789)	(1,443,439)
Cash flows from financing activities	100,863	8,791	295,508	3,008,323
<b>Per Share Data (yen / dollars):</b>				
Net income	¥ 200.47	¥ 236.09	¥ 92.21	\$ 0.94
Cash dividends	20.00	30.00	40.00	0.41
<b>Balance Sheet Data (as of March 31):</b>				
Total assets	¥836,303	¥891,700	¥1,385,532	\$14,104,977
Total net assets	214,466	235,551	281,376	2,864,458
Interest-bearing debt	394,885	408,016	778,074	7,920,932
<b>Ratios:</b>				
Return on assets (Note 2)	6.6%	7.9%	2.5%	
Return on equity	19.2%	15.8%	5.9%	
Operating margin	14.8%	17.0%	7.6%	
Dividend payout ratio	10.0%	12.7%	43.4%	
Equity ratio	25.5%	26.1%	17.0%	

- 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, 2009, which was ¥98.23 = U.S.\$1.00.
  - Return on assets = (Operating income + Non-operating income) / Total assets at end of fiscal year.

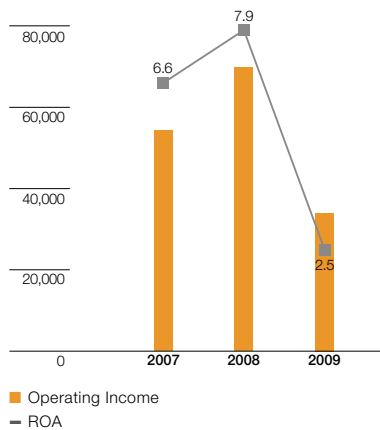
## Operating Revenue and Operating Margin

(Millions of yen / %)



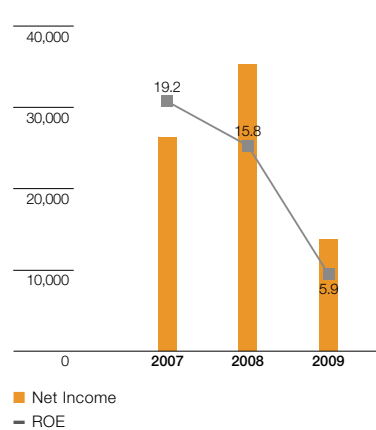
## Operating Income and ROA

(Millions of yen / %)



## Net Income and ROE

(Millions of yen / %)



# Segment Information

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

(Thousands of  
U.S. dollars)  
(Note 1)

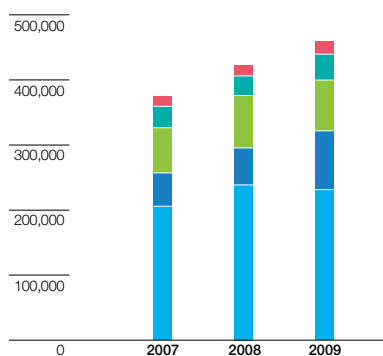
	2007	2008	(Millions of yen) 2009	(Note 1) 2009
<b>Operating Revenue</b>				
Residential Development Business	¥205,950	¥238,802	¥231,629	\$2,358,025
Building Business	51,342	56,889	90,400	920,290
Investment Management & Development Business (Note 2)	69,370	80,555	78,078	794,847
Property Brokerage & Consignment Sales Business (Note 2)	32,985	30,183	39,764	404,807
Other Business	15,162	16,837	19,836	201,937
Eliminations or corporate	(7,572)	(11,773)	(11,051)	(112,505)
<b>Operating Income</b>				
Residential Development Business	¥ 23,627	¥ 26,067	¥ 11,787	\$ 119,989
Building Business	8,372	9,414	15,769	160,535
Investment Management & Development Business (Note 2)	20,040	34,778	10,117	102,993
Property Brokerage & Consignment Sales Business (Note 2)	6,962	6,392	1,554	15,822
Other Business	1,212	1,514	1,101	11,204
Eliminations or corporate	(5,839)	(8,343)	(6,315)	(64,287)
<b>Return on Assets of Each Segment (Note 3)</b>				
Residential Development Business	9.2%	10.0%	3.7%	
Building Business	4.6%	4.6%	2.9%	
Investment Management & Development Business (Note 2)	6.7%	10.8%	2.8%	
Property Brokerage & Consignment Sales Business (Note 2)	13.9%	8.8%	2.7%	
Other Business	5.0%	5.6%	3.9%	
<b>Inventories</b>				
Residential Development Business	¥229,863	¥222,761	¥287,410	\$2,925,886
Building Business	10,165	11,342	3,215	32,731
Investment Management & Development Business (Note 2)	155,035	171,819	138,364	1,408,577
Property Brokerage & Consignment Sales Business (Note 2)	26,506	42,508	46,371	472,063
Other Business	6,335	6,318	6,132	62,430
Eliminations or corporate	(130)	(128)	(3)	(35)

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, 2009, of ¥98.23 = US\$1.00.
- 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.
- ROA of each segment = Segment operating income / Segment assets at end of fiscal year

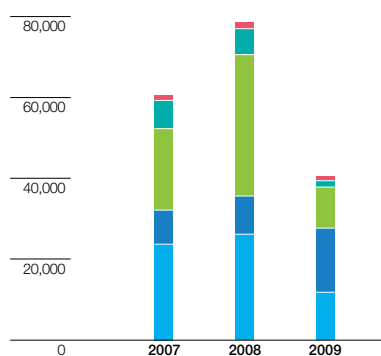
## Operating Revenue\*

(Millions of yen)



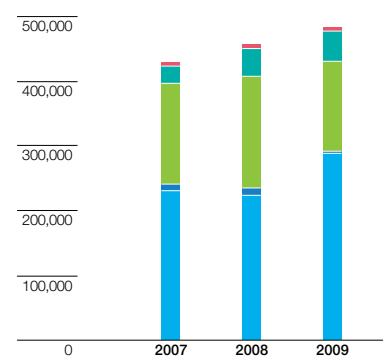
## Operating Income\*

(Millions of yen)



## Inventories\*

(Millions of yen)



- Residential Development Business
- Building Business
- Investment Management & Development Business (Note 2)
- Property Brokerage & Consignment Sales Business (Note 2)
- Other Business

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

# Driving Evolution Using Our Strengths

## Changes in the Business Environment

Fiscal 2008 was an extremely tough year. The effects of the credit crunch that was triggered by the international financial uncertainty spread to the real economy through falling share prices, decreased production output, and a deteriorating employment picture, aggravating the economic downturn. In the real estate industry, the number of new built condominiums in the Tokyo metropolitan area, which had hovered at roughly 80,000 units from 1999 until 2006, declined to 43,733 units in 2008. Furthermore, the number of completed condominium inventory units remained at a high level because buyers were discouraged by stagnant incomes and uncertainty about the future. The real estate investment market has become increasingly chaotic. J-REIT investment unit prices have fallen sharply as investors have lost their appetite and as financial institutions have adopted stricter lending standards.

Furthermore, over the long term, the market is expected to change due to structural problems that are unique to Japan, such as its aging and shrinking population.

## Overview of Fiscal 2008 Results

During this correction phase in the property market, the Nomura Real Estate Group endeavored to strengthen operating companies' capabilities to adapt to changes in the market, but profitability was hurt by the

drastic drop in property prices and the fact that we posted a ¥26,994 million write-down on inventory property within the operating cost.

As a result, consolidated operating revenue was 9.0% higher than the previous year at ¥448,656 million, but consolidated operating income decreased 51.3% from the previous year to ¥34,013 million, and consolidated net income fell 60.9% to ¥13,770 million.

## Formulation of Medium-term Business Plan (2009–2011): Growth & Development

Under our previous Medium-Term Business Plan (2007-2009), the Nomura Real Estate Group followed two basic policies of “establishing a solid earnings base and maintaining profit growth” and “pursuing high investment efficiency and enhancing the soundness of our financial position” in conducting our business activities. During the two years up to fiscal 2008, we steadily increased business earnings. Furthermore, by taking NREG TOSHIBA BUILDING Co., Ltd. under our wing as a consolidated subsidiary we were also able to sharply increase rental income, which is a source of stable income, while also building an alliance with Toshiba Group in the real estate business.

However, in addition to making this new business foundation, the business environment also changed more quickly than expected. Therefore, although we were still in the midst of executing an existing

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medium-term business plan, we decided to draw up a new three-year plan that would start in fiscal 2009. The title of this new plan is Medium-Term Business Plan (2009–2011): Growth & Development.

This new plan has two basic policies: “restructuring revenues balance and reviving profit growth” and “enhancing asset efficiency and financial soundness.” It establishes the quantitative goals of achieving operating income of ¥60 billion and D/E ratio\* of within 2.5 times by the final year of the plan. To achieve these goals, the company will continue to grow its already powerful residential development business and investment management business, further strengthen the expanded leasing business, further evolve our development function, and aggressively expand the Corporate Real Estate (CRE) business as a business strategy.

In June 2009, the company increased capital by a public offering. The objectives of this public offering are to restore our financial soundness, which was temporarily negatively affected by acquiring NREG TOSHIBA BUILDING as a consolidated subsidiary, and also to bolster the land acquisition for the Residential Development Business, which will be a source of earnings in the future. We aim to continue to grow the company by increasing our capital and following the new medium-term business plan.

\* D/E ratio: (bonds + loans) ÷ (net assets – (subscription rights to shares + minority interests))



### To Our Shareholders

The business environment is expected to remain challenging in the future, but the Nomura Real Estate Group will take full advantage of our development function to tackle business issues head-on by growing profits in every business segment, especially in the Residential Development Business and the Investment Management & Development Business as our core businesses. While contributing to society, we will also strive to “be what a company should be” by continuing to generate stable profits.

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

July 2009

Hirohisa Suzuki,  
President

A handwritten signature in black ink that reads "Hirohisa Suzuki". The signature is written in a cursive, flowing style.

## [Feature] Evolving...Faster

From 1999 onwards, the number of condominiums sold in the Tokyo metropolitan area had remained steady at around 80,000 units. However, in 2007 the number of units slipped to 61,021, and in 2008 the number fell by 17,288 units (28.3%) to 43,733 units. Furthermore, the number of properties acquired by real estate funds declined as financial institutions adopted stricter lending standards. This slackened growth in the assets under management of private funds and J-REITs. As a result, the size of the market as of December 31, 2008 was roughly unchanged from six months earlier. In other words, the environment surrounding the Nomura Real Estate Group's Residential Development Business and Investment Management & Development Business has been substantially altered. In this environment, Nomura Real Estate Holdings took NREG TOSHIBA BUILDING under our wing as a consolidated subsidiary in December 2008, strengthening our business portfolio. The foundation of our business has evolved thanks to the addition of NREG TOSHIBA BUILDING to the group, and we aim to leverage this for further growth.

## Evolving...Faster

Acquiring NREG TOSHIBA BUILDING as a consolidated subsidiary has substantially altered our business strategy, balance sheet, and profit structure. By strengthening our business portfolio in these challenging times, we are evolving even faster.

### Market Data of Real Estate Industry

#### Number of Condominium Units Supplied and Condominiums Contracted Rates in Tokyo Metropolitan Area

(Units/%)

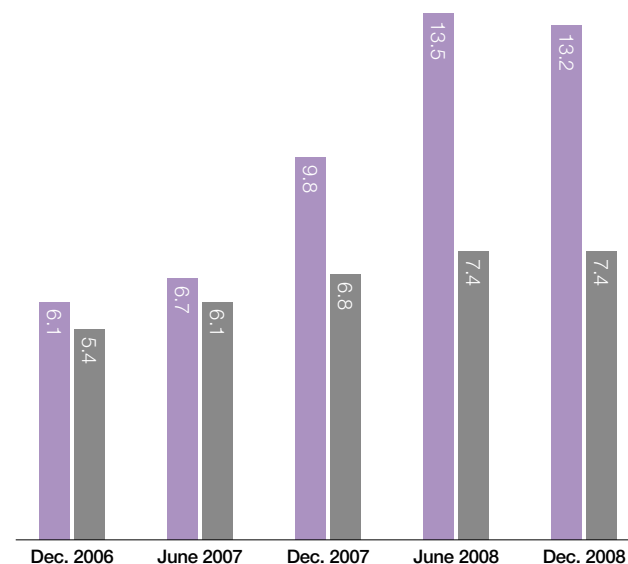


■ Number of condominium units supplied  
— Condominiums contracted rates in Tokyo metropolitan area

Source: Real Estate Economic Institute Co., Ltd.

#### Market Size of Private Funds and J-REITs

(Trillions of yen)



■ Assets under management: Private funds  
■ Assets under management: J-REITs

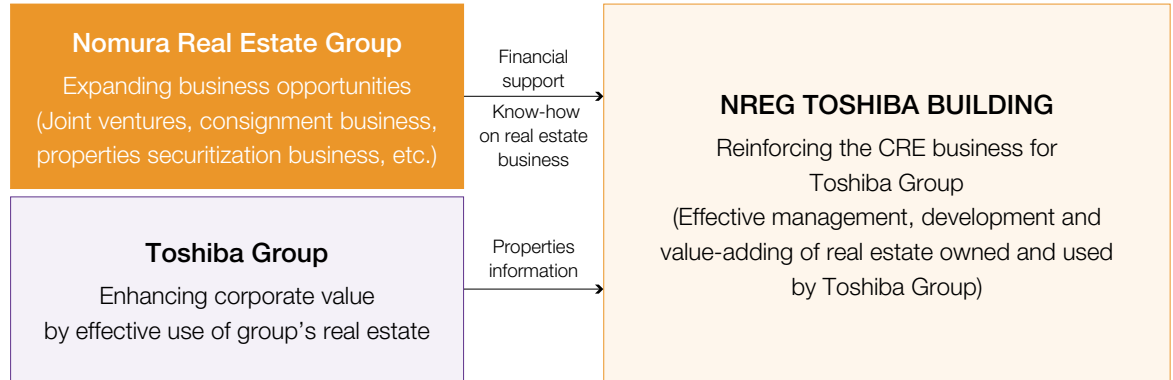
Source: STB Research Institute Co., Ltd.



## Acquiring NREG TOSHIBA BUILDING as a Consolidated Subsidiary

(Purpose)

- Preserving stable earnings source by increasing profitable rental properties
- Full-scale promotion of “Main Advisor on CRE” business which is based on the CRE business for Toshiba Group as a representative case



## Business Strategy Evolution

Capital markets are demanding that companies use the real estate that they own effectively, but the reality is that there are few companies that are actually efficiently using their real estate. Nomura Real Estate Group will take advantage of the alliance with Toshiba Group through our acquisition of NREG TOSHIBA BUILDING as a consolidated subsidiary to promote our “Main Advisor on CRE” business, through which it provides support services for the utilization of corporate-owned real estate (CRE). “The Main Advisor on CRE” business is comprehensively contracted for every sort of real estate activity by corporations that are pursuing a strategy to make better use of their corporate-owned real estate. The Nomura Real Estate Group is supplying human resources, financial support, and know-how on CRE business to NREG TOSHIBA BUILDING so that it can support the CRE strategy of Toshiba Group. This business for Toshiba Group is a representative case of our “Main Advisor on CRE” business, and we believe that it will lead to further expansion of our CRE business.

## Balance Sheet Changes



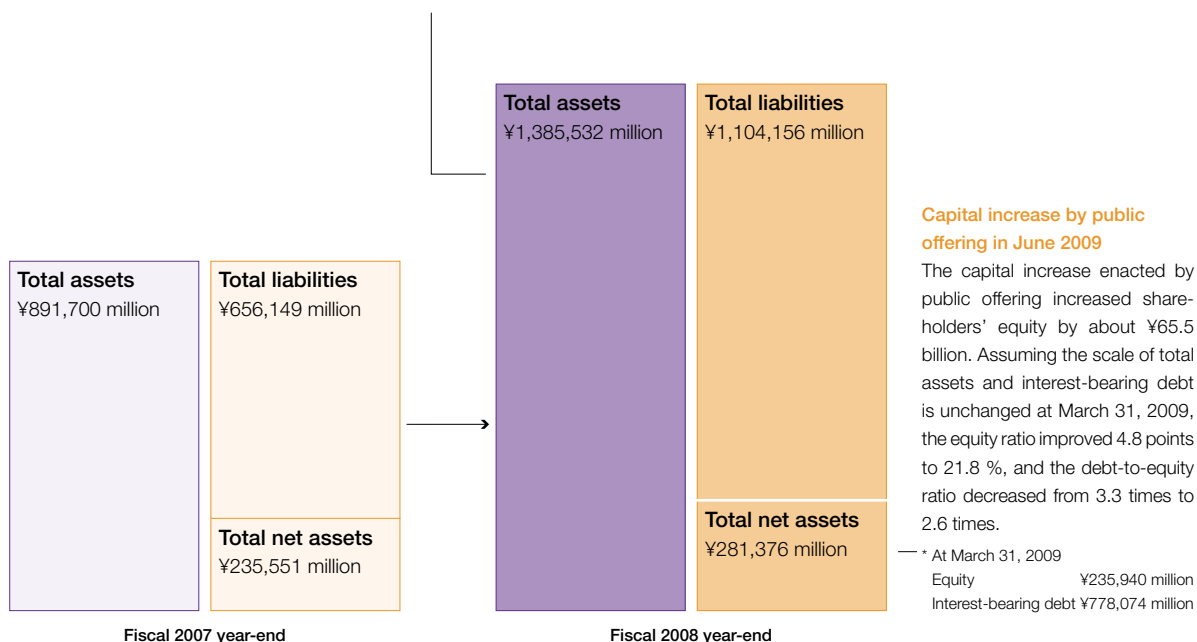
Toshiba Building



Umeda Sky Building

Profitable rental properties\* owned by NREG TOSHIBA BUILDING were added to noncurrent assets.

\* Approximately 150 properties, including the Toshiba Building, Umeda Sky Building and Lazona Kawasaki Plaza.



## Balance Sheet Evolution

NREG TOSHIBA BUILDING became a consolidated subsidiary in December 2008, and this drastically changed the Nomura Real Estate Group's consolidated balance sheet as of the end of fiscal 2008. The roughly 150 properties owned by NREG TOSHIBA BUILDING became consolidated, and this increased property, plant and equipment by ¥380,489 million from a year before and also increased rental income, which is a source of stable income. At the same time, the acquisition of NREG TOSHIBA BUILDING increased interest-bearing debt by ¥370,058 million from a year earlier to ¥778,074 million, and shareholders' equity by ¥3,149 million to ¥235,940 million, causing the D/E ratio to temporarily worsen from 1.8 times a year earlier to 3.3 times. Going forward, we will restore financial soundness by shrinking interest-bearing debt and accumulating period revenues. In June 2009, we conducted a capital increase by public offering with the aim of shoring up our financial foundation.

By acquiring NREG TOSHIBA BUILDING as a consolidated subsidiary the Nomura Real Estate Group has been able to strengthen the Building Business. NREG TOSHIBA BUILDING owns approximately 150 properties in mainly metropolitan areas, including the Toshiba Building (which houses Toshiba's headquarters), Lazona Kawasaki Plaza, and Umeda Sky Building. These properties generate steady rental income. NREG TOSHIBA BUILDING will contribute full-year to consolidated earnings results in the year ending March 2010, and both the sales and operating income from our Building Business are expected to be sharply higher when compared\* with results for the year ended March 2008. Furthermore, EBITDA\*\* is also expected to grow substantially, so it will also help the Group generate stable cash flow. The Group will further reinforce the Residential Development Business which has been a long-standing area of strength for the Group, and the Investment Management & Development Business, while also expanding the Building Business. The Group aims to build an earnings structure that is resilient to market changes, leading to continued profit growth.

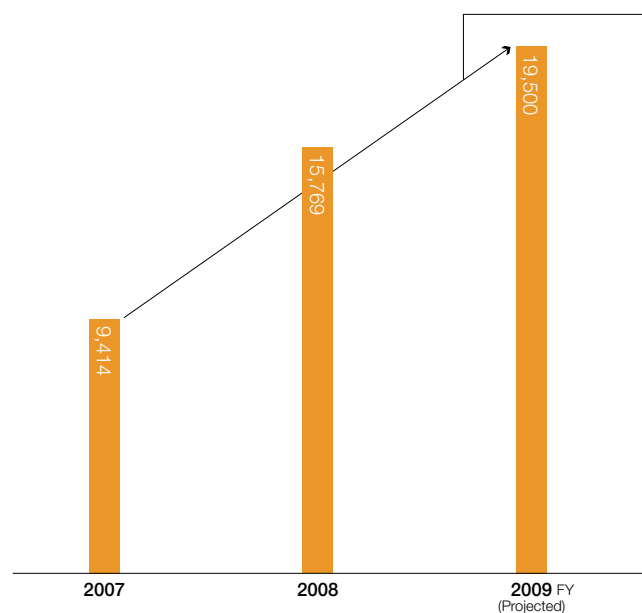
\* In the year ended March 2009, NREG TOSHIBA BUILDING's sales and operating income were included in consolidated results for only the fourth quarter. Additionally, irregular property sales affected the Building Business. Therefore the year ended March 2008 has been used as the base of comparison.

\*\* EBITDA = Earnings before interest, taxes, depreciation, and amortization.

## Profit Structure Evolution

### Operating Income in the Building Business

(Millions of yen)



### Substantial increase of operating income in the Building Business

Rental and other income increased due to the acquisition of NREG TOSHIBA BUILDING. As a result, fiscal 2009 operating income is projected to increase 2.07 times compared with fiscal 2007.

The real estate industry is in the midst of major changes. Annual Report 2009 explains how Nomura Real Estate Holdings will overcome the changes that it is confronting and the scenario for growth in the next stage of the company's development. It also presents an overview of our Medium-Term Business Plan (2009–2011): Growth & Development, while looking at the methods that will be used to realize our vision and achieve our goals.

# Accelerating Evolution, Driving Growth

## Question 1

In Annual Report 2008, you explained that one of Nomura Real Estate Holdings' features is that unlike other companies in the industry, which generate a substantial portion of their operating income from owning and leasing buildings, Nomura Real Estate Holdings has a business portfolio consisting of the Residential Development Business and the Investment Management & Development Business as two core businesses. How should we look at the acquisition of NREG TOSHIBA BUILDING as a consolidated subsidiary in fiscal 2008?

By taking in NREG TOSHIBA BUILDING as a consolidated subsidiary, we have been able to increase the amount of profitable rental properties and bolster the earnings-generating capabilities of the Building Business.

Nevertheless, our strength lies in our development function, so we will continue to grow in the future by seeking to build a balanced business portfolio that takes full advantage of these capabilities in our core Residential Development Business and Investment Management & Development Business, alongside the Building Business that has been strengthened by having NREG TOSHIBA BUILDING become part of the Nomura Real Estate Group.

Furthermore, the alliance with Toshiba Group in real estate business will be used as the representative case of our "Main Advisor on CRE" business. The Nomura Real Estate Group will make an all-out effort in this area as a new approach, to closely seek the real problems that companies are having with real estate and the ways to resolve these problems. Going forward, we would like to expand this as a good model for using our expertise to help Japan's leading companies.



## Question 2

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**You have drawn up the new Medium-Term Business Plan (2009–2011): Growth & Development. Can you give us some of the background behind the formulation of this new plan?**

Under the previous Medium-Term Business Plan (2007–2009), we were able to steadily increase business earnings while also expanding rental income and building a pipeline with Toshiba Group by taking NREG TOSHIBA BUILDING under our wing as a consolidated subsidiary. In doing so, we were able to build a foundation for our next leap ahead. Not only did we need to draw up a business strategy based on this new business foundation, but the business environment had also undergone unforeseen changes since the previous medium-term business plan was drawn up two years earlier. Therefore, we decided to formulate a new medium-term business plan.



### Question 3

#### Can you tell us about the goals of the Medium-Term Business Plan (2009–2011): Growth & Development?

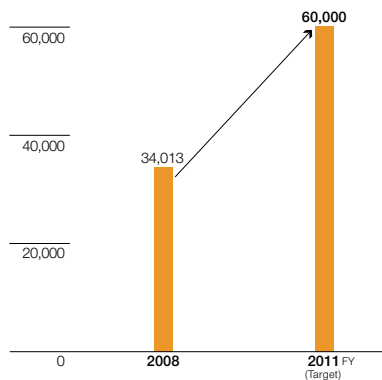
The Medium-Term Business Plan (2009–2011): Growth & Development spells out two basic policies: “restructuring revenues balance and reviving profit growth” and “enhancing asset efficiency and financial soundness.”

This means that we will strive for continuous profit growth by further strengthening the residential development business and the investment management business, along with the leasing business which was expanded, we will improve business speed and boost asset efficiency by reallocating business resources, and we will seek to accumulate period revenues and enhance shareholders’ equity.

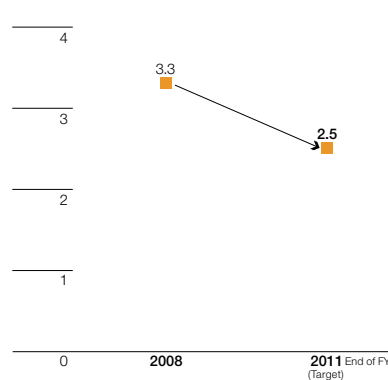
In terms of quantitative targets, our aim is to increase operating income by roughly 76% over three years to ¥60 billion and to improve our D/E ratio to 2.5 times or better.

#### Quantitative Targets

**Operating Income**  
(Millions of yen)



**D/E Ratio\***  
(Times)



Fiscal 2008 results comparison..... Operating income up approx. 76%

Fiscal 2008 results..... Operating income ¥34.0 billion

\* D/E ratio = (bonds + loans) ÷ (net assets – (subscription rights to shares + minority interests))

## Question 4

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### What sorts of business strategies will you use to achieve these objectives?

We will pursue five strategies that are based on the advantages of the Nomura Real Estate Group.

First, we will **strengthen the residential development business' growth model**. Now that the worsened economic climate has helped to weed out condominium developers, there are new opportunities to acquire prime properties. Therefore we will beef up our efforts to buy new lands and thereby maintain business turnover. We also aim to take advantage of our "Development, Sales and Management" business model in which we handle everything from development to marketing and management to win even further trust for our "PROUD" brand.

Second, we aim for **stable growth in the investment management business**. We aim to boost assets under management to ¥1,500 billion as a foundation for steady earnings. We also aim to achieve steady growth in the investment management business by creating funds that address the needs of investors such as pension funds.

Third, we aim to further **strengthen the expanded leasing business**. We aim to improve cash flow by polishing up our properties and strengthening our leasing capabilities. We will also steadily increase rental income by promoting developments and strategically holding prime assets in important areas.

Fourth, we will further **evolve our development function**. By taking advantage of the collective strength of the Nomura Real Estate Group, we will proactively promote large-scale complex development and condo rebuilding projects. The Nomura Real Estate Group is also seriously focusing on building a pipeline between the development business and the investment management business. Our REITs acquire value-added properties by Nomura Real Estate Development, and our REITs polish up the properties using the operating skill. This will contribute to the Group's growth.

Fifth, we will **proactively expand the CRE Business**. As I have already discussed, the alliance with Toshiba Group in real estate business will be used as the prime representative case of the "Main Advisor on CRE" business, and we will proactively develop the CRE business using this initiative as a model.

## Question 5

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### You recently decided to raise fresh capital. Can you tell us your objectives and how you intend to use the funds?

There are two objectives behind this offering.

By taking NREG TOSHIBA BUILDING under our wing as a consolidated subsidiary in December 2008, we have been able to expand our rental income and build a pipeline to Toshiba Group, laying a new business foundation for the company. At the same time, financial soundness was temporarily negatively affected by this upfront investment, so one objective was to strengthen our financial foundation by using some of the funds for our growth from the offering.

Another objective is to proactively acquire new lands for the Residential Development Business, which will be a source of future earnings. Even in this tough market environment, we have an extremely low level of completed inventory. Therefore, we can begin developing properties to use as fresh supply. We think that the current situation in which there are few competitors presents a major opportunity to acquire prime lands. In the Residential Development Business, it takes about two to three years from the acquisition of lands through construction and sale, so by acquiring prime lands now we will be able to ensure earnings two or three years from now.

Raising this capital has increased our shareholders' equity by approximately ¥65.5 billion. Going forward, we will actively develop our business based on this strengthened financial foundation.

# Business Portfolio

		Main business	Composition of revenues*
<h2>Residential Development Business</h2>		<ul style="list-style-type: none"> <li>■ Sales of housing</li> <li>■ Management of condominiums</li> </ul>	 <p>50.4%</p>
<h2>Building Business</h2>		<ul style="list-style-type: none"> <li>■ Office leasing (owned)</li> <li>■ Office leasing (subleasing)</li> <li>■ Commercial facility leasing</li> <li>■ Property management and facility management</li> </ul>	 <p>19.7%</p>
<h2>Investment Management &amp; Development Business</h2>		<ul style="list-style-type: none"> <li>■ Property development</li> <li>■ Investment management</li> </ul>	 <p>17.0%</p>
<h2>Property Brokerage &amp; Consignment Sales Business</h2>		<ul style="list-style-type: none"> <li>■ Property brokerage</li> <li>■ Consignment sales</li> <li>■ Real property sales</li> </ul>	 <p>8.6%</p>
<h2>Other Business</h2>		<ul style="list-style-type: none"> <li>■ Fitness club operation</li> <li>■ Architectural planning and management</li> <li>■ Planning of commercial facilities</li> </ul>	 <p>4.3%</p>

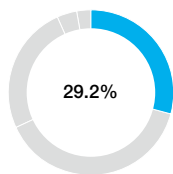
\*Revenues in each segment have been calculated including inter-segment sales and transfers.



## Composition of operating income

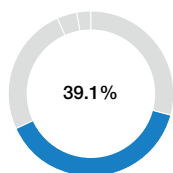
### Major subsidiaries

### Fiscal 2008 topics



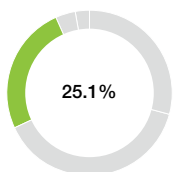
- Nomura Real Estate Development Co., Ltd.
- Nomura Living Support Co., Ltd.
- PRIME X Co., Ltd.
- ZEPHYR Community Co., Ltd.

The Residential Development Business provides a diverse lineup of products under the PROUD brand, including large-scale condominiums, skyscraper condominiums, large-scale detached housing and urban detached housing. PROUD Yokohama Yamate, a property that we developed, won a Good Design Award in fiscal 2008, which was sponsored by the Japan Industrial Design Promotion Organization, and an Outstanding Performance Award in the 53rd Kanagawa Architecture Competition. In addition, Nomura Living Support Co., Ltd., which supports residential property management, acquired all the shares of ZEPHYR Community with the aim of expanding its earning power by increasing the number of condominiums under management.



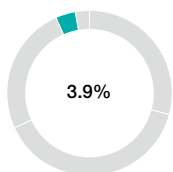
- Nomura Real Estate Development Co., Ltd.
- Nomura Building Management Co., Ltd.
- NREG TOSHIBA BUILDING Co., Ltd.
- YBP Heating and Cooling Supply Co., Ltd.
- NREG TOSHIBA FUDOSAN FACILITY SERVICE Co., Ltd.
- Nomura Amenity Service Co., Ltd.

In the Building Business, NREG TOSHIBA BUILDING Co., Ltd. joined the Group in December 2008 and helped to increase earnings. In September 2008, we also commenced construction of Nihonbashi-Muromachi Nomura Building, a building complex comprising mainly of an office zone, a commercial zone, and a services zone. It is slated for completion in September 2010. As a tenant for the office zone, Shinsei Bank is scheduled to locate its head office in this building. The vacancy rate in offices and commercial facilities was 2.6% as of the end of fiscal 2008.



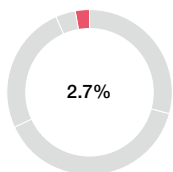
- Nomura Real Estate Development Co., Ltd.
- Nomura Real Estate Investment Management Co., Ltd.
- Nomura Real Estate Asset Management Co., Ltd.
- Nomura Real Estate Capital Management Co., Ltd.

In the Investment Management & Development Business, we posted revenues from PMO Nihonbashi-honcho, the first project in the premium mid-size office (PMO) series. We also posted revenues from the Chuo Labour Bank Operating Center as a customized office building development project. These new categories of office building development business are supplying products tailored to market needs in the property development operations. In the investment management operations, by effectively utilizing the Group's pipeline, we managed to steadily expand assets under management in each fund and increase asset management fees.



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

With the aim of reinforcing Corporate Real Estate (CRE) strategy support services, the property brokerage operations of the Property Brokerage & Consignment Sales Business endeavored to enhance the holding of lectures for corporations and the strategic use of the Internet while actively promoting proposal-based marketing. In the area of real property sales, we worked to develop and increase the value of products while undertaking sales promotion, and we posted revenues of Urban First Shinyurigaoka, Urban First Ryogoku, and Urban First Kinshicho.



- Nomura Real Estate Development Co., Ltd.
- MEGALOS CO., LTD.
- Geo-Akamatsu Co., Ltd.

In the fitness club business, our aim was to open new clubs based on various concepts that suit local characteristics. In fiscal 2008, we opened four clubs: MEGALOS Ichigao Orchid, Bivio Ebisu, MEGALOS Garden Hamamatsu, and MEGALOS Saginuma. In addition, Geo-Akamatsu, which plans and designs commercial facilities and provides property management services, set up an office in Seoul as a base aimed at expanding business operations in South Korea.

## Residential Development Business

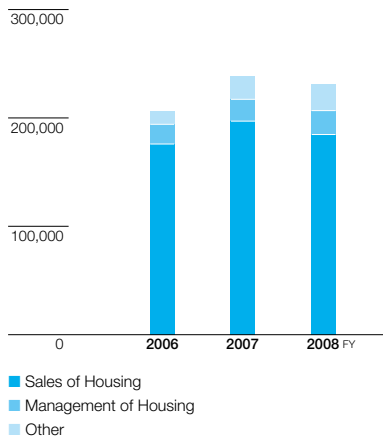
The Residential Development Business supplies approximately 4,000 housing units a year, primarily in the Tokyo metropolitan area. The Group offers a diverse product lineup under the PROUD brand that includes: PROUD CITY (large-scale condominiums), PROUD TOWER (skyscraper condominiums), PROUD TOWN (large-scale detached housing), and PROUD SEASON (urban detached housing). The PROUD brand embodies our desire to supply properties that create a proud feeling among people who live in them, people who build them, and people who live in the area. We have succeeded at establishing an image that PROUD brand is for Nomura Real Estate Development's high-quality condominiums.

### Overview of Fiscal 2008

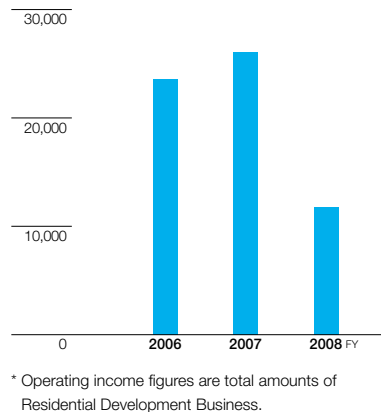
In fiscal 2008, the housing market saw an overall decline in contract rates on rising sales prices caused by higher land and construction costs as well as deterioration in employment conditions associated with the economic downturn, which led to a decline in buying motivation among consumers. Faced with such an increasingly tough operating environment, the Residential Development Business segment 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 by leveraging our integration of development and sales. 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. In January 2009, with the aim of expanding the scale of operations in the condominium management business, Nomura Living Support acquired all the shares of ZEPHYR Community and turned it into a wholly-owned subsidiary. However, due to the impact of reduced housing sales units resulting from the deteriorating business environment and of inventory write-downs, operating revenue in the Residential Development Business segment

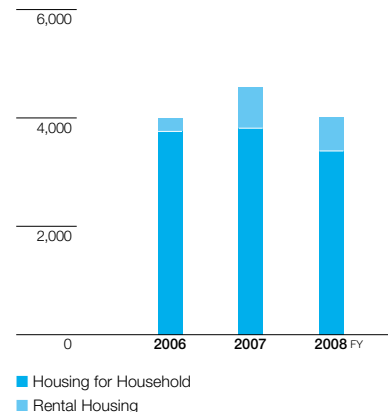
**Operating Revenue**  
(Millions of yen)



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



**Number of Housing Sales**  
(Units)





PROUD TOWER Musashi Urawa  
(Saitama-city, Saitama)



PROUD TOWER Nerima  
(Nerima-ku, Tokyo)



PROUD TOWER Musashi Koganei  
(Koganei-city, Tokyo)



PROUD TOWER Kameido  
(Koto-ku, Tokyo)

decreased ¥7,173 million, or 3.0% year-on-year, to ¥231,629 million and operating income declined ¥14,280 million, or 54.8% year-on-year, to ¥11,787 million.

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

In our medium-term business plan, the Group advocates the business strategy of strengthening the growth model for the residential development business. This means that we regard the changes in the market environment as a new business opportunity and will undertake the following three measures on a priority basis. First, we will step up the acquisition of new high-quality lands and maintain business turnover; second,

we will differentiate our products by leveraging our “Development, Sales and Management” Business Model; and third, we will win even further trust for the PROUD brand.

While regarding the dramatic changes in the business environment as a new opportunity, the Group will revive the Residential Development Business as a solid earnings base in order to expand market share and raise profit margins. Furthermore, while leveraging the strengths of our “Development, Sales and Management” Business Model and attempting to differentiate our products by directly ascertaining reactions in the market, we will cultivate the PROUD brand, which is backed by reliable manufacturing, into the No. 1 residential brand.

### Business Results

(Millions of yen)

FY	2006	2007	2008
Operating Revenue	¥205,950	¥238,802	¥231,629
Operating Income	23,627	26,067	11,787
Assets	257,184	259,781	318,845
ROA* (%)	9.2%	10.0%	3.7%
Inventories	¥229,863	¥222,761	¥287,410

\* 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, Toshiba Building, and Otemachi Nomura Building as well as commercial facilities such as Lazona Kawasaki Plaza. 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. In such ways, we respond in a comprehensive manner to customers' needs, and we have developed an organization that is able to increase customer satisfaction.

### Overview of Fiscal 2008

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 fiscal 2008, earnings increased on the back of the full-term operation of the Daini Edobashi Building, which we acquired in March 2008, as well as earnings contributions from office buildings and commercial facilities such as Toshiba Building and Lazona Kawasaki Plaza, which are owned by NREG TOSHIBA BUILDING. We turned this company into a consolidated subsidiary in

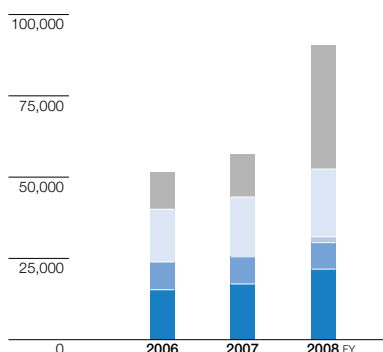
December 2008. In addition, after carrying out a review of assets owned by the Group, we sold the NRE Nishi-Umeda Building and other properties. As a result, operating revenue in the Building Business segment rose ¥33,511 million, or 58.9% year-on-year, to ¥90,400 million. Operating income grew ¥6,355 million, or 67.5% year-on-year, to ¥15,769 million.

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

Our medium-term business plan states that the Group will adopt the strategy of positioning the Building Business, which was expanded by making NREG TOSHIBA BUILDING a consolidated subsidiary, as a new

#### Operating Revenue

(Millions of yen)

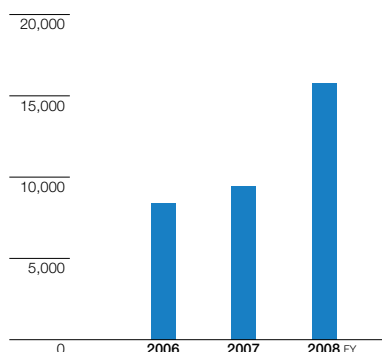


- Building Leasing (Company-owned)
- Building Leasing (Subleased)\*
- Commercial facility
- Property Management and Facility Management
- Other

\* The presentation has been changed from the end of fiscal 2008 due to making NREG TOSHIBA BUILDING a consolidated subsidiary. Some residential projects have been included in the earlier figures for "Offices (Subleased)" and "Vacancy Rate at Year-end."

#### Operating Income\*

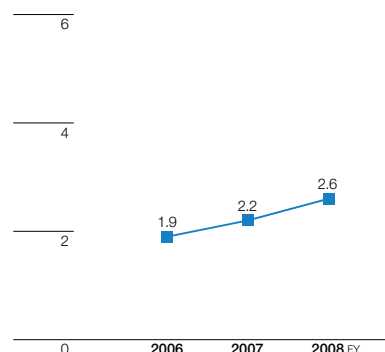
(Millions of yen)



\* Operating income figures are total amounts of Building Business

#### Vacancy Rate at Year-end

(%)





Toshiba Building (Minato-ku, Tokyo)



Umeda Sky Building  
(Kita-ku, Osaka)



Nihonbashi-Muromachi Nomura Building  
(Chuo-ku, Tokyo)

pillar of continued profit growth and further reinforce this business. This signifies that we will put priority on undertaking two measures: first, we will improve cash flow by polishing up our properties and strengthening our leasing capability; second, we will steadily expand rental income by promoting developments and strategically holding high-quality assets. The leasing market, which tends to lag behind economic trends, is forecast to face even more tough conditions. To maintain our competitiveness in such a market, we need to refine the assets we hold and make them more attractive. With that aim, we intend to further strengthen our leasing capability to conduct direct marketing based on our own efforts. As regards our rental properties, we will develop high-quality properties

in major areas, own them, and steadily expand leasing income. One large project under way is the Nihonbashi-Muromachi Nomura Building. Construction commenced in September 2008 and it is scheduled for completion in September 2010.

## Business Results

(Millions of yen)

FY	2006	2007	2008
Operating Revenue	¥ 51,342	¥ 56,889	¥ 90,400
Operating Income	8,372	9,414	15,769
Assets	180,587	203,563	543,880
ROA* (%)	4.6%	4.6%	2.9%
Inventories	¥ 10,165	¥ 11,342	¥ 3,215

\* 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 second core business and has expanded its scope of operations. This segment comprises two types of activities. In the case of property development operations, we carry out investment and development by using our own funds, and then generate income by selling these developed properties. In the case of investment 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 2008

In property development operations, we promoted development projects and undertook sales promotion activities for our products. In fiscal 2008, we recorded the sale of PMO Nihonbashi-honcho, the first project in the new premium mid-size office (PMO) category of office building development business, in which properties are endowed with the high quality of large office buildings even though they are of smaller size. We also finished construction and recorded the sale of the Chuo Labour Bank Operating Center, a customized office building development project in which the Group planned the product in line with the specific needs of the tenant company.

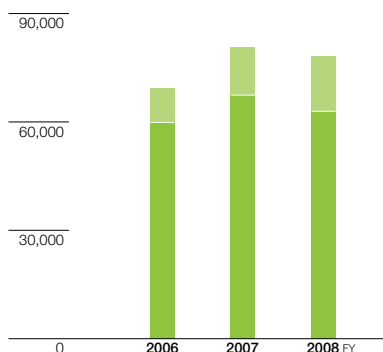
In the area of investment management operations, we promoted the expansion of assets under management in various funds that the Group

manages. As we made effective use of the Group's pipeline, assets under management at the end of fiscal 2008 stood at ¥1,230 billion, and asset management fees increased concomitantly.

However, while we realized high income in fiscal 2007 through the sale of the AEON Yachiyo-Midorigaoka Shopping Center, a large-scale commercial facility, in fiscal 2008, we posted inventory write-downs, which had a large impact on income. As a result, operating revenues in this segment declined ¥2,477 million, or 3.1% year-on-year, to ¥78,078 million. Operating income also decreased ¥24,661 million, or 70.9% year-on-year, to ¥10,117 million.

#### Operating Revenue

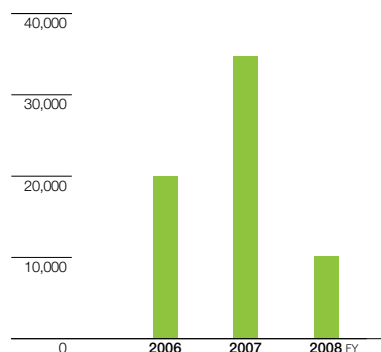
(Millions of yen)



■ Property Development Operations  
■ Investment Management Operations

#### Operating Income\*

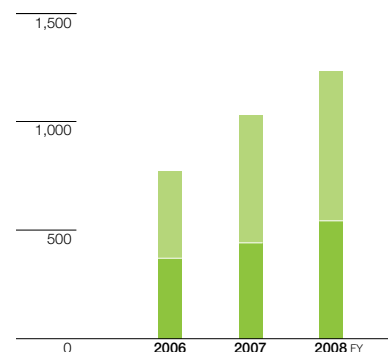
(Millions of yen)



\* Operating income figures are total amounts of Investment Management & Development Business.

#### Assets Under Management

(Billions of yen)



■ Listed REITs  
■ Private Funds, etc.



PMO Nihonbashi-honcho  
(Chuo-ku, Tokyo)



Chuo Labour Bank Operating Center  
(Yokohama-city, Kanagawa)



NRE Sapporo Building  
(Sapporo-city, Hokkaido)

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

Our medium-term business plan advocates the business strategy of promoting stable growth in investment management operations, and these operations aim to increase assets under management to ¥1.5 trillion by the end of fiscal 2009 mainly by establishing new funds that fulfill investor needs. The expertise that we have accumulated so far and the trust of investors based on our past track record have become the Group's major strengths. We will therefore continue to thoroughly implement our "investor-oriented" management philosophy with the aim of becoming the industry leader.

In property development operations, we aim to enhance asset efficiency by hastening the recovery of funds through the sale of assets with

low utilization and diverting those funds to investments in new high-quality properties. We will focus on promoting development projects that meet market needs.

## Business Results

(Millions of yen)

FY	2006	2007	2008
Operating Revenue	¥ 69,370	¥ 80,555	¥ 78,078
Operating Income	20,040	34,778	10,117
Assets	297,632	322,937	366,788
ROA* (%)	6.7%	10.8%	2.8%
Inventories	¥155,035	¥171,819	¥138,364

\* 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.



Urban First Shinyurigaoka  
(Kawasaki-city, Kanagawa)

### Overview of Fiscal 2008

With the aim of reinforcing CRE strategy support services, the property brokerage operations of the Property Brokerage & Consignment Sales Business endeavored to enhance the holding of lectures for corporations and the strategic use of the Internet while actively promoting customer-driven marketing.

In the area of consignment sales operations, we endeavored to form sales tie-ups with high-quality developers and worked to promote product supply, contracts, delivery, and settlement.

In the area of real property sales operations, we promoted smaller-scale development projects through the use of wide-ranging brokerage information. We worked to develop and increase the value of products while also undertaking sales promotion, and we recorded the sale of Urban First Shinyurigaoka and other properties. As a result, operating

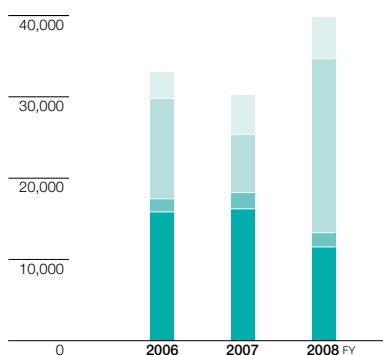
revenue in the Property Brokerage & Consignment Sales Business segment rose ¥9,581 million, or 31.7%, to ¥39,764 million, and operating income declined ¥4,838 million, or 75.7%, to ¥1,554 million.

### Future Expansion

In the Property Brokerage & Consignment Sales Business, we will step up the promotion of the Internet strategy by enhancing the contents of *nomu.com*<sup>®</sup>, a website managed by Nomura Real Estate Urban Net. In addition, we will promote the development of human resources and expansion of the branch network. In the area of real property sales, we will focus on selling properties that we currently own. We will also continue to provide services and consulting that are trusted and appreciated over the long term by listening carefully to customers' opinions.

#### Operating Revenue

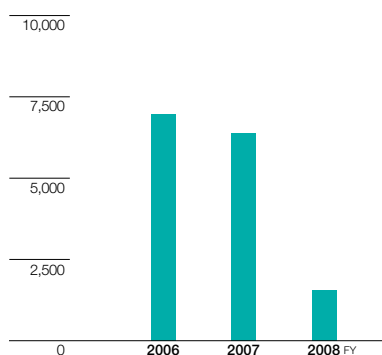
(Millions of yen)



■ Property Brokerage Operations  
■ Consignment Sales Operations  
■ Real Property Sales Operations  
■ Other

#### Operating Income\*

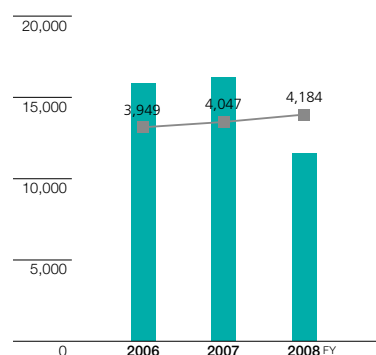
(Millions of yen)



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

#### Property Brokerage

(Millions of yen/number of transactions)



■ Total Commission Fee  
— Number of Transactions



## Other Business

The fitness club business entails the management of 23 facilities mainly in the Tokyo metropolitan area by MEGALOS. 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 their planning, operation and management.



MEGALOS Garden Hamamatsu  
(Hamamatsu-city, Shizuoka)

### Overview of Fiscal 2008

In the fitness club business, our aim was to open new clubs based on various concepts while reinforcing the earning power of existing clubs. By enhancing the competitiveness of clubs, we strove to acquire new members and raise retention rates for existing members. Owing to the opening of new clubs, the number of members grew but club opening expenses also increased. As a result, operating revenue in the Other Business segment rose ¥2,999 million, or 17.8%, to ¥19,836 million. Operating income, however, decreased ¥413 million, or 27.3%, to ¥1,101 million.

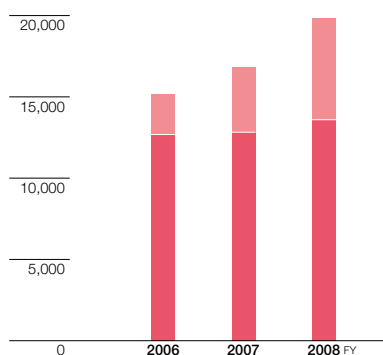
### Future Expansion

In the fitness industry, the social role of sports clubs has been growing. For example, health checkups and healthcare advice became compulsory

from April 2008. However, in response to a decline in wages and rapid deterioration in economic conditions, we believe that the management environment will remain tough, including the worsening of consumer sentiment. In such an environment, MEGALOS aims to continue to restore the earning power of existing clubs and rapidly establish an earnings base for new clubs. Specifically, by improving services and facilities and stepping up marketing targeted at rising corporate demand, we intend to acquire new members and raise member retention rates. In addition, we will continue to open new clubs with the aim of expanding the scale of operations.

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

**Operating Revenue**  
(Millions of yen)



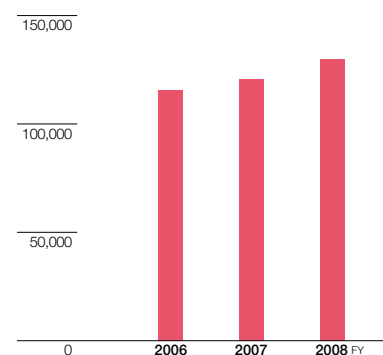
■ Fitness Clubs Business  
■ Other

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



\* Operating income figures are total amounts of Other Business

**Number of MEGALOS Members**



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

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 the subsidiaries rigorously develop customer-oriented businesses. As a result, the corporate value of the entire Group is raised and new value is provided to all shareholders, other stakeholders and society at large.



#### 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/> (Only in Japanese)



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.

- 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/english>

■ 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.



**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.



**NREG TOSHIBA BUILDING Co., Ltd.**

<http://www.toshiba-building.co.jp/> (Only in Japanese)

■ NREG TOSHIBA BUILDING comprehensively operates development, leasing and management of office buildings, commercial facilities, warehouses and condominiums etc. as well as property brokerage and consulting related to CRE (Corporate Real Estate) utilization support services.



**Geo-Akamatsu Co., Ltd.**

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

■ 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.



July 2009  
President  
Toshiaki Seki

### Nomura Living Support Co., Ltd.

Based on a corporate philosophy of “providing secure and comfortable living environments” as “a company that wins customer trust,” Nomura Living Support is responsible for the management and maintenance aspect of the Nomura Real Estate Group’s development, sales and management operations for the residential development business. The environment surrounding the condominium management business is rapidly changing. The enforcement of a law that promotes higher standards of condominium management has given rise to demands for even better quality management. Furthermore, new competitors are entering the business from outside the industry and existing companies are merging and otherwise

#### Corporate Profile

**Head office:** Chofu Shinjuku Building, 5-14-6 Shinjuku, Shinjuku-ku, Tokyo 160-8351

**Representative:** Toshiaki Seki, President

**Business activities:** Comprehensive management services for condominiums and buildings

**Capital:** ¥127.5 million yen

**Sales:** ¥22,191 million (Fiscal 2008)

**Number of employees:** 2,562 (As of March 31, 2009)

**Established:** February 8, 1991

#### Corporate Philosophy

We aim to be a company that wins customer trust by providing secure and comfortable living environments.

#### Code of Conduct

We will faithfully comply with the law.

We will act from the customer’s point of view.

We will respond to customers with hospitality.

We will respect each other’s personality and individuality.

#### Business activities



“Smile” supporters activities (care takers)



Building and facilities management



Emergency desk/monitoring activities



Proposing large-scale repair projects

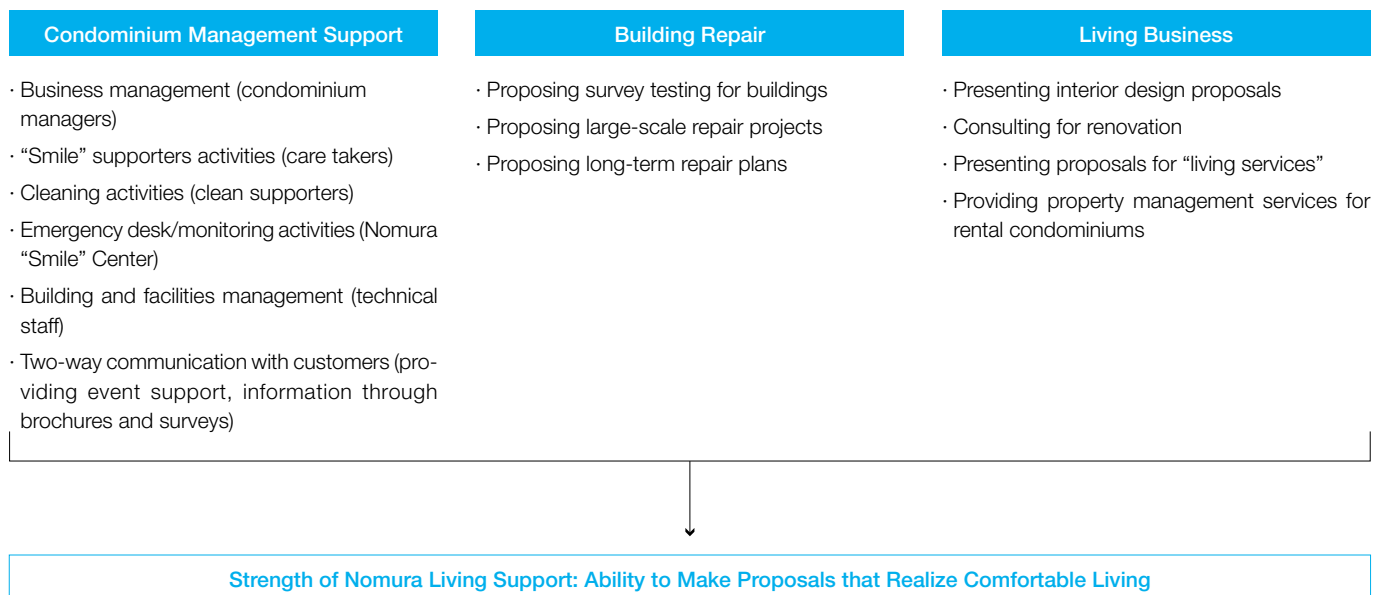


Presenting interior design proposals



Consulting for renovation

realigning themselves. In this environment, in January 2009 Nomura Living Support acquired all the shares of condominium management company ZEPHYR Community from its parent company, ZEPHYR Co., Ltd., with the aim of making the scale of the business larger and enhancing earning power by increasing the number of units under management. Going forward, Nomura Living Support will take on the challenge of even further growth as it seeks to become the number one brand in the condominium management industry by improving the quality of its management services and embracing the concept of hospitality throughout the organization.



**“We provide steadfast support for day-to-day living.”**

Nomura Living Support provides a condominium lifestyle that is filled with smiles by offering various kinds of support that help our customers to pass each and every day in comfort.

**“We aim to be the leading company in management quality.”**

To keep a condominium comfortable indefinitely and maintain and improve asset value, it is necessary to conduct periodic building inspections and execute planned maintenance projects depending on the property’s condition. Nomura Living Support presents the best proposals with day-to-day management conducted from the customer’s point of view.

**“We present proposals for more comfortable living.”**

Nomura Living Support offers various kinds of assistance so that we can give people comfortable places to live. We present remodeling proposals, and house-cleaning and other lifestyle-oriented services, that maintain the livability, enjoyment, and value of homes, and interior designs that satisfy homeowners’ desires. And then, we provide property management services that maximize the income from rental condominiums.

### Profile of Nomura Real Estate Group

#### 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.**

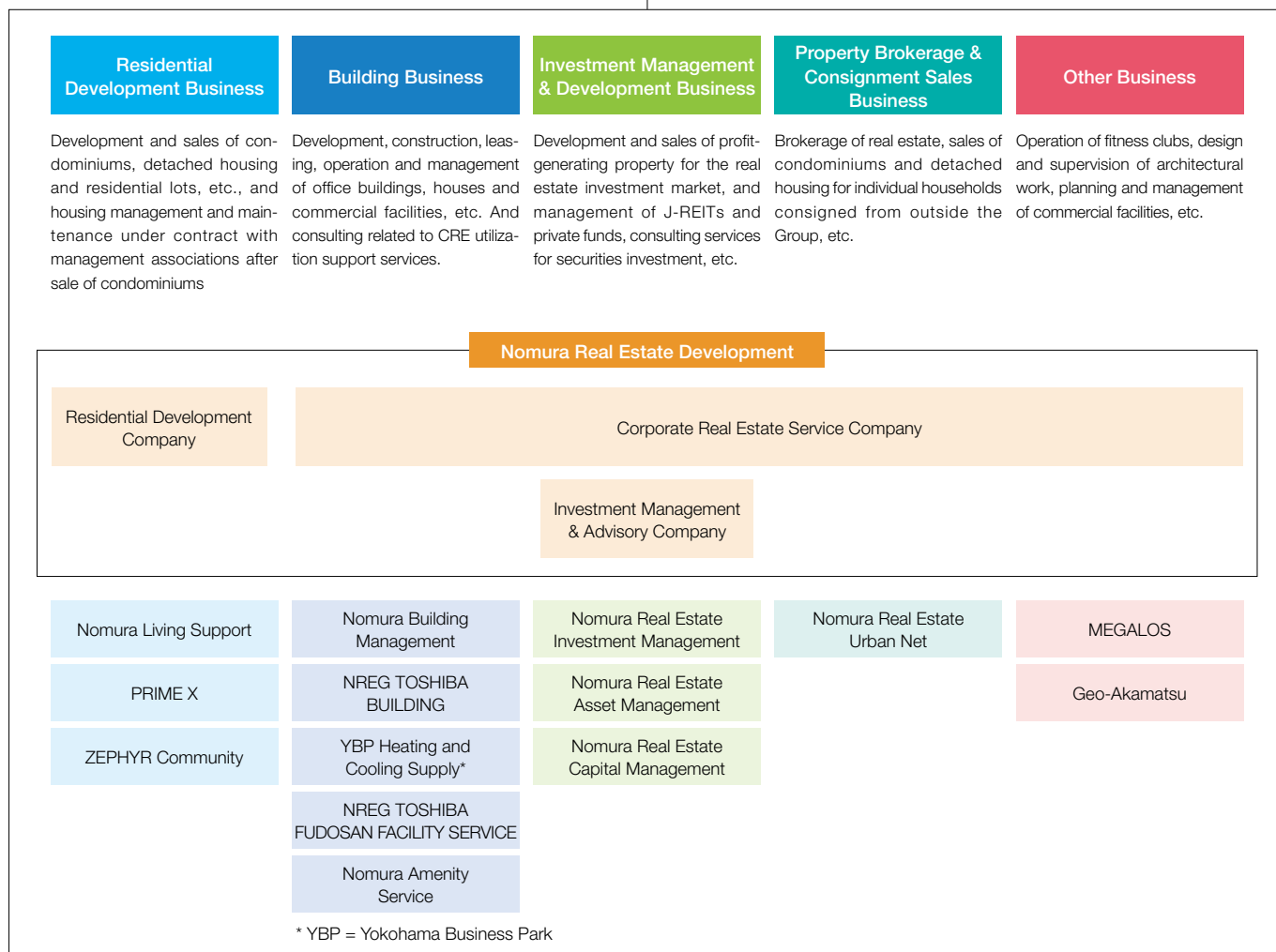
The Group Mission is positioned at the core of the philosophy of the Nomura Real Estate Group. It expresses the shared mission, sense of identity and goals for which the Nomura Real Estate Group everlastingly works.

#### 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.

## Business Activities and Group Companies



### Basic Viewpoints Regarding Corporate Governance

The Company believes that the company 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 eight 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 holds the 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 in the Company that supervises the internal audit functions of the entire Group and performs monitoring, evaluation and auditing in each division within the Company.

### **Statutory Auditor Audit System**

The Company has appointed full-time staff in the Corporate Planning Department to support statutory auditor audits. Each statutory 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 auditing firm as needed.

### **Accounting Audits**

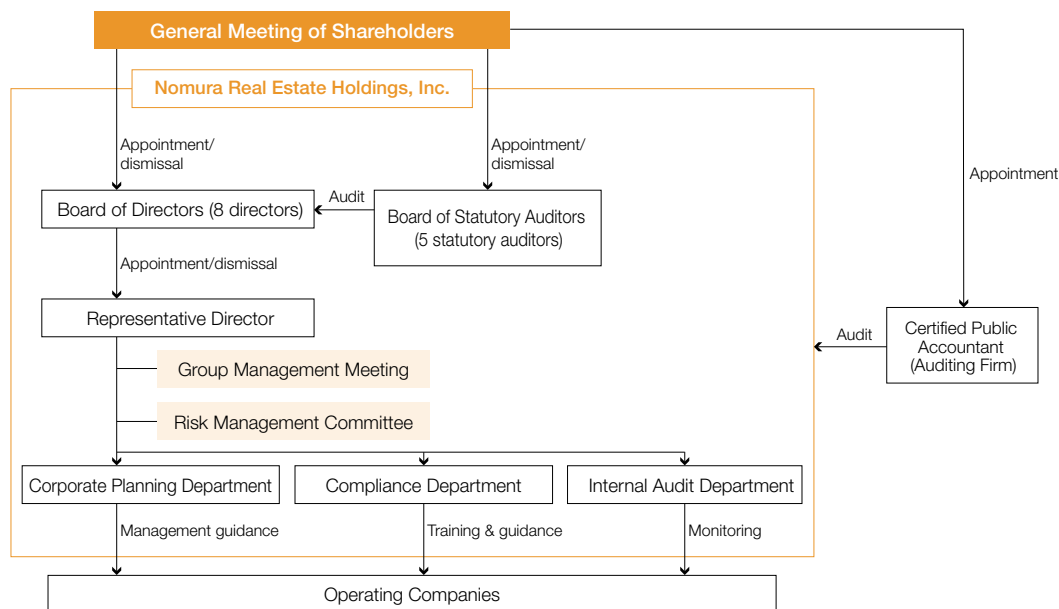
The Company has concluded an auditing contract with Ernst & Young ShinNihon LLC. In addition to performing regular audits, Ernst & Young ShinNihon LLC discusses and verifies accounting issues as needed and conducts appropriate accounting practices.

All of the certified public accountants that carry out work have no more than seven years of continued 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 seven certified public accountants and thirteen assistant certified public accountants and staff.



## Corporate Governance System



## Compensation of Directors and Statutory Auditors

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 2008 to directors and statutory auditors.

Five directors	¥266 million
Seven statutory auditors (Four are external auditors)	¥ 70 million ¥ (11 million)
Total: Twelve persons	¥336 million

\* As of March 31, 2009 there were five statutory auditors (three were external auditors). The number of auditors given above is different because the figure includes two statutory auditors (one was an external auditor) who retired on June 27, 2008.

## 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.

## Auditor Compensation

Compensation paid to the Company's certified public accountants (auditing firm) for fiscal 2008 was as follows.

	Compensation paid for audit certification activities	Compensation paid for non-audit activities
The Company	¥ 65 million	¥11 million
Consolidated subsidiaries	¥139 million	¥22 million
Total	¥204 million	¥33 million

## 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 2008.

### 2) Business transaction relationships

In fiscal 2008, business transactions between NLB and companies in the Nomura Real Estate Group amounted to ¥11 million in the Building Business segment and other areas.

### 3) Personal relationships

To strengthen audit operations, the Company has accepted two non-full-time corporate 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. The current main business activities of NLB are shareholdings of investment securities, including those of the Nomura Real Estate Holdings, and the leasing of three office buildings, but they do not compete with the Group's business operations. 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 also 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.

## Board of Directors and Statutory Auditors (As of June 26, 2009)



President  
**Hirohisa Suzuki**



Director  
**Mototsugu Takai**



Director  
**Tsukasa Takahashi**



Director  
**Seiji Matsumoto**



Director  
**Yoji Kurihara**



Director  
**Takao Orihara**



Director  
**Hiroyuki Kimura**



Director  
**Yukoh Yoshida**



Statutory Auditor  
**Toshio Miura**



Statutory Auditor  
**Shigeaki Yoshioka**



Statutory Auditor  
**Mitsuharu Sato**



Statutory Auditor  
**Shigeru Matsushima**



Statutory Auditor  
**Mitsuru Nakajima**

### Message From an External Statutory Auditor

**Shigeru Matsushima**, External Statutory Auditor

The Board of Statutory Auditors comprises five statutory auditors, three of whom are external statutory auditors. I have been an external statutory auditor for the Company since June 2008. Looking back at the year under review, the collapse of Lehman Brothers in September 2008 triggered a global economic slowdown, which is still impacting on the Japanese

economy. In such a severe operating environment, the Company has been actively developing business, including making NREG TOSHIBA BUILDING Co., Ltd. into a subsidiary. In May 2009, the Company formulated Medium-term Business Plan (2009–2011): Growth & Development. With this medium- and long-term perspective, the Company will move steadily forward, leading to long-term enhancements of shareholder value which will also result in winning the trust from shareholders and investors.

# Corporate Social Responsibility (CSR)

## Group Philosophy of the Nomura Real Estate Group

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 of the Nomura Real Estate Group 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 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.



### Consideration for the Environment

Midosuji Nomura Building, of which construction was completed in February 2009, is equipped with rooftop greenery and a built-in dry-mist system. The building has been rated A by CASBEE Osaka (Comprehensive Assessment System for Built Environment Efficiency for Osaka City).

### 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.



### Provision of High-quality Products

PROUD TOWER Chiyoda Fujimi, whose construction was completed in March 2009, has been built with high-strength concrete and three types of vibration-control systems against earthquakes. Moreover, the skeleton-infill construction method was used, enabling the building to be flexibly modified to reflect changes in people’s lifestyles. In the future, the building can be renovated in various different ways because the permanent construction frame (the skeleton) is separate from the residential units which can be remodeled (the infill). Its design provides residents with thorough comfort and peace of mind.

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## Five-Year Financial Summary

Nomura Real Estate Holdings, Inc.

The fiscal years ended March 31, 2005, 2006, 2007, 2008 and 2009

	(Millions of yen)					(Thousands of U.S. dollars)
	2005	2006	2007	2008	2009	2009
<b>Fiscal Year</b>						
Operating revenue	¥345,894	¥350,319	¥367,237	¥411,493	¥448,656	\$4,567,401
Gross profit	87,531	97,551	108,668	130,391	100,764	1,025,795
Gross margin ratio	25.3%	27.8%	29.6%	31.7%	22.5%	
Selling, general and administrative expenses	51,789	53,283	54,294	60,569	66,751	679,539
SG&A ratio to revenues	15.0%	15.2%	14.8%	14.7%	14.9%	
Operating income	35,742	44,268	54,374	69,822	34,013	346,256
Operating margin	10.3%	12.6%	14.8%	17.0%	7.6%	
Income before income taxes and minority interests	16,359	19,721	47,868	61,260	23,530	239,543
Net income	6,474	12,717	26,297	35,255	13,770	140,186
Cash flows from operating activities	(24,630)	(99,830)	(89,850)	7,639	(108,031)	(1,099,773)
Cash flows from investing activities	(20,462)	(17,995)	(26,787)	(13,348)	(141,789)	(1,443,439)
Cash flows from financing activities	63,444	113,818	100,863	8,791	295,508	3,008,323
Cash and cash equivalents at fiscal year end	48,223	44,216	28,437	31,511	78,473	798,875
<b>Fiscal Year End</b>						
Total assets	580,130	689,287	836,303	891,700	1,385,532	14,104,977
Interest-bearing debt	300,247	413,039	394,885	408,016	778,074	7,920,932
Equity	46,645	60,732	213,207	232,791	235,940	2,401,909
Equity ratio	8.0%	8.8%	25.5%	26.1%	17.0%	
Debt-to-equity ratio (times)	6.4	6.8	1.9	1.8	3.3	

	(Yen)					(U.S. dollars)
	2005	2006	2007	2008	2009	2009
<b>Per Share Data (Note)</b>						
Equity	¥203,859.93	¥267,956.93	¥1,427.81	¥1,558.96	¥1,579.56	\$16.08
Net income	44,367.78	56,109.84	200.47	236.09	92.21	0.94
Cash dividends	–	2,000.00	20.00	30.00	40.00	0.41

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

# Management's Discussion and Analysis

## Trends in the Real Estate Industry

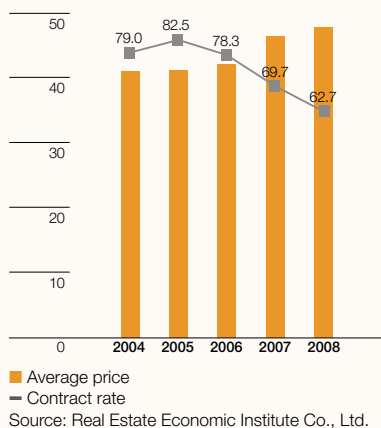
In fiscal 2008, the year ended March 31, 2009, the housing sales market was characterized by declines in sales and supply of condominiums. Against the previous year, the supply of condominiums fell by 35,633 units, or 26.7%, to 98,037 units, while the number of units supplied in the Tokyo metropolitan area decreased by 17,288 units, or 28.3%, to 43,733 units. This marked the first time that the number of units put on the market fell below the 100,000 unit mark in 16 years, since 1992, when only 75,173 units were put on the market. The primary reason behind the decline was an increasing reluctance to buy on the part of consumers, mainly because of the recent upswing in condominium prices and a darkening employment picture amid an economic slowdown. In the

office building rental market, demand for office space contracted as corporate profits were battered. As a result, rising vacancy rates and declining rental levels became obvious throughout the country. The real estate investment market was in a state of turmoil, as evidenced by declining interest in making real estate investments on the part of investors, bankruptcies of J-REITs as financial institutions reigned in credit, and sharp declines in prices of J-REIT units.

As a result of these factors, fiscal 2008 was a difficult year for the real estate market. However, the Nomura Real Estate 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 / %)



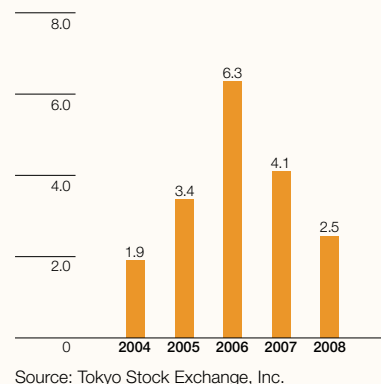
### Vacancy rates in Tokyo's 23 wards

As of December 31  
(%)



### J-REIT market's total valuation

As of March 31  
(Trillions of yen)



## Analysis of Operating Results

In the face of growing uncertainty in the real estate market, the companies in the NRE Group sought to strengthen market responsiveness. However, drastic market changes caused profitability to fall across all business segments. Results were also impacted by a loss on inventory write-downs at the end of fiscal year, and the NRE Group posted a year-on-year decline in income, despite higher revenue.

In fiscal 2008, operating revenue amounted to ¥448,656 million, up ¥37,163 million, or 9.0%, from fiscal 2007. This increase stemmed from a number of factors, among them the leasing income of office buildings and commercial properties, including the Toshiba Building and Lazona Kawasaki Plaza owned by NREG TOSHIBA BUILDING Co., Ltd., in addition to actively marketing real estate held for sale.

Operating income declined ¥35,809 million, or 51.3%, to ¥34,013 million. This drop in earnings was largely due to the sharp fall in the number of condominium and detached housing units sold, a decline in turnover in the property brokerage business, and the booking of valuation losses on inventories.

After payment of income taxes, net income for the year amounted to ¥13,770 million, down ¥21,485 million, or 60.9%, from the previous year.

The following discussion covers earnings by business segment. It should be noted that operating revenue in each segment includes intersegment sales and transfers.

## Segment earnings

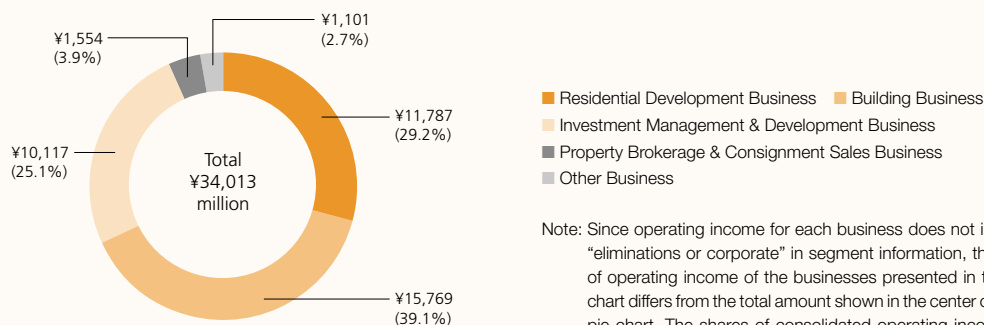
	(Millions of yen)				
Years ended March 31	2005	2006	2007	2008	2009
<b>Residential Development Business:</b>					
Operating revenue	¥251,925	¥222,518	¥205,950	¥238,802	¥231,629
Operating income	23,903	21,952	23,627	26,067	11,787
<b>Building Business:</b>					
Operating revenue	45,826	48,288	51,342	56,889	90,400
Operating income	6,459	7,158	8,372	9,414	15,769
<b>Investment Management &amp; Development Business (Note):</b>					
Operating revenue	7,719	37,272	65,867	80,555	78,078
Operating income	4,606	14,224	18,613	34,778	10,117
<b>Property Brokerage &amp; Consignment Sales Business (Note):</b>					
Operating revenue	19,641	22,874	36,488	30,183	39,764
Operating income	5,010	5,592	8,389	6,392	1,554
<b>Other Business:</b>					
Operating revenue	27,716	27,058	15,162	16,837	19,836
Operating income	(203)	324	1,212	1,514	1,101

Note: Since the fiscal year ended March 31, 2008, some departments in "Property Brokerage & Consignment Sales Business" segment have been transferred into "Investment Management & Development Business" segment. Prior to then, the amounts have not been reclassified to conform to the current segmentation.

The pie chart below shows the percentage of operating income generated by each segment.

### Breakdown of operating income in fiscal 2008

(Millions of yen / %)



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	2009
Residential Development Business:					
Condominium sales (units)	4,629	3,656	3,245	3,463	3,135
Detached housing sales (units)	374	448	507	347	255
Gross margin ratio of housing sales (%)	19.2	20.5	22.2	22.7	21.8
Completed housing units held in inventories (units)	68	64	6	275	265
Rental condominium sales for investors (units)	0	36	248	747	621
Condominiums under management (units)	86,385	92,758	97,847	103,102	110,365
Building Business:					
Vacancy rate at year-end (Offices, commercial facilities) (%)*	3.5	3.5	1.9	2.2	2.6
Investment Management & Development Business:					
Assets under management (millions of yen)	319,713	460,320	771,211	1,031,528	1,235,611
Property Brokerage & Consignment Sales Business:					
Brokerage (number of transactions)	3,698	3,923	3,949	4,047	4,184
Brokerage-total transaction value (millions of yen)	323,389	347,990	388,479	406,635	293,047
Other Business:					
Members of MEGALOS	94,966	113,973	115,457	120,543	129,944

\* Figures shown for fiscal 2008 and earlier were calculated by including the leased floor area of residential projects.

## Analysis of Financial Position

As of March 31, 2009, current assets stood at ¥740,267 million, up ¥109,350 million, or 17.3%, from a year earlier. This increase stemmed from a number of factors. Inventories rose, stemming from the proactive land acquisition for the Residential Development Business, and sponsor equity increased as the Group expanded the scale of private funds. A further boost to current assets came in the form of a ¥16,203 million increase in equity investments, due to the broadened scale of private funds. Since the Group invests in equity from the viewpoint of being “in the same boat” as investors when undertaking management of funds, the balance of equity investments increases in tandem with assets under management.

Among fixed assets, net property and equipment grew ¥380,489 million. This was due to an increase in property, plant and equipment of ¥105,929 million and an increase of ¥270,498 million in land following the acquisition of NREG TOSHIBA BUILDING Co., Ltd. as a consolidated subsidiary.

By contrast, investment securities declined. This was due to falling prices for two REITS (a REIT investing in office buildings and a REIT investing in residential facilities) held by the Company as sponsor.

Investments and other assets declined ¥1,164 million, or 1.9%, to ¥60,077 million. This reflected a ¥4,269 million decline in the market value of investment securities compared with the end of the previous

fiscal year, stemming from falling prices and sluggish securities markets. At fiscal year end, therefore, the Group had total assets of ¥1,385,532 million, up ¥493,832 million, or 55.4%, from a year earlier.

Current liabilities rose ¥102,756 million, or 38.9%, to ¥366,729 million. Current liabilities increased because of a ¥122,162 million increase in short-term loans payable for the acquisition of shares in NREG TOSHIBA BUILDING Co., Ltd. This increase more than offset the decline in deposits for consignment sales from customers outside the Group and JV partners.

Noncurrent liabilities increased ¥345,251 million, or 88.0%, compared with the end of the previous fiscal year, to ¥737,427 million. This was due mainly to a ¥247,895 million increase in long-term loans payable and for accounting for NREG TOSHIBA BUILDING assets at book value and then including the amount obtained by multiplying the difference between the market value and the book value by the statutory tax rate as a deferred tax liability, which increased ¥81,014 million from the end of the previous fiscal year. Total interest-bearing debt rose ¥370,058 million to ¥778,074 million. As a result, total liabilities increased ¥448,007 million, or 68.3%, to ¥1,104,156 million.

Net assets increased ¥45,825 million, or 19.5%, compared with the end of the previous fiscal year, to ¥281,376 million. This was mainly due to an increase of ¥42,525 million in minority interests. Accordingly, the debt-to-equity ratio was 3.3 times, and the equity ratio 17.0%.

## Cash Flows

### Cash flows from operating activities

Net cash used in operating activities amounted to ¥108,031 million, compared with net cash provided by such activities of ¥7,639 million in the previous fiscal year. Major factors affecting the cash flows were a decline in deposits and an increase in inventories, including real estate for sale.

### Cash flows from investing activities

Net cash used in investing activities amounted to ¥141,789 million, ¥128,441 million more than in the previous fiscal year. Major factors included the purchase of NREG TOSHIBA BUILDING shares, property, plant and equipment, and intangible assets.

### Cash flows from financing activities

Net cash provided by financing activities totaled ¥295,508 million, an increase of ¥286,717 million from the previous fiscal year. This was mainly because the Company raised funds through long-term and short-term borrowings to meet funding demands from operating and investing activities.

As a result, cash and cash equivalents at fiscal year end stood at ¥78,473 million, up ¥46,962 million from the previous fiscal year.

## 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 ¥20.00 per share. Combined with the ¥20.00 interim dividend already paid, this brought annual dividends for the year to ¥40.00 per share. For fiscal 2009, the Company intends to continue to pay interim and year-end dividends of ¥20.00 each, for a total of ¥40.00 per share.

## 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 2008.

### 1) Trends in the real estate market

In the fiscal year under review, the Group's performance was negatively impacted by the rapid worsening of the real estate market, and earnings declined significantly compared with the previous fiscal year. Looking ahead, it seems the economic slowdown may be prolonged. Going forward, certain 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. These events include the current economic slowdown, an associated deterioration in corporate earnings, a decline in consumer spending, a rise in interest rates, or an excess supply in the real estate market. There may also be falls in selling prices or increases in inventories due to the decline in purchasing sentiment, or losses on valuation of inventories. For the Building Business and the Investment Management & Development Business, moreover, such events could also spark declines in office rents, increases in vacancy rates, falls in asset values, or drops in profit ratios. In addition, softness in the REIT market and dwindling demand in investment funds may be prolonged. Such events could have an adverse impact on the Group's business performance.

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

A number of laws and regulations apply to the various businesses of the 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, the Financial Instruments and Exchange Law, or other real estate-related laws are revised, or if new legislation is implemented. Such events could adversely affect the Group's business performance.

Furthermore, if 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 fiscal year under review, NREG TOSHIBA BUILDING was acquired as a consolidated subsidiary, and in the Residential Development Business we increased real estate for sale and other inventories. 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 2008, the balance of interest-bearing debt stood at ¥778,074 million, up ¥370,058 million from a year earlier. (This was equivalent to 56.2% of total assets, up 10.4 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) M&A

The Company has positioned M&A as an important strategy for long-term growth, as it helps to make the most of the advantages offered by the holding company system. The Company aims to maximize the value of the NRE Group by focusing on M&A opportunities that yield synergy with NRE Group's business. In fiscal 2008, the Company acquired NREG TOSHIBA BUILDING as a consolidated subsidiary. The acquisition will significantly expand rental revenue, a source of stable income, while at the same time creating a pipeline to the Toshiba Group. However, in the event of changes in the operating environment, the expected growth of the acquired company, or the synergy expected from the acquisition, may not be realized. This could have an adverse impact on the Group's business performance.

#### 6) Natural disasters

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

#### 7) Personal information

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

#### 8) Soil pollution

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

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

#### 9) Asbestos

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

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

In the Residential Development 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, 2008 and 2009

ASSETS	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2008	2009	2009
<b>Current Assets:</b>			
Cash and deposits (Note 2 (3))	¥ 31,513	¥ 39,475	\$ 401,868
Notes and accounts receivable-trade	9,041	31,385	319,502
Short-term investment securities (Note 4)	-	39,000	397,028
Real estate for sale (Notes 6, 8 and 9)	200,533	227,505	2,316,039
Real estate for sale in process (Notes 6, 8 and 9)	139,794	150,443	1,531,535
Land held for development (Notes 6, 8 and 9)	114,082	102,924	1,047,786
Equity investments (Note 4)	92,873	109,076	1,110,418
Deferred tax assets (Note 10)	10,391	21,348	217,326
Other	32,763	19,269	196,162
Allowance for doubtful accounts	(73)	(158)	(1,610)
Total current assets	630,917	740,267	7,536,054
<b>Investments and Other Assets:</b>			
Investment securities (Note 4)	19,585	15,316	155,921
Lease and guarantee deposits	27,634	26,797	272,795
Deferred tax assets (Note 10)	12,336	14,337	145,953
Other	1,804	3,645	37,109
Allowance for doubtful accounts	(118)	(18)	(183)
Total investments and other assets	61,241	60,077	611,595
<b>Property, Plant and Equipment:</b>			
Land (Notes 6 and 8)	110,094	380,592	3,874,494
Buildings and structures (Note 8)	141,279	251,632	2,561,666
Construction in progress (Note 6)	1,924	4,286	43,629
Machinery and equipment (Note 6)	5,832	7,557	76,928
Other	-	335	3,413
	259,129	644,402	6,560,130
Accumulated depreciation	(63,857)	(68,641)	(698,774)
Property, plant and equipment, net	195,272	575,761	5,861,356
<b>Intangible Assets</b>			
	4,270	9,427	95,972
Total Assets	¥891,700	¥1,385,532	\$14,104,977

LIABILITIES AND NET ASSETS	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2008	2009	2009
<b>Current Liabilities:</b>			
Notes and accounts payable–trade	¥ 63,377	¥ 69,523	\$ 707,759
Short-term loans payable (Notes 5 and 6)	73,185	195,347	1,988,665
Current portion of bonds	–	300	3,054
Income taxes payable (Note 10)	14,827	14,791	150,579
Deposits received	57,075	31,858	324,321
Deferred tax liabilities (Note 10)	165	707	7,200
Provision for bonuses	4,104	4,465	45,453
Provision for directors' bonuses	591	238	2,426
Provision for loss on business liquidation	280	215	2,183
Accrued interest	987	1,914	19,483
Accrued consumption taxes	584	685	6,975
Accounts payable–other	5,131	7,421	75,547
Advanced received	30,917	28,048	285,537
Other (Note 8)	12,750	11,217	114,192
Total current liabilities	263,973	366,729	3,733,374
<b>Noncurrent Liabilities:</b>			
Bonds payable	20,300	20,000	203,604
Long-term loans payable (Notes 5 and 6)	314,532	562,427	5,725,609
Lease and guarantees deposits received	30,127	47,425	482,795
Deferred tax liabilities (Note 10)	3,855	84,869	863,985
Deferred tax liabilities for land revaluation (Note 10)	3,905	4,996	50,865
Provision for retirement benefits (Note 7)	12,144	14,283	145,408
Provision for loss on subleasing business	2,890	1,812	18,441
Other	4,423	1,615	16,438
Total noncurrent liabilities	392,176	737,427	7,507,145
Total Liabilities	656,149	1,104,156	11,240,519
<b>Net Assets:</b>			
Shareholders' equity (Note 11):			
Capital stock	82,646	82,713	842,037
Capital surplus	59,976	60,043	611,248
Retained earnings	89,273	91,491	931,392
Treasury stock	(1)	(1)	(16)
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	1,215	(3,923)	(39,933)
Deferred gains on hedges	0	256	2,602
Revaluation reserve for land	(327)	5,999	61,073
Foreign currency translation adjustments	9	(638)	(6,494)
Subscription rights to shares	217	368	3,747
Minority interests	2,543	45,068	458,802
Total Net Assets	235,551	281,376	2,864,458
Total Liabilities and Net Assets	¥891,700	¥1,385,532	\$14,104,977

See notes to consolidated financial statements.

# Consolidated Statements of Income

Nomura Real Estate Holdings, Inc.  
Years Ended March 31, 2008 and 2009

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2008	2009	2009
<b>Operating Revenue:</b>			
Operating revenue	¥411,493	¥448,656	\$4,567,401
<b>Operating Expenses:</b>	341,671	414,643	4,221,145
Operating cost	281,102	347,892	3,541,606
Selling, general and administrative expenses	60,569	66,751	679,539
<b>Operating Income</b>	69,822	34,013	346,256
<b>Other Income and Expenses:</b>	(8,562)	(10,483)	(106,713)
Interest income	159	153	1,562
Dividends income	58	47	477
Equity in earnings of affiliates	13	-	-
Refunds of fixed asset tax for prior periods	-	67	679
Gain on sales of subsidiaries and affiliates' stocks	474	-	-
Gain on change in equity	138	-	-
Reversal of provision for loss on subleasing business	356	545	5,546
Interest expenses	(7,284)	(9,602)	(97,753)
Equity in losses of affiliates	(0)	(7)	(66)
Provision of allowance for doubtful accounts	(48)	(14)	(142)
Dividends distributions from silent partnership	(1,050)	-	-
Loss on valuation of investment securities	-	(717)	(7,296)
Other, net	(1,378)	(955)	(9,720)
<b>Income before Income Taxes and Minority Interests</b>	61,260	23,530	239,543
<b>Income Taxes</b> (Note 10):			
Income taxes—current	25,203	20,013	203,734
Income taxes—deferred	549	(11,025)	(112,238)
Total income taxes	25,752	8,988	91,496
Minority interests in income	253	772	7,861
<b>Net Income</b>	¥ 35,255	¥ 13,770	\$ 140,186

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Nomura Real Estate Holdings, Inc.  
Years Ended March 31, 2008 and 2009

	(Millions of yen)					
	Number of shares issued	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for- sale securities
Balance at March 31, 2007	149,325,000	¥82,646	¥59,976	¥59,245	¥(0)	¥11,429
Dividends from surplus	-	-	-	(5,227)	-	-
Net income	-	-	-	35,255	-	-
Purchases of treasury stock	-	-	-	-	(1)	-
Net changes of items other than shareholders' equity	-	-	-	-	-	(10,214)
Balance at March 31, 2008	149,325,000	¥82,646	¥59,976	¥89,273	¥(1)	¥ 1,215
Issuance of new shares	46,100	67	67	-	-	-
Dividends from surplus	-	-	-	(5,226)	-	-
Net income	-	-	-	13,770	-	-
Reversal of revaluation reserve for land	-	-	-	(6,326)	-	-
Purchases of treasury stock	-	-	-	-	(0)	-
Net changes of items other than shareholders' equity	-	-	-	-	-	(5,138)
Balance at March 31, 2009	149,371,100	¥82,713	¥60,043	¥91,491	¥(1)	¥ (3,923)

	(Millions of yen)					
	Deferred gains/losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2007	¥ (15)	¥ (327)	¥ 253	¥ -	¥ 1,259	¥214,466
Dividends from surplus	-	-	-	-	-	(5,227)
Net income	-	-	-	-	-	35,255
Purchases of treasury stock	-	-	-	-	-	(1)
Net changes of items other than shareholders' equity	15	(0)	(244)	217	1,284	(8,942)
Balance at March 31, 2008	¥ 0	¥ (327)	¥ 9	¥217	¥ 2,543	¥235,551
Issuance of new shares	-	-	-	-	-	134
Dividends from surplus	-	-	-	-	-	(5,226)
Net income	-	-	-	-	-	13,770
Reversal of revaluation reserve for land	-	-	-	-	-	(6,326)
Purchases of treasury stock	-	-	-	-	-	(0)
Net changes of items other than shareholders' equity	256	6,326	(647)	151	42,525	43,473
Balance at March 31, 2009	¥256	¥5,999	¥(638)	¥368	¥45,068	¥281,376

(Thousands of U.S. dollars)  
(Note 1)

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Valuation difference on available-for-sale securities
Balance at March 31, 2008	\$841,356	\$610,567	\$908,813	\$ (9)	\$ 12,372
Issuance of new shares	681	681	-	-	-
Dividends from surplus	-	-	(53,205)	-	-
Net income	-	-	140,186	-	-
Reversal of revaluation reserve for land	-	-	(64,402)	-	-
Purchases of treasury stock	-	-	-	(7)	-
Net changes of items other than shareholders' equity	-	-	-	-	(52,305)
Balance at March 31, 2009	\$842,037	\$611,248	\$931,392	\$(16)	\$(39,933)

(Thousands of U.S. dollars)  
(Note 1)

	Deferred gains/losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2008	\$ (4)	\$ (3,329)	\$ 87	\$2,211	\$ 25,892	\$2,397,956
Issuance of new shares	-	-	-	-	-	1,362
Dividends from surplus	-	-	-	-	-	(53,205)
Net income	-	-	-	-	-	140,186
Reversal of revaluation reserve for land	-	-	-	-	-	(64,402)
Purchases of treasury stock	-	-	-	-	-	(7)
Net changes of items other than shareholders' equity	2,606	64,402	(6,581)	1,536	432,910	442,568
Balance at March 31, 2009	\$2,602	\$61,073	\$(6,494)	\$3,747	\$458,802	\$2,864,458

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 46,100 shares due to the exercise of stock options.



# Consolidated Statements of Cash Flows

Nomura Real Estate Holdings, Inc.  
Years Ended March 31, 2008 and 2009

	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2008	2009	2009
<b>Net Cash Provided by (Used in) Operating Activities:</b>			
Income before income taxes and minority interests	¥ 61,260	¥ 23,530	\$ 239,543
Depreciation and amortization	4,892	7,149	72,776
Equity in (earnings) losses of affiliates	(13)	7	66
Increase (decrease) in allowance for doubtful accounts	48	(22)	(226)
Increase in provision for retirement benefits	1,445	1,381	14,060
Decrease in provision for loss on business liquidation	(348)	(65)	(664)
Decrease in provision for loss on subleasing business	(922)	(1,079)	(10,980)
Interest and dividend income	(217)	(200)	(2,039)
Interest expenses	7,284	9,602	97,753
Decrease (increase) in notes and accounts receivable–trade	467	(21,333)	(217,172)
Increase in inventories	(35,383)	(36,661)	(373,218)
Increase in equity investments	(14,928)	(16,203)	(164,953)
Increase in notes and accounts payable–trade	24,257	4,739	48,247
Decrease in deposits received	(3,235)	(38,794)	(394,932)
Other, net	(3,099)	(9,844)	(100,211)
<b>Subtotal</b>	<b>41,508</b>	<b>(77,793)</b>	<b>(791,950)</b>
Interest and dividends income received	128	173	1,770
Interest expenses paid	(7,076)	(8,762)	(89,200)
Income taxes paid	(26,921)	(21,649)	(220,393)
<b>Net cash provided by (used in) operating activities</b>	<b>7,639</b>	<b>(108,031)</b>	<b>(1,099,773)</b>
<b>Net Cash Used in Investment Activities:</b>			
Purchase of investment securities	(8)	(1,484)	(15,103)
Proceeds from sales and liquidation of investment securities	178	–	–
Purchases of investments in subsidiaries resulting in change in scope of consolidation (Note 3)	(997)	(81,588)	(830,582)
Purchases of property, plant and equipment and intangible assets	(18,174)	(56,663)	(576,836)
Proceeds from sales of property, plant and equipment and intangible assets	12	20	208
Payments of loans receivable	(15)	(20)	(204)
Collection of loans receivable	5,131	29	297
Payments for lease and guarantee deposits	(1,162)	(1,004)	(10,224)
Proceeds from collection of lease and guarantee deposits	1,820	1,987	20,226
Repayments of lease and guarantee deposits received	(3,668)	(2,726)	(27,757)
Proceeds from lease and guarantees deposits received	3,218	3,944	40,152
Other, net	317	(4,284)	(43,616)
<b>Net cash used in investment activities</b>	<b>(13,348)</b>	<b>(141,789)</b>	<b>(1,443,439)</b>
<b>Net Cash Provided by Financing Activities:</b>			
Net increase in short-term loans payable	6,350	103,700	1,055,686
Repayments of finance lease obligations	–	(21)	(219)
Proceeds from long-term loans payable	54,315	296,503	3,018,457
Repayments of long-term loans payable	(67,989)	(97,042)	(987,911)
Proceeds from issuance of bonds	20,182	–	–
Redemption of bonds	(25)	–	–
Proceeds from issuance of common stock	–	0	0
Proceeds from stock issuance to minority shareholders	1,192	0	4
Purchase of treasury stock	(1)	(1)	(7)
Cash dividends paid	(5,226)	(5,226)	(53,205)
Cash dividends paid to minority shareholders	(7)	(2,405)	(24,482)
<b>Net cash provided by financing activities</b>	<b>8,791</b>	<b>295,508</b>	<b>3,008,323</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>3,082</b>	<b>45,688</b>	<b>465,111</b>
<b>Cash and Cash Equivalents at Beginning of the Fiscal Year</b>	<b>28,437</b>	<b>31,511</b>	<b>320,783</b>
<b>Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation</b>	<b>(8)</b>	<b>1,274</b>	<b>12,981</b>
<b>Cash and Cash Equivalents at End of the Fiscal Year (Note 2 (3))</b>	<b>¥ 31,511</b>	<b>¥ 78,473</b>	<b>\$ 798,875</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc.  
March 31, 2008 and 2009

## 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, 2009 of ¥98.23 = 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, 2009, the balance of “Cash and cash equivalents” differed from the balance of “Cash and deposits” because it did not include time deposits with deposit terms exceeding three months of ¥2 million (\$20 thousand).

As of March 31, 2008, the balance of “Cash and cash equivalents” differed from the balance of “Cash and 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**

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).

#### **(6) Short-term Investment 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, Plant and Equipment (except for leased assets)**

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

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

Buildings and structures	2 to 65 years
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#### **(8) Software (except for leased assets)**

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

#### **(9) Leased Assets**

Leased Assets are depreciated using the straight-line method, assuming the lease period to be the useful life and the residual value to be zero.

Finance leases, other than those that transfer ownership, that started on or before March 31, 2008, are accounted for by the method applied to ordinary operating lease transactions.

#### **(10) Amortization of Goodwill**

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

#### **(11) Allowance for Doubtful Accounts**

In order to prepare for possible bad debt losses on notes and accounts receivable and loans, allowance for doubtful accounts 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.

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

Current income taxes are stated at the estimated amount payable during each fiscal year for corporation, enterprise and inhabitants' per capital 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) Provision for 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) 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, 2009 was ¥92.10 (\$0.94).

Diluted net income per share for the year ended March 31, 2008 was ¥236.06.

#### **(15) Land Revaluation**

Under "The Law Concerning Revaluation Reserve for Land" promulgated on March 31, 1998, the Company revalued its land held for business use. The tax amount for the difference between the appraisal value and the carrying amount is accounted for as "Deferred tax liabilities for land revaluation" in Noncurrent Liabilities and the net of such tax amount is recorded as "Revaluation reserve for land" 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 ¥4,075 million at March 31, 2008 and ¥3,805 million (\$38,733 thousand) at March 31, 2009.

#### **(16) 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 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.

#### **(17) Accounting Treatment of Leases**

Previously, the Company accounted for finance leases, other than those that transfer ownership, as operating lease transactions. However, from April 1, 2008 the Company has applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16) and now accounts for these leases as ordinary sale and purchase transactions.

However, the Company has continued to treat finance leases, other than those that transfer ownership, that commenced prior to April 1, 2008 as ordinary operating leases. The impact of this change on profit and loss for the fiscal year under review was minimal.

#### **(18) Reclassification**

Certain reclassifications have been made to the prior year amounts presented in the consolidated financial statements to conform them with the current year presentation. These reclassifications did not affect the net income or equity as previously reported.

### 3. Business Combination

NREG TOSHIBA BUILDING Co., Ltd. and its subsidiary NREG TOSHIBA FUDOSAN FACILITY SERVICE Co., Ltd. were consolidated by an acquisition of shares. The following shows details of assets and liabilities at the start of the consolidation, the acquisition price of NREG TOSHIBA BUILDING Co., Ltd. and the net payment for this acquisition.

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 12,957	\$ 131,910
Noncurrent assets	283,182	2,882,843
Goodwill	4,712	47,967
Current Liabilities	(25,694)	(261,569)
Noncurrent Liabilities	(150,894)	(1,536,125)
Minority interests	(41,843)	(425,971)
Acquisition cost	82,420	839,055
Cash and cash equivalents	(1,284)	(13,076)
Net payment for acquisition of newly consolidated subsidiaries	¥ 81,136	\$ 825,979

Note: The net payment above is included in "Purchases of investments in subsidiaries resulting in change in scope of consolidation" in the Consolidated Statements of Cash Flows.

### 4. Securities

The following tables summarize the acquisition cost, book value and market value of securities which the Company held as of March 31, 2008 and 2009:

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

	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Market value	Difference	Book value	Market value	Difference
<b>2008</b>						
Securities whose market value exceeds book value:						
Government and municipal bonds, etc.	¥ 35	¥ 36	¥ 1			
Subtotal	35	36	1			
Securities whose market value does not exceed book value:						
Government and municipal bonds, etc.	271	270	(1)			
Subtotal	271	270	(1)			
Total	¥306	¥306	¥ 0			
<b>2009</b>						
Securities whose market value exceeds book value:						
Government and municipal bonds, etc.	¥295	¥296	¥ 1	\$3,004	\$3,016	\$12
Subtotal	295	296	1	3,004	3,016	12
Securities whose market value does not exceed book value:						
Government and municipal bonds, etc.	20	20	(0)	208	204	(4)
Subtotal	20	20	(0)	208	204	(4)
Total	¥315	¥316	¥ 1	\$3,212	\$3,220	\$ 8

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

2008	(Millions of yen)		
	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 1,338	¥ 2,202	¥ 864
Other	19,858	22,944	3,086
Subtotal	21,196	25,146	3,950
Securities whose book value does not exceed acquisition cost:			
Stocks	55	49	(6)
Other	22,156	20,274	(1,882)
Subtotal	22,211	20,323	(1,888)
Total	¥43,407	¥45,469	¥ 2,062

2009	(Millions of yen)			(Thousands of U.S. dollars)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 126	¥ 423	¥ 297	\$ 1,284	\$ 4,307	\$ 3,023
Other	296	297	1	3,014	3,027	13
Subtotal	422	720	298	4,298	7,334	3,036
Securities whose book value does not exceed acquisition cost:						
Stocks	579	561	(18)	5,898	5,709	(189)
Other	39,979	33,519	(6,460)	406,990	341,230	(65,760)
Subtotal	40,558	34,080	(6,478)	412,888	346,939	(65,949)
Total	¥40,980	¥34,800	¥(6,180)	\$417,186	\$354,273	\$(62,913)

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

The table below describes sales of available-for-sale securities for the years ended March 31, 2008 and 2009:

	(Millions of yen)						(Thousands of U.S. dollars)		
	2008			2009			2009		
	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
	¥39,332	¥292	¥1	¥2,258	¥2	¥154	\$22,988	\$22	\$1,563

## (4) Securities without Market Value

The following table summarizes the book value of securities without market value as of March 31, 2008 and 2009:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2009	2009
Available-for-sale securities:			
CRF	¥ –	¥ 5,000	\$ 50,901
Negotiable certificates of deposit	–	34,000	346,126
Unlisted stocks	560	565	5,751
Preferred investments	4,714	7,522	76,573
Investments in silent partnerships	61,334	77,732	791,326
Investment in limited liability partnership	99	94	956

## (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, 2008 and 2009:

2008	(Millions of yen)			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due after 10 years
Bonds:				
Government and municipal bonds, etc.	¥-	¥295	¥10	¥-
Total	¥-	¥295	¥10	¥-

2009	(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
Bonds:								
Government and municipal bonds, etc.	¥ 37	¥268	¥10	¥-	\$ 377	\$2,728	\$102	\$-
Other	34,000	-	-	-	346,126	-	-	-
Total	¥34,037	¥268	¥10	¥-	\$346,503	\$2,728	\$102	\$-

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

Short-term loans payable as of March 31, 2008 and 2009 mainly consisted of borrowings from banks with a weighted-average interest rate of 1.1% in 2008 and 1.0% in 2009.

Long-term loans payable and bonds payable as of March 31, 2008 and 2009 are summarized as follows:

	(Millions of yen)		(Thousand of U.S. dollars)
	2008	2009	2009
Unsecured bonds (1.7%), due 2014	¥ 10,000	¥ 10,000	\$ 101,802
Unsecured bonds (2.1%), due 2017	10,000	10,000	101,802
Secured bonds (3.0%), due 2009	300	300	3,054
Loans payable			
Secured	17,349	40,115	408,379
Unsecured	338,868	582,458	5,929,534
Lease obligations	-	330	3,361
Subtotal	376,517	643,203	6,547,931
Less amounts due within one year	(41,685)	(60,519)	(616,096)
	¥334,832	¥582,684	\$5,931,835

Long-term loans payable as of March 31, 2008 and 2009 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with a weighted-average interest rate of 1.5% in 2008 and 1.4% in 2009.

The weighted-average interest rate for lease obligations is not shown because for some consolidated subsidiaries the lease obligations recorded in the consolidated balance sheets are the amounts before deducting the interest equivalents included in the total lease commitments.

The details of maturities of long-term loans payable and bonds payable subsequent to March 31, 2009 were as follows:

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 99,261	\$1,010,496
2012	93,643	953,303
2013	99,660	1,014,554
2014	113,076	1,151,135
2015 and thereafter	176,787	1,799,725
	¥582,427	\$5,929,213

The following shows the maturities of lease obligations as of March 31, 2009 for each year.

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2011	¥ 74	\$ 752
2012	74	748
2013	74	753
2014	36	369
2015 and thereafter	0	0
	¥258	\$2,622

## 6. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2008 and 2009 are summarized as follows:

### (1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2009	2009
Pledged assets:			
Buildings and structures	¥-	¥ 9,305	\$ 94,722
Land	-	7,455	75,892
Other property and equipment	-	67	685
	-	16,827	171,299
Secured liabilities:			
Short-term loans payable	-	732	7,448
Long-term loans payable	-	2,281	23,226
Lease and guarantee deposits received	-	96	981
Total	¥-	¥ 3,109	\$ 31,655



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

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2009	2009
Pledged assets:			
Real estate for sale in process	¥ 5,869	¥ 2,355	\$ 23,977
Buildings and structures	–	4,900	49,883
Land	15,201	46,927	477,723
Construction in progress	1,036	1,828	18,607
Total	22,106	56,010	570,190
Secured liabilities:			
Short-term loans payable	2,175	1,602	16,308
Long-term loans payable	15,174	35,500	361,397
Total	¥17,349	¥37,102	\$377,705

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.

## 7. Retirement Benefits

### (1) Outline of Retirement Benefit Plans

The Company does not have a retirement benefit plan. Among its consolidated subsidiaries, one subsidiary has a lump-sum payment and a tax-qualified pension plan, which are defined benefit pension plans with a retirement benefit trust. Six subsidiaries have adopted only 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)
	2008	2009	2009
(1) Projected benefit obligation	¥(22,126)	¥(23,987)	\$(244,196)
(2) Plan assets at fair value	7,275	5,992	61,006
(3) Unfunded retirement benefit obligation (1)+(2)	(14,851)	(17,995)	(183,190)
(4) Unrecognized actuarial gain or loss	2,707	3,712	37,782
(5) Provision for retirement benefits (3)+(4)	¥(12,144)	¥(14,283)	\$(145,408)

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)
	2008	2009	2009
(1) Service cost	¥1,305	¥1,448	\$14,738
(2) Interest cost	412	428	4,354
(3) Less: Expected return on plan assets	(176)	(146)	(1,480)
(4) Amortization of actuarial gain or loss	390	533	5,428
(5) Additional retirement benefit payments	45	27	274
(6) Other	120	142	1,442
Retirement benefit expenses	¥2,096	¥2,432	\$24,756

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:

	2008	2009
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%

### 8. 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, 2009, while liabilities of ¥8,202 million (\$83,494 thousand) were recorded in "Other" in Current Liabilities.

The book value of these assets (real estate for sale) as of March 31, 2009 was ¥5,148 million (\$52,410 thousand).

### 9. Reclassification of Assets

As of March 31, 2009, following a reassessment of the purposes for holding assets, real estate for sale amounting to ¥16,646 million (\$169,459 thousand) were reclassified to property and equipment.

## 10. Income Taxes

The statutory tax rate in Japan was 40.7% for the years ended March 31, 2008 and 2009.

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 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, 2009:

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

	2009
Statutory tax rate	40.7%
Adjustments:	
Permanent differences including entertainment expenses	2.0
Retained earnings of affiliates	3.6
Valuation allowance	(8.6)
Other	0.5
Effective tax rate	38.2%

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2008 and 2009:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2009	2009
Deferred tax assets:			
Unrealized profits	¥ 13,148	¥ 14,165	\$ 144,201
Inventory write-downs	4,635	15,160	154,330
Provision for retirement benefits	4,928	5,817	59,223
Provision for loss on subleasing business	2,435	962	9,794
Provision for bonuses	1,683	1,768	18,004
Accrued enterprise taxes	1,184	1,209	12,304
Excess of depreciation	790	1,124	11,439
Revaluation of assets on consolidation	-	2,979	30,330
Valuation difference on available-for-sale securities	-	2,689	27,373
Other	3,536	5,095	51,869
Gross deferred tax assets	32,339	50,968	518,867
Valuation allowance	(3,409)	(6,721)	(68,427)
Total deferred tax assets	28,930	44,247	450,440
Deferred tax liabilities:			
Revaluation of assets on consolidation	-	(69,956)	(712,169)
Reserve for deferred income taxes	(8,516)	(22,869)	(232,804)
Valuation difference on available-for-sale securities	(835)	-	-
Gain on contribution of securities to retirement benefit trust	(437)	-	-
Other	(436)	(1,314)	(13,374)
Total deferred tax liabilities	(10,224)	(94,139)	(958,347)
Net deferred tax assets	¥ 18,706	¥(49,892)	\$(507,907)

## 11. 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 2009, the Company's capital reserve amounted to ¥82,636 million and ¥82,703 million (\$841,927 thousand), and no retained earnings reserve was recorded.

## 12. 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 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 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 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.

### 13. Leases

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

Details of significant lease transactions are as follows.

(1) The following table shows the acquisition cost equivalents, the accumulated depreciation equivalents, the accumulated impairment loss equivalents and term-end balance equivalents of leased assets as of March 31, 2008. Details on lease transactions have been omitted for the fiscal year ended March 31, 2009 because their importance was negligible.

	(Millions of yen)
	2008
Acquisition cost:	
Buildings and structures	¥ 15
Machinery and equipment	1,957
Other	264
Accumulated depreciation	(1,112)
Net book value	¥ 1,124

Note: The above acquisition cost equivalents were calculated using the paid interest method because the term-end balances of outstanding lease commitments were only a small percentage of the term-end balances of property and equipment.

(2) The table below presents the future lease payments under finance leases subsequent to March 31, 2008. Details on lease transactions have been omitted for the fiscal year ended March 31, 2009 because their importance was negligible.

	(Millions of yen)
	2008
Finance leases	
Future lease payments:	
Due within 1 year	¥ 421
Due over 1 year	703
Total	¥1,124

(3) The table below presents the future lease payments under operating leases subsequent to March 31, 2008 and 2009.

	(Millions of yen)		(Thousands of U.S. dollars)
Operating leases	2008	2009	2009
Future lease payments:			
Due within 1 year	¥ 7,937	¥ 8,158	\$ 83,046
Due after 1 year	41,223	44,961	457,716
Total	¥49,160	53,119	540,762
Future lease receipts:			
Due within 1 year	¥ 5,171	7,331	74,629
Due after 1 year	19,859	41,294	420,379
Total	¥25,030	¥48,625	\$495,008

Note: The term-end balances of the outstanding lease commitments were calculated using the interest paid method because the term-end balances of the outstanding lease commitments were only a small percentage of the term-end balances of property and equipment.

## 14. 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, 2008 and 2009 were as follows:

### 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
Operating revenue and operating income								
Operating revenue:								
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

### Results by segment for the fiscal year ended March 31, 2009

(Millions of yen)								
	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Operating revenue and operating income								
Operating revenue:								
External customers	¥ 231,286	¥ 84,603	¥ 77,442	¥ 36,728	¥ 18,597	¥ 448,656	¥ -	¥ 448,656
Inter-segment	343	5,797	636	3,036	1,239	11,051	(11,051)	-
Subtotal	231,629	90,400	78,078	39,764	19,836	459,707	(11,051)	448,656
Operating expenses	(219,842)	(74,631)	(67,961)	(38,210)	(18,735)	(419,379)	4,736	(414,643)
Operating income	¥ 11,787	¥ 15,769	¥ 10,117	¥ 1,554	¥ 1,101	¥ 40,328	¥ (6,315)	¥ 34,013
Total assets, depreciation, and capital expenditure								
Total assets	¥ 318,845	¥543,880	¥366,788	¥ 57,923	¥ 28,234	¥1,315,670	¥ 69,862	¥1,385,532
Depreciation	234	5,562	71	148	904	6,919	230	7,149
Capital expenditure	500	48,046	6,988	305	1,726	57,565	379	57,944

(Thousands of U.S. dollars)

	Residential Development	Building	Investment Management & Development	Property Brokerage & Consignment Sales	Other	Subtotal	Eliminations or corporate	Total
Operating revenue and operating income								
Operating revenue:								
External customers	\$ 2,354,531	\$ 861,279	\$ 788,366	\$ 373,903	\$ 189,322	\$ 4,567,401	\$ -	\$ 4,567,401
Inter-segment	3,494	59,011	6,481	30,904	12,615	112,505	(112,505)	-
Subtotal	2,358,025	920,290	794,847	404,807	201,937	4,679,906	(112,505)	4,567,401
Operating expenses	(2,238,036)	(759,755)	(691,854)	(388,985)	(190,733)	(4,269,363)	48,218	(4,221,145)
Operating income	\$ 119,989	\$ 160,535	\$ 102,993	\$ 15,822	\$ 11,204	\$ 410,543	\$ (64,287)	\$ 346,256
Total assets, depreciation, and capital expenditure								
Total assets	\$ 3,245,904	\$ 5,536,805	\$ 3,733,966	\$ 589,667	\$ 287,427	\$ 13,393,769	\$ 711,208	\$ 14,104,977
Depreciation	2,386	56,618	719	1,511	9,200	70,434	2,342	72,776
Capital expenditure	5,094	489,114	71,142	3,099	17,574	586,023	3,856	589,879

## 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
- Operating expenses for the fiscal years ended March 31, 2008 and 2009 consisted of ¥6,200 million and ¥6,392 million (\$65,071 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, 2008 and 2009 consisted of ¥40,987 million and ¥96,732 million (\$984,752 thousand), respectively, of assets not allocated to a segment which were included in "Eliminations or corporate." The principal items were surplus funds (cash and 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.

## 15. Contingent Liabilities

Contingent liabilities as of March 31, 2008 and 2009 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2008	2009	2009
Guarantees for home loans of house purchasers from banks and other	¥49,925	¥48,214	\$490,832
Guarantees for loans to business partners in the business of commercial buildings for rent	1,134	1,078	10,970
Guarantees for borrowings by affiliates	298	970	9,879
	¥51,357	¥50,262	\$511,681

## 16. Subsequent Events

### Payment of Dividends

At the 5th Annual General Meeting of Shareholders held on June 26, 2009, a resolution for the payment of dividends of ¥20.00 (\$0.20) per share, ¥2,987 million (\$30,413 thousand) in total, to shareholders of record as of March 31, 2009 was approved.

### Issuance of New Shares

At a meeting of the Board of Directors held on June 1, 2009, the Company resolved to issue new shares, for which the payment was completed on June 16, 2009.

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1. Offering method	General offering
2. Type and number of shares to be issued	36,000,000 shares of common stock
3. Issue price	¥1,601.36 per share
4. Total amount of the issue price	¥57,648 million
5. Amount to be paid	¥800.68 per share
6. Total amount to be paid	¥28,824 million
7. Payment date	June 16, 2009
8. Use of proceeds	The Company plans to use the proceeds for the repayment of short-term loans, for the acquisition of sites for residences, and for construction costs.

At a meeting of the Board of Directors held on June 1, 2009, the Company resolved to conduct a third-party allotment with Nomura Securities Co., Ltd. as the allottee with regard to the sale of the Company's shares (the sale of 5,400,000 shares of the Company's common stock that Nomura Securities will borrow from the Company's shareholders) by way of over-allotment by Nomura Securities, which is the lead managing underwriter of the general offering. The following is an overview of this allotment.

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1. Type and number of shares to be issued	5,400,000 shares of common stock
2. Issue price	¥1,601.36 per share
3. Total amount of the issue price	Up to ¥8,647 million
4. Total amount to be paid	Up to ¥4,323 million
5. Allottee	Nomura Securities Co., Ltd.
6. Application period (deadline)	July 13, 2009
7. Payment date	July 14, 2009
8. Use of proceeds	The Company plans to use the proceeds for the repayment of short-term loans, for the acquisition of sites for residences, and for construction costs.
9. Other	Nomura Securities may conduct syndicate cover transactions, and all or some of the Company's common stock purchased by these transactions may be used to return the Company's common stock that Nomura Securities has borrowed from the Company's shareholders. As a result, it may not be possible to implement an application for all or some of the shares issued in this third-party allotment, and so the final number of shares issued in the third-party allotment may be reduced due to this forfeiture of rights, or the issuance itself may not be conducted.



## 17. Stock Options

### 1. Description

	Nomura Real Estate Holdings, Inc. FY2007 1st issue of stock options	Nomura Real Estate Holdings, Inc. FY2007 2nd issue of stock options	Nomura Real Estate Holdings, Inc. FY2007 3rd issue of stock options
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
	Nomura Real Estate Holdings, Inc. FY2008 1st issue of stock options	Nomura Real Estate Holdings, Inc. FY2008 2nd issue of stock options	Nomura Real Estate Holdings, Inc. FY2008 3rd issue of stock options
Recipients	Directors of the Company (5 persons)	Directors and executive officers of the Company's subsidiaries (51 persons)	Directors of the Company (5 persons) Directors and executive officers of the Company's subsidiaries (52 persons) Employees of the Company's subsidiaries (122 persons)
Type/number of shares reserved (see Note)	Common stock: 14,800 shares	Common stock: 61,300 shares	Common stock: 191,200 shares
Grant date	August 11, 2008	August 11, 2008	August 11, 2008
Vesting conditions	No conditions attached	No conditions attached	No conditions attached
Service period	No period specified	No period specified	No period specified
Exercisable period	August 11, 2009 – August 10, 2014	August 11, 2009 – August 10, 2014	August 11, 2010 – August 10, 2015
	MEGALOS CO., LTD. FY2008 1st issue of stock options	MEGALOS CO., LTD. FY2008 2nd issue of stock options	
Recipients	Directors of the Company (3 persons)	Directors of the Company (3 persons) Employees of the Company (14 persons)	
Type/number of shares reserved (see Note)	Common stock: 16,400 shares	Common stock: 32,000 shares	
Grant date	December 1, 2008	December 1, 2008	
Vesting conditions	No conditions attached	No conditions attached	
Service period	No period specified	No period specified	
Exercisable period	December 1, 2009 – November 30, 2014	December 1, 2009 – November 30, 2015	

2. Scale of offer and status of changes

(1) Number of stock options

	Nomura Real Estate Holdings, Inc. FY2007 1st issue of stock options	Nomura Real Estate Holdings, Inc. FY2007 2nd issue of stock options	Nomura Real Estate Holdings, Inc. FY2007 3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	–	–	179,200
Granted	–	–	–
Forfeited	–	–	–
Vested:	–	–	2,500
End of the year	–	–	176,700
Vested: (shares)			
Previous fiscal year end	14,800	52,300	1,200
Vested:	–	–	2,500
Exercised	14,800	31,300	–
Forfeited	–	–	–
End of the year	–	21,000	3,700
	Nomura Real Estate Holdings, Inc. FY2008 1st issue of stock options	Nomura Real Estate Holdings, Inc. FY2008 2nd issue of stock options	Nomura Real Estate Holdings, Inc. FY2008 3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	–	–	–
Granted	14,800	61,300	191,200
Forfeited	–	–	–
Vested:	14,800	61,300	–
End of the year	–	–	191,200
Vested: (shares)			
Previous fiscal year end	–	–	–
Vested:	14,800	61,300	–
Exercised	–	–	–
Forfeited	–	–	–
End of the year	14,800	61,300	–
	MEGALOS CO., LTD. FY2008 1st issue of stock options	MEGALOS CO., LTD. FY2008 2nd issue of stock options	
Non-vested: (shares)			
Previous fiscal year end	–	–	
Granted	16,400	32,000	
Forfeited	–	–	
Vested:	16,400	–	
End of the year	–	32,000	
Vested: (shares)			
Previous fiscal year end	–	–	
Vested:	16,400	–	
Exercised	–	–	
Forfeited	–	–	
End of the year	16,400	–	

## (2) Unit price data

	Nomura Real Estate Holdings, Inc. FY2007 1st issue of stock options	Nomura Real Estate Holdings, Inc. FY2007 2nd issue of stock options	Nomura Real Estate Holdings, Inc. FY2007 3rd issue of stock options
Exercise price (¥)	1	1	3,380
Average price upon exercise (¥)	1,269	1,370	-
Fair value on grant date (¥)	2,903	2,903	714
	Nomura Real Estate Holdings, Inc. FY2008 1st issue of stock options	Nomura Real Estate Holdings, Inc. FY2008 2nd issue of stock options	Nomura Real Estate Holdings, Inc. FY2008 3rd issue of stock options
Exercise price (¥)	1	1	2,255
Average price upon exercise (¥)	-	-	-
Fair value on grant date (¥)	2,131	2,131	770
	MEGALOS CO., LTD. FY2008 1st issue of stock options	MEGALOS CO., LTD. FY2008 2nd issue of stock options	
Exercise price (¥)	1	740	
Average price upon exercise (¥)	-	-	
Fair value on grant date (¥)	606	184	

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.



**ERNST & YOUNG**

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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, 2009 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, 2009 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.

As described in Note 16, at a meeting of the Board of Directors held on June 1, 2009, the Company resolved to issue new shares, for which the payment was completed on June 16, 2009.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 LLC*

June 26, 2009

A member firm of Ernst & Young Global Limited

# 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*<sup>®</sup>

**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



## 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



**NOMURA**  
Residential Fund

## April 2007

50th anniversary of foundation of the Group



## July 2007

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



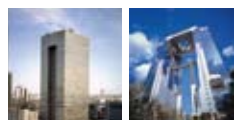
## November 2007

MEGALOS CO., LTD. listed on the Nasdaq Securities Exchange



## December 2008

NREG TOSHIBA BUILDING Co., Ltd. became a Group member



**Common Stock:** ¥82,771 million

**Number of Authorized Shares:** 450,000,000

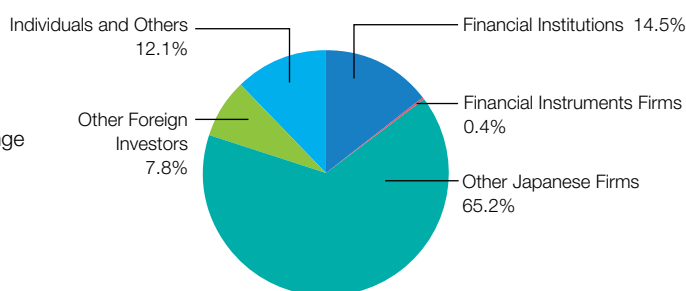
**Number of Shares Issued:** 149,371,100

**Market Listing:** First Section of  
Tokyo Stock Exchange

**Minimum Trading Unit:** 100 shares

**Number of Shareholders:** 43,139

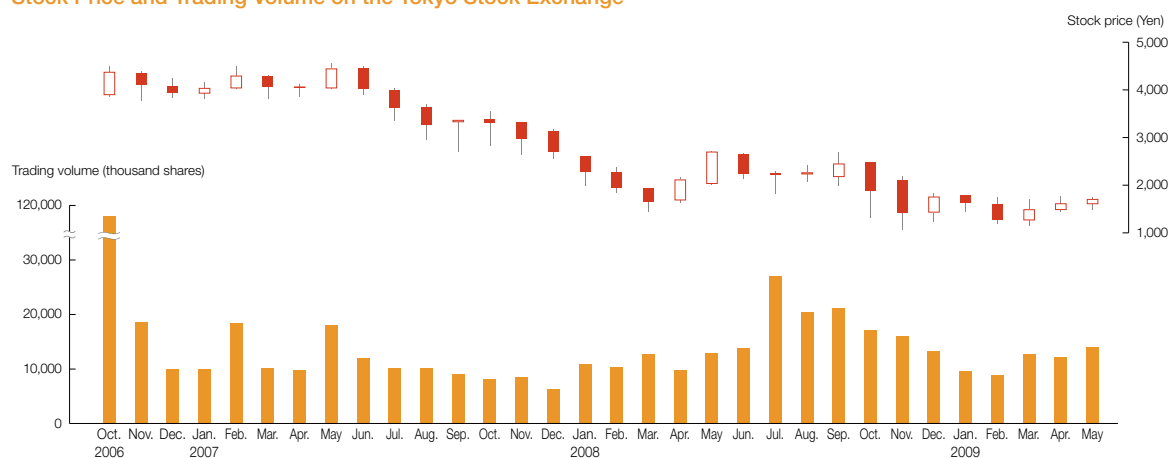
**Composition by Number of Shareholdings (%):**



**Ten Largest Shareholders:**

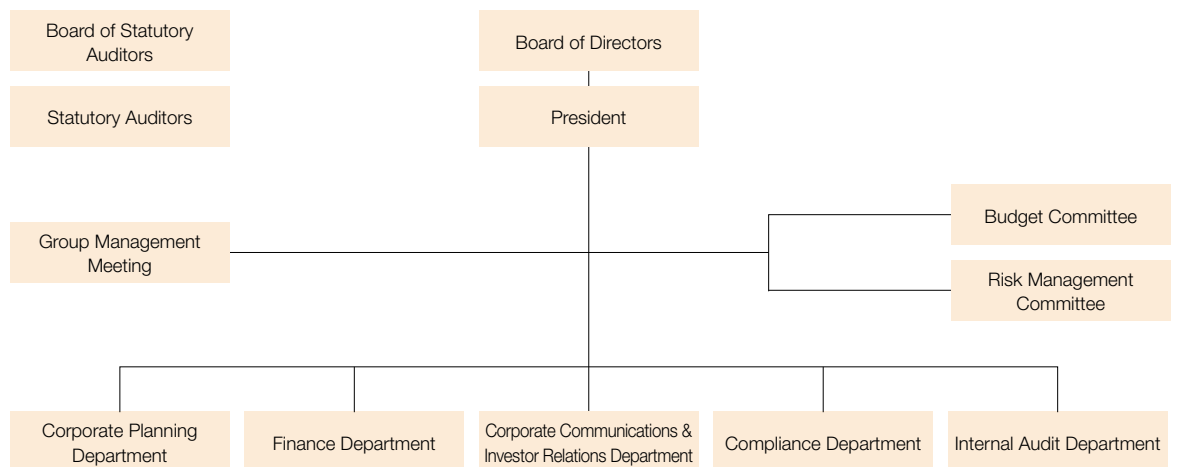
Name of Shareholder	No. of shares	Shareholding (%)
Nomura Land and Building Co., Ltd.	96,817,500	64.82%
Japan Trustee Services Bank, Ltd. (Trust account)	6,784,200	4.54%
The Master Trust Bank of Japan, Ltd. (Trust account)	4,863,300	3.26%
Japan Trustee Services Bank, Ltd. (Trust account 4G)	3,585,200	2.40%
Nomura Real Estate Holdings Employee Shareholding Association	2,367,382	1.58%
The Bank of NY Treaty JASDEC Account	1,015,200	0.68%
National Mutual Insurance Federation of Agricultural Cooperatives	985,000	0.66%
Japan Trustee Services Bank, Ltd. (Trust account 4)	977,000	0.65%
NIPPONVEST	700,000	0.47%
Trust & Custody Services Bank, Ltd. (Trust account B)	610,600	0.41%

**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:** 4,998 (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/index.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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