



More Ensured, More Energized

Bringing Tomorrow Today — NOMURA REAL ESTATE GROUP

 NOMURA REAL ESTATE HOLDINGS

Annual Report 2010

Year ended March 31, 2010

Contents

- 01** Snapshot of Nomura Real Estate Holdings
- 02** Consolidated Financial Highlights
- 03** Segment Information
- 04** Interview with the President
- 09** Special Feature:
Working for the Future of a Beautiful Planet—Nomura Real Estate Group Environmental Initiatives
- 12** Segments at a Glance
- 14** Major Activities in Fiscal 2009
- 16** Outline of Nomura Real Estate Group
- 18** Group Company Profile:
Nomura Real Estate Urban Net Co., Ltd.
- 20** Corporate Governance
- 23** Board of Directors and Statutory Auditors
- 24** Corporate Social Responsibility
- 25** Management' s Discussion and Analysis
- 30** Consolidated Balance Sheets
- 32** Consolidated Statements of Income
- 33** Consolidated Statements of Changes in Net Assets
- 34** Consolidated Statements of Cash Flows
- 35** Notes to Consolidated Financial Statements
- 57** Report of Independent Auditors
- 58** Investor Information

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 and taxation systems, and other regulations. As such, actual results may differ from those projected.





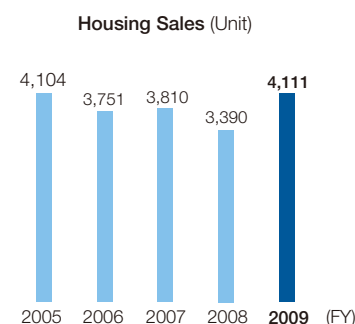
Snapshot of Nomura Real Estate Holdings

Point 1

Enhancing the “PROUD” Brand

(→ For details, please refer to “Major Activities in Fiscal 2009” on page 14.)

From urban detached housing to large-scale condominiums, Nomura Real Estate supplies a diverse lineup of property under the PROUD brand. By leveraging our integration in development and sales and harnessing our strengths in product planning and sales, in fiscal 2009 our housing sales totaled 4,111 units, exceeding 4,000 for the first time in four years.



Point 2

Aggressively Developing Business in Growth Fields

(→ For further details, please refer to the “Interview with the President” on page 4.)

The outlook for the overall real estate industry remains uncertain, but a number of fields promise future growth. Consequently, by taking advantage of our client base and the operational expertise we have amassed to date, we are beginning new businesses in such areas of redevelopment, reconstruction and the establishment of private REITs.



Deploying our wealth of advanced expertise in redevelopment and reconstruction (PROUD Shinjuku Gyoen Empire)

Point 3

Initiatives to Achieve Environmental Harmony

(→ For further details, please refer to the “Special Feature” on page 9.)

“Environment” is an increasingly important keyword in the field of real estate development. We are striving to make the most of nature’s power and magnificence through each of our businesses, as we aim to be in harmony with the environment.



A property planned and designed in accordance with the PROUD ECO VISION, which we developed in the fiscal year under review (PROUD CITY Ikebukuro-honcho)

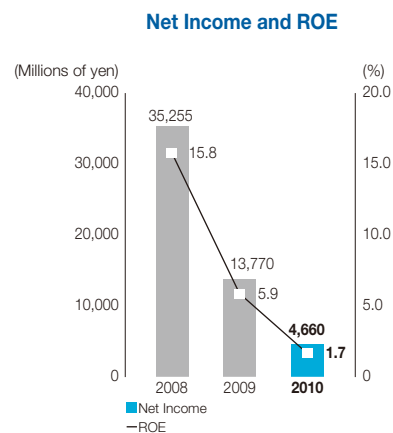
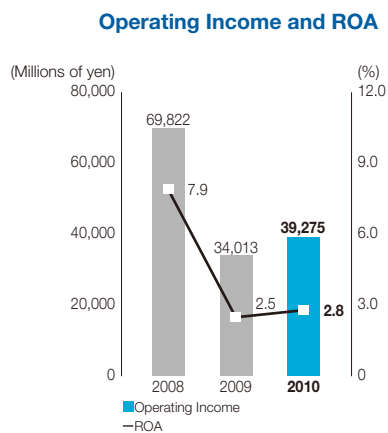
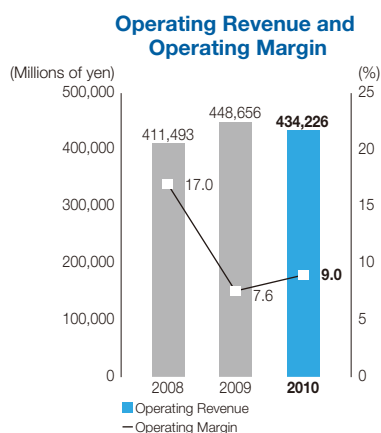
Consolidated Financial Highlights

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

	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
	2008	2009	2010	2010
For the Year:				
Operating Results:				
Operating revenue	¥ 411,493	¥ 448,656	¥ 434,226	\$ 4,667,091
Gross profit	130,391	100,764	105,576	1,134,741
Operating income	69,822	34,013	39,275	422,128
Net income	35,255	13,770	4,660	50,087
Cash flows from operating activities	7,639	(108,031)	19,266	207,075
Cash flows from investing activities	(13,348)	(141,789)	(24,571)	(264,093)
Cash flows from financing activities	8,791	295,508	13,098	140,780
Per Share Data (yen/dollars):				
Net income	¥ 236.09	¥ 92.21	¥ 25.69	\$ 0.28
Cash dividends	30.00	40.00	25.00	0.27
Balance Sheet Data (as of March 31):				
Total assets	¥ 891,700	¥1,385,532	¥1,405,424	\$15,105,592
Total net assets	235,551	281,376	349,437	3,755,773
Interest-bearing debt	408,016	778,074	759,637	8,164,624
Ratios:				
Return on assets ^(Note 2)	7.9%	2.5%	2.8%	
Return on equity	15.8%	5.9%	1.7%	
Operating margin	17.0%	7.6%	9.0%	
Dividend payout ratio	12.7%	43.4%	97.3%	
Equity ratio	26.1%	17.0%	21.4%	

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2010, which was ¥93.04 = U.S.\$1.00.

2. Return on assets = (Operating income + Non-operating income) / Total assets at end of fiscal year



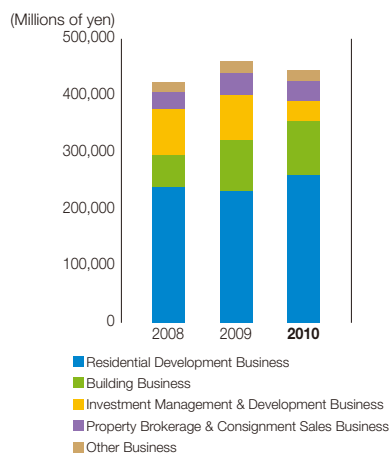
Segment Information

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

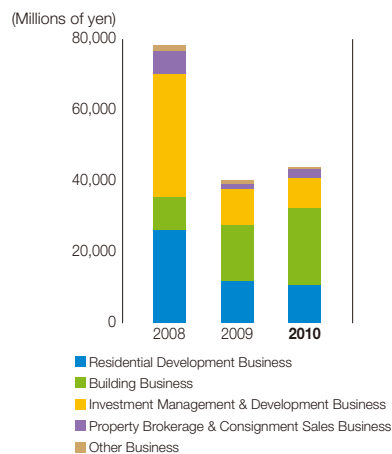
	(Millions of yen)			(Thousands of U.S. dollars) (Note 1)
	2008	2009	2010	2010
Operating Revenue:				
Residential Development Business	¥238,802	¥231,629	¥259,070	\$2,784,500
Building Business	56,889	90,400	95,238	1,023,623
Investment Management & Development Business	80,555	78,078	36,189	388,965
Property Brokerage & Consignment Sales Business	30,183	39,764	33,964	365,044
Other Business	16,837	19,836	19,657	211,274
Eliminations or corporate	(11,773)	(11,051)	(9,892)	(106,315)
Operating Income:				
Residential Development Business	¥ 26,067	¥ 11,787	¥ 10,735	\$ 115,379
Building Business	9,414	15,769	21,587	232,019
Investment Management & Development Business	34,778	10,117	8,498	91,338
Property Brokerage & Consignment Sales Business	6,392	1,554	2,690	28,915
Other Business	1,514	1,101	432	4,641
Eliminations or corporate	(8,343)	(6,315)	(4,667)	(50,164)
Return on Assets of Each Segment (Note 2)				
Residential Development Business	10.0%	3.7%	3.5%	
Building Business	4.6%	2.9%	4.0%	
Investment Management & Development Business (Note 2)	10.8%	2.8%	2.1%	
Property Brokerage & Consignment Sales Business (Note 2)	8.8%	2.7%	6.0%	
Other Business	5.6%	3.9%	1.6%	
Inventories				
Residential Development Business	¥222,761	¥287,410	¥276,400	\$2,970,762
Building Business	11,342	3,215	5,921	63,645
Investment Management & Development Business (Note 2)	171,819	138,364	138,341	1,486,894
Property Brokerage & Consignment Sales Business (Note 2)	42,508	46,371	32,676	351,207
Other Business	6,318	6,132	6,059	65,123
Eliminations or corporate	(128)	(3)	(475)	(5,109)

Notes: 1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2010, which was ¥93.04 = U.S.\$1.00.
2. ROA of each segment = Segment operating income / Segment assets at end of fiscal year

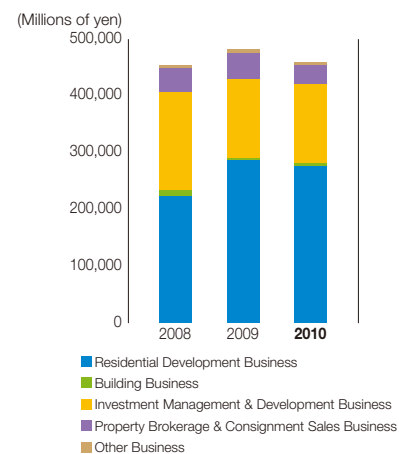
Operating Revenue*



Operating Income*



Inventories*



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

The Nomura Real Estate Holdings Group is pursuing business developments according to the strategies outlined in its Medium-term Business Plan, as it strives to return to profit growth in a difficult operating environment. During the fiscal year under review, in each business segment we strove to leverage the Company's strengths, reallocating management resources into our fields of core competence as we worked to establish the foundations for medium- to long-term growth.



Hirohisa Suzuki
President



Question 1 | Answer

How would you summarize the real estate industry in fiscal 2009?

While there were signs of recovery in the Tokyo metropolitan area condominium market as we entered 2010, including increases in the number of new condominium units supplied and improved contract rates, the real estate investment and office markets continued to experience difficulties, indicating that the industry as a whole had not yet attained a full-scale recovery.

In the housing sales market, although the number of condominium units supplied continued to be on a declining trend compared to the previous year, price adjustments, mortgage loan tax reductions and gift tax exemptions increases invigorated customer activity. From the beginning of 2010, for us, this resurgence played out with all units selling out their first day on the market at PROUD CITY Ikebukuro-honcho, OACITY Kinshicho and other properties.

There was some aggressive movement in the real estate investment market, with a number of REITs, including Nomura Real Estate Residential Fund, Inc., raising funds through public offerings, as well as the merging and reorganization of listed REITs. However, REIT investment unit prices remained lackluster, proving insufficient to play a leading role in the real estate market.

In the office market, growing tenant concerns about the economic outlook led them to cost cuts. Shrinking demand caused the vacancy rate to climb to 8% in the five wards of central Tokyo, the highest level to date. It is unclear when companies will be willing to pay more money for office space, and therefore we expect these severe conditions will continue for some time.

Question 2 | Answer

How did the Company perform during the period under review?

Because of the sluggish market, operating revenue was slightly lower compared to the previous fiscal year. Although we saw an increase in operating income as a result of cost-cutting measures, there was a significant drop in net income compared to the previous fiscal year.

In the Residential Development Business, the number of housing sales unit (delivered) increased 21.3% year on year, to 4,111 units, owing to the completion of several large scale condominiums, such as PROUD TOWER Chiyoda Fujimi. However, consolidated operating revenue in the period under review declined 3.2%, to ¥434,226 million, reflecting lower sales of property in property development operations caused by the sluggish real estate investment market.



After reviewing the profitability of inventories, we posted a ¥5,623 million write-down on inventories under operating costs. Nevertheless, operating income increased 15.5%, to ¥39,275 million, buoyed by successful efforts to reduce operating expenses. However, net income dropped 66.2% year on year, to ¥4,660 million due to a ¥10,486 million loss on the valuation of equity investments in commercial mortgage-backed securities, which we recorded as an extraordinary loss.

We understand that this substantial loss cannot be attributed entirely to market upheaval. Accordingly, we recognize the urgent need to rebuild our investment management business, including revising our investment strategies, operating structure and risk controls.

Question 3

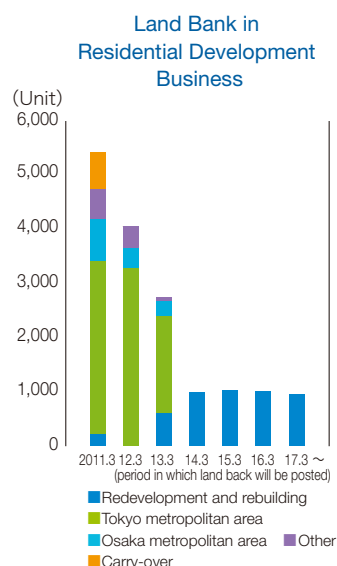
To survive in this difficult management environment, what specific operating measures are you focused on to move forward to the next stage of growth?

Answer

The Group considers the recovery of profitability to be the highest priority. Returning to the basics to focus on the strengths of each business, we formulated five business strategies, reallocated management resources and positioned ourselves for growth in anticipation of a full-scale market recovery.

The five business strategies are to strengthen the Residential Development Business growth model, achieve stable growth in the investment management business, strengthen the expanded leasing business, further evolve our development function and proactively expand the CRE Business.

In particular, we are investing aggressively in our core business, the Residential Development Business which is deploying our PROUD brand, positioning this business as the driver to achieve a profit recovery. Whereas other companies are scaling back their land acquisitions, we are leveraging the funds that we received through our June 2009 capital increase by acquiring property. During the fiscal year, we acquired the land equivalent of approximately 7,000 residential units, and as of March 31, 2010, we had accumulated land bank corresponding to 16,500 units for use from fiscal 2010 onward. This extremely high stock of property is our largest ever and the foundation upon which we intend to build future profits.





PMO Akihabara

Our property development operations is concentrating on developing the Premium Midsize Office (PMO) business. PMO represents a new category of office buildings that, although smaller in scale, offer the same high quality features (design, functionality, security) found in large office buildings. Including projects currently underway, our PMO business experience totals 10 projects. Going forward, we will endeavor to build up our development track record and develop our brand strategy of PMO through selecting sites solely in three wards of central Tokyo.

In the leasing business, amid ongoing corporate efforts to cut operating costs, in addition to proposing solutions that carefully and precisely address tenant needs, we established a separate leasing department in April 2010 to further strengthen our leasing activities.

Question 4

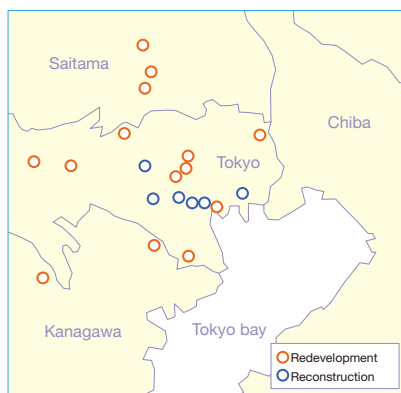
What other initiatives are you engaged in for future growth?

Answer

We are focusing on redevelopment and reconstruction as well as the structuring of private REIT as businesses that make use of Group strengths, our accumulated expertise and high creditworthiness.

Redevelopment and reconstruction are businesses to which we can bring the wealth of experience we have cultivated over many years. These businesses provide superior capital efficiency as they require no acquisition of land, only a small investment. Furthermore, demand is expected to grow as the population ages, making this an important area of focus.

Redevelopment/reconstruction projects in progress in Tokyo metropolitan area



PROUD Shinjuku Gyoen Empire
(Reconstruction)
Located: Shinjuku-ku, Tokyo
Number of units: 93
(Our allotment units 35)



PROUD TOWER Chiyoda Fujimi
(Redevelopment)
Located: Chiyoda-ku, Tokyo
Number of units: 414
(Our allotment units 306)



Meanwhile, private REIT (unlisted/open-ended fund) represents a new business in Japan. This fund is structured to provide the stability and safety required for pension funds and other institutional investor needs. Private REIT is unlisted, which makes them less liquid than listed REITs. However, their value is based on appraised values of properties and is unaffected by fluctuations in stock and financial markets, making them an extremely sound investment instrument with low volatility. We are already preparing to launch this type of fund.

From a medium- to long-term perspective, recognizing the limitations of ongoing business development in Japan, where the population continues to decline, we are also gathering information and researching the potential for new business overseas, with a particular emphasis on Asia.

Question 5 | Answer

What is your policy on profit distribution? What other message do you have for shareholders and investors?

The Group is concentrating its efforts on strengthening our advantage in each business area and quickly regaining profitability. Also, in preparation for a full-scale recovery in the real estate market, we are maintaining flexible strategies while carefully watching for changes in the business environment.

Considering the need to keep soundness of our financial base, we have regrettably decided to reduce year-end dividends to ¥5 per share, ¥15 lower than in the preceding year. The annual dividend, including the ¥20 interim dividend, therefore amounts to ¥25 per share.

Over the medium-to long-term, our dividend policy is to target a payout ratio of 30%, depending on such factors as the operating environment, earnings performance, capital investments and internal reserves.

Nomura Real Estate Holdings is making a groupwide effort to promote businesses that will take it to the next stage of growth. In these endeavors, we look forward to your continued support and encouragement.



Special Feature: Working for the Future of a Beautiful Planet — Nomura Real Estate Group Environmental Initiatives

Nomura Real Estate Group Environmental Philosophy

To ensure the beauty of the Earth is passed on to the future,
we believe that the mission of the Group
is to create and cultivate towns and spaces
in harmony with the environment
by utilizing the forces and gifts of nature.

With high aspirations,
we shall heighten our sensitivity to the environment
in pursuit of ideal environmental qualities.

In June 2010, we announced the Nomura Real Estate Group Environmental Philosophy. This philosophy incorporates our stance on environmental consideration and creation of new values in harmony with the environment through our business operations to ensure that the beauty of the earth is inherited by the citizens of the future. Based on the concept of making harmonious coexistence with the environment, the Nomura Real Estate Group will continue to improve the quality of its products and services, provides benefits to society and aims to enhance the value of the Group.

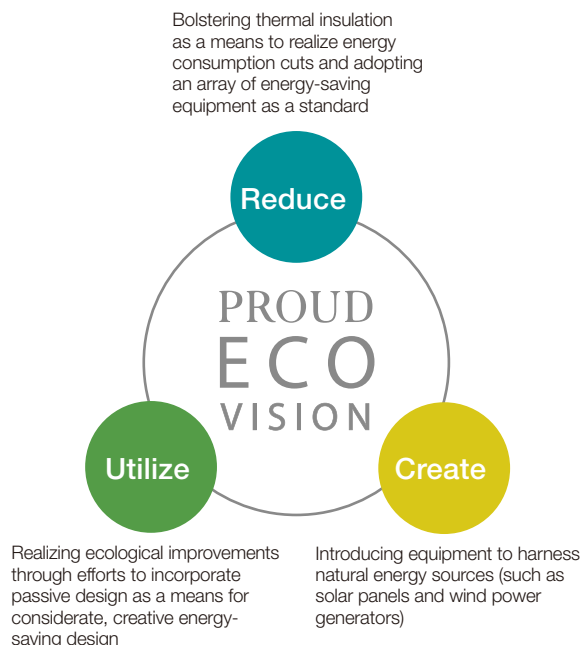
Condominiums and Detached Housing

Promoting the PROUD ECO VISION in pursuit of comfortable residences in harmony with the environment and adopting energy-saving, low-CO₂ housing as a standard

The PROUD ECO VISION Environmental Concept

The Residential Development Business supplies a diverse product lineup under the PROUD brand from large-scale condominiums to urban detached houses. We launched the PROUD ECO VISION in November 2009, amid growing environmental concerns in recent years, aiming for comfortable residences in harmony with the environment. Based on the PROUD ECO VISION of “harmony with nature, in pursuit of the comfort of residents, leading to the ecological betterment of society as a whole,” we will continue to provide housing in tune with the environment through ongoing innovative idea.

To enable the ideals of the PROUD ECO VISION to materialize, the planning of our housing embraces three perspectives: reduce, create and utilize. This aids us in our drive to contribute to the global environment through active deployment of low-CO₂ residences as a standard.



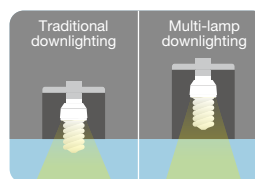
Promoting Three Major Projects that Realize the PROUD ECO VISION

The Company is striving to incorporate various eco-friendly means and ideas in major projects currently in progress based on the ECO VISION that conceptualizes objectives into three directives: reduce, create and utilize.

● PROUD CITY Ikebukuro-honcho

(start living from late March 2011 (planned))

- The largest project in the overall PROUD condominium series, with 785 units
- Incorporates considerate, creative ecological design from a new perspective in addition to standard ecological features, and is the first condominium complex to apply the PROUD ECO VISION
- Employs multi-lamp downlighting^{*1}, compatible with low-energy-consumption, long-life LED lighting (reduce); introduces solar power to partially common space and facilities (create); and adopts a passive design approach that effectively ensures shade from sunlight and passage for wind (utilize).



***1: Multi-lamp downlighting:** Multi-lamp downlighting, jointly developed with the manufacturer, is compatible with low-energy-consumption, long-life LED lighting



■ An architect's conception of entrance gate

● PROUD Shin-urayasu Palm Court

(start living from late March 2011 (planned))

- A large-scale project in the systematically developed, beautiful Shin-urayasu Bay Area of Chiba Prefecture
- Introduces various initiatives for energy conservation incorporating the “reduce, create and utilize” approach, led by the introduction of wind-power generator^{*2}
- Utilizes three wind-power generators to supply electricity to common space and facilities



■ An architect's conception of outward



^{*2} : Wind-power generator

● PROUD SEASON Hanakoganei

(start living from late July 2010)

- The largest project in the PROUD SEASON (urban detached housing) series that pursues the objective of an energy-saving community, in line with the PROUD ECO VISION
- Creates a sense of well-being through abundant greenery: a park^{*3} created by transplanting mature zelkova trees and planting new trees, largely evergreens, for each residential block
- Meets energy conservation criteria stipulated under the Eco-Point System for housing^{*}, introduced in December 2009

^{*}Government aims to promote global warming countermeasures and stimulate the economy through the system. Occupants of newly constructed ecological housing and residents conducting ecological renovations get Eco-Points that they can exchange for various products or use to offset further construction costs.

^{*3} : Club house and zelkova park



■ An architect's conception of town view

Office Buildings

Realizing functionality through cutting-edge facilities, environmental consideration and energy conservation

Providing Office Buildings with Superlative Environmental Performance

The Nomura Real Estate Group also incorporates various energy-saving technologies and designs in its office buildings, striving to contribute to the comfort and environmental coexistence of the workers in these facilities.

● Midosuji Noumura Building

(construction completed in February 2009)

- Features a rooftop garden and Japan's first built-in dry mist apparatus, which imparts a cooling sensation to pedestrians.
- Earned acclaim as a model environmentally considerate urban office building, receiving the Third Osaka Sustainable Building Award from Osaka Prefecture in March 2010.



● NRE Shin-Yokohama Building

(construction completed in October 2009)

- Provides features that exhibit consideration to the landscape, including energy-saving measures such as the adoption of double-glazed glass, and the installation of green belts in the area surrounding the building
- Received a grade A assessment under the Comprehensive Assessment System for Built Environment Efficiency in Yokohama (CASBEE Yokohama).



● Promoting Energy-Conservation at Yokohama Business Park

- As part of a drive to promote high-efficiency and energy-saving design for heating and cooling supply facilities within the park, the Company's operations to conserve energy through the introduction of high-efficiency cooling equipment were selected as the Fiscal 2009 Energy Use Rationalization Business Support Program^{*}.
- An energy-saving rate of 7.0% and total energy-savings of 330kl (crude oil equivalent) are forecast for Yokohama Business Park in 2012.

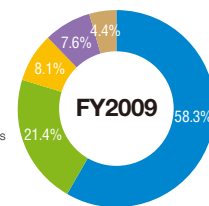


^{*}Implemented by the New Energy and Industrial Technology Development Organization (NEDO), an independent administrative organization for the comprehensive development of new energies and industrial technologies, under this system businesses using energy in their operations are partially subsidized for costs arising from the introduction of facilities and technologies to promote further energy savings.

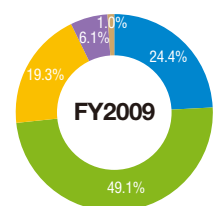
Segments at a Glance

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

Composition of Operating Revenues* (%)



Composition of Operating Income (%)



* Operating revenues in each segment have been calculated including intersegment sales and transfers.

	Main Business	Strengths	Major subsidiaries
Residential Development Business 	<ul style="list-style-type: none"> ● Sales of housing ● Management of condominiums 	<p>The Residential Development Business supplies approximately 4,000 condominium and detached housing units a year, primarily in the Tokyo metropolitan area under the PROUD brand. By leveraging its integration in development and sales, the Group seeks to further improve its site selection, product planning and sales capabilities, as well as its management quality. Through these strategic measures, the Group seeks to enhance the PROUD brand.</p>	<ul style="list-style-type: none"> ● Nomura Real Estate Development Co., Ltd. ● Nomura Living Support Co., Ltd. ● PRIME X Co., Ltd.
Building Business 	<ul style="list-style-type: none"> ● Office leasing (owned) ● Office leasing (subleasing) ● Commercial facility leasing ● Property management and facility management 	<p>The Group owns and leases trophy office buildings such as Shinjuku Nomura Building and Yokohama Business Park, as well as commercial facilities such as Lazona Kawasaki Plaza. In December 2008, NREG TOSHIBA BUILDING Co., Ltd., joined the Group, boosting rental revenue. The Group is also working to expand its fee-based businesses, including property management and building management.</p>	<ul style="list-style-type: none"> ● 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 FACILITIES Co., Ltd. ● Nomura Amenity Service Co., Ltd.
Investment Management & Development Business 	<ul style="list-style-type: none"> ● Property development ● Investment management 	<p>The property development operations, which seek to generate capital gains by supplying products to the real estate investment market, are aggressively deploying the Premium Mid-size Office (PMO) brand. In investment management operations, the Group strives to provide investment opportunities to meet diverse investor needs through the operation of REITs and private funds.</p>	<ul style="list-style-type: none"> ● 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.
Property Brokerage & Consignment Sales Business 	<ul style="list-style-type: none"> ● Property brokerage ● Consignment sales ● Real property sales 	<p>The segment conducts real estate brokerage targeting individuals and corporations, and sells condominiums and detached housing under consignment from developers outside the Group. In its individual brokerage operations, we are focusing on expanding sales office networks primarily in the Tokyo metropolitan area and on promoting an Internet strategy. Our corporate real estate brokerage operations employ direct networking channels to more than 3,000 companies that we have cultivated over a long period of time.</p>	<ul style="list-style-type: none"> ● Nomura Real Estate Development Co., Ltd. ● Nomura Real Estate Urban Net Co., Ltd.
Other Business 	<ul style="list-style-type: none"> ● Fitness club operation ● Architectural planning and management ● Planning of commercial facilities 	<p>In the fitness club operations MEGALOS manages 23 facilities mainly in the Tokyo metropolitan area. We expect to realize synergies with the Group for the maintenance and management of facilities as well as the acquisition of land information when opening facilities, achieving growth through the expansion of the facility network. Geo-Akamatsu also provides a wide range of services related to commercial facilities, including their planning, operation and management.</p>	<ul style="list-style-type: none"> ● Nomura Real Estate Development Co., Ltd. ● MEGALOS CO., LTD. ● Geo-Akamatsu Co., Ltd.

Fiscal 2009 topics	Operating revenue (Millions of yen)	Operating income (Millions of yen)	Operating-related indices
<p>In the Residential Development Business, the Group is aggressively developing its operations to leverage the strength of the PROUD brand. Compared with the previous fiscal year, the number of units sold increased approximately 20%, to 4,111, including such projects as PROUD TOWER Chiyoda Fujimi and PROUD CITY Kanamachi Garden. In the area of housing management operations, efforts to expand the number of units under management led to this total to more than 120,000 units, causing a steady increase in revenues.</p>	 <p>■ Sales of housing ■ Management of condominiums ■ Other</p>		 <p>■ Housing for household ■ Rental condominiums</p>
<p>In the Building Business, we strove to expand marketing activities closely tailored to tenant needs, as well as to raise fee income from property management and facility management operations. Revenue and income both expanded, helped by a full year's contributions by NREG TOSHIBA BUILDING to Group operating performance. During the year, we also added to our list of properties the Iidabashi Plano Stage Building and the NRE Nishi-Shinjuku Building.</p>	 <p>■ Office leasing (owned) ■ Office leasing (subleasing) ■ Commercial facility leasing ■ Property management and facility management ■ Other</p>		
<p>In our property development operations, we moved forward with the development of previously acquired sites and the sale of completed developments. During the year under review, the Group completed construction on five properties in the PMO series, including PMO Akihabara and PMO Hatchobori. As part of our efforts to meet diverse investor demand through our investment management operations, we established Nomura Real Estate Private REIT, Inc., as a comprehensive-type, unlisted open-ended REIT.</p>	 <p>■ Property development ■ Investment management</p>		 <p>■ Listed REITs ■ Private Funds, etc</p>
<p>In property brokerage operations, we enhanced the contents on our nomu.com website to reinforce brokerage targeting individuals and expanded our network of sales offices, resulting in an increase in the number of transactions and the transaction value during the year. In consignment sales operations, we endeavored to form sales tie-ups with major developers and worked to promote supply, contracts, delivery and settlement. In the area of real estate property sales operations, we concentrated on quickly selling properties in inventory.</p>	 <p>■ Property brokerage ■ Consignment sales ■ Real property sales ■ Other</p>		 <p>— Number of transaction ■ Total transaction value</p>
<p>In the fitness club operations MEGALOS ran various campaigns and events, for an increase in memberships and higher member retention. We also endeavored to make facilities more attractive to members by renovating two properties—MEGALOS Tabata and MEGALOS Chofu.</p>	 <p>■ Fitness Club ■ Other</p>		

Major Activities in Fiscal 2009

Condominiums and Detached Housing Projects Completed in Fiscal 2009

■ PROUD TOWER Chiyoda Fujimi



Location: Chiyoda-ku, Tokyo
Units: 414 (Our Company's allotments 306)

■ PROUD Shin-Urayasu Marina Terrace



Location: Urayasu-city, Chiba
Units: 179

■ PROUD CITY Kanamachi Garden



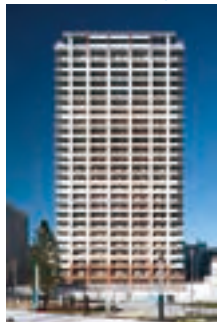
Location: Katsushika-ku, Tokyo
Units: 421

■ Musashino Towers



Location: Musashino-city, Tokyo
Units: 570 (Our Company's allotments 171)

■ PROUD TOWER Higashi Gotanda



Location: Shinagawa-ku, Tokyo
Units: 289 (Our Company's allotments 137)

■ PROUD Asagaya



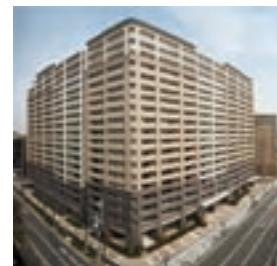
Location: Suginami-ku, Tokyo
Units: 58 (Our Company's allotments 55)

■ PROUD SEASON Higashi Funabashi



Location: Funabashi-city, Chiba
Lots: 69

■ PROUD Otsu-Nionohama



Location: Otsu-city, Shiga
Units: 312

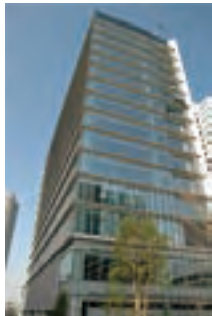
Offices and Logistics Facilities Completed or Acquired in Fiscal 2009

■ NRE Shin-Yokohama Building



Location: Kohoku-ku, Yokohama
Floor space: 24,588 m²
Completed: October 2009

■ NRE Musashi Kosugi Building



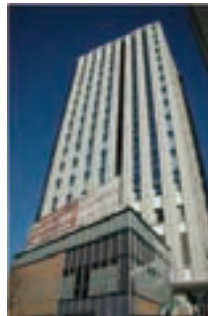
Location: Nakahara-ku, Kawasaki
Floor space: 24,535 m² (North Tower),
9,114 m² (South Tower)
Completed: March 2010

■ NRE Nishi Shinjuku Building



Location: Shinjuku-ku, Tokyo
Floor space: 6,336 m²
Completed: March 2010

■ Iidabashi Plano Stage Building



Location: Chiyoda-ku, Tokyo
Owned portion: 3,958 m²
Acquired: April 2009

■ Landport Kawagoe



Location: Kawagoe-city, Saitama
Floor space: 79,212 m²
Completed: April 2009

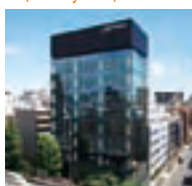
PMO Series Developments

The Group is developing PMO (the Premium Midsize Office) brand, the new category of office buildings. PMO series are mid-sized office buildings which offer the same level of design, functionality and security found in large office buildings.



Good Design Award Winners in Fiscal 2009

■ PMO Nihonbashi Honcho
(already sold)



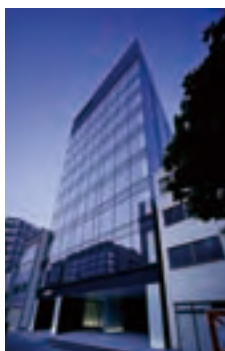
■ PMO Higashi Nihonbashi



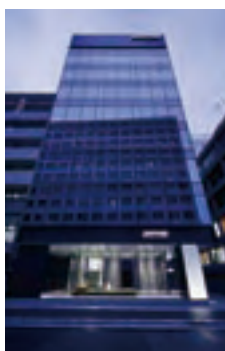
■ PMO Nihonbashi Odenma-cho



■ PMO Hatchobori



■ PMO Iwamotocho



■ PMO Akihabara



Renovation of the Shinjuku Nomura Building

We expanded direct access from the fronting roadway to the building's lower floors, as well as internal accessibility, and introduced tenants attracting many customers. These improvements also succeeded in attracting more customers to the basement-level shopping area.



Opening of New Branches Providing Real Estate Brokerage Services for Individuals

Nomura Real Estate Urban Net is principally engaged in real estate brokerage business. To provide services more carefully tailored to the needs of home buyers and home sellers in the area, we opened three branches in 2009: the Kawaguchi Center, the Mizonokuchi Center and the Shinjuku Center.

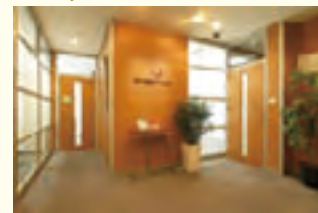
■ Kawaguchi Center



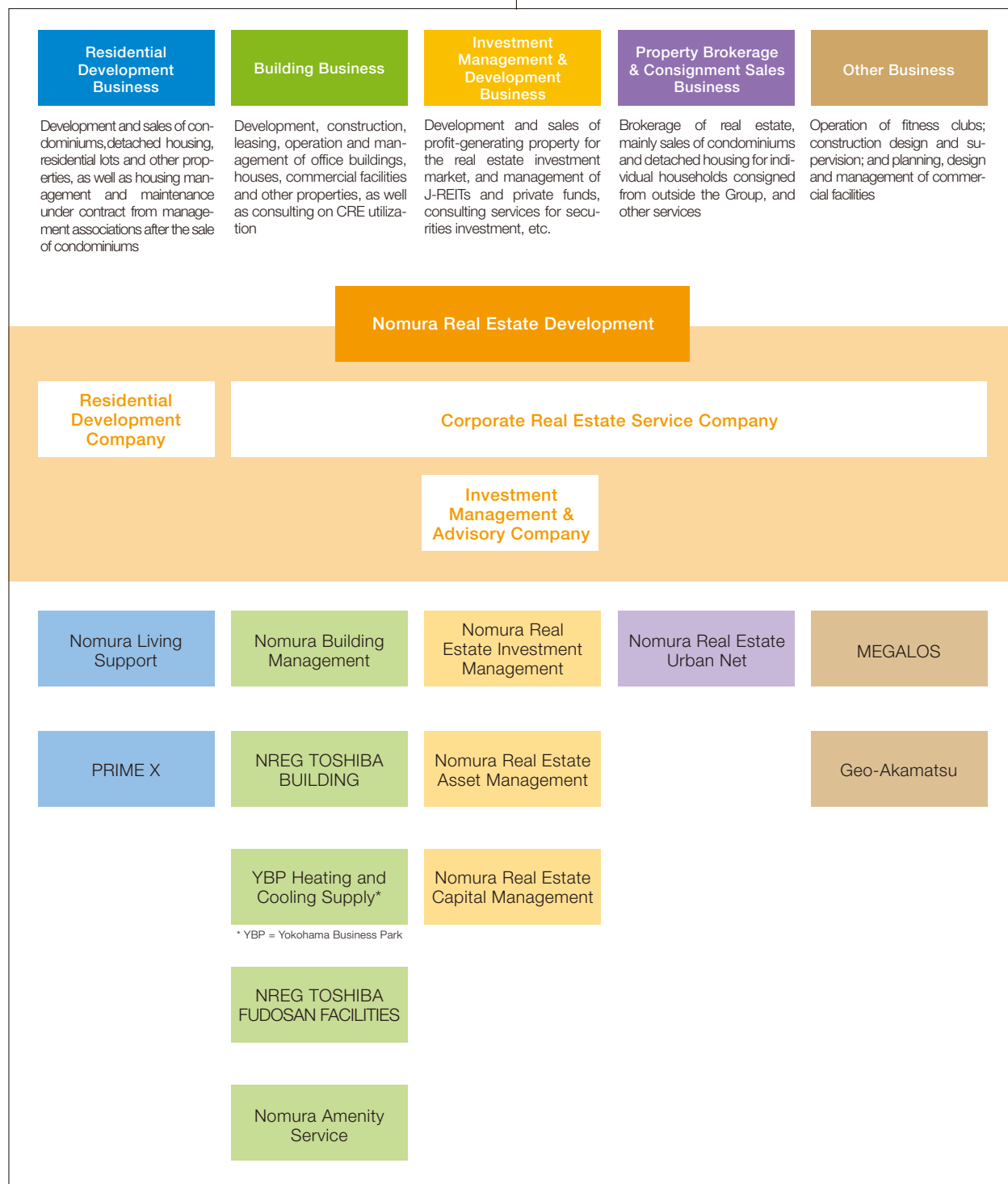
■ Mizonokuchi Center



■ Shinjuku Center



Outline of Nomura Real Estate Group



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



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

Nomura Real Estate Development operates in three fields of business: residential development, which includes condominium and detached housing development and sales under the PROUD brand; corporate real estate, which involves real property development and brokerage services for corporate clients; and investment management, which targets high-profit investment.



Nomura Real Estate Urban Net Co., Ltd.
<http://www.nomura-un.co.jp/> (Only in Japanese)

This company's services include residential real estate brokerage, which assist residential relocation, and commercial real estate brokerage. The company also provides consignment sales business. Nomura Real Estate Urban Net aims to become the Number One brand in real estate services and consulting.



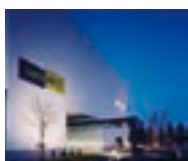
Nomura Building Management Co., Ltd.
<http://www.nomura-bm.co.jp/> (Only in Japanese)

Nomura Building Management handles facility management and efficient property management, as well as the renewal of building interiors. The company provides expertise regarding all aspects of management of buildings.



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 residential development, sales and management operations.



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

Nomura Real Estate Investment Management structures and manages private funds with a wide range of risk-return preferences. These funds precisely meet the varying needs of investors regarding real estate investment, including investments in offices, commercial and logistics facilities.



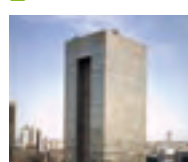
Nomura Real Estate Asset Management Co., Ltd.
<http://www.nre-am.co.jp/english/>

In line with its basic policy of stable medium- to 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 targets residential facilities.



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 funds-of-funds to commercial mortgage-backed securities (CMBSs). It also handles investments on behalf of pension funds and other institutional investors.



NREG TOSHIBA BUILDING Co., Ltd.
<http://www.toshiba-building.co.jp/> (Only in Japanese)

NREG TOSHIBA BUILDING offers services spanning the development, leasing and management of office buildings, commercial facilities, warehouses, condominiums and other properties, as well as property brokerage and consulting on corporate real estate (CRE) utilization.



MEGALOS CO., LTD.
<http://www.megalos.jp/> (Only in Japanese)

Under the philosophy of "transforming customer satisfaction into happiness," MEGALOS plans, develops and manages fitness facilities offering top-of-the-line service and equipment that are housed in the best facilities in each area.



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

This company is responsible for the supply of heating and cooling services to Yokohama Business Park, a large-scale business facility through its district heating and cooling system. Using a "best-mix" system that combines gas and electricity, the company uses energy efficiently to curtail costs and minimize environmental impact.



Geo-Akamatsu Co., Ltd.
<http://www.geo-akamatsu.co.jp/foreign/>

Geo-Akamatsu provides a full range of property consulting and other services that maximize its 40 years of accumulated expertise. These services include surveys of commercial facilities, project planning, leasing, commercial space design and property management.



PRIME X Co., Ltd.
<http://www.prime-x.co.jp/> (Only in Japanese)

Based on its accumulated real estate expertise, Prime X develops Internet advertising businesses that specialize in business in the real estate and housing industries. Prime X delivers proposals that maximize customer benefits, ranging from the creation of corporate websites and project homepages to creating and managing membership organizations, and handling project sales promotions.

Nomura Real Estate Urban Net Co., Ltd.



Nagayoshi Kanehata
President

Aiming to be the Number One Brand in Real Estate Consulting and Other Services

Based on Nomura Real Estate Urban Net's corporate philosophy, which is "to ensure the ongoing trust of its customers and contribute to their long-term happiness through real estate consulting and other services," the company engages primarily in real estate brokerage, in addition to consignment sales and insurance agency operations. We provide top-quality consulting and other services to meet various needs of our customers through 37 branches (as of June 30, 2010), centered on the Tokyo metropolitan area.

In addition, our industry-leading real estate information website, nomu.com, is widely acclaimed for its provision of detailed data and is at the forefront of the real estate field in terms of user access.

In the future, the market for real estate brokerage is anticipated to grow as a result of an expanding stock of high quality residential properties, evolving relocation needs arising from shifts in society and lifestyles, and other factors.

Nomura Real Estate Urban Net aims to bolster its ability to adapt to its markets and to promote strategies sensitized to the changing times with a view to expanding the roles and responsibilities it fulfils in society. Our mission for the future is to provide our customers with a sense of security and satisfaction by reinforcing our information network and further enhancing the quality of our consulting and other services. We will pursue our mission and continue to contribute to the betterment of society.

Corporate Profile

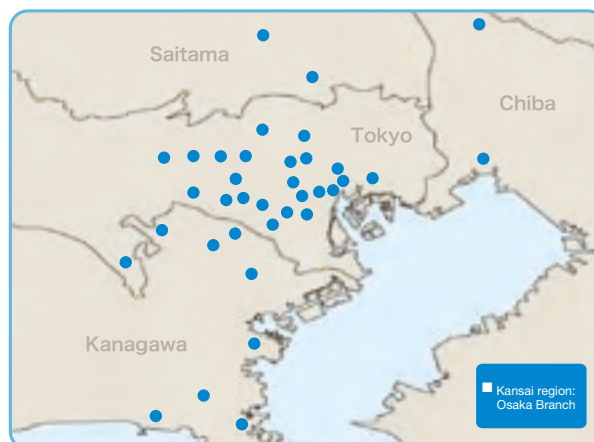
Head Office:	Shinjuku Nomura Building, 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0576, Japan
Representative:	Nagayoshi Kanehata, President
Business Activities:	Residential real estate brokerage, commercial real estate brokerage, consignment sales, sales of renovated condominiums, real property development, and insurance agency
Capital:	¥1 billion yen
Sales:	¥17,794 million (Fiscal year ended March 31, 2010)
Number of employees:	1,012 (As of March 31, 2010)
Established:	November 6, 2000
Website:	http://www.nomura-un.co.jp/ (Japanese only)

Corporate Philosophy

Nomura Real Estate Urban Net aims to ensure the ongoing trust of its customers and contribute to their long-term happiness through real estate consulting and other services.

Network of Branches

(as of June 20, 2010)



37 other branches, centered on the Tokyo metropolitan area

Business Activities

Residential real estate brokerage

Supporting the security and safety of potential sellers and buyers of residential properties in their transactions



Commercial real estate brokerage

Supplying optimal solutions including effective utilization of real estate in line with corporate and financial strategies, as well as sales support for investment properties attuned to fund markets



Consignment sales of newly constructed properties

Offering total consulting services, from market surveys to product planning, sales and deliveries, to support client companies' business of housing sales



Insurance agency

Preparing insurance proposals in tune with customer needs through more than 20 life and nonlife insurance agencies



Sales of renovated condominiums

Providing renovated condominiums with heightened appeal and value



Real property development

Maximizing the value of real estate and providing properties for stable investment



"nomu.com" (real estate information website, the leader in user access)



Website for Homebuyers and Sellers (Japanese only)

nomu.com

<http://www.nomu.com/>

The nomu.com website facilitates relocation via the Internet. Accessed by a vast user base, nomu.com is at the forefront of the real estate field in terms of user access. It features an abundance of property-related information such as housing loans, insurance, renovation, relocation, and various other aspects involved in moving home in addition to property information..

Investment Real Estate Website (Japanese only)

nomu.com/pro

<http://www.nomu.com/pro/>



Commercial Real Estate Website (Japanese only)

nomu.com/BIZ

<http://www.nomu.com/biz/>



Relocation Website Dedicated to Female Users (Japanese only)

nomu.com/woman

<http://www.nomu.com/woman/>



■ 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.

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.

Corporate Governance System

<Outline of Corporate Governance System>

The Company's Board of Directors comprises seven 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 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.

The Company has adopted a statutory auditor system. The Company believes that management supervision should be conducted primarily by statutory auditors. The Company enhances the effectiveness of its audit activities by assigning specialized staff to assist statutory auditors. Furthermore, the majority of statutory auditors are external statutory auditors, which preserves their independence from management and creates a structure that enables them to perform operational audits appropriately. The Company also has established risk management, compliance and internal audit systems, each of which report regularly to the Board of Directors. Such reports enable the board to effectively supervise directors' execution of duties.

As it is a holding company, the Company convenes Group Management Meetings, members of which 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 verify the progress of the budgets of each operating company and the 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 and Statutory Auditor Audit System

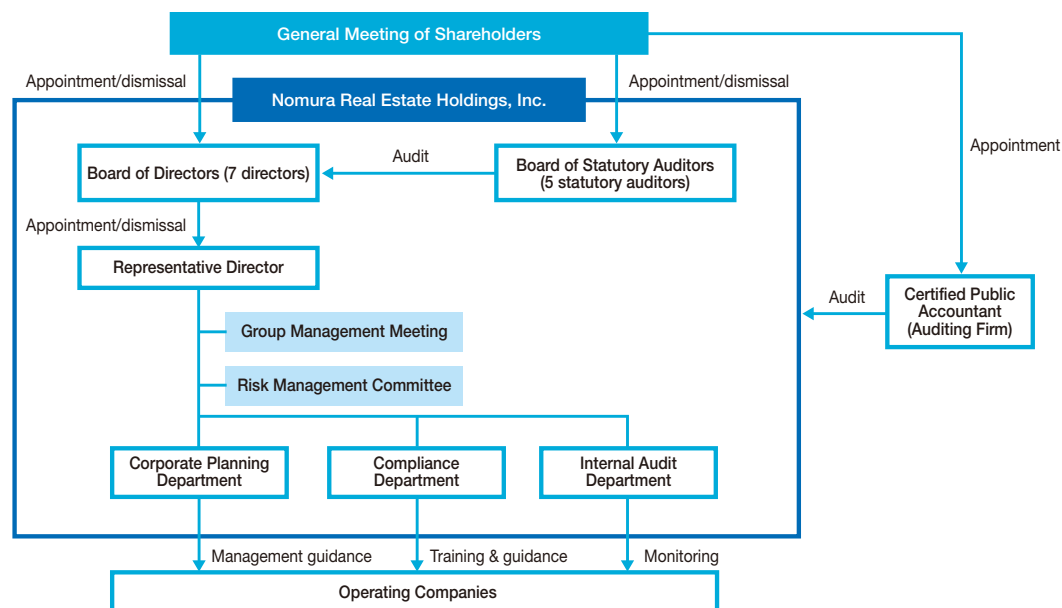
<Internal Audit System>

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.

Corporate Governance System



<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 three certified public accountants and fifteen assistant certified public accountants and staff.

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 2009 to directors and statutory auditors.

The Company's compensation of directors and statutory auditors consists of fixed monthly compensation and variable compensation, comprising bonuses and stock-related compensation. Bonuses are determined according to the Company's business performance during the relevant fiscal year, as well as to individual contribution to that performance. Stock-related compensation, in the form of stock options, is designed to align executives' interests with those of the Company's shareholders, and to further enhance corporate value. Stock options are either market-value stock options, on which the exercise price (the amount payable when the right is exercised) is determined on the basis of market prices, or share compensation stock options, which have exercise prices of ¥1 per share. Stock-related compensation is not provided for statutory auditors.

Eight directors	¥258 million
Two statutory auditors (excluding external auditors)	¥47 million
Three external directors	¥13 million
Total: Thirteen persons	¥319 million

Auditor Compensation

Compensation paid to the Company's certified public accountants (auditing firm) for fiscal 2009 was as follows.

	Compensation paid for audit certification activities	Compensation paid for non-audit activities
The Company	¥69 million	–
Consolidated subsidiaries	¥125 million	¥37 million
Total	¥194 million	¥37 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.

As of March 31, 2010, the Company's parent company, Nomura Land and Building Co., Ltd., held 50.9% of its shares. This holding percentage could decrease in the event of a sale of the Company's shares or an increase in capitalization.

2) Business transaction relationships

In fiscal 2009, business transactions between NLB and companies in the Nomura Real Estate Group amounted to ¥6 million in the Building Business segment and other areas.

3) Personal relationships

To strengthen audit operations, the Company has accepted one non-full-time statutory auditor from NLB. He is Mitsuru Nakajima, a director of NLB. Hirohisa Suzuki, the Company's President, is the former President of NLB, but apart from the statutory auditor 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 29, 2010)



President
Hirohisa Suzuki



Director
Mototsugu Takai



Director
Tsukasa Takahashi



Director
Seiji Matsumoto



Director
Toshiaki Takahashi



Director
Takao Orihara



Director
Yukoh Yoshida



Statutory Auditor
Shigeaki Yoshioka



Statutory Auditor
Mitsuharu Sato



Statutory Auditor*
Yasuaki Fukui



Statutory Auditor*
Shigeru Matsushima



Statutory Auditor*
Mitsuru Nakajima

Note: Yasuaki Fukui, Shigeru Matsushima and Mitsuru Nakajima are external statutory auditors as provided for in Article 2, Item 16 of the Company Law.

The Nomura Real Estate Group strives, as a corporate citizen, to achieve the sustainable development of society, based on its Group message of “Bringing Tomorrow Today.” In addition to providing high-quality products and services, we are also committed to continually staying aware of the impact our businesses have on the environment and society.

Environmental Endeavors

Formulation of an Environmental Philosophy and Residential Planning through the PROUD ECO VISION

In June 2010, we announced the Nomura Real Estate Group Environmental Philosophy, expressing our ideas and policies on business activities with regard to the environment. Based on this statement, we are fostering awareness among Group employees and taking a proactive stance on environmental problems.

Specifically, the Group has defined the PROUD ECO VISION in its core Residential Development Business. This involves engaging various means to enhance both comfort and economic wellbeing, utilizing the forces and gifts of nature under a conceptualization of its objectives into three distinct directives: reduce, create and utilize.

➔ For information on specific environmental initiatives, please refer to the special feature on pages 9–11

Considering Environmental Problems while Observing and Appreciating Fireflies

Nomura Real Estate has been holding Firefly Habitat Exhibitions since fiscal 2008. These events present an opportunity for participants to consider environmental problems and the importance of nature by observing and appreciating fireflies.

In fiscal 2009, we set up a Firefly Watch Special Booth in Yokohama Business Park to see fireflies in flight. We also established a biotope tour of insects and plants and conducted rice planting activities as part of an integrated study program for local elementary schools and organized events dedicated to releasing fish (killifish and loach) back to their natural habitats. Through these endeavors, Nomura Real Estate worked with local residents, university students and a host of other organizations, providing opportunities to make contact with and to reconsider the importance of nature and living creatures.

Providing Reliable Services

Priority on Safety

We ensure the quality, including earthquake protection, of condominiums and detached housing provided by the Nomura Real Estate Group through stringent checks by individual project managers and quality control specialists at the design, construction and all other stages. In addition, the Group issues booklets for its customers compiling detailed information on structural design and construction management, various inspections and methods of quality control. These initiatives are geared to ensure the peace of mind for customer of residential business.

Improving Convenience for Occupants of PROUD Condominiums

We introduced the Living Q Call service for all PROUD condominiums managed by Nomura Living Support (sales dating from April 2010), which ensures a response to any problem arising in the course of residency through a single telephone call. The Group is striving to improve convenience and satisfaction for residents by providing the Living Q Call service; an Emergency Response Service to respond to issues such as those involving plumbing, electricity or keys; a Life Support Service that offers free consultation and referrals for services regarding personal computer difficulties, household matters and other lifestyle-related agenda; and a Residential Service for interior repairs and remodeling.



The PROUD ECO VISION—
the environmental concept of the Residential
Development Business



Providing opportunities for contact with
nature through Firefly Habitat Exhibitions



Pursuing thorough quality control for all
processes, from design through construction



The Living Q Call service guarantees
response to residential problems through a
single telephone call.

Management's Discussion and Analysis

Trends in the Real Estate Industry

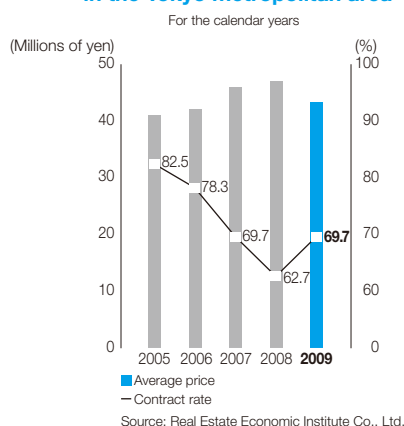
From the beginning of 2010, in the market for condominiums, there were signs of recovery in the Tokyo metropolitan area condominium market. From January to March 2010, the number of condominium units supplied was up 20% from the corresponding period of the previous year, with contract rates hitting a three-year high of 82.8% in March 2010. In addition, housing starts for March 2010 rose year on year for condominiums on a nationwide basis for the first time in 16 months. Overall, demand was on an upward trend, aided by continued ongoing adjustments of sales prices, with underlying support from gift tax exemption increases and other measures by the Japanese government.

In the real estate investment market, steady improvements in the fund procurement environment

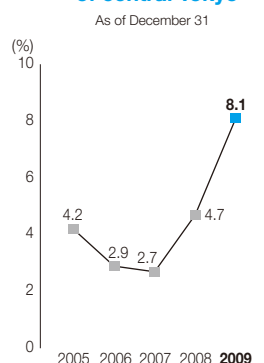
continued, boosted by various mergers and restructuring initiatives involving J-REITs, public offerings and support by the Real Estate Market Stabilization Fund. Under these conditions, transaction among real estate funds and real estate firms also showed signs that the worst was over, although weakening of J-REIT investment unit prices and other factors indicate that a full-blown recovery may still take some time.

It is not yet certain whether the office market has bottomed out. Concerns about the direction of the economy have raised the cost-reduction awareness of tenants and prolonged the contraction in office demand. Accordingly, the vacancy rate in offices in the five wards of central Tokyo reached a record level at more than 8%. The downtrend in rent levels also continued during the year.

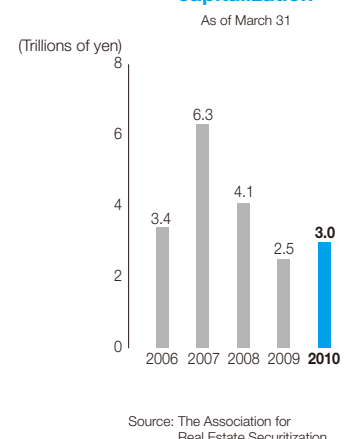
Average prices and contract rates for condominiums in the Tokyo metropolitan area
For the calendar years



Vacancy rates in the five wards of central Tokyo
As of December 31



J-REIT market capitalization
As of March 31



Analysis of Operating Results

In this environment, the Nomura Real Estate Group completed construction of a number of large-scale condominiums, notably PROUD TOWER Chiyoda Fujimi, boosting the number of housing sales unit (deliveries) to 4,111, up 721, or 21.3%, from the previous fiscal year. However, the impact of the stagnant real estate investment market led to a reduction in property sales for the Company's Investment Management & Development Business. This resulted in a decline of ¥14,430 million, or 3.2%, in operating revenue, to ¥434,226 million.

In terms of profits, we posted a ¥5,623 million write-down on inventories under operating costs as a result of a decrease in profitability. This was offset by the contribution of revenues from the consolidated NREG TOSHIBA BUILDING Co., Ltd., to full-year results and effective measures to reduce operating expenses. Consequently, operating income grew ¥5,262 million, or 15.5%, to ¥39,275 million. However a ¥10,486 million write-down posted as an extraordinary loss related to the revaluation of equity investments (i.e., CMBS) led to a drop of ¥9,110 million, or 66.2%, in net income for the year, to ¥4,660 million.

Operating Results by Segment

Residential Development Business—Overview of Fiscal 2009

The Residential Development Business segment focused on its strategy to raise recognition of the PROUD brand and to boost brand value and strove to further strengthen site selection, product planning and sales capabilities by leveraging integration of development and sales.

At the end of the fiscal year, completed inventory units stood at 535, up 270 from one year earlier. Completed inventory units in the Tokyo Metropolitan Area, which accounts for more than 80% of Residential Development Business segment sales, were down year on year, but delays in market recovery led to substantial increases in the Kansai Area and other regions.

We are boosting profits from housing management operations by actively carrying out management on consignment orders from outside the Group as well as for residences within the Group. In addition, in September 2009 Nomura Living Support Co., Ltd., absorbed the operations of ZEPHYR Community, which it already owned through a mergers and acquisitions initiative, in a bid to bolster management efficiency.

As a result of these endeavors, operating revenue in the Residential Development Business segment increased ¥27,441 million, or 11.8%, to ¥259,070 million, while operating income slipped ¥1,052 million, or 8.9%, to ¥10,735 million.

Building Business—Overview of Fiscal 2009

In the Building Business segment, we reinforced marketing activities attuned to tenants' needs, cultivated commission income from property management and building management operations, and continued to gain orders from tenants for interior renovations. However, the vacancy rate rose from the previous year as a result of diminishing office requirements, against the background of heightened cost-reduction awareness by tenants. Revenues from NREG TOSHIBA BUILDING, consolidated in December 2008, contributed to full-year results, helping to push up performance from the previous fiscal year.

Consequently, operating revenue in the Building Business segment rose ¥4,838 million, or 5.4%, to ¥95,238 million, and operating income jumped ¥5,818 million, or 36.9%, to ¥21,587 million.

Investment Management & Development Business—Overview of Fiscal 2009

In its property development operations, Nomura Real Estate promoted development projects and undertook sales promotion activities for its products. Further, we aggressively developed the Premium Mid-Sized Office (PMO) brand, which embraces small and medium-sized properties that are endowed with the high quality of large office buildings. During the fiscal year, we completed five

buildings under this brand, contributing to robust development track record.

Its investment management operations focus on stable management of various types of funds handled by the Nomura Real Estate Group. To respond to the diverse aspirations of investors, Nomura Real Estate Asset Management Co., Ltd. established Nomura Real Estate Private REIT, Inc. as a comprehensive-type, unlisted, open-ended REIT.

During the fiscal year, operating revenue in the Investment Management & Development Business segment fell ¥41,889 million, or 53.6%, to ¥36,189 million, and operating income decreased ¥1,619 million, or 16.0%, to ¥8,498 million.

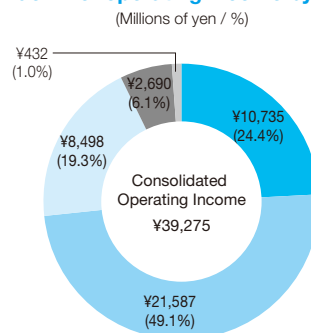
Property Brokerage & Consignment Sales Business—Overview of Fiscal 2009

The Company promoted strategic use of Internet media in its property brokerage operations and actively promoted customer-driven marketing. Nomura Real Estate Urban Net Co., Ltd. established three new branches to fortify retail operations: the Kawaguchi Center in Kawaguchi-city, Saitama; the Mizonokuchi Center in Kawasaki-city, Kanagawa; and the Shinjuku Center in Shinjuku-ku, Tokyo.

In the area of real property sales, we promoted product sales of small and medium-sized development projects, leveraging our wide-ranging brokerage information.

As a result, operating revenue in the Property Brokerage & Consignment Sales Business segment declined ¥5,800 million, or 14.6%, to ¥33,964 million, although operating income leapt ¥1,136 million, or 73.1%, to ¥2,690 million.

Breakdown of operating income by segment



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.

Other Business—Overview of Fiscal 2009

As part of the Company's fitness club business, MEGALOS Co., Ltd. launched various campaigns and events to recruit new members and drive up the membership retention ratio.

The Other Business segment's operating revenue eased ¥179 million, or 0.9%, during the year, to ¥19,657 million, while operating income fell ¥669 million, or 60.8%, to ¥432 million.

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

Years ended March 31	2006	2007	2008	2009	2010
Residential Development Business:					
Condominium sales (units)	3,656	3,245	3,463	3,135	3,696
Detached housing sales (units)	448	507	347	255	415
Gross margin ratio of housing sales (%)	20.5	22.2	22.7	21.8	16.1
Completed housing units held in inventories (units)	64	6	275	265	535
Rental condominium sales for investors (units)	36	248	747	621	248
Condominiums under management (units)	92,758	97,847	103,102	110,365	121,212
Building Business:					
Vacancy rate at year-end (Offices, commercial facilities) (%)*	3.5	1.9	2.2	2.6	4.8
Investment Management & Development Business:					
Assets under management (millions of yen)	460,320	771,211	1,031,528	1,235,611	1,204,546
Property Brokerage & Consignment Sales Business:					
Brokerage (number of transactions)	3,923	3,949	4,047	4,184	5,219
Brokerage-total transaction value (millions of yen)	347,990	388,479	406,635	293,047	386,446
Other Business:					
Members of MEGALOS	113,973	115,457	120,543	129,944	128,365

Notes: 1. Figures shown for fiscal 2007 and earlier were calculated by including the leased floor area of residential projects.

2. Methods for the calculation of REIT's AUM (Assets Under Management) have been changed since FY2006.

Analysis of Financial Position

As of March 31, 2010, total assets stood at ¥1,405,424 million, up ¥19,892 million, or 1.4%, from a year earlier.

Current assets declined ¥30,648 million, or 4.1%, to ¥709,619 million, primarily as a result of decreases of ¥22,567 million in inventories, led by real estate for sale, and ¥15,620 million in notes and accounts receivable-trade.

Property and equipment grew ¥50,507 million due to acquisition of new properties and partial consolidation of private funds. Intangible assets contracted ¥1,153 million, while investments and other assets grew ¥1,186 million. As a result, fixed assets advanced ¥50,540 million, or 7.8%, from the previous fiscal year-end, to ¥695,805 million.

Current liabilities fell ¥119,396 million, or 32.6%, to ¥247,333 million. As of March 31, 2010, although deposits received from external business proprietors of joint development business in common developments from other business owners were up ¥22,983 million, short-term loans payable were down ¥86,761 million as a result of repayment though funds from public stock offerings and other factors. Furthermore, notes and accounts payable-trade were ¥31,831 million lower than one year earlier.

Noncurrent liabilities increased ¥71,227 million, or 9.7%, to ¥808,654 million, mainly on the back of growth in long-term loans payable. The Company prepares for

short-term interest rate rises primarily through long-term fixed borrowing. Accordingly, we increased long-term loans payable ¥68,444 million from the end of the previous fiscal year. Further, total interest-bearing debt declined ¥18,437 million, to ¥759,637 million, contributing to a ¥48,169 million, or 4.4%, reduction in total liabilities, to ¥1,055,987 million.

Net assets edged up ¥68,061 million, or 24.2%, to ¥349,437 million. This was largely attributable to growth in capital stock and capital surplus arising from public stock offerings. The debt-to-equity ratio was 2.5 times and the equity ratio stood at 21.4%.

Basic Policy Concerning Profit Distribution

The Company's basic policy regarding the distribution of profits to shareholders has required 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.

The fiscal year under review saw a significant drop in net income in conjunction with an extraordinary loss incurred from an equity investment write-down. In order to restore financial soundness of the Company, the Company declared a year-end cash dividend of ¥5.00 per share. Combined with the ¥20.00 interim dividend already paid, this brought annual dividends for the year to ¥25.00 per share.

In the future, in light of the operating environment and capital investment plans and with consideration for retained earnings, the Company plans to establish a payout ratio of around 30%, subject to recovery in performance, as its basic policy on profit distribution. For fiscal 2010, the Company intends to pay interim and year-end dividends of ¥12.50 each, for a total of ¥25.00 per share, which is the same as FY2009.

Cash Flows

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥19,266 million, compared with net cash used in operating activities of ¥108,031 million during the previous fiscal year. This was primarily due to a decline in notes and accounts payable–trade offsetting an increase in deposits received and decreases in inventories and notes and accounts receivable–trade.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥24,571 million, compared with net cash used in investing activities of ¥141,789 million in the previous fiscal year. Major factors included extraordinary expenditure during the previous year for the purchase of NREG TOSHIBA BUILDING shares and purchases of property, plant and equipment and intangible assets.

Cash flows from financing activities

Net cash provided by financing activities totaled ¥13,098 million, compared with net cash provided by financing activities of ¥295,508 million in the previous fiscal year. Key inflows included fund procurement through long-term loans and funds received through a public stock offering, while outflows were led by repayment of short-term loans.

As a result, cash and cash equivalents at fiscal year end stood at ¥89,335 million, up ¥10,862 million from the previous fiscal year.

Risk 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. 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 2009.

1) Trends in the real estate market

During the fiscal year under review, the Nomura Real Estate Group's operating income increased from the previous fiscal year. However, net income dropped significantly as a result of extraordinary loss incurred from

an equity investment write-down. Although there are some visible signs of economic recovery, the outlook for the real economy remains bleak and it will still take time for economic recovery to manifest.

In the future, certain events could still 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. To address these funding requirements, the Group carried out a public offering and a third-party allocation of shares and took out loans from financial institutions. As a result, the balance of interest-bearing debt at fiscal year-end stood at ¥759,637 million, down ¥18,437 million from a year earlier (equivalent to 54.1% of total assets, 2.1 percentage points less than at the end of the previous fiscal year). Moreover, the equity ratio was 21.4%, up 4.4 percentage points. 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.

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. and its subsidiaries
March 31, 2009 and 2010

		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)
ASSETS	2009	2010	2010
Current Assets:			
Cash and deposits (Note 2 (3))	¥ 39,475	¥ 39,337	\$ 422,793
Notes and accounts receivable-trade	31,385	15,764	169,435
Short-term investment securities (Notes 3 and 4)	39,000	50,010	537,512
Real estate for sale (Notes 6 and 8)	227,505	247,927	2,664,740
Real estate for sale in process (Notes 6 and 8)	150,443	139,012	1,494,108
Land held for development (Notes 6 and 8)	102,924	71,796	771,673
Equity investments (Notes 3 and 4)	109,076	94,890	1,019,879
Deferred tax assets (Note 11)	21,348	22,829	245,368
Other	19,269	28,198	303,075
Allowance for doubtful accounts	(158)	(144)	(1,551)
Total current assets	740,267	709,619	7,627,032
Investments and Other Assets:			
Investment securities (Notes 3 and 4)	15,316	17,044	183,188
Lease and guarantee deposits	26,797	26,036	279,838
Deferred tax assets (Note 11)	14,337	14,320	153,915
Other	3,645	3,881	41,713
Allowance for doubtful accounts	(18)	(18)	(192)
Total investments and other assets	60,077	61,263	658,462
Property and Equipment:			
Land (Note 6)	380,592	412,477	4,433,332
Buildings and structures (Note 6)	251,632	274,354	2,948,774
Construction in progress (Note 6)	4,286	10,313	110,836
Machinery and equipment (Note 6)	7,557	7,733	83,118
Other	335	430	4,621
	644,402	705,307	7,580,681
Accumulated depreciation	(68,641)	(79,039)	(849,511)
Net property and equipment	575,761	626,268	6,731,170
Intangible Assets	9,427	8,274	88,928
Total Assets	¥1,385,532	¥1,405,424	\$15,105,592

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
	2009	2010	2010
Current Liabilities:			
Notes and accounts payable–trade	¥ 69,523	¥ 37,692	\$ 405,120
Short-term loans payable (Notes 5 and 6)	195,347	108,586	1,167,089
Current portion of bonds	300	—	—
Income taxes payable (Note 11)	14,791	7,597	81,655
Deposits received	31,858	54,841	589,436
Deferred tax liabilities (Note 11)	707	—	—
Provision for bonuses	4,465	4,321	46,439
Provision for directors' bonuses	238	97	1,047
Provision for loss on business liquidation	215	159	1,703
Accrued interest	1,914	2,362	25,382
Accrued consumption taxes	685	890	9,562
Accounts payable–other	7,421	7,316	78,638
Advances received	28,048	11,358	122,072
Other	11,217	12,114	130,207
Total current liabilities	366,729	247,333	2,658,350
Noncurrent Liabilities:			
Bonds payable	20,000	20,180	216,896
Long-term loans payable (Notes 5 and 6)	562,427	630,871	6,780,638
Lease and guarantees deposits received	47,425	49,983	537,217
Deferred tax liabilities (Note 11)	84,869	83,112	893,289
Deferred tax liabilities for land revaluation	4,996	4,996	53,703
Provision for retirement benefits (Note 7)	14,283	15,445	166,002
Provision for loss on subleasing business	1,812	1,937	20,825
Other	1,615	2,130	22,899
Total noncurrent liabilities	737,427	808,654	8,691,469
Total Liabilities	1,104,156	1,055,987	11,349,819
Net Assets:			
Shareholders' equity (Note 12):			
Capital stock	82,713	115,528	1,241,702
Capital surplus	60,043	92,858	998,039
Retained earnings	91,491	89,357	960,415
Treasury stock	(1)	(2)	(21)
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	(3,923)	(2,181)	(23,445)
Deferred gains or losses on hedges	256	280	3,007
Revaluation reserve for land	5,999	5,999	64,480
Foreign currency translation adjustments	(638)	(425)	(4,568)
Subscription rights to shares	368	520	5,589
Minority interests	45,068	47,503	510,575
Total Net Assets	281,376	349,437	3,755,773
Total Liabilities and Net Assets	¥1,385,532	¥1,405,424	\$15,105,592

See notes to consolidated financial statements.

Consolidated Statements of Income

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2009 and 2010

		(Thousands of U.S. dollars) (Note 1)
	(Millions of yen)	
	2009	2010
Operating Revenue:		
Operating revenue	¥448,656	\$4,667,091
Operating Expenses:		
Operating cost	414,643	4,244,963
Selling, general and administrative expenses	347,892	3,532,351
	66,751	712,612
Operating Income	34,013	422,128
Other Income and Expenses:		
Interest income	(10,483)	(277,355)
Dividends income	153	1,643
Equity in earnings of affiliates	47	300
Refunds of fixed asset tax for prior periods	—	74
Gain on sales of property and equipment	—	—
Litigation adjustment	—	3,914
Reversal of provision for loss on subleasing business	—	1,289
Interest expenses	545	—
Equity in losses of affiliates	(9,602)	(145,421)
Provision of allowance for doubtful accounts	(7)	—
Loss on valuation of equity investments	(14)	—
Impairment loss	—	(112,704)
Loss on valuation of investment securities	—	(5,325)
Other, net	(717)	—
	(955)	(21,125)
Income before Income Taxes and Minority Interests	23,530	144,773
Income Taxes (Note 11):		
Income taxes—current	20,013	124,940
Income taxes—deferred	(11,025)	(56,731)
Total income taxes	8,988	68,209
Minority interests in income	772	26,477
Net Income	¥ 13,770	\$ 50,087

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2009 and 2010

						(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, 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)	¥(3,922)
Issuance of new shares	40,959,900	32,815	32,815	—	—	—
Dividends from surplus	—	—	—	(6,794)	—	—
Net income	—	—	—	4,660	—	—
Purchases of treasury stock	—	—	—	—	(0)	—
Net changes of items other than shareholders' equity	—	—	—	—	—	1,741
Balance at March 31, 2010	190,331,000	¥115,528	¥92,858	¥89,357	¥(2)	¥(2,181)

						(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, 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
Issuance of new shares	—	—	—	—	—	65,630
Dividends from surplus	—	—	—	—	—	(6,794)
Net income	—	—	—	—	—	4,660
Purchases of treasury stock	—	—	—	—	—	0
Net changes of items other than shareholders' equity	24	—	213	152	2,435	4,565
Balance at March 31, 2010	¥280	¥5,999	¥(425)	¥520	¥47,503	¥349,437

						(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, 2009	\$	889,009	\$645,346	\$983,347	\$(17)	\$(42,161)
Issuance of new shares		352,693	352,693	—	—	—
Dividends from surplus		—	—	(73,019)	—	—
Net income		—	—	50,087	—	—
Purchases of treasury stock		—	—	—	(4)	—
Other changes		—	—	—	—	18,716
Balance at March 31, 2010		\$1,241,702	\$998,039	\$960,415	\$(21)	\$(23,445)

						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, 2009	\$2,747	\$64,480	\$(6,857)	\$3,956	\$484,394	\$3,024,244
Issuance of new shares	—	—	—	—	—	705,386
Dividends from surplus	—	—	—	—	—	(73,019)
Net income	—	—	—	—	—	50,087
Purchases of treasury stock	—	—	—	—	—	(4)
Other changes	260	—	2,289	1,633	26,181	49,079
Balance at March 31, 2010	\$3,007	\$64,480	\$(4,568)	\$5,589	\$510,575	\$3,755,773

See notes to consolidated financial statements.

Note: The number of issued shares outstanding increased by 46,100 shares in the year ended March 31, 2009 due to the exercise of stock options, and increased by 40,959,900 shares in the year ended March 31, 2010 due to a general offering and third party allotment.

Consolidated Statements of Cash Flows

Nomura Real Estate Holdings, Inc. and its subsidiaries
Years Ended March 31, 2009 and 2010

		(Thousands of U.S. dollars) (Note 1)
	(Millions of yen)	
	2009	2010
Cash Flows from Operating Activities:		
Income before income taxes and minority interests	¥ 23,530	¥ 13,470
Depreciation and amortization	7,149	10,758
Impairment loss	—	495
Gain on sales of property and equipment	—	(364)
Equity in (earnings) losses of affiliates	7	(7)
Decrease in allowance for doubtful accounts	(22)	(14)
Increase in provision for retirement benefits	1,381	1,162
Decrease in provision for loss on business liquidation	(65)	(56)
Increase (decrease) in provision for loss on subleasing business	(1,079)	127
Interest and dividends income	(200)	(181)
Interest expenses	9,602	13,530
Decrease (increase) in notes and accounts receivable—trade	(21,333)	15,664
Decrease (increase) in inventories	(36,661)	19,780
Decrease in equity investments	(16,203)	(1,205)
Increase (decrease) in notes and accounts payable—trade	4,739	(31,886)
Increase (decrease) in deposits received	(38,794)	22,983
Other, net	(9,844)	(12,757)
Subtotal	(77,793)	51,499
Interest and dividends income received	173	162
Interest expenses paid	(8,762)	(13,155)
Income taxes paid	(21,649)	(19,240)
Net cash provided by (used in) operating activities	(108,031)	19,266
Cash Flows from Investing Activities:		
Purchase of investment securities	(1,484)	(1,771)
Proceeds from sales and liquidation of investment securities	—	394
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(81,588)	—
Purchases of property and equipment and intangible assets	(56,663)	(26,796)
Proceeds from sales of property and equipment and intangible assets	20	1,011
Payments of loans receivable	(20)	(3)
Collection of loans receivable	29	45
Payments for lease and guarantee deposits	(1,004)	(652)
Proceeds from collection of lease and guarantee deposits	1,987	1,726
Repayments of lease and guarantee deposits received	(2,726)	(3,101)
Proceeds from lease and guarantees deposits received	3,944	4,527
Other, net	(4,284)	49
Net cash used in investing activities	(141,789)	(24,571)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	103,700	(109,200)
Repayments of finance lease obligations	(21)	(86)
Proceeds from long-term loans payable	296,503	147,300
Repayments of long-term loans payable	(97,042)	(83,197)
Proceeds from issuance of bonds	—	174
Redemption of bonds	—	(300)
Proceeds from issuance of common stock	0	65,251
Proceeds from issuance of common stock to minority shareholders	0	0
Purchase of treasury stock	(1)	0
Cash dividends paid	(5,226)	(6,794)
Cash dividends paid to minority shareholders	(2,405)	(50)
Net cash provided by financing activities	295,508	13,098
Net Increase in Cash and Cash Equivalents	45,688	7,793
Cash and Cash Equivalents at Beginning of the Fiscal Year	31,511	78,474
Increase in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	1,274	3,068
Cash and Cash Equivalents at End of the Fiscal Year (Note 2 (3))	¥ 78,473	¥ 89,335
		\$ 960,175

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nomura Real Estate Holdings, Inc. and its subsidiaries
March 31, 2009 and 2010

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 Act of Japan and its related accounting regulations, and accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP, and translated into English for the benefit of readers outside Japan. In addition, the notes to the consolidated financial statements include information which may not be required under Japanese GAAP but is presented herein as additional information.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers using the prevailing exchange rate at March 31, 2010 of ¥93.04=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, 2010, the balance of “Cash and cash equivalents” differed from the total balance of “Cash and deposits” and “Short-term investment securities” because it did not include time deposits with deposit terms exceeding three months of ¥2 million (\$21 thousand).

As of March 31, 2009, the balance of “Cash and cash equivalents” differed from the total balance of “Cash and deposits” and “Short-term investment securities” 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.

(Change of Accounting Policies)

In the past, the Company and its consolidated subsidiaries recorded income and expenses related to construction contracts based on the completed-contract method. However, in accordance with the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15 issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 issued on December 27, 2007), which took effect in the fiscal year under review, the Company and its consolidated subsidiaries, starting with the contracts undertaken during the fiscal year under review, has now adopted the percentage-of-completion method for the portion of construction in progress that is deemed certain to be completed by the fiscal year end (where progress of the work is estimated on the cost-to-cost basis) and the completed contract method for other construction work. This change did not affect the profit and loss for the fiscal year under review.

(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).

A write-down on inventories as result of a decrease in profitability for the year ended March 31, 2009 and 2010 were ¥26,994 million and ¥5,623 million (\$60,436 thousand), respectively.

(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 and Equipment (except for leased assets)

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

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

Buildings and structures 2 to 65 years

(8) Software (except for leased assets)

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

(9) Leased Assets

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

Finance leases, other than those that transfer ownership, that started on or before March 31, 2008, are accounted for as operating leases.

(10) Amortization of Goodwill

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

(11) Allowance for Doubtful Accounts

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

(Change in Accounting Policies)

Effective from the fiscal year under review, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19) issued on July 31, 2008). This change did not affect the profit and loss for the year under review.

(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.

Net assets per share for the year ended March 31, 2009 and 2010 were ¥1,579.56 and ¥1,583.63 (\$17.02), respectively.

Net income per share for the year ended March 31, 2009 and 2010 were ¥92.21 and ¥25.69 (\$0.28), respectively.

Diluted net income per share for the year ended March 31, 2009 and 2010 were ¥92.10 and ¥25.63 (\$0.28), respectively.

(15) Land Revaluation

Under the "Law Concerning Revaluation Reserve for Land" promulgated on March 31, 1998, the Company revalued its land held for business use. The tax amount for the difference between the appraisal value and the carrying amount is accounted for as "Deferred tax liabilities for land revaluation" in Noncurrent Liabilities and the difference 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 ¥3,805 million at March 31, 2009.

At March 31, 2010, market value was not less than book value after revaluation.

(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.

3. Financial Instruments

(1) Policies on Financial Instruments

It is the policy of the Company and its consolidated subsidiaries to limit its fund management to safe and highly liquid deposits while raising funds primarily through loans from financial institutions and the issuance of corporate bonds. Derivatives are utilized for hedging against the risks described below not for speculative purposes.

(2) Details of Financial Instruments and Risks

Short-term investment securities comprise safe and highly liquid negotiable deposits held for the purpose of managing temporary surplus funds.

Equity investments and investment securities primarily consist of stocks, investment units, units in an investment trust, preferred investments and investments in silent partnerships held for the purpose of business promotion, all of which are exposed to market price fluctuation and issuer credit risk. Currency swaps and forward exchange contracts are used to hedge risks from exchange rate fluctuations on securities in foreign currencies. Interest rate swaps are used to hedge risks arising from fluctuations in interest rates on long-term borrowings.

Derivative transactions used by the Company are as follows.

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

The Company and its consolidated subsidiaries evaluate hedge effectiveness by comparing the cumulative changes in market fluctuations or in cash flows of the hedged items to the corresponding changes in the hedging derivative instruments.

(3) Policies and Systems for Risk Management

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

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

Based on the reports from each division of the Company and the consolidated subsidiaries, the Finance Department of the Company creates and updates cash flow plans in a timely manner, managing liquidity risk through such methods as ensuring that a specific amount of on-hand liquidity is always available.

(4) Supplemental Information on Fair Values

The fair values of financial instruments are based on their market prices. The fair values of financial instruments with no available market prices are determined by using prices calculated in a reasonable manner. However, as various factors are incorporated into these calculations, the resulting values may differ if different assumptions are provided.

Fair value of financial instruments

The book values, fair values and differences of financial instrument as of March 31, 2010 are as follows. Items for which fair value is extremely difficult to determine have not been included.

	(Thousands of U.S. dollars)		(Thousands of U.S. dollars)		(Thousands of U.S. dollars)	
	(Millions of yen)		(Millions of yen)		(Millions of yen)	
	Book value		Fair value		Difference	
					2010	
(1) Cash and deposits	¥ 39,337	\$ 422,793	¥ 39,337	\$ 422,793	¥ —	\$ —
(2) Short-term investment securities	50,010	537,511	50,010	537,511	0	0
(3) Equity investments	12,044	129,451	12,044	129,451	—	—
(4) Investment securities ¹	15,862	170,484	15,861	170,471	(1)	(12)
Total assets	117,253	1,260,239	117,252	1,260,226	(1)	(12)
(1) Short-term loans payable ²	26,000	279,450	26,000	279,450	—	—
(2) Bonds payable	20,180	216,896	19,395	208,459	(785)	(8,437)
(3) Long-term loans payable ²	713,457	7,668,278	722,831	7,769,031	9,374	100,753
Total liabilities	759,637	8,164,624	768,226	8,256,940	8,589	92,316
Derivative transactions ³	¥ 422	\$ 4,537	¥ 422	\$ 4,537	¥ —	\$ —

Notes: 1. Includes government bonds etc. presented as lease and guarantee deposits on the consolidated balance sheet.

2. Current portion of long-term loans payable are included in (3) Long-term loans payable.

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

Notes:

1. Method of measuring the fair value of financial instruments

Assets

(1) Cash and deposits

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(2) Short-term investment securities

As these instruments, primarily comprising negotiable deposits and CRF, are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(3) Equity investments

Since these instruments are units in an investment trust, their book values are assumed to be their net asset value per unit.

(4) Investment securities

Primarily consisting of stocks and investment units, the fair values of investment securities are determined by their prices on stock exchanges.

Please see Note 4. Securities for information on those securities from (2) through (4).

Liabilities

(1) Short-term loans payable

As these instruments are settled within a short term and their fair values and book values are nearly identical, their book values are assumed as their fair values.

(2) Bonds payable

Market prices of the bonds issued by the Company.

(3) Long-term loans payable

For long-term loans payable, fair value is determined by discounting the total amount of principal and interest at the assumed interest rate on new loans of the same type. Long-term loans with floating interest rates are subject to interest rate swap exceptional procedures, and, therefore, the fair value is determined by discounting the total amount of interest and principal together with the interest rate swap at the interest rate assumed in a reasonable manner for new loans of the same type.

Derivatives

Please see Note 13. Derivative Financial Instruments for information on derivative transactions.

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

	(Millions of yen)	(Thousands of U.S. dollars)
	Book value	
	2010	
Investment in silent partnership	¥84,590	\$909,178

Financial instruments for which there is no fair value and for which the fair value is extremely difficult to determine are not included in (3) Equity investments and (4) Investment securities.

3. Redemption schedule for financial assets with maturities

	(Thousands of U.S. dollars)		(Thousands of U.S. dollars)		(Thousands of U.S. dollars)		(Thousands of U.S. dollars)	
	(Millions of yen)		(Millions of yen)		(Millions of yen)		(Millions of yen)	
	Within 1 year		1–5 years		5–10 years		Over 10 years	
	2010							
Cash and deposits	¥39,200	\$421,320	¥—	\$—	¥—	\$—	¥—	\$—
Short-term investment securities and investment securities								
Held-to-maturity debt securities								
Government and municipal bonds, etc.	267	2,870	8	86	295	3,171	—	—
Corporate bonds	—	—	—	—	—	—	—	—
Available-for-sale securities with maturities								
Debt securities	—	—	—	—	—	—	—	—
Others	45,000	483,663	—	—	—	—	—	—
Total	¥84,467	\$907,853	¥ 8	\$86	¥295	\$3,171	¥—	\$—

4. Repayment schedule for bonds payable and long-term loans payable at March 31, 2010

	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
	Within 1 year		1–2 years		2–3 years	
Bonds payable	¥ —	\$ —	¥ 180	\$ 1,935	¥ —	\$ —
Long-term loans payable	82,586	887,640	105,793	1,137,070	124,610	1,339,312
Total	¥82,586	\$887,640	¥105,973	\$1,139,005	¥124,610	\$1,339,312

	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
	3–4 years		4–5 years		Over 5 years	
Bonds payable	¥ —	\$ —	¥ 10,000	\$ 107,481	¥ 10,000	\$ 107,481
Long-term loans payable	146,056	1,569,819	102,512	1,101,805	151,900	1,632,631
Total	¥146,056	\$1,569,819	¥112,512	\$1,209,286	¥161,900	\$1,740,112

(Supplementary information)

Effective from the fiscal year under review, the Company adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 issued on March 10, 2008).

4. Securities

The following tables summarize the acquisition cost, book value and fair value of securities held by the Company as of March 31, 2009 and 2010.

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

	(Millions of yen)			(Thousands of U.S. dollars)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
	2009			2010		
Securities whose fair value exceeds book value:						
Government and municipal bonds, etc.	¥295	¥296	¥ 1	\$3,154	\$3,161	\$ 7
Subtotal	295	296	1	3,154	3,161	7
Securities whose fair value does not exceed book value:						
Government and municipal bonds, etc.	20	20	(0)	2,999	2,980	(19)
Subtotal	20	20	(0)	2,999	2,980	(19)
Total	¥315	¥316	¥1	\$6,153	\$6,141	\$(12)

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

	(Millions of yen)		
	Acquisition cost	Book value	Difference
	2009		
Securities whose book value exceeds acquisition cost:			
Stocks	¥ 126	¥ 423	¥ 297
Other	296	297	1
Subtotal	422	720	298
Securities whose book value does not exceed acquisition cost:			
Stocks	579	561	(18)
Other	39,979	33,519	(6,460)
Subtotal	40,558	34,080	(6,478)
Total	¥40,980	¥34,800	¥(6,180)

	(Millions of yen)			(Thousands of U.S. dollars)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
				2010		
Securities whose book value exceeds acquisition cost:						
Stocks	¥ 624	¥ 1,199	¥ 575	\$ 6,704	\$ 12,887	\$ 6,183
Other	0	0	0	0	0	0
Subtotal	624	1,199	575	6,704	12,887	6,183
Securities whose book value does not exceed acquisition cost:						
Stocks	70	60	(10)	749	638	(111)
Other	79,817	76,085	(3,732)	857,880	817,767	(40,113)
Subtotal	79,887	76,145	(3,742)	858,629	818,405	(40,224)
Total	¥80,511	¥77,344	¥(3,167)	\$865,333	\$831,292	\$(34,041)

(3) Sales of Available-for-sale Securities

The table below describes sales of available-for-sale securities for the years ended March 31, 2009 and 2010:

(Millions of yen)						(Thousands of U.S. dollars)		
Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
		2009			2010			2010
¥2,258	¥2	¥154	¥88	¥—	¥53	\$942	\$—	\$573

(4) Impairment Losses on Equity Investments

During the fiscal year ended March 31, 2010, the Company incurred impairment losses of ¥10,486 million (\$112,704 thousand) on equity investments.

(5) Securities without Fair Value

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

	(Millions of yen)
	2009
Available-for-sale securities:	
CRF	¥ 5,000
Negotiable certificates of deposit	34,000
Unlisted stocks	565
Preferred investments	7,522
Investments in silent partnerships	77,732
Investment in limited liability partnership	94

Please see Note 3. Financial Instruments for information as of March 31, 2010.

(6) 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, 2009:

	(Millions of yen)			
	Due within 1 year	Due after 1 year and within 5 years	Due after 5 year and within 10 years	Due after 10 years
	2009			
Bonds:				
Government and municipal bonds, etc.	¥ 37	¥268	¥10	¥—
Other	34,000	—	—	—
Total	¥34,037	¥268	¥10	¥—

Please see Note 3. Financial Instruments for information as of March 31, 2010.

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

Short-term loans payable as of March 31, 2009 and 2010 mainly consisted of borrowings from banks with a weighted-average interest rate of 1.0% in 2009 and 0.5% in 2010.

Long-term loans payable and bonds payable as of March 31, 2009 and 2010 are summarized as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2010	2010
Unsecured bonds (1.7%), due 2014	¥ 10,000	¥ 10,000	\$ 107,481
Unsecured bonds (2.1%), due 2017	10,000	10,000	107,481
Secured bonds (3.0%), due 2009	300	0	0
Secured bonds (0.7%), due 2012	0	180	1,934
Loans payable*			
Secured	40,115	52,512	564,397
Unsecured	582,458	660,945	7,103,881
Lease obligations**	330	346	3,721
Subtotal	643,203	733,983	7,888,895
Less amounts due within one year	(60,519)	(82,680)	(888,651)
	¥582,684	¥651,303	\$7,000,244

* Long-term loans payable as of March 31, 2009 and 2010 mainly consisted of borrowings from domestic Japanese banks and life insurance companies with a weighted-average interest rate of 1.4% in 2009 and 1.3% in 2010.

** 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 following shows the maturities of lease obligations as of March 31, 2010 for each year.

Year ending March 31	(Millions of yen)	(Thousands of U.S. dollars)
2012	¥ 94	\$1,009
2013	94	1,016
2014	57	613
2015	7	72
2016 and thereafter	0	0
	¥252	\$2,710

6. Pledged Assets and Secured Liabilities

Pledged assets and secured liabilities at March 31, 2009 and 2010 are summarized as follows:

(1) Pledged Assets and Secured Liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2010	2010
Pledged assets:			
Buildings and structures	¥ 9,305	¥ 8,927	\$ 95,951
Land	7,455	7,455	80,125
Other property and equipment	67	56	600
	¥16,827	¥16,438	\$176,676
Secured liabilities:			
Short-term loans payable (Including the current portion of long-term loans payable)	¥ 732	¥ 731	\$ 7,863
Long-term loans payable (Repayment periods of more than one year)	2,281	1,550	16,658
Lease and guarantee deposits received	96	89	957
Total	¥ 3,109	¥ 2,370	\$ 25,478

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2010	2010
Pledged assets:			
Real estate for sale	¥ —	¥ 4,742	\$ 50,966
Real estate for sale in process	2,355	—	—
Buildings and structures	4,900	13,769	147,995
Land	46,927	68,088	731,816
Construction in progress	1,828	1,914	20,567
Total	¥56,010	¥88,513	\$951,344
Secured liabilities:			
Short-term loans payable	1,602	5,100	54,815
Long-term loans payable	35,500	45,130	485,060
Total	¥37,102	¥50,230	\$539,875

Pursuant to Article 128 of the Law Concerning Liquidation of Assets (Law No. 105, 1998), Shinjuku Development and Kagurazaka Development, an SPCs (special purpose companies), have pledged assets as security for ¥300 million and ¥180 million for the years ended March 31, 2009 and 2010, respectively 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)
	2009	2010	2010
(1) Projected benefit obligation	¥(23,987)	¥(25,009)	\$(268,798)
(2) Plan assets at fair value	5,992	7,290	78,355
(3) Unfunded retirement benefit obligation (1)+(2)	(17,995)	(17,719)	(190,443)
(4) Unrecognized actuarial gain or loss	3,712	2,274	24,441
(5) Provision for retirement benefits (3)+(4)	¥(14,283)	¥(15,445)	\$(166,002)

Note: Certain 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)
	2009	2010	2010
(1) Service cost	¥1,448	¥1,533	\$16,475
(2) Interest cost	428	446	4,788
(3) Less: Expected return on plan assets	(146)	(120)	(1,288)
(4) Amortization of actuarial gain or loss	533	661	7,109
(5) Additional retirement benefit payments	27	10	108
(6) Other	142	149	1,604
Retirement benefit expenses	¥2,432	¥2,679	\$28,796

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 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:

	2009	2010
Discount rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%

8. Reclassification of Assets

As a result of a review of assets held to maturity, ¥4,027 million (\$43,284 thousand) of real estate for sale was reclassified as property and equipment, and ¥1,240 million (\$13,331 thousand) of property and equipment was reclassified as real estate for sale in process.

9. Gain on Sales of Property and Equipment

Gain on sales of property and equipment totaled ¥364 million (US\$3,914 thousand) for land.

10. Impairment Loss

The loss is due to the write off of goodwill related to Geo-Akamatsu Co., Ltd., resulting from lower profitability than expected at the time of share acquisition.

11. Income Taxes

The statutory tax rate in Japan was 40.7% for the years ended March 31, 2009 and 2010.

The table below presents an itemized breakdown of factors generating differences between the statutory tax rate and the effective tax rates of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2010:

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

	2009	2010
Statutory tax rate	40.7%	40.7%
Adjustments:		
Permanent differences including entertainment expenses	2.0	2.4
Retained earnings of affiliates	3.6	2.9
Valuation allowance	(8.6)	—
Other	0.5	1.1
Effective tax rates	38.2%	47.1%

The table below presents an itemized breakdown of deferred tax assets and liabilities as of March 31, 2009 and 2010:

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2010	2010
Deferred tax assets:			
Unrealized profits	¥ 14,165	¥ 14,273	\$ 153,411
Inventory write-downs	15,160	13,169	141,540
Provision for retirement benefits	5,817	6,296	67,672
Provision for loss on subleasing business	962	1,013	10,892
Provision for bonuses	1,768	1,760	18,914
Loss on valuation of equity investments	—	4,536	48,758
Accrued enterprise taxes	1,209	648	6,961
Excess of depreciation	1,124	1,786	19,199
Revaluation of assets on consolidation	2,979	2,527	27,157
Valuation difference on available-for-sale securities	2,689	1,503	16,149
Other	5,095	5,566	59,822
Gross deferred tax assets	50,968	53,077	570,475
Valuation allowance	(6,721)	(6,438)	(69,198)
Total deferred tax assets	44,247	46,639	501,277
Deferred tax liabilities:			
Revaluation of assets on consolidation	(69,956)	(69,419)	(746,125)
Reserve for deferred income taxes	(22,869)	(22,552)	(242,388)
Other	(1,314)	(630)	(6,770)
Total deferred tax liabilities	(94,139)	(92,601)	(995,283)
Net deferred tax assets	¥(49,892)	¥(45,962)	\$(494,006)

12. 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 capital surplus).

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

As of March 31, 2010, the Company's capital reserve amounted to ¥92,858 million (\$998,039 thousand), and no legal reserve was recorded.

13. Derivative Financial Instruments

1. Derivatives to which hedge accounting is not applied

There are no derivative transactions to which hedge accounting is not applied.

2. Derivatives to which hedge accounting is applied

(1) Currency related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
			(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Deferral hedge accounting	Currency swaps	Securities denominated in foreign currencies	¥2,558	\$27,490	¥2,558	\$27,490	¥422	\$4,537
Total			¥2,558	\$27,490	¥2,558	\$27,490	¥422	\$4,537

Note: The fair value is determined based on the quoted price obtained from the financial institutions with which the derivatives are transacted.

(2) Interest rate related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Contract amount		Contract amount due after one year		Fair value	
			(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)	(Millions of yen)	(Thousands of U.S. dollars)
Specified treatment for Interest rate swap	Interest rate swaps Receive floating rate Pay fixed rate	Long-term debt	¥553,530	\$5,949,377	¥487,530	\$5,240,004	(Note)	(Note)
Total			¥553,530	\$5,949,377	¥487,530	\$5,240,004		

Note: The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the paid or received under the swap agreements is recognized and included in interest expenses of income of the long-term debt as hedged items. Accordingly, the fair value of the interest rate swaps is considered to be included in the fair value of the long-term debt.

14. Leases

Details of significant lease transactions are as follows.

The table below presents the future lease payments and receipts of operating leases subsequent to March 31, 2009 and 2010.

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2010	2010
Operating leases			
Future lease payments:			
Due within 1 year	¥ 8,158	¥ 7,240	\$ 77,819
Due after 1 year	44,961	25,979	279,220
Total	¥53,119	¥33,219	\$357,039
Future lease receipts:			
Due within 1 year	¥ 7,253	¥ 9,957	\$107,018
Due after 1 year	39,631	49,453	531,523
Total	¥46,884	¥59,410	\$638,541

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

15. Real Estate for Rent

Some of the Company's subsidiaries own rental office buildings and rental facilities (including land) in Tokyo and other regions.

The book values in the consolidated balance sheets, changes during the fiscal year under review, and fair values of real estate, of which some portions are used as rental property, are determined as follows.

(1) Fair value of rental and other properties in the fiscal year ended March 31, 2010

	(Thousands of U.S. dollars)		(Thousands of U.S. dollars)		Book value		Fair value	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
	March 31, 2009	March 31, 2009	Increase/Decrease	Increase/Decrease	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
Rental properties	¥532,951	\$5,728,190	¥49,073	\$527,436	¥582,023	\$6,255,626	¥582,471	\$6,260,437
Other properties used as rental properties	25,887	278,239	(621)	(6,669)	25,267	271,569	57,364	616,547

Notes: 1. Book values in the consolidated balance sheets are the amounts determined by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

2. Fair values as of March 31, 2010, are determined by the Company (including adjustments based on certain indexes) based primarily on their values according to real estate appraisal standards. However, if there have been no fluctuations in appraisal values or indexes considered to appropriately reflect market values since the recent appraisal or acquisition from third parties, the Company uses the appraisal values or amounts derived from the indexes as the fair values at March 31, 2010.

3. In the above table, Other properties used as rental properties includes portions used by the Company and certain consolidated subsidiaries.

(2) Profit and loss on rental properties in the fiscal year ended March 31, 2010

	(Thousands of U.S. dollars)		(Thousands of U.S. dollars)	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
	Operating income	Operating income	Others (gains (losses) on sale of property, etc.)	Others (gains (losses) on sale of property, etc.)
	2010		2010	
Rental properties	¥20,640	\$221,841	¥364	\$3,914
Other properties used as rental properties	1,337	14,374	—	—

Note: As real estate of which some portions are used as rental property includes portions used by the Company and certain consolidated subsidiaries for providing services as well as management and administration, operating income for this type of real estate are not recorded.

(Supplementary information)

Effective from the year under review, the Company adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20 issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23 issued on November 28, 2008).

16. 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, 2009 and 2010 were as follows:

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

Results by segment for the fiscal year ended March 31, 2010

(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	¥258,659	¥ 88,401	¥ 35,650	¥ 32,511	¥ 19,005	¥ 434,226	¥ —	¥ 434,226
Inter-segment	411	6,837	539	1,453	652	9,892	(9,892)	—
Subtotal	259,070	95,238	36,189	33,964	19,657	444,118	(9,892)	434,226
Operating expenses	(248,335)	(73,651)	(27,691)	(31,274)	(19,225)	(400,176)	5,225	(394,951)
Operating income	¥ 10,735	¥ 21,587	¥ 8,498	¥ 2,690	¥ 432	¥ 43,942	¥ (4,667)	¥ 39,275
Total assets, depreciation, and capital expenditure								
Total assets	¥307,154	¥542,619	¥403,393	¥ 45,003	¥ 27,531	¥1,325,700	¥79,724	¥1,405,424
Depreciation	287	8,578	538	175	950	10,528	230	10,758
Impairment loss	0	0	0	0	495	495	0	495
Capital expenditure	580	17,530	8,686	101	696	27,593	(65)	27,528

(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	\$ 2,780,088	\$ 950,135	\$ 383,172	\$ 349,429	\$ 204,267	\$ 4,667,091	\$ —	\$ 4,667,091
Inter-segment	4,412	73,488	5,793	15,615	7,007	106,315	(106,315)	—
Subtotal	2,784,500	1,023,623	388,965	365,044	211,274	4,773,406	(106,315)	4,667,091
Operating expenses	(2,669,121)	(791,604)	(297,627)	(336,129)	(206,633)	(4,301,114)	56,151	(4,244,963)
Operating income	\$ 115,379	\$ 232,019	\$ 91,338	\$ 28,915	\$ 4,641	\$ 472,292	\$ (50,164)	\$ 422,128
Total assets, depreciation, and capital expenditure								
Total assets	\$ 3,301,308	\$ 5,832,101	\$ 4,335,696	\$ 483,692	\$ 295,907	\$ 14,248,704	\$ 856,888	\$ 15,105,592
Depreciation	3,086	92,194	5,787	1,882	10,207	113,156	2,473	115,629
Impairment loss	0	0	0	0	5,325	5,325	0	5,325
Capital expenditure	6,229	188,416	93,358	1,083	7,484	296,570	(700)	295,870

Notes:

1. Business segments are determined according to the business activities of each company in the consolidated group.

2. 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

3. Operating expenses for the fiscal years ended March 31, 2009 and 2010 consisted of ¥6,392 million and ¥5,321 million (\$57,187 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.

4. Total assets at March 31, 2009 and 2010 consisted of ¥96,732 million and ¥111,441 million (\$1,197,773 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.

17. Contingent Liabilities

Contingent liabilities as of March 31, 2009 and 2010 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2009	2010	2010
Guarantees for home loans of house purchasers from banks and other	¥48,214	¥67,305	\$723,396
Guarantees for loans to business partners in the business of commercial buildings for rent	1,078	1,014	10,896
Guarantees for borrowings by affiliates	970	—	—
	¥50,262	¥68,319	\$734,292

18. Subsequent Events

Payment of Dividends

At the 6th Annual General Meeting of Shareholders held on June 29, 2010, a resolution for the payment of dividends of ¥5.00 (\$0.05) per share, ¥952 million (\$10,228 thousand) in total, to shareholders of record as of March 31, 2010 was approved.

19. Stock Options

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

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

1. Description

Nomura Real Estate Holdings, Inc.

FY2007	2nd issue of stock options	3rd issue of stock options
Recipients	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: 52,300 shares	Common stock: 180,400 shares
Grant date	November 30, 2007	November 30, 2007
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	November 30, 2008 – November 29, 2013	November 30, 2009 – November 29, 2014

Nomura Real Estate Holdings, Inc.

FY2008	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (5 persons)	Directors and executive officers of the Company's subsidiaries (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

Nomura Real Estate Holdings, Inc.

FY2009	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Recipients	Directors of the Company (8 persons)	Directors and executive officers of the Company's subsidiaries (51 persons)	Directors of the Company (8 persons) Directors and executive officers of the Company's subsidiaries (51 persons) Employees of the Company's subsidiaries (129 persons)
Type/number of shares reserved (see Note)	Common stock: 21,200 shares	Common stock: 59,500 shares	Common stock: 202,700 shares
Grant date	August 11, 2009	August 11, 2009	August 11, 2009
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, 2010 – August 10, 2015	August 11, 2010 – August 10, 2015	August 11, 2011 – August 10, 2016

MEGALOS CO., LTD.

FY2008	1st issue of stock options	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

MEGALOS CO., LTD.

FY2009	1st issue of stock options	2nd issue of stock options
Recipients	Directors of the Company (3 persons)	Directors of the Company (3 persons) Employees of the Company (12 persons)
Type/number of shares reserved (see Note)	Common stock: 7,900 shares	Common stock: 27,000 shares
Grant date	August 3, 2009	August 3, 2009
Vesting conditions	No conditions attached	No conditions attached
Service period	No period specified	No period specified
Exercisable period	August 3, 2011 – August 2, 2016	August 3, 2011 – August 2, 2016

2. Scale of offer and status of changes

(1) Number of stock options

Nomura Real Estate Holdings, Inc.

FY2007	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	176,700
Granted	—	—
Forfeited	—	—
Vested:	—	176,700
End of the year	—	—
Vested: (shares)		
Previous fiscal year end	21,000	3,700
Vested:	—	176,700
Exercised	7,600	—
Forfeited	—	—
End of the year	13,400	180,400

Nomura Real Estate Holdings, Inc.

FY2008	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	191,200
Granted	—	—	—
Forfeited	—	—	—
Vested:	—	—	7,100
End of the year	—	—	184,100
Vested: (shares)			
Previous fiscal year end	14,800	61,300	—
Vested:	—	—	7,100
Exercised	14,800	37,500	—
Forfeited	—	—	—
End of the year	—	23,800	7,100

Nomura Real Estate Holdings, Inc.

FY2009	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Non-vested: (shares)			
Previous fiscal year end	—	—	—
Granted	21,200	59,500	202,700
Forfeited	—	—	—
Vested:	21,200	59,500	3,500
End of the year	—	—	199,200
Vested: (shares)			
Previous fiscal year end	—	—	—
Vested:	21,200	59,500	3,500
Exercised	—	—	—
Forfeited	—	—	—
End of the year	21,200	59,500	3,500

MEGALOS CO., LTD.

FY2008	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	32,000
Granted	—	—
Forfeited	—	4,000
Vested:	—	—
End of the year	—	28,000
Vested: (shares)		
Previous fiscal year end	16,400	—
Vested:	—	—
Exercised	16,400	—
Forfeited	—	—
End of the year	—	—

MEGALOS CO., LTD.

FY2009	1st issue of stock options	2nd issue of stock options
Non-vested: (shares)		
Previous fiscal year end	—	—
Granted	7,900	27,000
Forfeited	—	—
Vested:	7,900	—
End of the year	—	27,000
Vested: (shares)		
Previous fiscal year end	—	—
Vested:	7,900	—
Exercised	—	—
Forfeited	—	—
End of the year	7,900	—

(2) Unit price data

Nomura Real Estate Holdings, Inc.

FY2007	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	3,380
Average price upon exercise (¥)	1,406	—
Fair value on grant date (¥)	2,903	714

Nomura Real Estate Holdings, Inc.

FY2008	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	2,255
Average price upon exercise (¥)	1,685	1,577	—
Fair value on grant date (¥)	2,131	2,131	770

Nomura Real Estate Holdings, Inc.

FY2009	1st issue of stock options	2nd issue of stock options	3rd issue of stock options
Exercise price (¥)	1	1	1,663
Average price upon exercise (¥)	—	—	—
Fair value on grant date (¥)	1,533	1,533	641

MEGALOS CO., LTD.

FY2008	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	740
Average price upon exercise (¥)	985	—
Fair value on grant date (¥)	606	184

MEGALOS CO., LTD.

FY2009	1st issue of stock options	2nd issue of stock options
Exercise price (¥)	1	1,010
Average price upon exercise (¥)	—	—
Fair value on grant date (¥)	883	259

Note: With respect to stock options outstanding at March 31, 2010, 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

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho,
Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197

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, 2010 and 2009, and the related consolidated statements of operations, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 29, 2010

Investor Information

(As of March, 31, 2010)

Corporate Data

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: 5,195 (on a consolidated basis)
Fiscal Year: From April 1 to March 31
General Meeting of Shareholders: June

Stock Information

Common Stock: ¥115,527,936,200
Number of Authorized Shares: 450,000,000
Number of Shares Issued: 190,331,000
Market Listing: First Section of Tokyo Stock Exchange
Minimum Trading Unit: 100 shares
Number of Shareholders: 57,500

Ten Largest Shareholders:

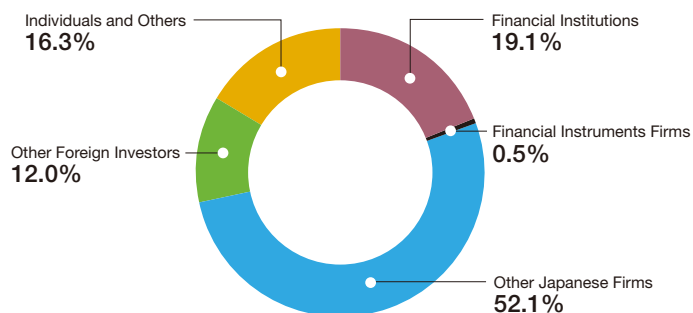
Name of Shareholder	No. of shares	Shareholding (%)
Nomura Land and Building Co., Ltd.	96,817,500	50.86
Japan Trustee Services Bank, Ltd. (Trust account)	12,225,400	6.42
The Master Trust Bank of Japan, Ltd. (Trust account)	8,679,200	4.56
Nomura Real Estate Holdings Employee Shareholding Association	2,698,782	1.41
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,173,200	1.14
Japan Trustee Services Bank, Ltd. (Trust account 4)	1,941,400	1.02
Trust & Custody Services Bank, Ltd. (Securities Investment Trust account)	1,812,900	0.95
NIPPONVEST	1,600,000	0.84
Morgan Stanley & Co. Inc	1,545,600	0.81
The Bank of NY Treaty JASDEC Account	1,271,300	0.66

Website of Nomura Real Estate Holdings

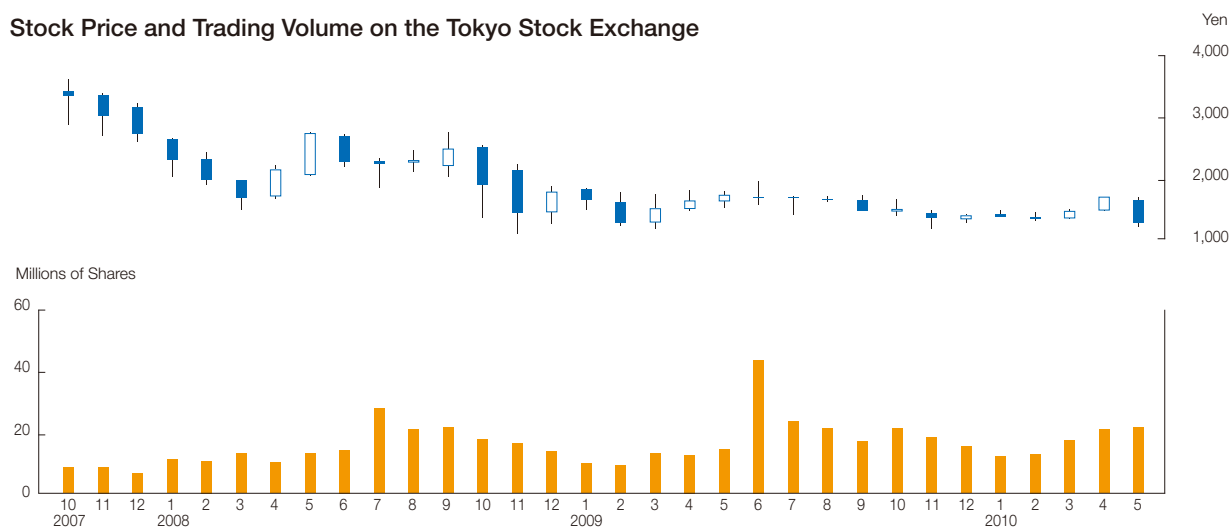


<http://www.nomura-re-hd.co.jp/english/ir/index.html>

Composition by Number of Shareholdings (%):



Stock Price and Trading Volume on the Tokyo Stock Exchange



Nomura Real Estate Holdings, Inc.

Shinjyuku Nomura Building, 1-26-2

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

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



This annual report is printed on FSC-certified paper with vegetable based ink.

Printed in Japan

