

NOMURA

Consolidated Financial Statements
under US GAAP

Nomura Holdings, Inc.

December 2001

Outline of the Presentation

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NYSE Listing and US GAAP Financials

NYSE Listing

■ Purposes

- To clearly demonstrate in Japan and overseas that our goal is to become a globally competitive Japanese financial services group
- To enhance information disclosure conforming to the spirit of fair disclosure
- To expand our strategic options
- To strengthen corporate governance

■ Schedule

- December 13, 2001 Official Filing of Registration Statement with SEC
- December 17, 2001 Listing on NYSE

■ ADR

- Form American Depositary Share (ADS) represented by American Depositary Receipt (ADR)
- Code NMR
- Conversion Rate 1:1 (1 ADS : 1 Share)

N M R
LISTED
NYSE

Year ended March 31, 2000

■ Operating Results	US GAAP	Japanese GAAP
➤ Net Revenue*	1,062.7 billion yen	815.9 billion yen
➤ Income before Income Taxes	372.2 billion yen	265.2 billion yen
➤ Net Income	203.5 billion yen	146.3 billion yen
■ Balance Sheet		
➤ Total Assets	14,610.9 billion yen	18,821.9 billion yen
➤ Total Liabilities	13,199.9 billion yen	17,401.5 billion yen
➤ Shareholders' Equity	1,411.0 billion yen	1,420.4 billion yen
➤ Leverage**	10.4 times	13.3 times
■ ROE***	15.3%	10.7%

* Net Revenue: Total revenue – Interest expense

** Leverage: Total assets divided by shareholders' equity

*** ROE: Net income divided by average shareholders' equity

Year ended March 31, 2001

■ Operating Results	US GAAP	Japanese GAAP
➤ Net Revenue*	915.7 billion yen	884.2 billion yen
➤ Income before Income Taxes	156.2 billion yen	320.5 billion yen
➤ Net Income	57.4 billion yen	181.7 billion yen

■ Balance Sheet		
➤ Total Assets	17,146.0 billion yen	20,529.1 billion yen
➤ Total Liabilities	15,709.6 billion yen	18,886.7 billion yen
➤ Shareholders' Equity	1,436.4 billion yen	1,642.4 billion yen
➤ Leverage**	11.9 times	12.5 times

■ ROE***	4.0%	11.9%
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* Net Revenue: Total revenue – Interest expense

** Leverage: Total assets divided by shareholders' equity

*** ROE: Net income divided by average shareholders' equity

Major Differences between US GAAP and Japanese GAAP (P/L)

■ Valuation of Equity Investments

- Valuation of investments in equity securities and non-trading debt securities
 - Japanese GAAP: Unrealized gains/losses are recognized directly in shareholders' equity ,
 - US GAAP: Unrealized gains/losses are recognized in current income

■ Principal Finance Group (“PFG”)

- Treatment
 - Japanese GAAP: Venture capital accounting
 - US GAAP: Consolidated (i.e. like a subsidiary)
- Recognition of P&L
 - Japanese GAAP: Gain on disposal & realization of surplus, non recourse cash after refinancing
 - US GAAP: Gain on disposal & annual net income/ loss of each entity (based also on US GAAP)

■ Others

- Business combination / Investments in affiliates
 - Amortization period of negative goodwill (Nomura Asset Management)
Amount of goodwill amortization
Fiscal year ended March 31, 2001
Japanese GAAP: 25.7 billion yen
US GAAP: 13.0 billion yen
 - Difference in the realized gain/loss of investment securities
 - Affiliates Japanese GAAP: Recognize equity earnings after the investees become affiliates
US GAAP: Retroactive application of equity method)
- Others

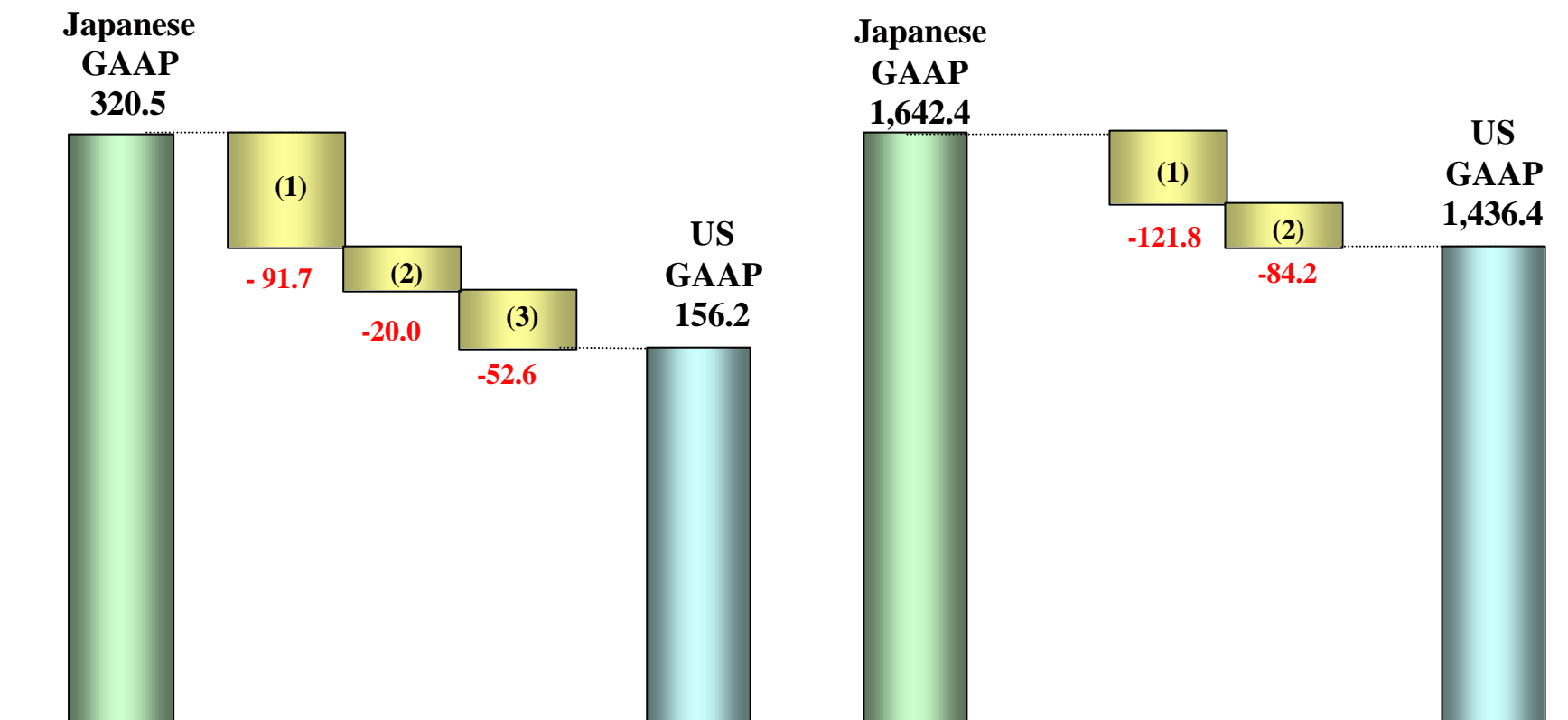
Major Differences between US GAAP and Japanese GAAP (P/L)

(for the year ended March 31, 2001)

(Billions of yen)

Income before Income Taxes

Shareholders' Equity



- (1) Valuation of investments in equity and other securities
- (2) PFG
- (3) Others

- (1) PFG
- (2) Others

Major Differences between US GAAP and Japanese GAAP (B/S)

■ **Principal Finance Group**

- Japanese GAAP: Treated as venture capital
US GAAP: Consolidation of all assets and liabilities of each entity which we have invested.

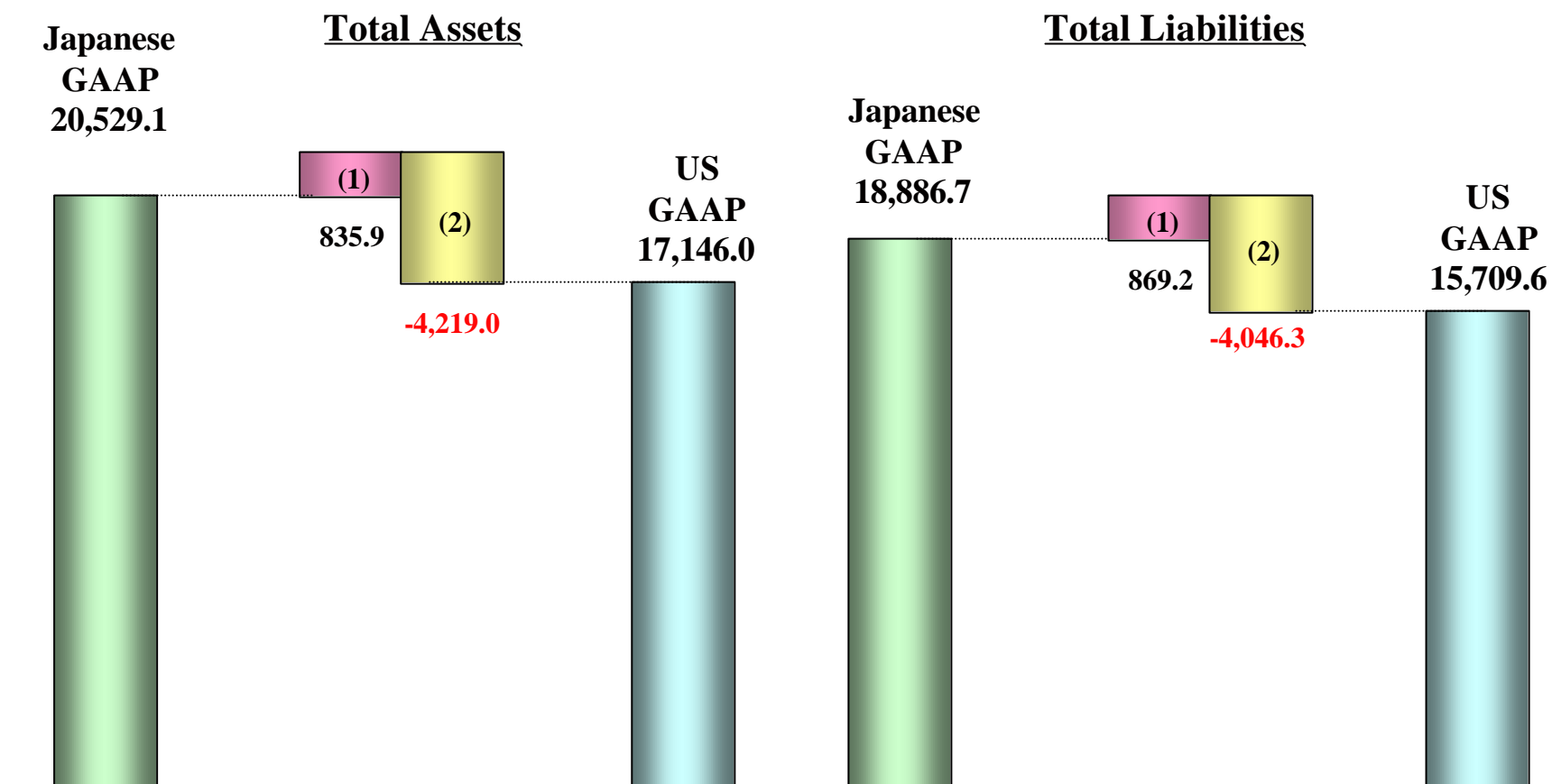
■ **Others**

- Securities Financing Transactions
 - Securities borrowed, securities received as collateral
Japanese GAAP: On-balance when received
US GAAP: Off-balance when received
 - Gensaki transactions
Japanese GAAP: Recorded as financing transactions
US GAAP: Recorded as sale transactions
- Others
 - Business combination / Equity methods
 - Appropriations of retained earnings Japanese GAAP: the period when they are approved at the shareholders' meeting. US GAAP: The period to which they relate.

Major Differences between US GAAP and Japanese GAAP (B/S)

(for the year ended March 31, 2001)

(Billions of yen)



- (1) PFG's tangible assets
- (2) Others

- (1) PFG's non-recourse loans and bonds
- (2) Others

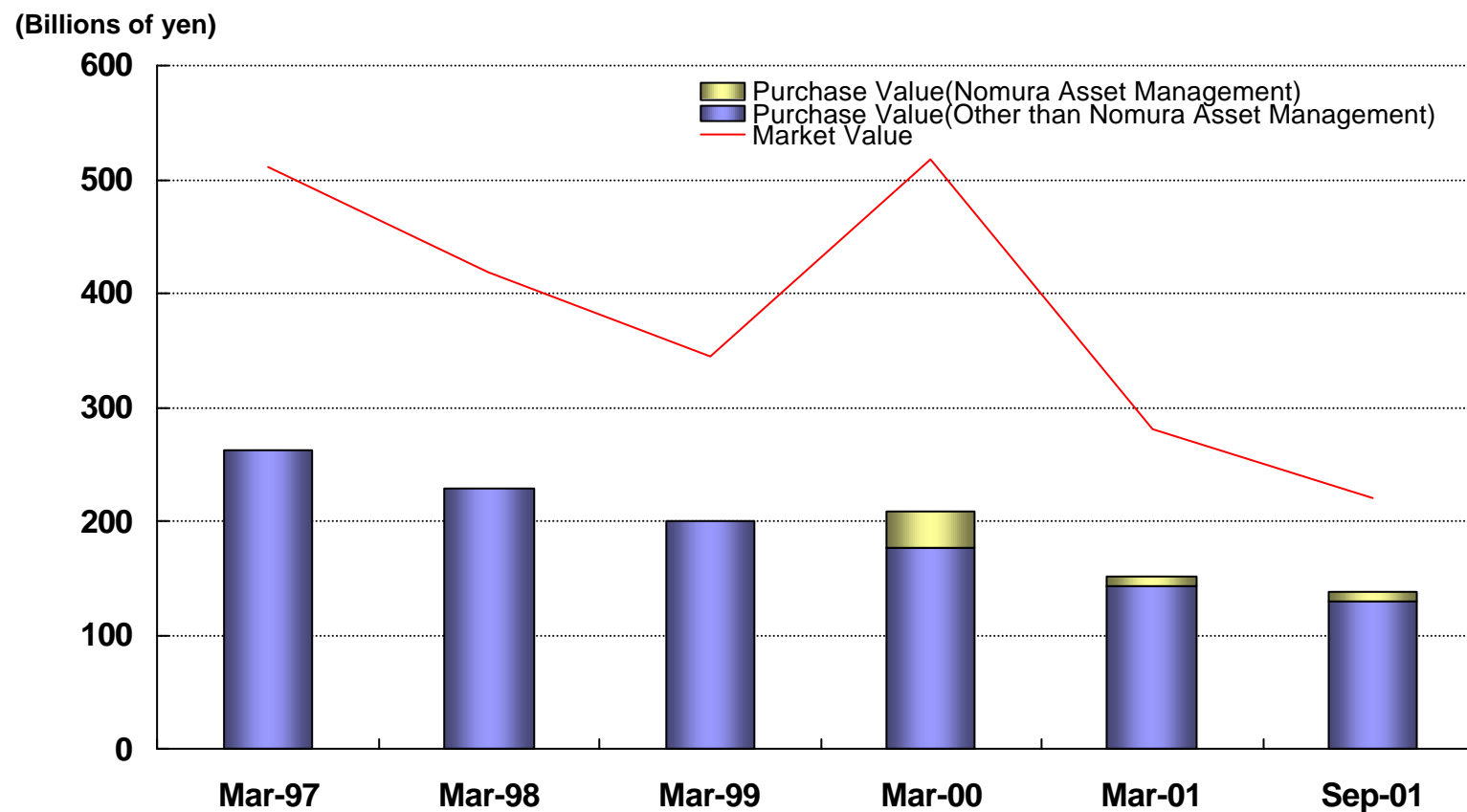
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Investments in Equity Securities and PFG

Investments in Equity Securities

■ Reduction of Investments in Equity Securities

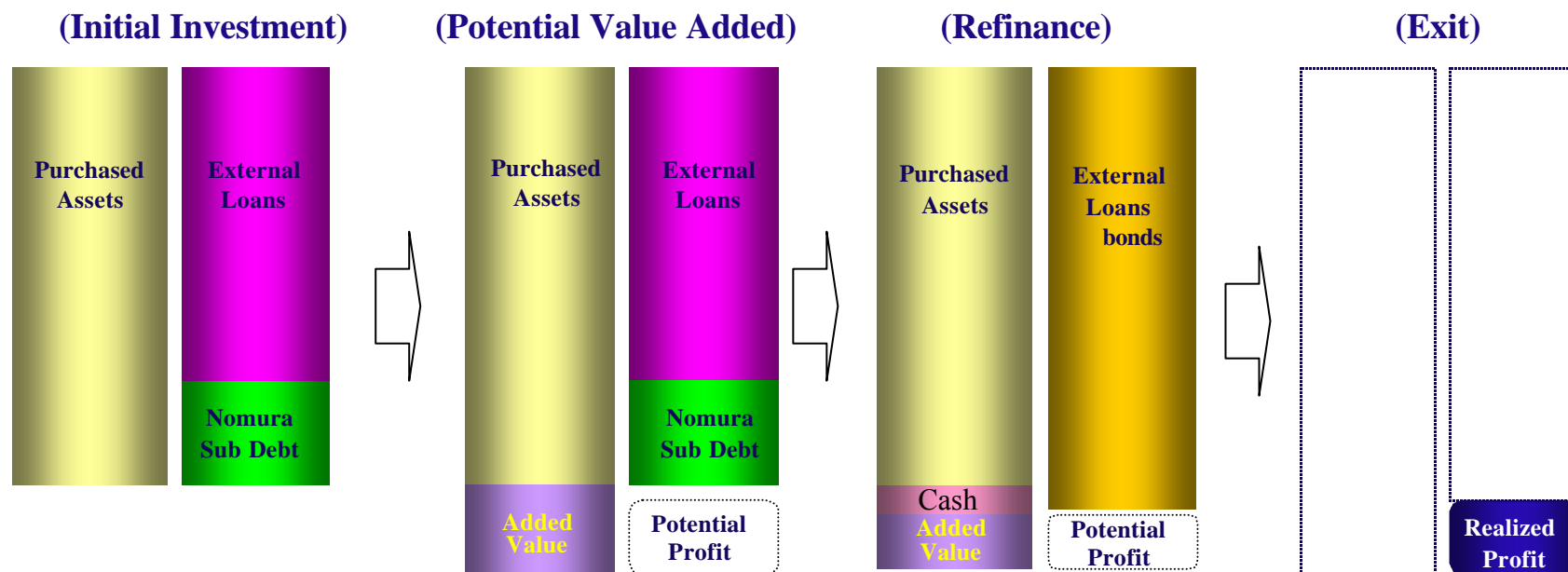
Purchase Value and Market Value of Investments in Equity Securities



* Purchase Value: Up to March 2000 - Lower cost or market method
 From March 2001 - Cost less impairment losses

PFG Business Overview

■ Investment Profile



- Purchase assets
- Raise externally collateralized financing whose underlying is purchased assets (Non-recourse to Nomura)
- Nomura uses sub debt to supply cash for purchase proceeds.
- Nomura holds warrant at zero cost

•Companies that PFG Invests in are not legal subsidiaries of Nomura and are bankruptcy remote
 >> **Nomura's financial exposure is limited to its investments only**

- Value added through strong management team, clarification of business plan model
- Added value represents potential warrant value

- Refinance through external loans and bonds based on value added assets
- Decrease/redeem Nomura sub debt
- Extract surplus non recourse cash, after refinancing. Partial recognition of profit.

- Recognize final profit through trade sale

PFG Major Investments



Investment Date Sep. 96
Housing stocks holdings
for MOD in UK



Investment Date Sep. 97
Tenanted Pub
holding company



Investment Date July 98
Rental company of mainly
consumer electronics



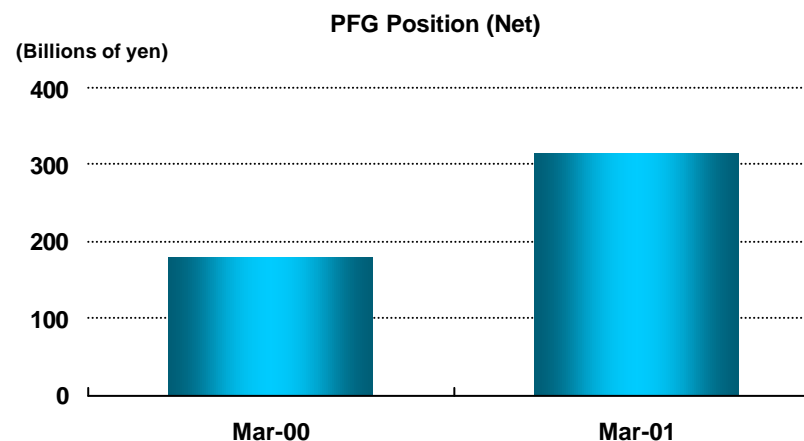
Investment Date Jan. 99
Tenanted Pub
holding company



Investment Date Oct. 00
Largest retailer in UK of
wine/beer/spirits



Investment Date Dec. 00
Housing stocks holdings
for German railway



Potential Restructuring of PFG Business

- **Nomura is committed to growing PFG business in a way that reduces overall concentration risk**
- **Provide new alternative investment funds to our client**
- **Encourage PFG**

■ **Potential Restructuring of PFG Business**

Possibilities include:

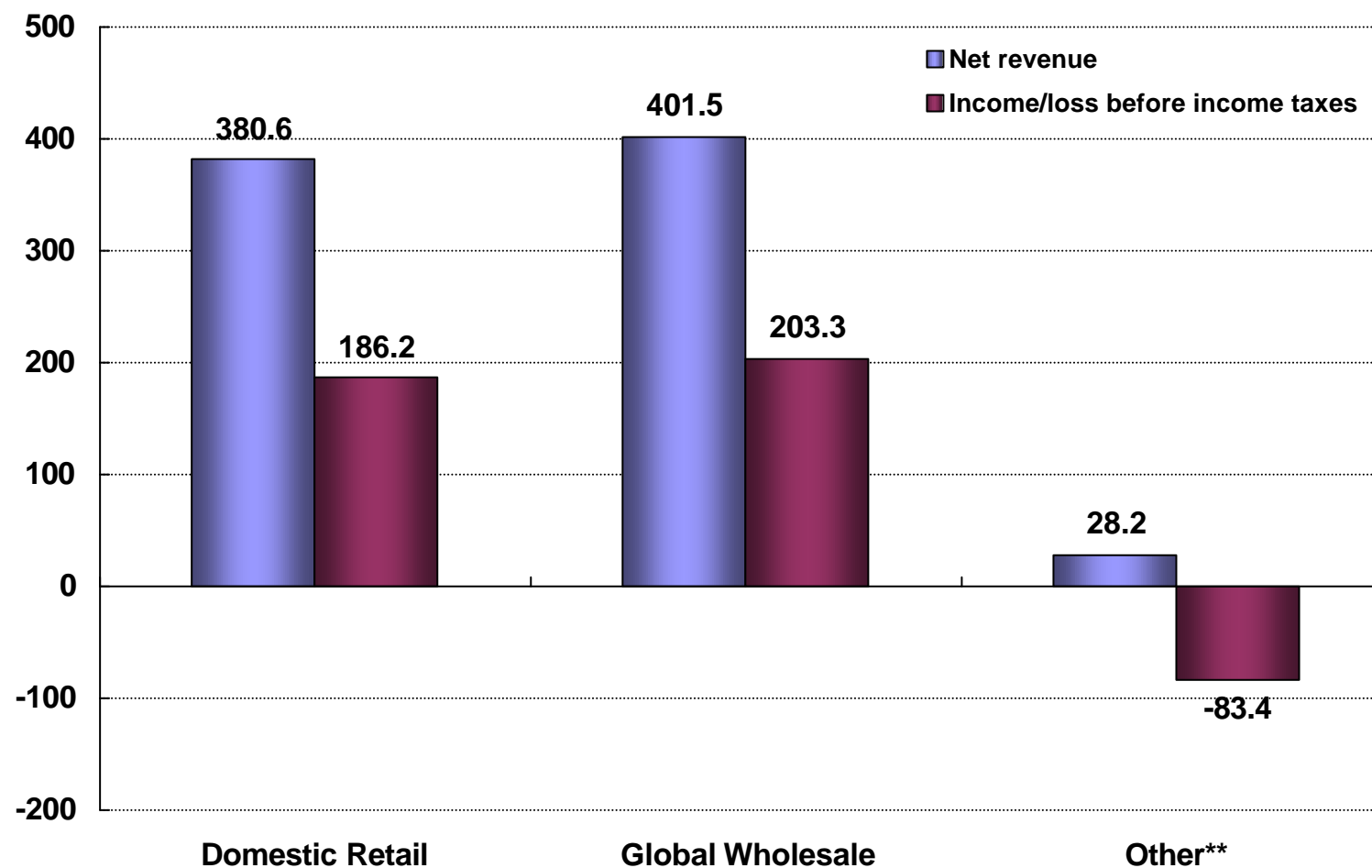
- ✓ PFG Fund
- ✓ Independent Asset Management

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Segment Information

Year ended March 31, 2000

(Billions of yen)

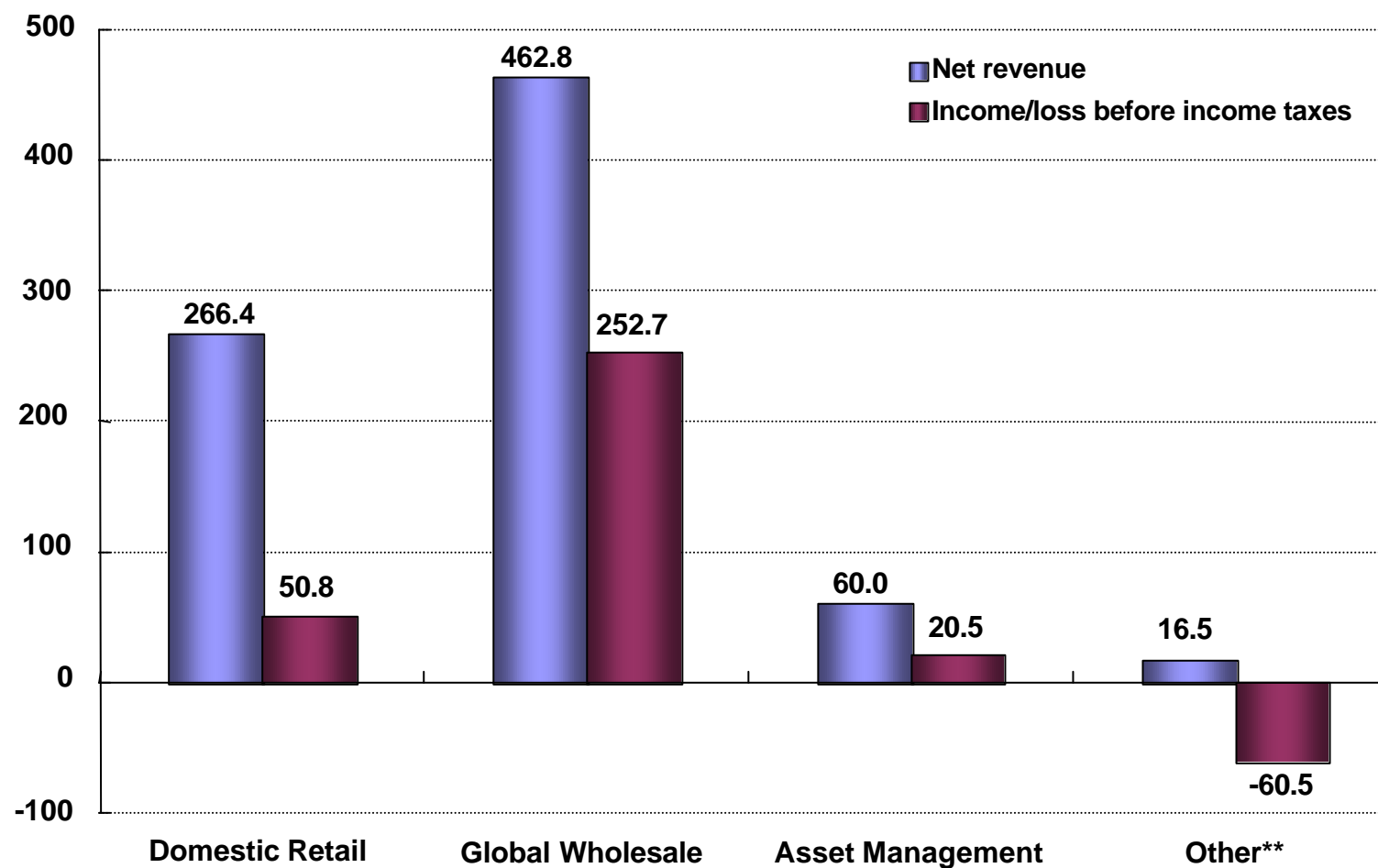


* These operating segment results are based on US GAAP except excluding the impact of unrealized gains/losses on equity investments held for relationship purposes and the impact of consolidating PFG.

** Other includes asset management segment, corporate items, gain/loss on investment securities, equity earnings/loss of affiliates, amortization of goodwill, elimination, etc.

Year ended March 31, 2001

(Billions of yen)



* These operating segment results are based on US GAAP except excluding the impact of unrealized gains/losses on equity investments held for relationship purposes and the impact of consolidating PFG.

** Other includes corporate items, gain/loss on investment securities, equity earnings/loss of affiliates, amortization of goodwill, elimination, etc.

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Appendix

Consolidated Financial Statements (1)

■ Consolidated Statements of Operations

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Revenue:			
Commissions	329,332	189,841	1,512,195
Fees from investment banking	93,644	87,160	694,281
Asset management and portfolio service fees	63,799	144,882	1,154,070
Net gain on trading	253,328	307,989	2,453,314
Interest and dividends	419,742	518,941	4,133,670
Profit (loss) on investments in equity securities	90,839	(98,968)	(788,338)
PFG entities product sales	56,476	117,523	936,140
PFG entities rental income	144,005	103,339	823,156
Other	48,616	98,591	785,335
Total revenue	<u>1,499,781</u>	<u>1,469,298</u>	<u>11,703,823</u>
Interest expense	<u>437,131</u>	<u>553,643</u>	<u>4,410,092</u>
Net revenue	<u>1,062,650</u>	<u>915,655</u>	<u>7,293,731</u>
Non-interest expenses:			
Compensation and benefits	286,268	305,190	2,431,018
Commissions and floor brokerage	21,342	26,393	210,236
Information processing and communications	54,961	70,998	565,541
Occupancy and related depreciation	71,191	65,319	520,304
Business development expenses	20,418	29,940	238,490
PFG entities cost of goods sold	37,408	84,004	669,141
PFG entities expenses associated with rental income	51,706	43,760	348,574
Other	147,136	133,879	1,066,425
	<u>690,430</u>	<u>759,483</u>	<u>6,049,729</u>
Income before income taxes	<u>372,220</u>	<u>156,172</u>	<u>1,244,002</u>
Income tax expense:			
Current	12,866	53,693	427,697
Differed	155,805	45,069	359,001
	<u>168,671</u>	<u>98,762</u>	<u>786,698</u>
Net income	<u>203,549</u>	<u>57,410</u>	<u>457,304</u>

Consolidated Financial Statements (2)

■ Consolidated Balance Sheets

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents	522,970	503,676	4,012,076
Time deposits	212,858	278,648	2,219,595
Deposits with stock exchanges and other segregated cash	<u>338,863</u>	<u>46,325</u>	<u>369,006</u>
	<u>1,074,691</u>	<u>828,649</u>	<u>6,600,677</u>
Loans and receivables:			
Loans receivable from customers	780,258	282,424	2,249,673
Loans receivable from other than customers	466,992	409,638	3,263,008
Receivables from customers	42,314	78,155	622,550
Receivables from other than customers	191,335	302,437	2,409,089
Receivables under resale agreements and securities borrowed transactions	4,649,363	5,995,998	47,761,654
Securities pledged as collateral	697,242	2,769,026	22,056,922
Allowance for doubtful accounts	<u>(15,181)</u>	<u>(26,529)</u>	<u>(211,319)</u>
	<u>6,812,323</u>	<u>9,811,149</u>	<u>78,151,577</u>
Trading assets:			
Securities inventory	4,064,790	3,281,659	26,140,346
Derivative contracts	<u>300,592</u>	<u>343,536</u>	<u>2,736,466</u>
	<u>4,365,382</u>	<u>3,625,195</u>	<u>28,876,812</u>
Other:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of Yen 145,713 million in 2000 and Yen 206,132 million (\$1,641,963 thousand) in 2001, respectively)	143,169	156,430	1,246,057
PFG entities land, buildings, equipment and furniture and fixtures (net of accumulated depreciation and amortization of Yen 135,621 million in 2000 and Yen 75,447 million (\$600,980 thousand) in 2001, respectively)	433,054	835,854	6,658,069
Lease deposits	172,689	90,601	721,690
Non-trading debt securities	377,080	590,694	4,705,226
Investments in equity securities	305,724	272,761	2,172,702
Investments in and advances to affiliated companies	383,500	403,818	3,216,648
Deferred tax assets	102,018	87,006	693,054
Other assets	<u>441,238</u>	<u>443,867</u>	<u>3,535,662</u>
	<u>2,358,472</u>	<u>2,881,031</u>	<u>22,949,108</u>
	<u>14,610,868</u>	<u>17,146,024</u>	<u>136,578,174</u>

Consolidated Financial Statements (3)

■ Consolidated Balance Sheets

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Payables, borrowings and deposits:			
Payables to customers	¥ 310,563	¥ 449,219	\$ 3,578,294
Payables to other than customers	411,035	363,658	2,896,750
Payables under repurchase agreements and securities loaned transactions	5,151,644	7,448,220	59,329,457
Short-term borrowings	1,146,030	1,151,823	9,174,948
Time and other deposits received	<u>382,842</u>	<u>471,405</u>	<u>3,755,018</u>
	<u>7,402,114</u>	<u>9,884,325</u>	<u>78,734,467</u>
Trading liabilities:			
Securities sold but not yet purchased	2,741,752	2,430,037	19,356,675
Derivative contracts	<u>326,959</u>	<u>427,279</u>	<u>3,403,529</u>
	<u>3,068,711</u>	<u>2,857,316</u>	<u>22,760,204</u>
Other:			
Accrued income taxes	13,371	43,753	348,518
Accrued pension and severance costs	46,850	44,053	350,908
Other accrued liabilities	<u>496,220</u>	<u>521,751</u>	<u>4,156,054</u>
	<u>556,441</u>	<u>609,557</u>	<u>4,855,480</u>
Long-term borrowings	1,625,369	1,489,184	11,862,227
Non-recourse PFG entities loans and bonds	<u>547,257</u>	<u>869,214</u>	<u>6,923,801</u>
	<u>13,199,892</u>	<u>15,709,596</u>	<u>125,136,179</u>
Shareholders' equity:			
Common stock, Yen 50 par value			
Authorized---6,000,000,000 shares			
Issued March 31, 2001---1,962,977,841 shares		182,797	1,456,086
March 31, 2000---1,962,977,247 shares	182,796		
Additional paid-in capital	147,714	146,133	1,164,035
Retained earnings	<u>1,154,599</u>	<u>1,177,660</u>	<u>9,380,755</u>
Accumulated other comprehensive income:			
Minimum pension liability adjustment	(4,073)	(19,083)	(152,007)
Cumulative translation adjustments	<u>(59,716)</u>	<u>(51,021)</u>	<u>(406,412)</u>
	<u>(63,789)</u>	<u>(70,104)</u>	<u>(558,419)</u>
	1,421,320	1,436,486	11,442,457
Less---Common stock held in treasury, at cost---			
March 31, 2001---26,334 shares		(58)	(462)
March 31, 2000---3,099,017 shares	<u>(10,344)</u>		
	<u>1,410,976</u>	<u>1,436,428</u>	<u>11,441,995</u>
	¥ 14,610,868	¥ 17,146,024	\$ 136,578,174

Reverse Reconciliation (Year ended March 31, 2001)

(Millions of yen)

	Net Income	Shareholders' Equity
Amounts reported in the consolidated financial statements under U.S. GAAP	57,410	1,436,428
(a) Valuation of investments in equity securities and non-trading debt securities	91,650	(549)
(b) Retirement and severance benefit	(1,712)	1,065
(c) Recognition of provision for multi-employer pension plan	-	(35,681)
(d) Consolidation of the PFG entities	20,027	121,796
(e) Business combinations - evaluation of assets and liabilities of acquired subsidiary and difference of amortization period *	57,860	63,259
(f) Investments in affiliates	21,778	8,401
(g) Appropriations of retained earnings	640	34,949
(h) Loss on sale of treasury stock	(1,691)	-
(i) Hedge accounting	(3,007)	(6,623)
(j) Leveraged leases	46	(8,889)
(k) Valuation of marketable equity securities	(18,479)	-
(l) Other	(2,751)	(3,771)
Total Japanese GAAP adjustments	164,361	173,957
Tax effect of above Japanese GAAP adjustments	(40,105)	32,023
Amounts determined in conformity with Japanese GAAP	181,666	1,642,408

* 47,283 millions yen relates to the sale of Kokusai Securities's shares.

Outline of Reconciling Items (1)

	Japanese GAAP	US GAAP
(a) Valuation of investments in equity securities and non-trading debt securities	Investments in equity securities and non-trading debt securities are reported at fair value and the related net unrealized gains or losses, net of applicable income taxes, are reported in a separate component of shareholders' equity. If the decline in fair value of such investments below its respective cost is considered to be other than temporary, the decline is recorded as a loss on investments by a charge to current earnings.	In accordance with accounting principles generally accepted in the United States of America for broker-dealers, investments in equity securities and non-trading debt securities are recorded at market or fair value with unrealized gains and losses included in income.
(b) Retirement and severance benefit	Similar accounting treatment is required, however, certain treatment is different from US GAAP. Under US GAAP, additional minimum pension liabilities are provided when the accumulated benefit obligation exceeds the fair value of plan assets, while such treatment is not provided under Japanese GAAP. Under US GAAP, gain or loss resulting from experience different from that assumed or from a change in an actuarial assumption is amortized over the remaining service period of employees when such balance at beginning of year exceeds the "Corridor" which is defined as a 10% of larger of projected benefit obligation or fair value of plan assets, while such gain or loss is amortized regardless of the Corridor under Japanese GAAP.	Pension cost is provided in accordance with SFAS No.87 "Employers' Accounting for Pensions".

Outline of Reconciling Items (2)

	Japanese GAAP	US GAAP
(c) Recognition of provision for multi-employer pension plan	Nomura and most of its domestic consolidated subsidiaries participate in the Japan Securities Dealers Employees' Pension Fund ("JSDE Fund"), a multi-employer fund funded by companies in the securities broker-dealer industry in Japan. On March 31, 2000, Nomura recognized provision in order to secure certain specific expenses attributable to participants in the future.	The accrual of a provision described on the left would not meet the requirements of SFAS No.5 "Accounting for Contingencies" with regard to JSDE Fund and is not recorded.
(d) Consolidation of the PFG entities	Under Japanese GAAP, Nomura has not consolidated PFG entities since those investments are treated as venture capital investments.	Under U.S. GAAP, certain operating companies in which PFG made investments are consolidated since Nomura has controlling financial interests in the underlying investments.
(e) Business combinations	Nomura had directly held only 5% of the out-standing share capital of NAM, In March 2000, Nomura acquired an additional 69% equity interest in NAM. The acquisition has been accounted for accounting effective March 31, 2000 and assets acquired and liabilities assumed have been recorded at estimated fair values based on Japanese GAAP. Negative goodwill of NAM is amortized over three years from the fiscal year beginning April 1, 2000.	Nomura had directly held only 5% of the outstanding share capital of NAM, In March 2000, Nomura acquired an additional 69% equity interest in NAM. The acquisition has been accounted for by the purchase method of accounting effective March 31, 2000 and assets acquired and liabilities assumed have been recorded at estimated fair values. Negative goodwill of NAM is amortized over ten years from the fiscal year beginning April 1, 2000.
(f) Investments in affiliates	Under Japanese GAAP, tax effects of accounting for equity investment are not provided and accounting for equity investment is prospectively adopted effective when Nomura acquires an influence on the investee. Due to certain adjustments described this section, the net assets value of affiliate companies is different between U.S. GAAP and Japanese GAAP when Nomura recognizes equity earnings.	Under U.S. GAAP, tax effects of accounting for equity investment are provided and accounting for equity investment is retroactively adopted effective from the initial equity investment. Due to certain adjustments described this section, the net assets value of affiliate companies is different between U.S. GAAP and Japanese GAAP when Nomura recognizes equity earnings.

Outline of Reconciling Items (3)

	Japanese GAAP	US GAAP
(g) Appropriations of retained earnings	Under Japanese GAAP, a company may select an accounting method for appropriations of retained earnings to reflect and record those in the consolidated financial statements for the period to which they relate or for the subsequent period when shareholders' approval has been obtained. Nomura applies the latter method and records appropriations of retained earnings in the consolidated financial statements in the accounting period when shareholders' approval has been obtained. And also, under Japanese GAAP, bonuses to directors are recorded as appropriations of retained earnings.	Appropriations of retained earnings are reflected and recorded in the consolidated financial statements for the period to which they relate. Also, bonuses to directors are charged to income.
(h) Loss on sale of treasury stock	Gain or loss on sale of treasury stock is charged to income.	Gain or loss on sale of treasury stock is charged to additional paid-in capital.
(i) Hedge accounting	Derivative contracts that have been entered into for hedging purchase for specific assets or groups of similar assets or specific liabilities or group of similar liabilities are valued at fair value and unrealized gains or losses are deferred on the balance sheet.	Derivative contracts that have been designated as hedges to specific assets or specific liabilities are accounted for on an accrual basis.
(j) Leveraged leases	Depreciation expenses arising from leases assets are recognized on a declining balance method and income and expenses are not averaged during the period of leveraged leases.	Leveraged leases are accounted in accordance with SFAS No.13 "Accounting for Leases", and fixed income and expenses are recognized for each year over the period of the leveraged leases.
(k) Valuation of marketable equity securities	Up to the fiscal year ended March 31, 2000, marketable equity securities were recorded at quoted market price. For the fiscal year beginning April 1, 2000, marketable equity securities have been recorded in accordance with U.S. GAAP policy outlined the right. As a result, there is no difference to shareholders' equity in the accompanying reconciliation.	Marketable equity securities are recorded at market or fair value. Fair value is generally based on quoted market price or dealer quotation or an estimation by management of the amounts expected to be realized upon settlement in current market conditions.

Outline of Reconciling Items (4)

	Japanese GAAP	US GAAP
Gensaki transactions & securities lending and borrowing transactions	<p><Gensaki transactions> Gensaki transactions are accounted for financing transactions.</p> <p><Securities lending and borrowing transactions> Securities received as collateral are recognized on the balance sheet by secured party when received. (Effective from September 30, 2001, such treatment is amended and the accounting treatment is same as U.S. GAAP.)</p>	<p><Gensaki transactions> Gensaki transactions are recorded as sales in the consolidated financial statements; therefore, the related securities and obligations to repurchase are not reflected in the accompanying consolidated balance sheets.</p> <p><Securities lending and borrowing transactions> Collateral securities of which the right of sell or repledge are held by secured party are recognized on the balance sheet when the collateral is sold.</p>