FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of July 2016

NOMURA HOLDINGS, INC.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome
Chuo-ku, Tokyo 103-8645
Japan
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F __X__ Form 40-F _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

On June 23, 2016, Nomura Holdings, Inc. filed its Annual Securities Report for the year ended March 31, 2016 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Act.

Information furnished on this form:

EXHIBITS

Exhibit Number

1. English translation of certain items disclosed in the Annual Securities Report pursuant to the Financial Instruments and Exchange Act for the fiscal year ended March 31, 2016.
2. English translation of Management's Report on Internal Control Over Financial Reporting and Confirmation Letter.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NOMURA HOLDINGS, INC.

Date: July 29, 2016

By: /s/ Hajime Ikeda
Hajime Ikeda
Senior Managing Director

EXHIBIT 1

Annual Securities Report Pursuant to the Financial Instruments and Exchange Act for the Fiscal Year Ended March 31, 2016

Table of Contents

	Page
PART I Corporate Information	2
Item 1. Information on the Company and Its Subsidiaries and Affiliates	2
1. Selected Financial Data	2
2. History and Development of the Company and Its Subsidiaries and Affiliates	
3. Business Overview	4
4. Subsidiaries and Affiliates	
5. Employees	
Item 2. Operating and Financial Review	5
1. Operating Results	5
2. Current Challenges	22
3. Risk Factors	24
4. Significant Contracts	
5. Research and Development, Patent and Licenses, etc	
6. Operating, Financial and Cash Flow Analyses	34
Item 3. Property, Plants and Equipment	
1. Results of Capital Expenditure	
2. Our Properties	
3. Prospects of New Capital Expenditure, Abandonment and Other	
Item 4. Company Information	66
1. Share Capital Information	66
2. Stock Repurchase	72
3. Dividend Policy	73
4. Stock Price History	75
5. Directors and Senior Management	
6. Status of Corporate Governance and Other	76
Item 5. Financial Information	91
1. Consolidated Financial Statements and Other	92
2. Unconsolidated Financial Statements	219
Item 6. Information on Share Handling, etc.	
Item 7. Reference Information	
PART II Information on Guarantor of the Company	
Report of Independent Auditors	238
Management's Report on Internal Control Over Financial Reporting	1
Confirmation Letter	2

An English translation of the underlined items above is included in this document.

PART I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data.

(1) Selected consolidated financial data for the latest five fiscal years.

Year ended March 31	2012	2013	2014	2015	2016
Total revenue (millions of yen)	1,851,760	2,079,943	1,831,844	1,930,588	1,723,096
Net revenue (millions of yen)	1,535,859	1,813,631	1,557,070	1,604,176	1,395,681
Income (loss) before income taxes (millions of yen)	84,957	237,730	361,614	346,759	165,158
Net income (loss) attributable to Nomura Holdings, Inc. ("NHI") shareholders (millions of yen)	11,583	107,234	213,591	224,785	131,550
Comprehensive income (loss) attributable to NHI shareholders (millions of yen)	(3,870)	194,988	291,622	347,888	32,791
Total equity (millions of yen)	2,389,137	2,318,983	2,553,213	2,744,946	2,743,015
Total assets (millions of yen)	35,697,312	37,942,439	43,520,314	41,783,236	41,090,167
Shareholders' equity per share (yen)	575.20	618.27	676.15	752.40	748.32
Net income (loss) attributable to NHI common shareholders per share—basic (yen)	3.18	29.04	57.57	61.66	36.53
Net income (loss) attributable to NHI common shareholders per share—diluted (yen)	3.14	28.37	55.81	60.03	35.52
Total NHI shareholders' equity as a percentage of total assets (%)	5.9	6.0	5.8	6.5	6.6
Return on shareholders' equity (%)	0.55	4.87	8.88	8.61	4.87
Price/earnings ratio (times)	115.09	19.87	11.50	11.45	13.77
Cash flows from operating activities (millions of yen)	290,863	549,501	457,426	(77,028)	1,238,372
Cash flows from investing activities (millions of yen)	9,942	(160,486)	(103,195)	12,337	(23,711)
Cash flows from financing activities (millions of yen)	(844,311)	(701,623)	289,385	(178,206)	986,387
Cash and cash equivalents at end of the year (millions of yen)	1,070,520	805,087	1,489,792	1,315,408	3,476,261
Number of staffs	34,395	27,956	27,670	28,672	28,865
[Average number of temporary staffs, excluded from above]	[7,313]	[6,372]	[4,266]	[4,419]	[4,677]

1 The selected financial data of Nomura Holdings, Inc. and its consolidated subsidiaries ("Nomura") were stated in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP").

2 *Shareholders' equity per share, Total NHI shareholders' equity as a percentage of total assets, Return on shareholders' equity* are calculated using Total NHI shareholders' equity.

3 The consumption tax and local consumption tax on taxable transaction are accounted for based on the tax exclusion method.

4 Certain contract employees are included in Number of staffs.

(2) Selected stand alone financial data for the latest five fiscal years

Year ended March 31,	2012	2013	2014	2015	2016
Operating revenue (millions of yen)	270,521	278,523	399,318	461,912	585,394
Ordinary income (millions of yen)	52,526	67,577	185,224	235,519	353,058
Net income (loss) (millions of yen)	32,879	42,210	107,858	294,816	419,507
Common stock (millions of yen)	594,493	594,493	594,493	594,493	594,493
Number of issued shares (thousands of shares)	3,822,563	3,822,563	3,822,563	3,822,563	3,822,563
Shareholders' equity (millions of yen)	1,841,400	1,875,723	1,918,276	2,095,108	2,421,160
Total assets (millions of yen)	5,438,184	5,775,850	6,190,114	6,641,723	7,379,122
Shareholders' equity per share (yen)	488.38	492.88	504.02	569.56	670.77
Dividend per share (yen)	6.00	8.00	17.00	19.00	13.00
The first quarter	—	—	—	—	—
The second quarter	4.00	2.00	8.00	6.00	10.00
The third quarter	—	—	—	—	—
The end of a term (the fourth quarter)	2.00	6.00	9.00	13.00	3.00
Net income (loss) per share (yen)	9.02	11.42	29.06	80.85	116.47
Net income per share—diluted (yen)	8.93	11.16	28.18	78.72	113.33
Shareholders' equity as a percentage of total assets (%)	32.9	31.7	30.3	30.9	32.2
Return on shareholders' equity (%)	1.87	2.33	5.82	15.02	18.97
Price/earnings ratio (times)	40.59	50.52	23.49	8.97	4.44
Payout ratio (%)	66.89	70.32	58.53	23.29	11.16
Dividend on shareholders' equity (%)	1.23	1.62	3.37	3.35	1.97
Number of staffs	162	146	132	102	111
[Average number of temporary staffs, excluded from above]	[—]	[—]	[—]	[—]	[—]

1 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.

2 Number of staffs represents staffs who work at the Company.

3. Business Overview.

The Company and its 1,214 consolidated subsidiaries and variable interest entities primarily operate investment and financial services business focusing on securities business as their core business. Nomura provides wide-ranging services to customers for both of financing and investment through the operations in Japan and other major financial capital markets in the world. Such services include securities trading and brokerage, underwriting and distribution, arrangement of public offering and secondary distribution, arrangement of private placement, principal investment, asset management and other broker-dealer and financial business. There are also 17 companies accounted for under the equity method as of March 31, 2016.

The reporting of the business operations and results of the Company and its consolidated subsidiaries are based on business segments referred in Note 21 "*Segment and geographic information*" in our consolidated financial statements included in this Annual Securities Report. During the year ended March 31, 2015. Please refer to the table below in the organizational structure listing the main companies by business segments.

Organizational Structure

The following table lists Nomura Holdings, Inc. and its significant subsidiaries and affiliates by business segments.

Nomura Holdings, Inc.

Retail Division
(Domestic)
Nomura Securities Co., Ltd. and others

Asset Management Division
(Domestic)
Nomura Asset Management Co., Ltd. and others

Wholesale Division
(Domestic)
Nomura Securities Co., Ltd.
Nomura Financial Products & Services, Inc. and others

(Overseas)
Nomura Holding America Inc.
Nomura Securities International, Inc.
Nomura America Mortgage Finance, LLC
Instinet, Incorporated
Nomura Europe Holdings plc
Nomura International plc
Nomura Bank International plc
Nomura Capital Markets LTD
Nomura Asia Holding N.V.
Nomura International (Hong Kong) Limited
Nomura Singapore Limited and others

Others
(Domestic)
The Nomura Trust and Banking Co., Ltd.
Nomura Facilities, Inc.

Nomura Research Institute, Ltd.*
JAFCO Co., Ltd.*
Nomura Real Estate Holdings, Inc.*

*Affiliates

Item 2. Operating and Financial Review

1. Operating Results.

You should read the following discussion of our operating and financial review together with Item 1 *"1. Selected Financial Data"* and Item 5 *"1. Consolidated Financial Statements and Other"* included in this Annual Securities Report. The discussions and analyses contain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements.

Business Environment

Japan

The Japanese economy weakened overall. Japan's real gross domestic product ("GDP") grew relatively rapidly in January-March 2015, at a quarter-on-quarter annualized rate of 4.6%, but showed no clear direction after that, falling 1.4% in April-June, rising 1.4% in July-September, and then falling 1.1% in October-December. Corporate capital expenditure rose for two consecutive quarters, in both July-September and October-December, partly reflecting an improvement in profit margins. At the same time, however, there was a marked weakening in consumer spending, reflecting concerns about price hikes for food and other items, even though the environment for employment and incomes was favorable. Exports from Japan also weakened as a result of a slowdown in economic growth in China and other Asian countries. From the beginning of 2016, a further heightening of concerns about a global economic slowdown led the yen to strengthen rapidly and as a result of this some economic indicators for January and February were also notably weak. Amid these economic conditions, in September 2015 the Japanese government set targets of a GDP of ¥600 trillion, a birth rate of 1.8, and reducing to zero the number of people who leave employment to provide nursing care as part of its initiative to ensure that each and every one of Japan's 100 million-plus citizens was dynamically engaged in society, and a number of concrete measures to this end were included in the fiscal year ended March 31, 2016, supplementary budget approved on January 20, 2016. In addition, on January 29, 2016 the Bank of Japan decided to implement "QQE (quantitative and qualitative easing) with a Negative Interest Rate," which involves applying a negative interest rate to a portion of the current account deposits that financial institutions hold with it.

Corporate earnings rose in the fiscal year ended March 31, 2016, as in previous fiscal year, in sectors where the weakening of the yen versus the U.S. dollar boosted earnings and sectors where the fall in crude oil prices tended to result into lower costs. However, corporate earnings struggled in sectors that were sensitive to the rapid fall in resource prices and the slowdown in growth in China and emerging economies. Overall, it appears that corporate earnings in Japan rose for the fourth year in a row. Major contributions to this profit growth came from sectors such as utilities, as electric power companies benefited from lower crude oil prices, autos, on the back of strong new auto sales globally, and particularly in the U.S., and chemicals, where companies benefited from the fall in raw material prices. Meanwhile, the steel & nonferrous metals, electrical machinery & precision equipment, and machinery sectors all made substantial negative contributions to overall profit growth. The steel & nonferrous metals sector was hit hard by the decline in steel prices in Asia, triggered by oversupply in China; the electrical machinery & precision equipment sector saw an increase in restructuring costs at some companies; and the machinery sector was affected by weak demand from emerging economies. As of April 8, 2016, we estimate that recurring profits at major Japanese companies (those in the Russell/Nomura Large Cap Index) rose 3% year-on-year in the fiscal year ended March 31, 2016, with growth thus slowing from the 7% recorded in the fiscal year ended March 31, 2015.

On the Japanese stock market, the Nikkei Stock Average rose temporarily above its April 2000 high in June 2015, when companies started to apply Japan's new Corporate Governance Code, which aims to encourage improvements in capital efficiency and constructive dialogue with investors. This rise in equity prices was in response to expectations that the weakening of the yen versus the U.S. dollar would lead to growth in corporate earnings and also to overseas investors' expectations of improvements to shareholder returns. However, stock markets around the world started to turn bearish from the beginning of August after a period of firmness up to that point, in response to sharp falls in the Chinese renminbi and Chinese equity prices, and Japanese equity prices also made substantial losses through to the end of September. The Japanese stock market then started to recover in October, partly on expectations regarding Chinese monetary policy, and investor sentiment received a further boost in November when the IPOs of the three Japan Post Group companies got off to a smooth start. After this, however, the Japanese stock market gradually corrected on concerns about the outlook for the global economy, as symbolized by the fall in crude oil prices. From the beginning of 2016, there were further falls in Chinese equity prices and crude oil prices, while the yen strengthened further versus the U.S. dollar, and in February 2016 the Nikkei Stock Average temporarily dipped below 15,000 for the first time since October 2014. The key Tokyo Stock Price Index (the "TOPIX") fell 12.7% over the course of the fiscal year, from 1,543.11 at the end of March 2015 to 1,347.20 at the end of March 2016. The Nikkei Stock Average also fell 12.7% over the fiscal year, from 19,206.99 at the end of March 2015 to 16,758.67 at the end of March 2016.

Japanese government debt securities yields rose at the beginning of fiscal year ended March 31, 2016, but subsequently followed a downward trend. European government debt securities yields rose sharply at the beginning of the fiscal year as excessive expectations regarding the quantitative easing (government bond purchases) launched by the European Central Bank (ECB) faded. This had an effect on the Japanese government debt securities market and the yield on newly issued 10-year Japanese government debt securities rose temporarily to nearly 0.5%. Yields on Japanese government debt securities subsequently started to fall, however, in response to turmoil in emerging economies, including China, and their markets and deterioration in economic sentiment. Yields on U.S. Treasuries rose through to the end of 2015, ahead of the rate hike implemented by the U.S. Federal Reserve Board (FRB) on 16 December 2015, its first since 2006, but the rise in yields on Japanese government debt securities was limited. Japanese interest rates then fell sharply after the Bank of Japan decided to introduce a negative interest rate policy on January 29, 2016. The yield on newly issued 10-year Japanese government debt securities fell to minus 0.08% at the end of March 2016.

On foreign exchange markets, the U.S. dollar remained essentially flat versus the yen, trading in a narrow range of ¥120-125 through to the end of December 2015, but from the beginning of 2016 the yen strengthened rapidly, to around ¥110 versus the U.S. dollar. At the end of March 2015 the U.S. dollar was trading in the ¥120-121 range versus the yen. The dollar/yen exchange rate was affected at the beginning of the fiscal year by expectations of the start of a rate hike cycle in the U.S., with the dollar strengthening to the ¥125-126 range in May after FRB Chair Janet Yellen hinted strongly at the possibility of a rate hike before the end of the year. However, dollar appreciation was then limited after Bank of Japan Governor Haruhiko Kuroda indicated in June that he did not expect the yen to weaken further and in August concerns about China triggered by the "renminbi shock" caused equity prices to fall around the world and the yen strengthened to trade around ¥120 versus the U.S. dollar. Market sentiment subsequently recovered after the FRB decided in September to postpone the beginning of a new rate hike cycle. The FRB then implemented its first rate hike in December as the dollar strengthened versus the yen once again to trade close to ¥123. The yen strengthened from the beginning of 2016 as another renminbi shock hit the financial markets. The Bank of Japan announced a negative interest rate policy in January 2016, but the view started to gain ground among financial market participants that monetary policy had reached the limits of its effectiveness and the yen strengthened further. In March the dollar weakened to trade at ¥110-111 versus the yen. Meanwhile, the euro strengthened versus the yen to ¥140-141 in June 2015 but then followed a downward trend and by March 2016 the euro had weakened versus the yen to trade in the ¥122-123 range. At the end of March 2015 the euro was trading at ¥130-131. From the beginning of fiscal year ended March 31, 2016, 10 year government bond issued by Germany and other European countries rose sharply and the euro strengthened against the yen, reaching the ¥140 level in June. However, the euro started to weaken after Greece's sovereign debt problems flared up once again in July and partly also in reflection of the possibility of further monetary easing by the ECB. In August, the fall in inflation rates in the Eurozone became a problem as concerns about China led to a global decline in equity prices. The euro weakened rapidly versus the yen when in October the ECB announced plans for further monetary easing. However, the euro then rebounded sharply after expectations of additional monetary easing in December proved to be unfounded and the view that monetary policy had reached the limits of its effectiveness gained ground in the new year. Nevertheless, the yen also strengthened sharply over the same period, causing the euro to weaken versus the yen to trade in the ¥122-123 range in March.

Overseas

The global economy expanded as a whole, albeit at a moderate pace, in the fiscal year ended March 31, 2016, but the situation varied from region to region. While the strength of the U.S. economy led it to embark on a new rate hike cycle for the first time since 2004, Europe and Japan were being forced by weak inflation to expand quantitative easing (Europe) and introduce negative interest rates (Japan). In China, share prices fell sharply and concerns about an economic slowdown grew from June through August. The devaluation of the Chinese currency in both August 2015 and January 2016, in what became known as the two renminbi shocks, destabilized global markets and this remains a risk factor for economies and financial markets around the world. Despite the fall in demand resulting from the economic slowdown in China, crude oil producing countries maintained a high level of supply in order to counter the U.S. shale business. This resulted in a rapid fall in resource prices, led by crude oil prices, and as well as dealing a sharp blow to the economies of many resource-exporting countries it also symbolized the weakness of the global economy.

In the U.S., the FRB pushed back expectations of the timing of the first rate hike through 2015, before finally implementing a 0.25ppt hike in December of the same year. It then left the policy interest rate unchanged in January-March 2016 in response to the sharp increase in financial market volatility at the beginning of 2016. There were no particular developments in U.S. fiscal policy in 2015, as in 2014. Real GDP growth in the U.S. weakened in January-March 2015, partly owing to adverse weather conditions, but then improved in April-June and July-September and in 2015 as a whole real GDP growth was 2.4% year-on-year, the same as in 2014. Nevertheless, the continued strengthening of the U.S. dollar on forex markets and the rise in labor costs led to a slump in corporate earnings. Declines in profits at energy companies as a result of the further fall in crude oil prices also weighed on corporate earnings. The U.S. stock market trended roughly flat at close to its historical high through July 2015, but fell sharply in both August 2015 and January 2016 in response to concerns about a rate hike by the FRB and an economic slowdown in China. In both cases, the market returned to the level seen before its sharp decline within three months as the FRB retreated from its positive stance on raising interest rates. The Dow Jones Industrial Average fell from 17,776.12 at the end of March 2015 to 17,685.09 at the end of March 2016, a loss of 0.5%. The yield on 10-year U.S. Treasuries was around 1.92% at the end of March 2015 but fell to around 1.77% at the end of March 2016.

In Europe, Eurozone real GDP expanded 1.5% year-on-year in 2015, the highest rate of growth since the 1.6% recorded in 2011. The fall in crude oil prices boosted private-sector consumption via an increase in disposable income as the negative economic impact of fiscal deficit reduction measures in various countries in the region eased. Meanwhile, the ECB started to purchase government bonds under its quantitative easing program in March 2015 in an attempt to put an end to fears of deflation, but Eurozone inflation nevertheless fluctuated around 0% and the expected inflation rate followed a downward trend. The weakening of the renminbi, the rise in the value of the euro on forex markets in the wake of the easing of expectations of a U.S. rate hike, and the fall in crude oil prices depressed inflation and caused expected inflation rates to fall. The ECB was forced to lower the interest rate on its deposit facility, which represents its deposit rate, to minus 0.4% in March 2016. Partly because of expectations of further monetary easing by the ECB, in February 2016 the yield on German 10-year government bonds fell to the 0.1-0.2% range for the first time since April 2015 and the key German stock index (the "DAX") fell 16.7% over the year through to the end of March 2016 owing partly to the strong euro.

In Asia, China's real GDP grew 6.9% year-on-year in 2015 and 6.7% year-on-year in January-March 2016, in a slowdown from the 7.3% growth recorded in 2014. In order to put the brakes on the rapid correction in domestic demand, the Chinese government eased the restrictions on home loans several times from September 2014 onward and in August 2015 it implemented policies aimed at boosting lending for infrastructure projects. At the beginning of 2016 Chinese construction starts picked up sharply, raising the prospect of a stabilization of construction demand. As part of the central government's restructuring program, it embarked on the restructuring of regional government debt in May 2015. Then in 2016 the government decided to start work in earnest on the disposal of nonperforming assets at state-owned corporations and the reduction of surplus production capacity. On the Chinese stock market, the Shanghai Stock Exchange Composite Index fell 19.9% over the year to the end of March 2016, partly in response to the tightening of restrictions on margin trading and deterioration in corporate earnings. The slowdown in demand in China also had an effect on other Asian countries. Moreover, there is now a greater need for Asian countries to take aggressive steps toward economic reform because they face structural problems such as aging populations and excessive expansion of debt. In India, the government aims to encourage the creation of domestic infrastructure via direct inward investment and lending based on bipartite (two-country) and multipartite (multinational) talks, while at the same time continuing to pursue fiscal consolidation, and Malaysia too intends to continue with its economic reform program and has plans for government expenditure on major development projects. Indonesia succeeded in dissolving its parliament following a Cabinet reshuffle in August 2015 and this led to an improvement in the domestic investment environment.

Executive Summary

During the fiscal year ended March 31, 2016, the global economy expanded as a whole, albeit at a moderate pace, but the situation varied from region to region. In the U.S., the real Gross Domestic Product ("GDP") growth rate remained the same as previous year, despite the first interest rate hike since 2004, supported by the strong domestic economy. In Europe, in the midst of low inflation levels, the real GDP growth rate was the highest since 2011, as a result of expanded quantitative easing by the ECB. In Asia, emerging economies were affected by the economic slowdown in China and experienced a decline in demand.

In Japan, the economy weakened overall. Despite the rise in corporate capital expenditures as a result of an improvement in profit margins, consumer spending and exports weakened markedly. The Tokyo Stock Price Index (TOPIX) fell from 1,543.11 points at the end of March 2015 to 1,347.20 points at the end of March 2016. The Nikkei Stock Average fell from 19,206.99 at the end of March 2015 to 16,758.67 at the end of March 2016. The U.S. Dollar-Japanese Yen exchange rate started the fiscal year at approximately a ¥120 level and continued to be relative flat until the middle of the fiscal year. However, the Japanese Yen strengthened rapidly after the start of the year, to around a ¥110 level in March 2016. Yields on Japanese government debt securities rose at the beginning of the fiscal year ended March 2016, but subsequently followed a downward trend due to turmoil in emerging economies including China and the Bank of Japan's announcement of a negative interest rate policy in January 2016. As a result by the end of March 2016, the yields on newly issued 10-year Japanese government debt securities fell to minus 0.08%.

From a regulatory perspective, in addition to the implementations of Basel III requirements relating to capital ratios, liquidity ratios, and leverage ratios, Nomura was identified as one of the domestic systemically important banks, and the requirement for additional capital is applicable in phases after March 2016. As part of the global tightening of the financial regulations, wide-ranging reforms will be further introduced. Nomura will continue to monitor these issues closely and take necessary measures in responding to any such changes.

While our environment is changing drastically, under the basic philosophy of "placing our clients at the heart of everything we do," we made efforts to provide clients with high value-added products and services. We also took necessary initiatives such as cost reduction and risk mitigation under a severe market. Our Retail Division achieved a continued increase in recurring revenue, sourced mainly from sales of investment trusts and discretionary investment contracts, as we transform our Retail business model, while we saw slowdown in sales of stocks and investment trusts in the second half of the year. Asset Management reported an increase of assets under management, driven by solid inflows into Exchange Traded Funds (ETFs) and privately placed funds for regional financial institutions. Wholesale struggled in Fixed Income despite a solid performance in Equities and Investment Banking.

As a result of these efforts, we generated net revenue of ¥1,395.7 billion for the year ended March 31, 2016, a 13.0% decrease from the previous fiscal year. Non-interest expenses decreased by 2.1% to ¥1,230.5 billion, income before income taxes was ¥165.2 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥131.6 billion. Return on equity ("ROE") was 4.9%. Diluted EPS[(1)] for the year ended March 31, 2016 was ¥35.52, a decrease from ¥60.03 for the year ended March 31, 2015.

We have decided to pay a dividend of ¥3 per share to shareholders of record as of March 31, 2016. As a result, the total annual dividend was ¥13 per share.

In our Retail Division, net revenue for the year ended March 31, 2016 decreased by 8.6% from the previous fiscal year to ¥435.6 billion. Non-interest expenses decreased by 2.1% to ¥308.0 billion. As a result, income before income taxes decreased by 21.1% to ¥127.6 billion. Under the basic philosophy of "placing our clients at the heart of everything we do," we made progress on services and products through offering investment advice to best meet the diversified client needs. Although we saw slowdown in sales of stocks and investment trusts in the second half of the year due to market deterioration, we continued to provide consulting services. As a result, the discretionary investment assets under management grew steadily and the recurring revenue increased from the previous fiscal year. Total retail client assets under management remained high.

(1) Diluted net income attributable to Nomura Holdings' shareholders per share.

In our Asset Management Division, net revenue for the year ended March 31, 2016 increased by 3.3% from the previous fiscal year to ¥95.4 billion. Non-interest expenses decreased by 2.5% to ¥58.7 billion. As a result, income before income taxes increased by 14.2% to ¥36.7 billion. In the investment trust business, funds specialized for fund wrap service and privately placed investment trusts developed in response to regional financial institutions' demands contributed to the increase in assets under management. We also provided characteristic ETFs, which track the performance of leveraged index, in addition to traditional ETFs. In our investment advisory business, we saw continued cash inflow from large domestic public pensions despite outflow in overseas. As a result, assets under management increased from the end of the previous fiscal year as of March 31, 2016.

In our Wholesale Division, net revenue for the year ended March 31, 2016 decreased by 8.8% from the previous fiscal year to ¥720.3 billion. Global Markets recognized lower net revenue compared with the previous fiscal year due to challenging market conditions and low client activity. On the other hand, Investment banking recognized higher net revenue compared with the previous fiscal year, primarily due to enhanced cross-regional and cross-divisional collaboration, which resulted in a number of notable M&A transactions and multi-product deals across all regions. Non-interest expenses decreased by 0.4% to ¥704.9 billion, primarily due to decreases in compensation and benefits and commission and floor brokerage expenses partially offset by an increase of employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas. Income before income taxes decreased by 81.3% to ¥15.4 billion.

Results of Operations

Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2014, 2015 and 2016.

	Millions of yen, except percentages		
	Year ended March 31		
	2014	2015	2016
Non-interest revenues:			
Commissions	¥ 473,121	¥ 453,401	¥ 431,959
Fees from investment banking	91,301	95,083	118,333
Asset management and portfolio service fees	168,683	203,387	229,006
Net gain on trading	476,356	531,337	354,031
Gain on private equity investments	11,392	5,502	13,761
Gain (loss) on investments in equity securities	15,156	29,410	(20,504)
Other	179,485	175,702	156,460
Total Non-interest revenues	1,415,494	1,493,822	1,283,046
Net interest revenue	141,576	110,354	112,635
Net revenue	1,557,070	1,604,176	1,395,681
Non-interest expenses	1,195,456	1,257,417	1,230,523
Income before income taxes	361,614	346,759	165,158
Income tax expense	145,165	120,780	22,596
Net income	¥ 216,449	¥ 225,979	¥ 142,562
Less: Net income attributable to noncontrolling interests	2,858	1,194	11,012
Net income attributable to NHI shareholders	¥ 213,591	¥ 224,785	¥ 131,550
Return on equity	8.9%	8.6%	4.9%

Net revenue decreased by 13% from ¥1,604,176 million for the year ended March 31, 2015 to ¥1,395,681 million for the year ended March 31, 2016. The decrease is primarily due to slower performance in our Fixed Income business as a result of the challenging trading environment and the impact of settlement of legal proceedings with Banca Monte dei Paschi di Siena SpA ("MPS"). *Commissions* decreased by 5% from ¥453,401 million for the year ended March 31, 2015 to ¥431,959 million for the year ended March 31, 2016 primarily due to a decrease in commissions received from the distribution of investment trusts in Japan. *Fees from investment banking* increased by 24% from ¥95,083 million for the year ended March 31, 2015 to ¥118,333 million for the year ended March 31, 2016 primarily due to revenue from M&A, ECM and our solution businesses associated with fund raising. *Asset management and portfolio service fees* increased by 13% from ¥203,387 million for the year ended March 31, 2015 to ¥229,006 million for the year ended March 31, 2016 primarily due to an increase in assets under management driven by positive net inflows into ETFs and investment trusts for discretionary investments. *Net gain on trading* decreased by 33% from ¥531,337 million for the year ended March 31, 2015 to ¥354,031 million for the year ended March 31, 2016, primarily driven by slower performance in our Fixed Income business and the impact of settlement of legal proceedings with MPS. *Net gain on trading* also included total gains of ¥28.3 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net gain was primarily due to the widening of Nomura's credit spreads during the period. *Gain on private equity investments* increased by 150% from ¥5,502 million for the year ended March 31, 2015 to ¥13,761 million for the year ended March 31, 2016. *Other* decreased by 11% from ¥175,702 million for the year ended March 31, 2015 to ¥156,460 million for the year ended March 31, 2016, primarily due to unrealized losses from our investment in Ashikaga Holdings Co., Ltd. ("Ashikaga Holdings") and a decrease in net income from other affiliated companies.

Net revenue increased by 3% from ¥1,557,070 million for the year ended March 31, 2014 to ¥1,604,176 million for the year ended March 31, 2015. The increase includes the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on revenues generated by our overseas businesses. *Commissions* decreased by 4% from ¥473,121 million for the year ended March 31, 2014 to ¥453,401 million for the year ended March 31, 2015 primarily due to a decrease in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products, particularly in Japan. *Fees from investment banking* increased by 4% from ¥91,301 million for the year ended March 31, 2014 to ¥95,083 million for the year ended March 31, 2015 primarily due to revenue from our solution businesses associated with M&As and fund raising. *Asset management and portfolio service fees* increased by 21% from ¥168,683 million for the year ended March 31, 2014 to ¥203,387 million for the year ended March 31, 2015 primarily due to an increase in assets under management driven by market appreciation and the contribution of the new subsidiary acquired during the year ended March 31, 2015. *Net gain on trading* increased by 12% from ¥476,356 million for the year ended March 31, 2014 to ¥531,337 million for the year ended March 31, 2015, primarily driven by the favourable trading environment, particularly in Japan and Asia. *Net gain on trading* also included total losses of ¥4.3 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was primarily due to the tightening of Nomura's credit spreads during the period. *Gain on private equity investments* decreased by 52% from ¥11,392 million for the year ended March 31, 2014 to ¥5,502 million for the year ended March 31, 2015 primarily due to the recognition of unrealized gains from our investment in Ashikaga Holdings Co., Ltd. ("Ashikaga Holdings") following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014. *Other* decreased by 2% from ¥179,485 million for the year ended March 31, 2014 to ¥175,702 million for the year ended March 31, 2015, primarily due to the gain recognized in connection with the disposal of our investment in Fortress during the year ended March 31, 2014, which was partially offset by an increase in net income from other affiliated companies.

Net interest revenue was ¥141,576 million for the year ended March 31, 2014, ¥110,354 million for the year ended March 31, 2015 and ¥112,635 million for the year ended March 31, 2016. *Net interest revenue* is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. *Net interest revenue* is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view *net interest revenue* and *non-interest revenues* in aggregate. For the year ended March 31, 2016, interest revenue increased by 1%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense was largely unchanged with the year ended March 31, 2015. As a result, *Net interest revenue* for the year ended March 31, 2016 increased by ¥2,281 million from the year ended March 31, 2015. For the year ended March 31, 2015, interest revenue increased by 5%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense increased by 19%, primarily due to an increase in interest expense on securities borrowed. As a result, *Net interest revenue* for the year ended March 31, 2015 decreased by ¥31,222 million from the year ended March 31, 2014.

Gain (loss) on investments in equity securities was ¥15,156 million for the year ended March 31, 2014, ¥29,410 million for the year ended March 31, 2015 and ¥(20,504) million for the year ended March 31, 2016. This includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses for the year ended March 31, 2016 decreased by 2% from ¥1,257,417 million for the year ended March 31, 2015 to ¥1,230,523 million primarily due to a decrease in compensation and benefits and commissions and floor brokerage expenses which were partially offset by employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses for the year ended March 31, 2015 increased by 5% from ¥1,195,456 million for the year ended March 31, 2014 to ¥1,257,417 million primarily due to an increase in fees paid by our Asset Management Division as a result of an increase in assets under management, increases in other various expenses as a result of the new Asian subsidiary acquired during the year ended March 31, 2015, and the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on expenses incurred by our overseas businesses.

Income before income taxes was ¥361,614 million for the year ended March 31, 2014, ¥346,759 million for the year ended March 31, 2015 and ¥165,158 million for the year ended March 31, 2016.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Nomura's domestic effective statutory tax rate was approximately 38% for the fiscal year ended March 31, 2014, approximately 36% for the fiscal year ended March 31, 2015 and approximately 33% for the fiscal year ended March 31, 2016. Furthermore, as a result of revision to domestic tax laws on March 31, 2016, Nomura's effective statutory tax rate will decrease from approximately 32% to 31% for fiscal years beginning on or after April 1, 2016. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company's effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for the year ended March 31, 2016 was ¥22,596 million, representing an effective tax rate of 13.7%. The significant factors causing the difference between the effective tax rate of 13.7% and the effective statutory tax rate of 33% were changes in deferred tax valuation allowance which increased the effective tax rate by 36.1% but partially offset by Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates which decreased the effective tax rate by 54.8%.

Income tax expense for the year ended March 31, 2015 was ¥120,780 million, representing an effective tax rate of 34.8%. The significant factors causing the difference between the effective tax rate of 34.8% and the effective statutory tax rate of 36% were non-deductible expenses which increased the effective tax rate by 5.9%, changes in deferred tax valuation allowance which increased the effective tax rate by 5.1% but partially offset by non-taxable revenue which decreased the effective tax rate by 4.7%.

Income tax expense for the year ended March 31, 2014 was ¥145,165 million, representing an effective tax rate of 40.1%. The significant factors causing the difference between the effective tax rate of 40.1% and the effective statutory tax rate of 38% were non-deductible expenses which increased the effective tax rate by 7.7%, the effect of the tax positions of foreign subsidiaries which increased the effective tax rate by 6.3% as partially offset by changes in deferred tax valuation allowance which decreased the effective tax rate by 9.8%.

Net income attributable to NHI shareholders was ¥213,591 million for the year ended March 31, 2014, ¥224,785 million for the year ended March 31, 2015 and ¥131,550 million for the year ended March 31, 2016, respectively. Our return on equity for the year ended March 31, 2014, 2015 and 2016 was 8.9%, 8.6% and 4.9%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments are included as "Other" operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling item outside of our segment information. The following segment information should be read in conjunction with Note 21 "*Segment and geographic information*" in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 21 "*Segment and geographic information*" in our consolidated financial statements included in this annual report.

Retail

In our Retail Division, our sales activities focus on providing consultation services and investment proposals to clients for which we receive commissions and fees. Additionally, we receive fees from asset management companies in connection with administration services we provide in connection with investment trust certificates that we distribute. We also receive agent commissions from insurance companies for the insurance products we sell as an agent.

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2014	2015	2016
Non-interest revenues	¥505,911	¥471,565	¥429,948
Net interest revenue	6,005	4,940	5,686
Net revenue	511,916	476,505	435,634
Non-interest expenses	319,915	314,675	308,003
Income before income taxes	¥192,001	¥161,830	¥127,631

Net revenue decreased by 9% from ¥476,505 million for the year ended March 31, 2015 to ¥435,634 million for the year ended March 31, 2016, primarily due to the market turmoil from August 2015 which led to a slowdown in sales of stocks and investment trusts.

Net revenue decreased by 7% from ¥511,916 million for the year ended March 31, 2014 to ¥476,505 million for the year ended March 31, 2015, primarily due to decreasing commissions from the distribution of investment trusts and brokerage services.

Non-interest expenses decreased by 2% from ¥314,675 million for the year ended March 31, 2015 to ¥308,003 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits and information technology-related expenses.

Non-interest expenses decreased by 2% from ¥319,915 million for the year ended March 31, 2014 to ¥314,675 million for the year ended March 31, 2015, primarily due to decreases in compensation and benefits, expenditures incurred in implementing the Nippon (Japan) Individual Savings Account ("NISA") and also a decrease in information technology-related expenses

Income before income taxes was ¥192,001 million for the year ended March 31, 2014, ¥161,830 million for the year ended March 31, 2015, and ¥127,631 million for the year ended March 31, 2016.

The following table shows the breakdown of Retail non-interest revenues for the year ended March 31, 2015 and 2016.

	Millions of yen	
	Year ended March 31	
	2015	2016
Commissions	¥258,859	¥220,266
Brokerage commissions	81,773	78,870
Commissions for distribution of investment trusts	134,896	93,597
Other commissions	42,190	47,799
Net gain on trading	106,384	86,360
Fees from investment banking	32,458	35,894
Asset management fees	71,884	85,328
Others	1,980	2,100
Non-interest revenues	¥471,565	¥429,948

As shown above, *Commissions* decreased by 15% from ¥258,859 million for the year ended March 31, 2015 to ¥220,266 million for the year ended March 31, 2016, primarily due to a slowdown in sales of stocks and investment trusts. *Net gain on trading* decreased by 19% from ¥106,384 million for the year ended March 31, 2015 to ¥86,360 million for the year ended March 31, 2016 due to a slowdown in sales of foreign equities and foreign bonds. *Fees from investment banking* increased by 11% from ¥32,458 million for the year ended March 31, 2015 to ¥35,894 million for the year ended March 31, 2016, primarily due to large capital market transactions. *Asset management fees* increased by 19% from ¥71,884 million for the year ended March 31, 2015 to ¥85,328 million for the year ended March 31, 2016, primarily due to an uptick of client assets. *Others* increased by 6% from ¥1,980 million for the year ended March 31, 2015 to ¥2,100 million for the year ended March 31, 2016.

Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2015 and 2016. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

	Trillions of yen				
	Year ended March 31, 2015				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 53.2	¥ 13.7	¥ (14.2)	¥ 14.5	¥ 67.2
Bonds	19.1	64.7	(63.8)	(1.5)	18.5
Stock investment trusts	9.1	5.9	(5.2)	0.5	10.3
Bond investment trusts	5.9	1.5	(0.1)	0.0	7.3
Overseas mutual funds	1.7	0.2	(0.2)	0.1	1.8
Others	2.7	1.9	(0.7)	0.5	4.4
Total	¥ 91.7	¥ 87.9	¥ (84.2)	¥ 14.1	¥ 109.5

	Trillions of yen				
	Year ended March 31, 2016				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 67.2	¥ 14.5	¥ (14.1)	¥ (7.4)	¥ 60.2
Bonds	18.5	67.4	(67.8)	(0.8)	17.3
Stock investment trusts	10.3	4.1	(3.7)	(2.1)	8.6
Bond investment trusts	7.3	0.8	(0.9)	0.1	7.3
Overseas mutual funds	1.8	0.1	(0.4)	(0.1)	1.4
Others	4.4	2.0	(0.7)	0.1	5.8
Total	¥ 109.5	¥ 88.9	¥ (87.6)	¥ (10.2)	¥ 100.6

Retail client assets decreased by ¥8.9 trillion from ¥109.5 trillion as of March 31, 2015 to ¥100.6 trillion as of March 31, 2016. The balances of our clients' equity and equity-related products decreased by ¥7.0 trillion from ¥67.2 trillion as of March 31, 2015 to ¥60.2 trillion as of March 31, 2016, mainly due to the deterioration in Japanese equity markets. The balances of our clients' investment trusts decreased by ¥2.1 trillion from ¥19.4 trillion as of March 31, 2015 to ¥17.3 trillion as of March 31, 2016, mainly due to the deterioration in Japanese equity market.

Retail client assets increased by ¥17.8 trillion from ¥91.7 trillion as of March 31, 2014 to ¥109.5 trillion as of March 31, 2015. The balances of our clients' equity and equity-related products increased by ¥14.0 trillion from ¥53.2 trillion as of March 31, 2014 to ¥67.2 trillion as of March 31, 2015, mainly due to Japanese equity market rallies. The balances of our clients' investment trusts increased by ¥2.7 trillion from ¥16.7 trillion as of March 31, 2014 to ¥19.4 trillion as of March 31, 2015, reflecting net cash inflows from clients..

Asset Management

Our Asset Management Division is conducted principally through NAM. We earn portfolio management fees through the development and management of investment trusts, which are distributed by NSC, other brokers, banks, Japan Post Bank Co., Ltd. and Japan Post Network Co., Ltd. We also provide investment advisory services for pension funds and other institutional clients. Net revenues generally consist of asset management and portfolio service fees that are attributable to Asset Management.

Operating Results of Asset Management

	Millions of yen		
	Year ended March 31		
	2014	2015	2016
Non-interest revenues	¥77,354	¥88,802	¥91,014
Net interest revenue	3,126	3,552	4,395
Net revenue	80,480	92,354	95,409
Non-interest expenses	53,373	60,256	58,743
Income before income taxes	¥27,107	¥32,098	¥36,666

Net revenue increased by 3% from ¥92,354 million for the year ended March 31, 2015 to ¥95,409 million for the year ended March 31, 2016, primarily due to inflows into our investment trust business and investment advisory business..

Net revenue increased by 15% from ¥80,480 million for the year ended March 31, 2014 to ¥92,354 million for the year ended March 31, 2015, primarily due to inflows into our investment trust business and investment advisory business, and the contribution from our new subsidiary in Taiwan.

Non-interest expenses decreased by 3% from ¥60,256 million for the year ended March 31, 2015 to ¥58,743 million for the year ended March 31, 2016. Large one-off expense was booked in the year ended March 31, 2015 and not repeated.

Non-interest expenses increased by 13% from ¥53,373 million for the year ended March 31, 2014 to ¥60,256 million for the year ended March 31, 2015, primarily due to expenses incurred by our new subsidiary in Taiwan.

Income before income taxes was ¥27,107 million for the year ended March 31, 2014, ¥32,098 million for the year ended March 31, 2015 and ¥36,666 million for the year ended March 31, 2016.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2015 and 2016.

	Billions of yen				
	Year ended March 31, 2015				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 33,843	¥ 35,977	¥ (33,801)	¥ 6,610	¥ 42,629
Nomura Funds Research and Technologies Co., Ltd.	2,553	1,018	(909)	359	3,021
Nomura Corporate Research and Asset Management Inc.	1,629	518	(634)	172	1,685
Nomura Private Equity Capital Co., Ltd.	164	14	(2)	2	178
Combined total	38,189	37,527	(35,346)	7,143	47,513
Shared across group companies	(7,362)	(3,361)	3,744	(1,225)	(8,204)
Total	¥ 30,827	¥ 34,166	¥ (31,602)	¥ 5,918	¥ 39,309

	Billions of yen				
	Year ended March 31, 2016				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd [(1)].	¥ 43,261	¥ 37,357	¥ (34,435)	¥ (2,715)	¥ 43,468
Nomura Funds Research and Technologies Co., Ltd.	3,021	854	(991)	192	3,076
Nomura Corporate Research and Asset Management Inc.	1,685	762	(681)	(157)	1,609
Nomura Private Equity Capital Co., Ltd.	178	1	(3)	(176)	—
Combined total	48,145	38,974	(36,110)	(2,856)	48,153
Shared across group companies	(8,836)	(2,494)	3,485	(228)	(8,073)
Total	¥ 39,309	¥ 36,480	¥ (32,625)	¥ (3,084)	¥ 40,080

(1) During the year ended March 31, 2016, Nomura Asset Management Co., Ltd. revised the scope of products to be included in determining the balance of assets under management. The opening balance of assets under management as of April 1, 2015 and subsequent movements during the year have been prepared on this revised basis. Movements for the prior year ended March 31, 2015 have not been restated.

Assets under management were ¥40.1 trillion as of March 31, 2016, a ¥9.3 trillion increase from March 31, 2014 (increased due to positive net inflows of ¥6.4 trillion and market appreciation of ¥2.9 trillion) and a ¥0.8 trillion increase from March 31, 2015 (increased due to positive net inflows of ¥3.9 trillion and partially offset by market depreciation of ¥3.1 trillion). In our investment trust business, there was a net inflow into funds representing a wide range of investment assets including ETFs, products for discretionary investments and privately placed funds. In our investment advisory business, there was an increase in mandates from domestic clients.

The following table presents NAM's share, in terms of net asset value, of the Japanese asset management market as of March 31, 2014, 2015 and 2016.

	March 31		
	2014	2015	2016
Total of publicly offered investment trusts	23%	24%	25%
Stock investment trusts	19%	20%	21%
Bond investment trusts	42%	43%	46%

The investment trust assets included in assets under management by NAM were ¥26.2 trillion as of March 31, 2016, similar to that of previous year ended March 31, 2015. The positive net inflows of ¥2.9 trillion were offset by market depreciation of ¥2.9 trillion. The balances of investment trusts, such as the Japan Enterprise Value Improvement Fund, Nomura Templeton Total Return and Nomura Fund Wrap International Bond Course increased.

The investment trust assets included in assets under management by NAM were ¥26.2 trillion as of March 31, 2015, increased by ¥5.9 trillion or 29%, from the year ended March 31, 2014. The increase was mainly due to positive net inflows of ¥3.5 trillion and market appreciation of ¥2.4 trillion.

Wholesale

Operating Results of Wholesale

The operating results of our Wholesale Division comprise the combined results of our Global Markets and Investment Banking businesses.

	Millions of yen		
	Year ended March 31		
	2014	2015	2016
Non-interest revenues	¥637,987	¥626,228	¥571,322
Net interest revenue	127,110	163,639	148,955
Net revenue	765,097	789,867	720,277
Non-interest expenses	653,299	707,671	704,872
Income before income taxes	¥111,798	¥ 82,196	¥ 15,405

Net revenue decreased by 9% from ¥789,867 million for the year ended March 31, 2015 to ¥720,277 million for the year ended March 31, 2016. Our Equities business and Investment Banking recognized higher revenues year on year, while our Fixed Income business had a challenging year in spread products, such as in our Credit and Securitized Products businesses.

Net revenue increased by 3% from ¥765,097 million for the year ended March 31, 2014 to ¥789,867 million for the year ended March 31, 2015, primarily in our overseas businesses due to depreciation of the Japanese Yen, an increase in revenue from our overseas Equity businesses as a result of a strong market environment and the strong performance of our Investment Banking business primarily due to an increase of transactions in our overseas businesses.

Non-interest expenses decreased by 0.4% from ¥707,671 million for the year ended March 31, 2015 to ¥704,872 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits and commissions and floor brokerage costs partially offset by an increase of expenses in employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses increased by 8% from ¥653,299 million for the year ended March 31, 2014 to ¥707,671 million for the year ended March 31, 2015, primarily in our overseas businesses as a result of depreciation of the Japanese Yen.

Income before income taxes was ¥111,798 million for the year ended March 31, 2014, ¥82,196 million for the year ended March 31, 2015 and ¥15,405 million for the year ended March 31, 2016.

Global Markets

We have a proven track record in sales and trading of debt securities, equity securities, and foreign exchange, as well as derivative products based on these financial instruments, mainly to domestic and overseas institutional investors. In response to the increasingly diverse and complex needs of our clients, we continue to enhance our trading and product origination capabilities to offer superior products not only to domestic and overseas institutional investors, but also to our Retail and Asset Management Divisions. This cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-added solutions for our clients. These ties enable us to identify the types of product of interest for investors and develop and deliver products that meet their needs. We continue to develop extensive ties with institutional investors in Japan and international markets, as well as wealthy investors, public-sector agencies, and regional financial institutions in Japan, and government agencies, financial institutions, and corporations around the world.

The following table shows financial data for Global Markets. These figures are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Global Markets as an individual business line, which we believe can help enhance the understanding of underlying trends in Global Markets. For a reconciliation of the financial data for Global Markets to the operating results of our Wholesale segment, see "*Reconciliation for Global Markets and Investment Banking Financial Data*" below.

	Millions of yen		
	Year ended March 31		
	2014	2015	2016
Net revenue	¥649,706	¥683,399	¥600,300
Non-interest expenses	540,386	585,850	580,253
Income before income taxes	¥109,320	¥ 97,549	¥ 20,047

Net revenue decreased by 12% from ¥683,399 million for the year ended March 31, 2015 to ¥600,300 million for the year ended March 31, 2016. In our Fixed Income business, *Net revenue* decreased from ¥396,944 million for the year ended March 31, 2015 to ¥275,162 million for the year ended March 31, 2016. The trading environment was impacted by rapid spread-widening, plunging liquidity and market disruption following the introduction of negative rates policy in Japan in January 2016. Revenues decreased mainly due to the under-performance in spread products and a slowdown in our Rates business, particularly in Japan. In our Equities business, *Net revenue* increased from ¥286,455 million for the year ended March 31, 2015 to ¥325,138 million for the year ended March 31, 2016 due to a strong performance in Japan amid heightened volatility and in the Americas because of gains recognized in connection with the partial disposal of our investment in Chi-X.

Net revenue increased by 5% from ¥649,706 million for the year ended March 31, 2014 to ¥683,399 million for the year ended March 31, 2015. In Fixed Income, *Net revenue* increased from ¥385,418 million for the year ended March 31, 2014 to ¥396,944 million for the year ended March 31, 2015. Despite the decrease in revenue from our Rates business due to the difficult market environment, depreciation of the Japanese Yen enabled overseas operations to report higher revenues in Japanese Yen terms which resulted in an increase in overall revenue. In our Equities business, *Net revenue* increased from ¥264,288 million for the year ended March 31, 2014 to ¥286,455 million for the year ended March 31, 2015. Our Japanese Equities business continued to be strong, and the revenue from overseas increased mainly due to favorable market environments.

In accordance with the realignments of our Global Markets business during the years ended March 31, 2014 and 2016, comprehensive amounts for the Fixed Income and Equities for the years ended March 31, 2014 and 2015 have been reclassified.

Non-interest expenses decreased by 1% from ¥585,850 million for the year ended March 31, 2015 to ¥580,253 million for the year ended March 31, 2016, primarily due to decreases in personnel expenses, partially offset by an increase of expenses in our overseas businesses as a result of depreciation of the Japanese Yen.

Non-interest expenses increased by 8% from ¥540,386 million for the year ended March 31, 2014 to ¥585,850 million for the year ended March 31, 2015, primarily due to the depreciation of the Japanese Yen and an increase in our overseas headcount.

Income before income taxes was ¥109,320 million for the year ended March 31, 2014, ¥97,549 million for the year ended March 31, 2015 and ¥20,047 million for the year ended March 31, 2016.

Investment Banking

We provide a broad range of investment banking services, such as underwriting and advisory activities. We underwrite offerings of debt, equity and other financial instruments in major financial markets, such as Asia, Europe and the U.S. We have been enhancing our M&A and financial advisory expertise to secure more high-profile deals both across and within regions. We develop and forge solid relationships with clients on a long-term basis by providing extensive resources in a seamless fashion to facilitate bespoke solutions.

The following table shows financial data for Investment Banking. These figures are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Investment Banking as an individual business line, which we believe can help enhance the understanding of underlying trends in Investment Banking. For a reconciliation of the financial data for Investment Banking to the operating results of our Wholesale segment, see "*Reconciliation for Global Markets and Investment Banking Financial Data*" below.

	Millions of yen		
	Year ended March 31		
	2014	2015	2016
Investment Banking (gross) revenue [1]	¥184,288	¥193,849	¥194,156
Allocation to other divisions [2]	(86,888)	(89,149)	(85,725)
Investment Banking (net) revenue	97,400	104,700	108,431
Other revenue	17,991	1,768	11,546
Net revenue	115,391	106,468	119,977
Non-interest expenses	112,913	121,821	124,619
Income (loss) before income taxes	¥ 2,478	¥(15,353)	¥ (4,642)

(1) Investment Banking (gross) revenue represents gross revenue generated by investment banking transactions in Investment Banking, including revenue attributable to other business lines that we allocate to Global Markets and our other business segments.

(2) Where transactions in Investment Banking involve business lines other than Investment Banking, we allocate a portion of Investment Banking (gross) revenue to such other business lines and record it as net revenue of Global Markets or our other business segments, as applicable.

Net revenue increased by 13% from ¥106,468 million for the year ended March 31, 2015 to ¥119,977 million for the year ended March 31, 2016. Investment banking (net) revenue increased from ¥104,700 million for the year ended March 31, 2015 to ¥108,431 million for the year ended March 31, 2016, due to large transactions of our M&A and Equity Capital Markets businesses. Other revenue increased from ¥1,768 million for the year ended March 31, 2015 to ¥11,546 million for the year ended March 31, 2016, mainly due to the realized gain from the sale of our investment in Mitsui Life Insurance in November 2015.

Net revenue decreased by 8% from ¥115,391 million for the year ended March 31, 2014 to ¥106,468 million for the year ended March 31, 2015. Investment banking (net) revenue increased from ¥97,400 million for the year ended March 31, 2014 to ¥104,700 million for the year ended March 31, 2015, due to an increase in transactions overseas. Other revenue decreased from ¥17,991 million for the year ended March 31, 2014 to ¥1,768 million for the year ended March 31, 2015, mainly due to unrealized gains from our investment in Ashikaga Holdings following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014.

Non-interest expenses increased by 2% from ¥121,821 million for the year ended March 31, 2015 to ¥124,619 million for the year ended March 31, 2016, primarily due to increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Non-interest expenses increased by 8% from ¥112,913 million for the year ended March 31, 2014 to ¥121,821 million for the year ended March 31, 2015, primarily due to increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Income before income taxes was ¥2,478 million for the year ended March 31, 2014, *Loss before income taxes* was ¥15,353 million for the year ended March 31, 2015 and ¥4,642 million for the year ended March 31, 2016.

Reconciliation for Global Markets and Investment Banking Financial Data

The following table presents a reconciliation of the Global Markets and Investment Banking financial data presented above, which are non-GAAP financial measures, to net revenue, non-interest expenses and income (loss) before income taxes for our Wholesale segment.

	Millions of yen		
	Year ended March 31		
	2014	2015	2016
Wholesale net revenue:			
Global Markets net revenue	¥649,706	¥683,399	¥600,300
Investment Banking net revenue:			
Investment Banking (gross) revenue (1)	184,288	193,849	194,156
Allocation to other divisions (2)	(86,888)	(89,149)	(85,725)
Investment Banking (net) revenue	97,400	104,700	108,431
Other revenue	17,991	1,768	11,546
Total Investment Banking net revenue	115,391	106,468	119,977
Total Wholesale net revenue	¥765,097	789,867	720,277
Wholesale non-interest expenses:			
Global Markets non-interest expenses	¥540,386	585,850	580,253
Investment Banking non-interest expenses	112,913	121,821	124,619
Total Wholesale non-interest expenses	¥653,299	707,671	704,872
Wholesale income (loss) before income taxes:			
Global Markets income before income taxes	¥109,320	97,549	20,047
Investment Banking income (loss) before income taxes	2,478	(15,353)	(4,642)
Total Wholesale income before income taxes	¥111,798	¥ 82,196	¥ 15,405

(1) Investment Banking (gross) revenue represents gross revenue generated by investment banking transactions in Investment Banking, including revenue attributable to other business lines that we allocate to Global Markets and our other business segments.

(2) Where transactions in Investment Banking involve business lines other than Investment Banking, we allocate a portion of Investment Banking (gross) revenue to such other business lines and record it as net revenue of Global Markets or our other business segments, as applicable.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 21 "*Segment and geographic information*" in our consolidated financial statements included within this annual report.

Income before income taxes in Other operating results was ¥20.0 billion for the year ended March 31, 2014, ¥46.0 billion for the year ended March 31, 2015 and ¥6.1 billion for the year ended March 31, 2016.

Other operating results for the year ended March 31, 2016 include gains from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥23.1 billion, the positive impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥4.4 billion and losses from changes in counterparty credit spreads of ¥12.3 billion.

Other operating results for the year ended March 31, 2015 include gains from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥1.7 billion, the negative impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥5.0 billion and gains from changes in counterparty credit spreads of ¥10.1 billion.

Summary of Regional Contribution

For a summary of our net revenue, income (loss) before income taxes and long-lived assets by geographic region, see Note 21 "*Segment and geographic information*" in our consolidated financial statements included in this annual report.

Cash flows

Please refer to Item 2 "*6. Operating, Financial and Cash Flow Analyses*", "*(5) Liquidity and Capital Resources.*"

Trading Activities

Assets and liabilities for trading purposes

For disclosures relating to the assets and liabilities for trading purposes, please refer to Item 5 "*1. Consolidated Financial Statements and Other*", Note 2 "*Fair value measurements*" as well as Note 3 "*Derivative instruments and hedging activities.*"

Risk management of trading activity

Nomura adopts Value at Risk ("VaR") for measurement of market risk arising from trading activity.

1) Assumption on VaR

- Confidence level: 99%
- Holding period: One day
- Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2015	March 31, 2016
Equity	1.0	0.9
Interest rate	4.2	3.8
Foreign exchange	1.1	0.8
Subtotal	6.2	5.5
Diversification benefit	(1.6)	(2.0)
VaR	4.6	3.5

	Billions of yen		
	Year ended March 31, 2016		
	Maximum	Minimum	Average
VaR	9.1	3.5	5.3

2. Current Challenges.

Management Challenges and Strategies

The Nomura Group's management vision is to enhance its corporate value by deepening society's trust in the firm and increasing the satisfaction of stakeholders, including shareholders and clients. In enhance its corporate value, Nomura responds flexibly to various changes in the business environment, and emphasizes earnings per share ("EPS") as a management index to achieve stable profit growth, and will seek to maintain sustained improvement in this index.

In order to achieve our management objectives, we are primarily focusing on ensuring that profits are recorded by all divisions and regions. We are committed to continuing business model transformation in Japan as well as aiming to improve profitability of our overseas operations under Vision C&C, so that we will be able to build a solid foundation to generate profits even in severe market environments.

As "Asia's global investment bank", we will continue to take appropriate measures toward phased implementation of Basel regulations (global standards on capital requirements and liquidity) as well as forthcoming changes in the operating environment. While financial regulatory reforms in the wake of the financial crisis are in their final phase, unintended consequences of the regulatory reforms, adverse impact due to compound effect, and concern about newly emerging risks are being pointed out. We will ensure a flexible response by staying attentive to the impact of the overall regulatory framework on the financial market and the competitive landscape.

The challenges and strategies in each division are as follows:

- **Retail Division**

  In Retail Division, under our basic philosophy of "placing our clients at the heart of everything we do," we are aiming to increase client satisfaction further by listening to our clients' as well as understanding and meeting their diversified demands and needs. We also focus on providing a broad range of clients with value-added solutions through face-to-face consulting services, seminars, online and call center channels, so that we will win greater trust from account holders as well as new clients, and so that Nomura Group can sustainably be a trusted partner to our clients.

- **Asset Management Division**

  We intend to increase assets under management and expand our client base in (i) our investment trust business, by providing clients with a diverse range of investment opportunities to meet investors' various needs, and (ii) our investment advisory business, by providing value-added investment services to our clients on a global basis. As a distinctive investment manager based in Asia with the ability to provide a broad range of products and services, we aim to gain the strong trust of investors worldwide by making continuous efforts to improve investment performance and to meet clients' various needs.

- **Wholesale Division**

  Global Markets has been focusing on delivering differentiated products and solutions to our clients by leveraging our global capabilities in trading, research, and global distribution. Through our integrated Fixed Income and Equities platform, we aim to provide competitive and comprehensive services and solutions to our clients.

  In Investment Banking, we continue to enhance our structure to further provide cross-border M&A and financing services in both domestic and overseas markets as well as to provide solution business services associated with the our M&A and financing services amid the globalization of our clients' business activities.

  In our Wholesale Division, in order to provide quality services to meet the needs of our clients, we redeploy the firm's resources to areas of competitive advantage, and aim to further enhance the connectivity across Global Markets, Investment Banking, and regions. We will strive to improve our capabilities of proposing products and services, as well as to make use of our geographic competitive advantage in Asia, so that we can meet the changing needs of our clients in accordance with global-scale fluctuations in the macro economy and the market environment.

Risk Management and Compliance, etc.

In order to ensure financial soundness and enhance corporate value, the risk management systems require further developments in response to increasing global business. Nomura Group has the Risk Appetite Statement in which risks that we are willing to accept are articulated. We will continue to make efforts to develop a system where the top management directly engages in proactive risk management for precise decision making.

With regard to compliance, we will continue to focus on improving the management structure to comply with local laws and regulations in the countries where we operate. In addition to complying with laws and regulations, we will continuously review and improve our internal compliance system and rules for the purpose of promoting an environment of high ethical standards among all of our executive management and employees. In this way, we will meet the expectations of society and clients toward the Nomura Group and contribute to the further development of financial and capital markets.

Last year, based on the administrative penalties imposed on our subsidiary, Nomura Securities Co. Ltd. in 2012 in connection with public stock offerings, the Nomura Group established the Nomura Founding Principles and Corporate Ethics Day. Commemorated annually, this day aims to remind all of our executive officers and employees of the lessons learned from the incident and to renew our determination to prevent similar incidents from recurring in the future and further improve public trust through various measures. We will strive to maintain a sound corporate culture through these initiatives. We will also further enhance and reinforce our internal control framework, which includes measures to prevent insider trading and solicitation of unfair dealing, by ensuring that all of our executive officers and employees continually maintain the highest level of business ethics expected from professionals engaged in the capital markets.

Through the efforts described above, we are strengthening the earnings power of the entire Nomura Group and working to achieve our management targets and to maximize corporate value. We will advance collaboration across regions and among our three Divisions, and devote our efforts to the stability of financial and capital markets and to our further expansion and development as “Asia’s global investment bank”.

3. Risk Factors.

You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, our business, financial condition, results of operations or cash flows could be adversely affected. In that event, the trading prices of our shares could decline, and you may lose all or part of your investment. In addition to the risks listed below, risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

Our business may be materially affected by financial markets, economic conditions and market fluctuations in Japan and elsewhere around the world

Our business and revenues may be affected by any adverse changes in the Japanese and global economic environments and financial markets.

For example, the global financial crisis that originated with the collapse of Lehman Brothers Holding Inc. ("Lehman Brothers") in 2008, and the worsening of financial issues in the peripheral countries of the Eurozone in 2011, including Greece, have adversely influenced major global financial markets.

In addition and as described later, not only purely economic factors but also future wars, acts of terrorism, economic or political sanctions, pandemics, forecasts of geopolitical risks and geopolitical events which have actually occurred, natural disasters or other similar events could have an effect on the financial markets and economies of each country. For example, in case the United Kingdom leaves the European Union, financial markets may be negatively impacted.

If any adverse events including those discussed above were to occur, a market or economic downturn may last for a long period of time, which could adversely affect our business and can result in us incurring substantial losses. Even in the absence of a prolonged market or economic downturn, changes in market volatility or governmental fiscal and monetary policy changes in Japan, or in any other country or region where we conduct business and other changes in the environment may adversely affect our business, financial condition and results of operations. The following are certain risks related to the financial markets and economic conditions for our specific businesses.

Monetary policy changes by central banks may affect our business, financial condition and results of operations

In recent years, central banks in many major economies have been pursuing an expansionary monetary policy, including in some cases the introduction of negative interest rates. For example, the European Central Bank started to impose negative interest rate in June 2014 in order to counter low inflation. The Bank of Japan also announced the introduction of "Quantitative and Qualitative Monetary Easing with a Negative Interest Rate" in January 2016 in order to achieve price stability. As part of this policy, the Bank of Japan has implemented additional monetary easing measures and started to apply a negative interest rate to the outstanding balance of current accounts at the Bank of Japan which exceeds a certain balance. The prolonged implementation of a negative interest rate policy or the further lowering of negative interest rates in one or more countries as well as further decreases in yields of financial assets in the financial markets may negatively affect our ability to provide asset management products to our clients as well as our trading and investment activities, which in turn could have an adverse impact on our financial condition and results of operations.

Our brokerage and asset management revenues may decline

A market downturn could result in a decline in the revenues generated by our brokerage business because of a decline in the volume and value of securities that we broker for our clients. Also, within our asset management business, in most cases, we charge fees and commissions for managing our clients' portfolios that are based on the market value of their portfolios. A market downturn that reduces the market value of our clients' portfolios may increase the amount of withdrawals or reduce the amount of new investments in these portfolios, and would reduce the revenue we receive from our asset management business.

Our investment banking revenues may decline

Changes in financial or economic conditions would likely affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients. For example, due in part to the continued slowdown in financing activities resulting primarily from the worsened and prolonged impact of the European sovereign debt crisis in 2011, our Investment Banking net revenue for the years ended March 31, 2012 and March 31, 2013 decreased by 15.9% and 15.0% from the previous years, respectively.

Our electronic trading business revenues may decline

Electronic trading is essential for our business in order to execute trades faster with fewer resources. Utilizing these systems allows us to provide an efficient execution platform and on-line content and tools to our clients via exchanges or other automated trading facilities. Revenue from our electronic trading, which includes trading commissions and bid-offer spreads from these services, are directly correlated with the number and size of the transactions in which we participate and would therefore decrease if there are financial market or economic changes that would cause our clients to trade less frequently or in a smaller amounts. In addition, the use of electronic trading has increased across capital markets products and has put pressure on trading commissions and bid-offer spreads in our industry due to the increased competition of our electronic trading business. Although trade volumes may increase due to the availability of electronic trading, this may not be sufficient to offset margin erosion in our execution business, leading to a potential decline in revenue generated from this business. We continue to invest in developing technologies to provide an efficient trading platform; however, we may fail to maximize returns on these investments due to this increased pressure on lowering margins.

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in fixed income, equity and other markets, both for proprietary purposes and for the purpose of facilitating our clients' trades. Our positions consist of various types of assets, including securities, derivatives transactions with equity, interest rate, currency, credit and other underlyings, as well as loans, reverse repurchase agreements and real estate. Fluctuations in the markets where these assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets that we do not own, or have short positions, an upturn in prices of the assets could expose us to potentially significant losses. Although we seek to mitigate these position risks with a variety of hedging techniques, these market movements could result in us incurring losses. We may also incur losses if the financial system is overly stressed and the markets move in a way we have not anticipated.

Our businesses have been, and may continue to be, affected by changes in market volatility levels. Certain of our trading businesses such as those engaged in trading and arbitrage opportunities depend on market volatility to generate revenues. Lower volatility may lead to a decrease in business opportunities which may affect the results of operations of these businesses. On the other hand, higher volatility, while it can increase trading volumes and spreads, also increases risk as measured by Value-at-Risk ("VaR") and may expose us to higher risks in connection with our market-making and proprietary businesses. Higher volatility can also cause us to reduce the outstanding positions or size of these businesses in order to avoid increasing our VaR.

Furthermore, we commit capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. We also structure and take positions in pilot funds for developing financial investment products and invest seed money to set up and support financial investment products. We may incur significant losses from these positions in the event of significant market fluctuations.

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect our profitability due to decrease in client transactions. Assuming a one-notch and two-notch downgrade of our credit ratings on March 31, 2016, absent other changes, we estimate that the aggregate fair value of assets that will be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥24.9 billion and ¥46.2 billion, respectively.

Holding large and concentrated positions of securities and other assets may expose us to large losses

Holding large and concentrated positions of certain securities can expose us to large losses in our businesses such as market-making, block trading, underwriting, asset securitization, acquiring newly-issued convertible debt securities through third-party allotment or providing business solutions to meet clients' needs. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. We generally have higher exposure to those issuers engaged in financial services businesses, including commercial banks, broker-dealers, clearing houses, exchanges and investment companies. There may also be cases where we hold relatively large amounts of securities by issuers in particular countries or regions due to the business we conduct with our clients or our counterparties. In addition, we may incur substantial losses due to market fluctuations on asset-backed securities such as residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS").

Extended market declines and decreases in market participants can reduce liquidity and lead to material losses

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in those markets in which we operate. Market liquidity may also be affected by decreases in market participants that could occur, for example, if financial institutions scale back market-related businesses due to increasing regulation or other reasons. As a result, it may be difficult for us to sell, hedge or value such assets which we hold. Also, in the event that a market fails in pricing such assets, it will be difficult to estimate their value. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to Over-The-Counter ("OTC") derivatives, we may incur substantial losses. Further, if the liquidity of a market significantly decreases and the market may become unable to price financial instruments held by us, this could lead to unanticipated losses.

Our hedging strategies may not prevent losses

We use a variety of financial instruments and strategies to hedge our exposure to various types of risk. If our hedging strategies are not effective, we may incur losses. We base many of our hedging strategies on historical trading patterns and correlations. For example, if we hold an asset, we may hedge this position by taking a position in another asset which has, historically, moved in a direction that would offset a change in value of the former asset. However, historical trading patterns and correlations may not continue, as seen in the case of past financial crises, and these hedging strategies may not be fully effective in mitigating our risk exposure because we are exposed to all types of risk in a variety of market environments.

Our risk management policies and procedures may not be fully effective in managing market risk

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Although some of our methods of managing risk are based upon observed historical behavior of market data, the movement of each data in future financial market may not be the same as was observed in the past. As a result, we may suffer large losses through unexpected future risk exposures. Other risk management methods that we use also rely on our evaluation of information regarding markets, clients or other matters, which is publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated, and we may be unable to properly assess our risks, and thereby suffer large losses. Furthermore, certain factors, such as market volatility, may render our risk evaluation model unsuitable for a new market environment. In such event, we may become unable to evaluate or otherwise manage our risks adequately.

Market risk may increase other risks that we face

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate other risks that we face. For example, the risks inherent in financial instruments developed through financial engineering and innovation may be increased by market risk.

Also, if we incur substantial trading losses caused by our exposure to market risk, our need for liquidity could rise sharply while our access to cash may be impaired as a result of market perception of our credit risk.

Furthermore, in a market downturn, our clients and counterparties could incur substantial losses of their own, thereby weakening their financial condition and, as a result, increasing our credit risk exposure to them.

We may have to recognize impairment charges with regard to the amount of goodwill, tangible and intangible assets recognized on our consolidated balance sheets

We have purchased all or a part of the equity interests in, or operations from, certain other companies in order to pursue our business expansion, and expect to continue to do so when and as we deem appropriate. We account for certain of those and similar purchases and acquisitions as a business combination under U.S. GAAP by allocating our acquisition costs to the assets acquired and liabilities assumed and recognizing the remaining amount as goodwill. We also possess tangible and intangible assets other than those stated above.

We may have to recognize impairment charges, as well as other losses associated with subsequent transactions, with regard to the amount of goodwill, tangible and intangible assets and if recognized, such changes may adversely affect our financial condition and results of operations. For example, during the years ended March 31, 2014 and March 31, 2015 we recognized goodwill impairment charges of ¥2,840 million and ¥3,188 million, respectively.

Liquidity risk could impair our ability to fund operations and jeopardize our financial condition

Liquidity, or having ready access to cash, is essential to our business. We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of our creditworthiness or deterioration in market conditions. In addition to maintaining a readily available cash position, we seek to secure ample liquidity through repurchase agreements and securities lending transactions, long-term borrowings and the issuance of long-term debt securities, diversification of our short-term funding sources such as commercial paper, and by holding a portfolio of highly liquid assets. We bear the risk that we may lose liquidity under certain circumstances, including the following:

We may be unable to access unsecured or secured funding

We continuously access unsecured funding from issuance of securities in the short-term credit markets and debt capital markets as well as bank borrowings to finance our day-to-day operations, including refinancing. We also enter into repurchase agreements and securities lending transactions to raise secured funding for our trading businesses. An inability to access unsecured or secured funding or funding at significantly higher cost than normal levels could have a substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

- we incur large trading losses,
- the level of our business activity decreases due to a market downturn,
- regulatory authorities take significant action against us, or
- our credit rating is downgraded.

In addition to the above, our ability to borrow in the debt capital markets could also be adversely impacted by factors that are not specific to us, such as reductions in banks' lending capacity, a severe disruption of the financial and credit markets, negative views about the general prospects for the investment banking, brokerage or financial services industries, or negative market perceptions of Japan's financial soundness.

We may be unable to sell assets

If we are unable to raise funds or if our liquidity declines significantly, we will need to liquidate assets or take other actions in order to meet our maturing liabilities. In volatile or uncertain market environments, overall market liquidity may decline. In a time of reduced market liquidity, we may be unable to sell some of our assets, or we may have to sell at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell assets may also be adversely impacted by other market participants seeking to sell similar assets into the market at the same time.

Lowering of our credit ratings could impact our funding

Our funding depends significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on "credit watch" with negative implications. Future downgrades could increase our funding costs and limit our funding. This, in turn, could adversely affect our result of operations and our financial condition. In addition, other factors which are not specific to us may impact our funding, such as negative market perceptions of Japan's financial soundness.

Event risk may cause losses in our trading and investment assets as well as market and liquidity risk

Event risk refers to potential losses we may suffer through unpredictable events that cause large unexpected market price movements such as natural or man-made disasters, epidemics, acts of terrorism, armed conflicts or political instability, as well as adverse events specifically affecting our business activities or counterparties. These events include not only significant events such as the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, the global financial and credit crisis in the autumn of 2008, the Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year, the political crisis in Ukraine which began in late 2013, the terrorist attacks in Paris in November 2015 and the terrorist attacks in Brussels in March 2016, but also more specifically the following types of events that could cause losses in our trading and investment assets:

- sudden and significant reductions in credit ratings with regard to financial instruments held by our trading and investment businesses by major rating agencies,
- sudden changes in trading, tax, accounting, regulatory requirements, laws and other related rules which may make our trading strategy obsolete, less competitive or no longer viable, or
- an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and administrative penalty with respect to the issuers of our trading and investment assets.

We may be exposed to losses when third parties that are indebted to us do not perform their obligations

Our counterparties are from time to time indebted to us as a result of transactions or contracts, including loans, commitments to lend, other contingent liabilities and derivative transactions. We may incur material losses when our counterparties default or fail to perform on their obligations to us due to their filing for bankruptcy, a deterioration in their creditworthiness, lack of liquidity, operational failure, an economic or political event, repudiation of the transaction or for other reasons.

Credit risk may also arise from:

- holding securities issued by third parties, or
- the execution of securities, futures, currency or derivative transactions that fail to settle at the required time due to nondelivery by the counterparty, such as monoline insurers (financial guarantors) which are counterparties to credit default swaps or systems failure by clearing agents, exchanges, clearing houses or other financial infrastructure.

Issues related to third party credit risk may include the following:

Defaults by a large financial institution could adversely affect the financial markets generally and us specifically

The commercial soundness of many financial institutions is closely interrelated as a result of credit, trading, clearing or other relationships among the institutions. As a result, concern about the creditworthiness of or a default by, a certain financial institution could lead to significant liquidity problems or losses in, or defaults by, other financial institutions. This may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which we interact on a daily basis. Actual defaults, increases in perceived default risk and other similar events could arise in the future and could have an adverse effect on the financial markets and on us. Our funding operations may be adversely affected if major financial institutions, Japanese or otherwise, fail or experience severe liquidity or solvency problems.

There can be no assurance as to the accuracy of the information about, or the sufficiency of the collateral we use in managing, our credit risk

We regularly review our credit exposure to specific clients or counterparties and to specific countries and regions that we believe may present credit concerns. Default risk, however, may arise from events or circumstances that are difficult to detect, such as account-rigging and fraud. We may also fail to receive full information with respect to the risks of a counterparty. In addition, in cases where we have extended credit against collateral, we may fall into a deficiency in value in the collateral if sudden declines in market values reduce the value of our collateral.

Our clients and counterparties may be unable to perform their obligations to us as a result of political or economic conditions

Country, regional and political risks are components of credit risk, as well as market risk. Political or economic pressures in a country or region, including those arising from local market disruptions or currency crises, may adversely affect the ability of clients or counterparties located in that country or region to obtain credit or foreign exchange, and therefore to perform their obligations owed to us.

The financial services industry faces intense competition

Our businesses are intensely competitive, and are expected to remain so. We compete on the basis of a number of factors, including transaction execution capability, our products and services, innovation, reputation and price. We have experienced intense price competition, particularly in brokerage, investment banking and other businesses.

Competition with commercial banks, commercial bank-owned securities subsidiaries and non-Japanese firms in the Japanese market is increasing

Since the late 1990s, the financial services sector in Japan has undergone deregulation. In accordance with the amendments to the Securities and Exchange Law of Japan (which has been renamed as the Financial Instruments and Exchange Act of Japan ("FIEA") since September 30, 2007), effective from December 1, 2004, banks and certain other financial institutions became able to enter into the securities brokerage business. In addition, in accordance with the amendments to the FIEA effective from June 1, 2009, firewalls between commercial banks and securities firms were deregulated. Therefore, as our competitors will be able to cooperate more closely with their affiliated commercial banks, banks and other types of financial services firms can compete with us to a greater degree than they could before deregulation in the areas of financing and investment trusts. Among others, securities subsidiaries of commercial banks and non-Japanese firms have been affecting our market shares in the sales and trading, investment banking and retail businesses.

Increased consolidation, business alliance and cooperation in the financial services groups industry mean increased competition for us

There has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks and other broad-based large financial services groups have established or acquired broker-dealers or have consolidated with other financial institutions. Recently, these large financial services groups have been further developing business linkage within their respective groups in order to provide comprehensive financial services to clients. These financial services groups continue to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group, which may enhance their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking and other financial services revenues in an effort to gain market share. In addition, the financial services industry has seen collaboration beyond the borders of businesses and industries, such as alliances between commercial banks and securities companies outside of framework of existing corporate groups and recent alliances with non-financial companies including emerging companies. Our competitiveness may be adversely affected if our competitors are able to expand their businesses and improve their profitability through such business alliances.

Our global business strategies may not result in the anticipated outcome due to competition with other financial services firms in international markets and the failure to realize the full benefit of management resource reallocation

We continue to believe there are significant opportunities in the international markets, but there is also significant competition associated with such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Under such competitive environment, as a means to bolster our international operations, we acquired certain Lehman Brothers operations in Europe, the Middle East and Asia in 2008 and we have invested significant management resources to maintain and develop our operations in these regions and the U.S. After the acquisition, however, market structures have changed drastically due to the scaling back of market-related businesses by European financial institutions and the monetary easing policies by central banks of each country, resulting in decline in whole market liquidity. In light of this challenging business environment, we have endeavored to reallocate our management resources to optimize our global operations and thereby improve our profitability. For example, we announced strategic changes to our Wholesale businesses in EMEA and the Americas in April 2016, in order to reallocate resources towards our areas of expertise and most profitable business lines. However, failure to realize the full benefits of these efforts may adversely affect our global businesses, financial condition and results of operations.

Our business is subject to substantial legal, regulatory and reputational risks

Substantial legal liability or a significant regulatory action against us could have a material financial effect on us or cause reputational harm to us, which in turn could adversely affect our business prospects, financial condition and results of operations. Also, material changes in regulations applicable to us or to the markets in which we operate could adversely affect our business.

Our exposure to legal liability is significant

We face significant legal risks in our businesses. These risks include liability under securities or other laws in connection with securities underwriting and offering transactions, liability arising from the purchase or sale of any securities or other financial products, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for our transactions, disputes with our business alliance partners and legal claims concerning our other businesses.

During a prolonged market downturn or upon the occurrence of an event that adversely affects the market, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. In addition, even legal transactions might be subject to adverse public reaction according to the particular details of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. See Note 20 *"Commitments, contingencies and guarantees"* in our consolidated financial statements included in this annual report for further information regarding the significant investigations, lawsuits and other legal proceedings that we are currently facing.

Extensive regulation of our businesses limits our activities and may subject us to significant penalties and losses

The financial services industry is subject to extensive regulation. We are subject to increasing regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. In addition, while regulatory complexities increase, possibilities of extra-territorial application of a regulation in one jurisdiction to business activities outside of such jurisdiction may also increase. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities and/or affect our profitability, through net capital, client protection and market conduct requirements. In addition, on top of traditional finance-related legislation, the scope of laws and regulations applying to, and/or impacting on, our operations may become wider depending on the situation of the wider international political and economic environment or policy approaches taken by governmental authorities in respect of regulatory application or law enforcement. Although we have policies in place to prevent violations of such laws and regulations, we may not always be able to prevent violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create, which may negatively affect our business opportunities and ability to secure human resources. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions. In addition, certain market participants may refrain from investing in or entering into transactions with us if we engage in business activities in regions subject to international sanctions, even if our activities do not constitute violations of sanctions laws and regulations.

Tightening of regulations applicable to the financial system and financial industry could adversely affect our business, financial condition and results of operations

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. The impact of such developments could make it economically unreasonable for us to continue to conduct all or certain of our businesses, or could cause us to incur significant costs to adjust to such changes.

In particular, various reforms to financial regulatory frameworks, including the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") in the U.S. and various proposals to strengthen financial regulation in the European Union and the United Kingdom ("U.K."), have been put in place. The exact details of the implementation of these proposals and its impact on us will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards.

New regulations or revisions to existing regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Such new regulations or revisions to existing regulations include the so-called Basel III package formulated by the Basel Committee on Banking Supervision ("Basel Committee"), some rules of which are still to be finalized and/or implemented. These changes in regulations may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the Financial Stability Board ("FSB") and the Basel Committee annually update the list of global systemically important banks ("G-SIBs") identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G-20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks ("D-SIBs"), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. In December 2015, the FSA identified us as a D-SIB and imposed a surcharge of 0.5% on our required capital ratio after March 2016 over a 3-year transitional period. This may result in additional costs and impact on us as described above.

Deferred tax assets may be impacted due to a change in business condition or in laws and regulations, resulting in an adverse effect on our operating results and financial condition

We recognize deferred tax assets in our consolidated balance sheets as a possible benefit of tax relief in the future. If we experience or forecast future operating losses, if tax laws or enacted tax rates in the relevant tax jurisdictions in which we operate change, or if there is a change in accounting standards in the future, we may reduce the deferred tax assets recognized in our consolidated balance sheets. As a result, it could adversely affect our financial condition and results of operations. See Note 15 *"Income taxes"* in our consolidated financial statements included in this annual report for further information regarding the deferred tax assets that we currently recognize.

Misconduct or fraud by an employee, director or officer, or any third party, could occur, and our reputation in the market and our relationships with clients could be harmed

We face the risk that misconduct by an employee, director or officer, or any third party, could occur which may adversely affect our business. Misconduct by an employee, director or officer can include, for example, entering into transactions in excess of authorized limits, acceptance of risks that exceed our limits, or concealment of unauthorized or unsuccessful activities. The misconduct could also involve the improper use or disclosure of our or our clients' non-public information, such as insider trading and the recommendation of trades based on such information, and other financial crimes, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us.

In August 2012, Nomura Securities Co., Ltd. ("NSC"), a subsidiary of the Company, received a business improvement order from the FSA with respect to flaws recognized in connection with the management of entity-related information for public stock offerings. In response to the order, NSC has implemented and completed a series of improvement measures as of December 2012.

Although we have precautions in place to detect and prevent such misconduct in the future, the measures we implement may not be effective in all cases, and we may not always be able to detect or deter misconduct by an employee, director or officer. If any administrative or judicial sanction is issued against us as a result of such misconduct, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

Third parties may also engage in fraudulent activities, including devising a fraudulent scheme to induce our investment, loans, guarantee or any other form of financial commitment, both direct and indirect. Because of the broad range of businesses that we engage in and the large number of third parties with whom we deal in our day-to-day business operations, such fraud or any other misconduct may be difficult to prevent or detect.

We may not be able to recover the financial losses caused by such activities and our reputation may also be damaged by such activities.

A failure to identify and address conflicts of interest appropriately could adversely affect our businesses

We are a global financial institution providing a wide range of products and services to a diverse group of clients, including individuals, corporations, other financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Conflicts of interests can occur when our services to a particular client conflict or compete, or are perceived to conflict or compete, with our own interests. In addition, where non-public information is not appropriately restricted or shared within the firm, with regard to the many transactions within the Nomura Group, conflicts of interest can also occur where a group company transaction and/or a transaction with another client conflicts or competes with, or is perceived to conflict or compete with, a transaction with a particular client. While we have extensive internal procedures and controls designed to identify and address conflicts of interest, a failure, or a perceived failure, to identify, disclose and appropriately address conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, conflicts of interest could give rise to regulatory actions or litigation.

Our business is subject to various operational risks

We classify and define operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk. Types of operational risk may include the following, each of which could result in financial losses, disruption in our business, litigation from third parties, regulatory/supervisory actions, restrictions or penalties, and/or damage to our reputation:

- failure to execute, confirm or settle securities transactions,
- failure by our officers or employees to perform proper administrative activities prescribed in our regular procedures, such as placing erroneous orders to securities exchanges,
- the destruction of or damage to our facilities or systems, or other impairment of our ability to conduct business, arising from the impacts of disasters or acts of terrorism which are beyond our anticipation and the scope of our contingency plan,
- the disruption of our business due to communicable diseases, or
- suspension or malfunction of internal or third party systems, or unauthorized access, misuse, computer viruses and cyber-attacks affecting such systems.

Our businesses rely on secure processing, storage, transmission and reception of personal, confidential and proprietary information on our systems. We may become the target of attempted unauthorized access, computer viruses or malware, and other cyber-attacks designed to access and obtain information on our systems or to disrupt and cause other damage to our services. Although these threats may originate from human error or technological failure, they may also originate from the malice or fraud of internal parties, such as employees, or third parties, including foreign non-state actors and extremist parties. Additionally, we could also be adversely impacted if any of the third-party vendors, exchanges, clearing houses or other financial institutions to whom we are interconnected are subject to cyber-attacks or other informational security breaches. Such events could cause interruptions to our systems, reputational damage, client dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our financial condition and operations.

While we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future.

Unauthorized disclosure of personal information held by us may adversely affect our business

We keep and manage personal information obtained from clients in connection with our business. In recent years, there have been many reported cases of personal information and records in the possession of corporations and institutions being improperly accessed or disclosed.

Although we exercise care in protecting the confidentiality of personal information and take steps to safeguard such information in compliance with applicable laws, rules and regulations, if any material unauthorized disclosure of personal information does occur, our business could be adversely affected in a number of ways. For example, we could be subject to complaints and lawsuits for damages from clients if they are adversely affected as a result of the release of their personal information (including leakage of information by external service providers). In addition, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives. Any damage to our reputation caused by such unauthorized disclosure could lead to a decline in new clients and/or a loss of existing clients, as well as to increased costs and expenses incurred for public relations campaigns designed to prevent or mitigate damage to our corporate or brand image or reputation.

The Company is a holding company and depends on payments from subsidiaries

The Company heavily depends on dividends, distributions and other payments from subsidiaries to make payments on the Company's obligations. Regulatory and other legal restrictions, such as those under the Companies Act, may limit the Company's ability to transfer funds freely, either to or from the Company's subsidiaries. In particular, many of the Company's subsidiaries, including the Company's broker-dealer subsidiaries, are subject to laws and regulations, including regulatory capital requirements, that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. For example, NSC, Nomura Securities International, Inc., Nomura International plc and Nomura International (Hong Kong) Limited, our main broker-dealer subsidiaries, are subject to regulatory capital requirements that could limit the transfer of funds to the Company. These laws and regulations may hinder the Company's ability to access funds needed to make payments on the Company's obligations.

We may not be able to realize gains we expect, and may even suffer losses, on our investments in equity securities and non-trading debt securities

We hold substantial investments in equity securities and non-trading debt securities. Under U.S. GAAP, depending on market conditions, we may recognize significant unrealized gains or losses on our investments in equity securities and debt securities, which could have an adverse impact on our financial condition and results of operations. Depending on the market conditions, we may also not be able to dispose of these equity securities and debt securities when we would like to do so, as quickly as we may wish or at the desired price.

Equity investments in affiliates and other investees accounted for under the equity method in our consolidated financial statements may decline significantly over a period of time and result in us incurring impairment losses

We have affiliates and investees accounted for under the equity method in our consolidated financial statements and whose shares are publicly traded. Under U.S. GAAP, if there is a decline in the fair value, i.e., the market price, of the shares we hold in such affiliates over a period of time, and we determine that the decline is other-than-temporary, then we recognize an impairment loss for the applicable fiscal period which may have an adverse effect on our financial condition and results of operations.

We may face an outflow of clients' assets due to losses of cash reserve funds or debt securities we offer

We offer many types of products to meet various needs of our clients with different risk profiles.

Cash reserve funds, such as money market funds and money reserve funds are categorized as low risk financial products. As a result of a sudden rise in interest rates, such cash reserve funds may fall below par value due to losses resulting from price decreases of debt securities in the portfolio, defaults of debt securities in the portfolio or charges of negative interest. If we determine that a stable return cannot be achieved from the investment performance of cash reserve funds, we may accelerate the redemption of, or impose a deposit limit on, such cash reserve funds. For example, Nomura Asset Management Co., Ltd., the Company's subsidiary, announced accelerated redemption of money market funds in June 2016.

In addition, debt securities that we offer may default or experience delays in the payment of interest and/or principal.

Such losses, early redemption or deposit limit for the products we offer may result in the loss of client confidence and lead to an outflow of client assets from our custody or preclude us from increasing such client assets.

6. Operating, Financial and Cash Flow Analyses.

(1) Operating and financial analyses

Please refer to Item 2 "*1. Operating Results."* See also *"2. Current Challenges"* and "*3. Risk Factors.*"

(2) Critical accounting policies and estimates

Use of estimates

In preparing the consolidated financial statements included in this annual report, management makes estimates regarding certain financial instrument and investment valuations, the outcome of litigation and tax examinations, the recovery of the carrying value of goodwill, the allowance for doubtful accounts, the realization of deferred tax assets and other matters that affect the reported amounts of assets and liabilities as well as the disclosures in the consolidated financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results may differ from estimates, which could have a material impact on the consolidated financial statements, and it is possible that such adjustments could occur in the near term.

Fair value for financial instruments

A significant amount of our financial instruments are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income on a recurring basis. Use of fair value is either specifically required under U.S. GAAP or we make an election to use fair value for certain eligible items under the fair value option.

Other financial assets and financial liabilities are carried at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition, such as to measure impairment.

In accordance with Accounting Standard Codification ("ASC") 820 "*Fair Value Measurements and Disclosures*", all financial instruments measured at fair value have been categorized into a three-level hierarchy based on the transparency of valuation inputs used to measure fair value.

Level 1:

Unadjusted quoted prices for identical financial instruments in active markets accessible by Nomura at the measurement date.

Level 2:

Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.

Level 3:

Unobservable inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

The availability of inputs observable in the market varies by product and can be affected by a variety of factors. Significant factors include, but are not restricted to the prevalence of similar products in the market, especially for customized products, how established the product is in the market, for example, whether it is a new product or is relatively mature, and the reliability of information provided in the market which would depend, for example, on the frequency and volume of current data. A period of significant change in the market may reduce the availability of observable data. Under such circumstances, financial instruments may be reclassified into a lower level in the fair value hierarchy.

Significant judgments used in determining the classification of financial instruments include the nature of the market in which the product would be traded, the underlying risks, the type and liquidity of market data inputs and the nature of observed transactions for similar instruments.

Where valuation models include the use of parameters which are less observable or unobservable in the market, significant management judgment is used in establishing fair value. The valuations for Level 3 financial instruments, therefore, involve a greater degree of judgment than those valuations for Level 1 or Level 2 financial instruments.

Certain criteria management use to determine whether a market is active or inactive include the number of transactions, the frequency that pricing is updated by other market participants, the variability of price quotes among market participants, and the amount of publicly available information.

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis were 2% as of March 31, 2016 as listed below:

	Billions of yen, except percentage					
	March 31, 2016					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥8,797	¥ 8,774	¥ 349	¥ —	¥17,920	2%
Derivative assets	18	37,452	227	(36,325)	1,372	
Derivative liabilities	22	37,271	213	(36,456)	1,050	

See Note 2 "*Fair value measurements*" in our consolidated financial statements included in this annual report.

Derivative contracts

We use a variety of derivative financial instruments including futures, forwards, swaps and options, for trading and non-trading purposes. All derivatives are carried at fair value, with changes in fair value recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

Derivative assets and liabilities with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 "*Balance Sheet—Offsetting*" and ASC 815 "*Derivatives and Hedging*" are met. These criteria include requirements around the legal enforceability of such close-out and offset rights under the master netting agreement. In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively, where certain additional criteria are met.

Derivative contracts consist of listed derivatives and OTC derivatives. The fair value of listed derivatives are determined based on quoted market prices or valuation models. OTC derivatives are valued using valuation models. Listed derivative and OTC derivative assets and liabilities after netting are shown below:

	Billions of yen	
	March 31, 2015	
	Assets	Liabilities
Listed derivatives	¥ 142	¥ 377
OTC derivatives	1,444	932
	¥1,586	¥ 1,309

	Billions of yen	
	March 31, 2016	
	Assets	Liabilities
Listed derivatives	¥ 89	¥ 123
OTC derivatives	1,283	927
	¥1,372	¥ 1,050

The following table presents the fair value of OTC derivative assets and liabilities as of March 31, 2016 by remaining contractual maturity.

	Billions of yen						
	March 31, 2016						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting[1]	Total fair value
OTC derivative assets	¥ 1,738	¥1,927	¥1,748	¥1,461	¥ 5,496	¥ (11,087)	¥ 1,283
OTC derivative liabilities	1,637	1,542	1,100	748	2,422	(6,522)	927

(1) Represents the impact of netting derivative assets with derivative liabilities for the same counterparty across maturity band categories. Derivative assets and derivative liabilities with the same counterparty in the same maturity category are netted within the maturity category. This column also includes cash collateral netting with the same counterparty.

The fair value of derivative contracts includes adjustments for credit risk, both with regards to counterparty credit risk on positions held and our own creditworthiness on positions issued. We realize gains or losses relating to changes in credit risk on our derivative contracts together with the movements of trading positions, which include derivatives, that are expected to mitigate the above mentioned impact of changes in credit risk.

Goodwill

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment at a reporting unit level during the fourth quarter of each fiscal year, or more frequently during interim periods if events or circumstances indicate there may be impairment. Nomura's reporting units are at one level below its business segments.

Nomura tests goodwill of each separate reporting unit by initially qualitatively assessing whether events and circumstances indicate that it is more likely than not (i.e. greater than 50%) that a reporting unit's fair value is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the reporting unit is deemed not to be impaired and no further analysis is required. If it is more likely than not that the fair value of the reporting unit is below its carrying value, a quantitative two-step impairment test is then performed.

In the first step, the current estimated fair value of the reporting unit is compared with its carrying value, including goodwill. If the fair value is less than the carrying value, then a second step is performed. In the second step, the implied current fair value of the reporting unit's goodwill is determined by comparing the fair value of the reporting unit to the fair value of the net assets of the reporting unit, as if the reporting unit were being acquired in a business combination. An impairment loss is recognized if the carrying value of goodwill exceeds its implied current fair value.

For the year ended March 31, 2016, Nomura did not recognize any impairment loss on goodwill.

Assets and Liabilities Associated with Investment and Financial Services Business

Exposure to Certain Financial Instruments and Counterparties

Market conditions impact numerous products to which we have certain exposures. We also have exposures to Special Purpose Entities ("SPEs") and others in the normal course of business.

Leveraged Finance

We provide loans to clients in connection with leveraged buy-outs and leveraged buy-ins. As this type of financing is usually initially provided through a commitment, we have both funded and unfunded exposures on these transactions.

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2016.

	Millions of yen		
	March 31, 2016		
	Funded	Unfunded	Total
Europe	¥29,645	¥ 87,441	¥117,086
Americas	31,478	114,438	145,916
Total	¥61,123	¥201,879	¥263,002

Special Purpose Entities ("SPEs")

Our involvement with these entities includes structuring, underwriting, as well as, subject to prevailing market conditions, distributing and selling debt instruments and beneficial interests issued by these entities. In the normal course of securitization and equity derivative activities business, we also act as a transferor of financial assets to, and underwriter, distributor and seller of repackaged financial instruments issued by these entities. We retain, purchase and sell variable interests in SPEs in connection with our market-making, investing and structuring activities. Our other types of involvement with SPEs include guarantee agreements and derivative contracts.

For further discussion on Nomura's involvement with variable interest entities, see Note 6 "*Securitizations and Variable Interest Entities*" in our consolidated financial statements included in this annual report.

Accounting Developments

See Note 1 "*Summary of accounting policies: New accounting pronouncements adopted during the current year*" in our consolidated financial statements included in this annual report.

(3) Deferred Tax Assets

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets—Other and Other liabilities*, respectively, in the consolidated balance sheets as of March 31, 2016.

	Millions of yen March 31, 2016
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 16,862
Investments in subsidiaries and affiliates	112,030
Valuation of financial instruments	60,776
Accrued pension and severance costs	16,190
Other accrued expenses and provisions	96,202
Operating losses	435,122
Other	5,644
Gross deferred tax assets	742,826
Less—Valuation allowance	(543,489)
Total deferred tax assets	199,337
Deferred tax liabilities	
Investments in subsidiaries and affiliates	121,874
Valuation of financial instruments	49,873
Undistributed earnings of foreign subsidiaries	711
Valuation of fixed assets	19,165
Other	6,822
Total deferred tax liabilities	198,445
Net deferred tax assets (liabilities)	¥ 892

Calculation method of deferred tax assets

In accordance with U.S. GAAP, we recognize deferred tax assets to the extent we believe that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to us, which are not deemed more likely than not to be realized.

(4) Quantitative and Qualitative Disclosures about Market Risk

Risk Management

Nomura defines risks as (i) the potential erosion of Nomura's capital base due to unexpected losses arising from risks to which its business operations are exposed, such as market risk, credit risk, operational risk and model risk, (ii) liquidity risk, the potential lack of access to funds or higher cost of funding than normal levels due to a deterioration in Nomura's creditworthiness or deterioration in market conditions, and (iii) business risk, the potential failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of its business operations.

A fundamental principle established by Nomura is that all employees shall regard themselves as principals of risk management and appropriately manage these risks. Nomura seeks to promote a culture of proactive risk management throughout all levels of the organization and to limit risks to the confines of its risk appetite. The risk management framework that Nomura uses to manage these risks consists of its risk appetite, risk management governance and oversight, the management of financial resources, the management of all risk classes, and processes to measure and control risks. Each of these key components is explained in further detail below.

Risk Appetite

Nomura has determined the maximum level and types of risk that it is willing to assume in pursuit of its strategic objectives and business plan and has articulated this in its Risk Appetite Statement. This document is jointly submitted by the Chief Risk Officer ("CRO") and the Chief Financial Officer ("CFO") to the Executive Management Board ("EMB") for approval.

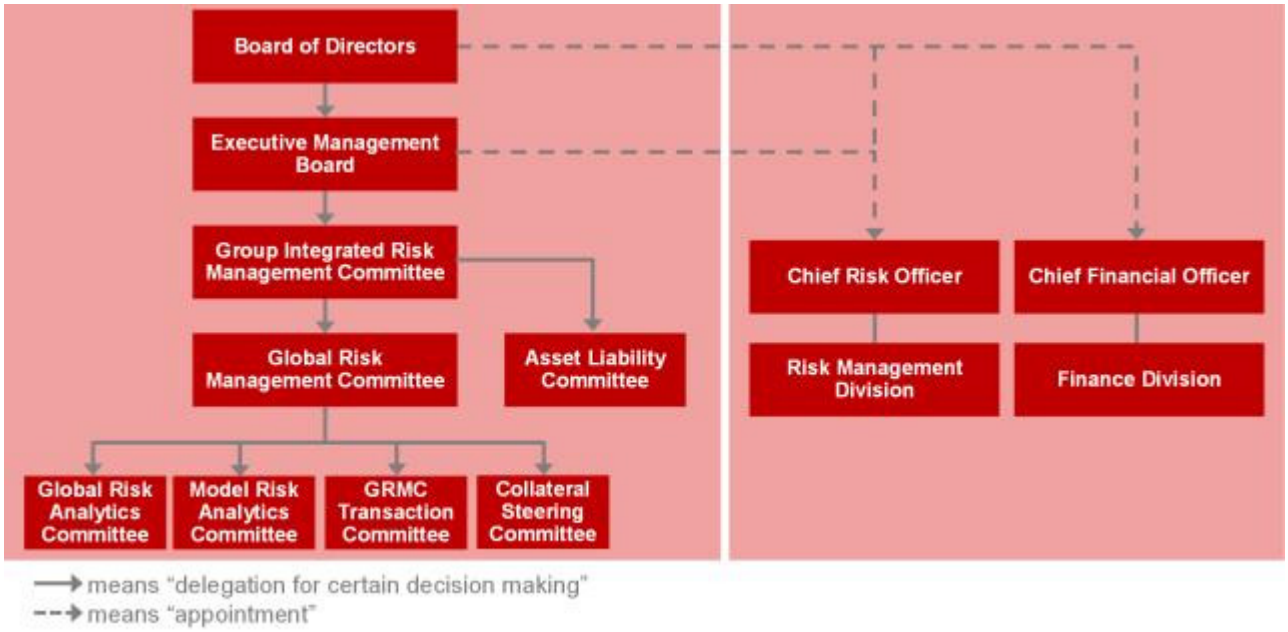
The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy and balance sheet measures, liquidity risk, market and credit risk, operational risk, compliance risk and model risk, and consists of quantitative metrics and qualitative statements. It is subject to regular monitoring and breach escalation as appropriate by the owner of the relevant risk appetite statement.

Nomura's Risk Appetite Statement is required to be reviewed annually by the EMB but it is reviewed on an ad hoc basis if necessary, and must specifically be reviewed following any significant changes in Nomura's strategy. Risk appetite underpins all additional aspects of Nomura's risk management framework.

Risk Management Governance and Oversight

Committee Governance

Nomura has established a committee structure to facilitate effective business operations and management of Nomura's risks. The formal governance structure for risk management within Nomura is as follows:



Board of Directors ("BoD")

The BoD determines the policy for the execution of the business of Nomura and other matters prescribed in laws and regulations, supervises the execution of Directors' and Executive Officers' duties and has the authority to adopt, alter or abolish the regulations of the EMB.

Executive Management Board ("EMB")

The EMB deliberates on and determines management strategy, the allocation of management resources and important management matters of Nomura, and seeks to increase shareholder value by promoting effective use of management resources and unified decision-making with regard to the execution of business. The EMB delegates responsibility for deliberation of matters concerning risk management to the Group Integrated Risk Management Committee ("GIRMC"). Key responsibilities of the EMB include the following:

- Resource Allocation—At the beginning of each financial year, the EMB determines the allocation of management resources and financial resources such as economic capital and unsecured funding to business units and establishes usage limits for these resources;
- Business Plan—At the beginning of each financial year, the EMB approves the business plan and budget of Nomura. Introduction of significant new businesses, changes to business plans, the budget and the allocation of management resources during the year are also approved by the EMB; and
- Reporting—The EMB reports the status of its deliberations to the BoD.

Group Integrated Risk Management Committee ("GIRMC")

Upon delegation from the EMB, the GIRMC deliberates on or determines important matters concerning integrated risk management of Nomura to assure the sound and effective management of its businesses. The GIRMC establishes Nomura's risk appetite and a framework of integrated risk management consistent with Nomura's risk appetite. The GIRMC supervises Nomura's risk management by establishing and operating its risk management framework. The GIRMC reports the status of key risk management issues and any other matters deemed necessary by the committee chairman to the BoD and the EMB.

In addition, the GIRMC, upon delegation from the EMB, has established the Risk Management Policy, describing Nomura's overall risk management framework including the fundamental risk management principles followed by Nomura.

Global Risk Management Committee ("GRMC")

Upon delegation from the GIRMC, the GRMC deliberates on or determines, based on strategic risk allocation and risk appetite determined by the GIRMC, important matters concerning market, credit or reputational risk management of Nomura in order to assure the sound and effective management of Nomura's businesses. The GRMC reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

Asset Liability Committee ("ALCO")

Upon delegation from the GIRMC, the ALCO deliberates on, based on Nomura's risk appetite determined by the GIRMC, balance sheet management, financial resource allocation, liquidity management and related matters. The ALCO reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

Global Risk Analytics Committee ("GRAC") and Model Risk Analytics Committee ("MRAC")

Upon delegation from the GRMC, the GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The committees' primary responsibility is to govern and provide oversight of model management, including the approval of new models and significant model changes. Both committees report all significant matters and material decisions taken to the GRMC, on a regular basis.

GRMC Transaction Committee

Upon delegation from the GRMC, the GRMC Transaction Committee deliberates on or approves individual transactions in line with Nomura's risk appetite in order to assure the sound and effective management of Nomura's businesses.

Collateral Steering Committee ("CSC")

Upon delegation from the GRMC, the CSC deliberates on or determines Nomura's collateral risk management, including concentrations, liquidity, collateral re-use, limits and stress tests, provides direction on Nomura's collateral strategy and ensures compliance with regulatory collateral requirements.

Chief Risk Officer ("CRO")

The CRO is responsible for setting the overall strategy and direction of the Risk Management Division. The CRO is responsible for supervising the Risk Management Division and maintaining the effectiveness of the risk management framework independently from the business units within Nomura. The CRO regularly reports on the status of Nomura's risk management to the GIRMC, and reports to and seeks the approval of the GIRMC on measures required for risk management.

Chief Financial Officer ("CFO")

The CFO is responsible for overall financial strategy of Nomura, and has operational authority and responsibility over Nomura's liquidity management based on decisions made by the EMB.

Risk Management Division

The Risk Management Division comprises various departments or units in charge of risk management established independently from Nomura's business units. The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura Group entities, reporting to Executive Officers/Senior Managing Directors and the GIRMC and others, as well as reporting to regulatory bodies and handling regulatory applications concerning risk management methods and other items as necessary. Important risk management issues are closely communicated between members of the Risk Management departments and the CRO. The CRO and/or co-CRO regularly attend the EMB and GIRMC meetings to report specific risk issues.

Risk Policy Framework

Policies and procedures are essential tools of governance used by the Risk Management Division. They define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura. The Risk Management Division has established a risk policy framework to promote appropriate standards and consistency for risk policies and procedures and to articulate the principles and procedures conducive to effective risk management. All risk management policies and procedures are developed in line with this policy framework and a defined process is followed for any exceptions.

Monitoring, Reporting and Data Integrity

Development, consolidation, monitoring and reporting of risk management information ("risk MI") are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division and the Finance Division are responsible for producing regular risk MI, which reflects the position of Nomura relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflect the use of the various risk tools used to identify and assess those risks. The Risk Management Division is responsible for implementing appropriate controls over data integrity for risk MI.

Management of Financial Resources

Nomura has established a framework for management of financial resources in order to adequately manage utilization of these resources. The EMB allocates financial resources to business units at the beginning of each financial year. These allocations are used to set revenue forecasts for each business units. Key components are set out below:

Risk-weighted assets

A key component used in the calculation of our consolidated capital adequacy ratios is risk-weighted assets. The EMB determines the risk appetite for our consolidated Tier 1 capital ratio on an annual basis and sets the limits for the usage of risk-weighted assets by each division and by additional lower levels of the division consistent with the risk appetite. In addition the EMB determines the risk appetite for the level of exposures under the leverage ratio framework which is a non-risk based measure to supplement risk-weighted assets. See in Item 2 "*Consolidated Regulatory Capital Requirements*" in this report for further information.

Economic Capital

Nomura's internal measure of the capital required to support its business is the Nomura Capital Allocation Target ("NCAT"), which is measured as the amount of capital required to absorb unexpected losses over a one-year time horizon under a severely adverse scenario. For quantification purposes, a severely adverse scenario is defined as the unexpected loss computed by risk models at the 99.95th percentile. NCAT consists of i) portfolio NCAT, which captures the risks directly impacting the value of specific positions such as market risk, credit risk, asset liquidity risk and other risks such as event risk to account for portfolio risks not easily covered in a historically calibrated model, and ii) non-portfolio NCAT, which captures the risks not directly affecting the value of specific positions, such as operational risk and business risk. Nomura's NCAT limit is initially set by the EMB, and the EMB subsequently allocates it to each business division and additional lower levels of the organization.

Available Funds

The CFO decides the maximum amount of available funds, provided without posting of any collateral, for allocation within Nomura and the EMB approves the allocation of the funds to each business division. Global Treasury monitors the usage by businesses and reports to the EMB.

Classification and Definition of Risk

Nomura classifies and defines risks as follows and has established departments or units to manage each risk type.

Risk Category	Definition
Market risk	Risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit risk	Risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment ("CVA") associated with deterioration in the creditworthiness of a counterparty.
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk.
Model risk	Risk of loss arising from model errors or incorrect or inappropriate model application with regard to valuation models and risk models.
Funding and Liquidity risk	Risk of loss arising from difficulty in securing necessary funding or from a significantly higher cost of funding than normal levels due to a deterioration in Nomura's creditworthiness or a deterioration in market conditions.
Business risk	Risk of failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of Nomura's business operations. Managing business risk is the responsibility of Nomura's Executive Managing Directors and Senior Managing Directors.

Market Risk Management

Market risk is the risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

Market Risk Management Process

Effective management of market risk requires the ability to analyze a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

Nomura uses a variety of statistical risk measurement tools to assess and monitor market risk on an ongoing basis, including, but not limited to, Value at Risk ("VaR"), Stressed VaR ("SVaR") and Incremental Risk Charge ("IRC"). In addition, Nomura uses sensitivity analysis and stress testing to measure and analyze its market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors. They are specific to each asset class and cannot usually be aggregated across risk factors. Stress testing enables the analysis of portfolio risks or tail risks, including non-linear behaviors and can be aggregated across risk factors at any level of the group hierarchy, from group level to business division, units or desk levels. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

Value at Risk

VaR is a measure of the potential loss due to adverse movements of market factors, such as equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology Assumptions

Nomura uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented, where historical market moves over a two-year window are applied to current exposure in order to construct a profit and loss distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility. Nomura uses the same VaR model for both internal risk management purposes and for regulatory reporting. For internal risk management purposes, VaR is calculated across Nomura at a 99% confidence level and using a 1-day time horizon. For regulatory reporting purposes, Nomura uses the same confidence level but a 10-day time horizon, calculated using actual 10-day historical market moves. To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations are equally weighted.

Nomura's VaR model uses exact time series for each individual risk factor. However, if good quality data is not available, a 'proxy logic' maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of Nomura's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura's VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura's Risk Management Division. One-day trading losses did not exceed the 99% VaR estimate at Nomura group level for the twelve months ended March 31, 2016.

Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore it may understate the impact of severe events. Given these limitations, Nomura uses VaR only as one component of a diverse market risk management process.

Stress Testing

Nomura conducts market risk stress testing since VaR and sensitivity analysis have limited ability to capture all portfolio risks or tail risks. Stress testing for market risk is conducted daily and weekly, using various scenarios based upon features of trading strategies. Nomura conducts stress testing not only at each desk level, but also at a Nomura group level with a set of common global scenarios in order to capture the impact of market fluctuations on the entire Nomura group.

Non-Trading Risk

A major market risk in Nomura's non-trading portfolio relates to equity investments held for operating purposes and on a long-term basis. Equity investments held for operating purposes are minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations held in order to promote existing and potential business relationships. This non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in this portfolio is to analyze market sensitivity based on changes in the TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the fair value of Nomura's equity investments held for operating purposes, which allows to determine a correlation factor. Based on this analysis for each 10% change in the TOPIX, the fair value of Nomura's operating equity investments held for operating purposes can be expected to change by ¥23,271 million at the end of March 2015 and ¥18,527 million at the end of March 2016. The TOPIX closed at 1,543.11 points at the end of March 2015 and at 1,347.20 points at the end of March 2016. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura's expectations because of price fluctuations of individual equities.

Credit Risk Management

Credit risk is the risk of loss arising from an obligor's default, insolvency or administrative proceeding which results in the obligor's failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a CVA associated with deterioration in the creditworthiness of a counterparty.

Nomura manages credit risk on a global basis and on an individual Nomura legal entity basis.

Credit Risk Management Framework

The measurement, monitoring and management of credit risk at Nomura are governed by a set of global policies and procedures. Credit Risk Management ("CRM"), a global function within the Risk Management Division, is responsible for the implementation and maintenance of these policies and procedures. These policies are authorized by the GIRMC and/or Global Risk Strategic Committee ("GRSC"), prescribe the basic principles of credit risk management and set credit limits to counterparties that are formally approved by CRM personnel with the appropriate level of credit authority.

Credit risk is managed by CRM together with various global and regional risk committees. This ensures transparency of material credit risks and compliance with established credit limits, the approval of material extensions of credit and the escalation of risk concentrations to appropriate senior management.

Credit Risk Management Process

CRM operates as a credit risk control function within the Risk Management Division, reporting to the CRO. The process for managing credit risk at Nomura includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura's current and potential future credit exposures;
- Setting credit terms in legal documentation including margin terms; and
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

The scope of credit risk management includes counterparty trading and various debt or equity instruments including loans, private equity investments, fund investments, investment securities and any other as deemed necessary from a credit risk management perspective. The evaluation of counterparties' creditworthiness involves a thorough due diligence and analysis of the business environments in which they operate, their competitive positions, management and financial strength and flexibility. Credit analysts also take into account the corporate structure and any explicit or implicit credit support. CRM evaluates credit risk not only by counterparty, but also by counterparty group.

Following the credit analysis, CRM estimates the probability of default of a given counterparty or obligor through an alphanumeric ratings scale similar to that used by rating agencies and a corresponding numeric scale. Credit analysts are responsible for assigning and maintaining the internal ratings, ensuring that each rating is reviewed and approved at least annually.

Nomura's internal rating system employs a range of ratings models to ensure global consistency and accuracy. These models are developed and maintained by the Risk Methodology Group. Internal ratings represent a critical component of Nomura's approach to managing counterparty credit risk. They are used as key factors in:

- Establishing the amount of counterparty credit risk that Nomura is willing to take to an individual counterparty or counterparty group (setting of credit limits);
- Determining the level of delegated authority for setting credit limits (including tenor);
- The frequency of credit reviews (renewal of credit limits);
- Reporting counterparty credit risk to senior management within Nomura; and
- Reporting counterparty credit risk to stakeholders outside of Nomura.

The Credit Risk Control Unit is a function within the Model Validation Group ("MVG") which is independent of CRM. It ensures that Nomura's internal rating system is properly reviewed and validated, reporting any breaks or issues to senior management for timely resolution. The unit is responsible for ensuring that the system remains accurate and predictive of risk and provides periodic reporting on the system to senior management.

Nomura has established an Internal Rating System to be a unified, exhaustive and objective framework to evaluate credit risk. Internal ratings are typically classified into obligor, facility and specialized lending ratings. Each rating classification serves to properly express the credit risk either in terms of probability of default, the level of potential recovery given its position in a capital structure or the probability of repayment under the terms of a specialized lending facility.

For regulatory capital calculation purposes, Nomura has been applying the Foundation Internal Rating Based Approach in calculating credit risk weighted assets since the end of March 2011. The Standardized Approach is applied to certain business units or asset types, which are considered immaterial to the calculation of credit risk-weighted assets.

Credit Limits and Risk Measures

Internal ratings form an integral part in the assignment of credit limits to counterparties. Nomura's credit limit framework is designed to ensure that Nomura takes appropriate credit risk in a manner that is consistent with its overall risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

Nomura's main type of counterparty credit risk exposures arise from derivatives transactions or securities financing transactions. Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of Nomura's counterparties. Any change in circumstance that alters Nomura's risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate.

Nomura's global credit risk management systems record all credit limits and capture credit exposures to the Nomura's counterparties allowing CRM to measure, monitor and manage utilization of credit limits, ensure appropriate reporting and escalation of any limit breaches.

For derivatives and securities financing transactions, Nomura measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management has also been used for the Internal Model Method based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

Loans and lending commitments are measured and monitored on both a funded and unfunded basis.

Wrong Way Risk

Wrong Way Risk ("WWR") occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. Nomura has established global policies that govern the management of any WWR exposures. Stress testing is used to support the assessment of any WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital, as appropriate.

Stress Testing

Stress Testing is an integral part of Nomura's management of credit risk. Regular stress tests are used to support the assessment of credit risks by counterparties, sectors and regions. The stress tests include potential concentrations that are highlighted as a result of applying shocks to risk factors, probabilities of default or rating migrations.

Risk Mitigation

Nomura utilizes financial instruments, agreements and practices to assist in the management of credit risk. Nomura enters into legal agreements, such as the International Swap and Derivatives Association, Inc. ("ISDA") agreements or equivalent (referred to as "Master Netting Agreements"), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow Nomura to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

Credit Risk to Counterparties in Derivatives Transaction

The credit exposures arising from Nomura's trading-related derivatives as of March 31, 2016 are summarized in the table below, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura's CRM.

	Billions of yen								
	Years to Maturity								
Credit Rating	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-Maturity Netting[1]	Total Fair Value (a)	Collateral obtained (b)	Replacement cost[3] (a)-(b)
AAA	¥ 35	¥ 108	¥ 7	¥ 3	¥ 64	¥ (193)	¥ 24	¥ 1	¥ 23
AA	281	399	272	305	631	(1,506)	382	47	335
A	1,030	794	774	319	1,422	(3,912)	427	82	345
BBB	280	371	241	217	724	(1,487)	346	215	131
BB and lower	59	66	59	39	158	(218)	163	215	0
Other[2]	53	189	395	578	2,497	(3,771)	(59)	20	0
Sub-total	1,738	1,927	1,748	1,461	5,496	(11,087)	1,283	580	834
Listed	169	82	31	0	—	(193)	89	46	43
Total	¥ 1,907	¥2,009	¥1,779	¥1,461	¥ 5,496	¥ (11,280)	¥ 1,372	¥ 626	¥ 877

(1) Represents netting of derivative liabilities against derivatives assets entered into with the same counterparty across different maturity bands. Derivative assets and derivative liabilities with the same counterparty in the same maturity band are net within the relevant maturity band. Cash collateral netting against net derivative assets in accordance with ASC 210-20 "*Balance Sheet—Offsetting*" and ASC 815 "*Derivatives and Hedging*" is also included.

(2) "Other" comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.

(3) Zero balances represent instances where total collateral received is in excess of the total fair value therefore Nomura's credit exposure is zero.

Country Risk

Country risk continued to be a dominant theme through the reporting period, driven by factors such as China's slowdown, concerns over broader growth resilience and the diverging monetary policy responses of major central banks. More specifically, geopolitical risk factors have increased in the second half of the reporting period as a result of low oil prices and the continuing fallout from the Syria conflict. This has been particularly evident in the Middle East, where oil-dependent exporters have been liquidating assets to meet cash needs, and the two dominant powers, Saudi Arabia and Iran, have been positioning for regional influence. On a broader level, U.S. dollar strength and commodity prices have maintained pressure on emerging markets over the reporting period, with idiosyncratic political developments in countries such as Brazil and Turkey adding risk. Anti-European Union and populist sentiment has grown as a risk factor, influenced by the migrant influx to Europe from the ongoing conflict in Syria. This has undermined political stability and fiscal orthodoxy in some European Union ("EU") member states. Finally, 'Brexit' (the possibility of the U.K. voting to leave the EU in a referendum on June 23, 2016) emerged as a distinct, near-term risk, with the potential of wide-reaching consequences for the EU, the city of London and the U.K. economy.

Nomura manages country risk through a consolidated risk assessment and limit framework. The framework incorporates inventory positions, trades with counterparties and any other businesses or products as part of its diversified portfolio. Nomura does not have concentrated exposure to the countries directly impacted by the Middle East conflicts. Nomura's total current net exposure to Russia and Ukraine, as of March 31, 2016, was not material. Nomura's emerging market exposures were principally in Brazil (¥39 billion) and Turkey (¥24 billion). Nomura maintained exposure to peripheral Eurozone economies, with the largest, as of March 31, 2016, being Spain (¥105 billion) and Italy (¥103 billion), the next largest being Portugal (¥21 billion), and the remainder being smaller. Peripheral Eurozone exposure consisted of OTC derivatives, lending, deposits and trading positions.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura's reputation if caused by an operational risk.

The Three Lines of Defence

Nomura adopts the industry standard "Three Lines of Defence" for the management of operational risk, comprising the following elements:

1) 1st Line of Defence: The business which owns and manages its risks
2) 2nd Line of Defence: The Operational Risk Management ("ORM") function, which defines and co-ordinates Nomura's operational risk strategy and framework and provides challenge to the 1st Line of Defence
3) 3rd Line of Defence: Internal and External Audit, who provide independent assurance

Operational Risk Management Framework

An Operational Risk Management Framework has been established in order to allow Nomura to identify, assess, manage, monitor and report on operational risk. The GIRMC, with delegated authority from the EMB has formal oversight over the management of operational risk.

This framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

Products and Services

- Risk and Control Self-Assessment ("RCSA"): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability 'tail events'.
- Event Reporting: Process to obtain information on and learn from actual events impacting Nomura and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators ("KRI"): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

- Analysis and reporting: A key aspect of ORM's role is to analyze, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

Regulatory Capital Calculation for Operational Risk

Nomura uses The Standardized Approach for calculating regulatory capital for operational risk. This involves using a three-year average of gross income allocated to business lines, which is multiplied by a fixed percentage ("Beta Factor") determined by the FSA, to establish the amount of required operational risk capital.

Nomura uses consolidated net revenue as gross income, however for certain consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each business segment as defined in Nomura's management accounting data to each business line defined in the Standardised Approach as follows:

Business Line	Description	Beta Factor
Retail Banking	Retail deposit and loan-related services	12%
Commercial Banking	Deposit and loan-related services except for Retail Banking business	15%
Payment and Settlement	Payment and settlement services for clients' transactions	18%
Retail Brokerage	Securities-related services mainly for individuals	12%
Trading and Sales	Market-related business	18%
Corporate Finance	M&A, underwriting, secondary and private offerings, and other funding services for clients	18%
Agency Services	Agency services for clients such as custody	15%
Asset Management	Fund management services for clients	12%

Nomura calculates the required amount of operational risk capital for each business line by multiplying the allocated annual gross income amount by the appropriate Beta Factor defined above. The operational risk capital for any gross income amount not allocated to a specific business line is determined by multiplying such unallocated gross income amount by a fixed percentage of 18%.

The total operational risk capital for Nomura is calculated by aggregating the total amount of operational risk capital required for each business line and unallocated amount and by determining a three-year average. Where the aggregated amount for a given year is negative, then the total operational risk capital amount for that year will be calculated as zero.

In any given year, negative amounts in any business line are offset against positive amounts in other business lines. However, negative unallocated amounts are not offset against positive amounts in other business lines and are calculated as zero.

Operational risk capital is calculated at the end of September and March each year.

Model Risk Management

Model Risk is the risk of loss arising from Model errors or incorrect or inappropriate Model application with regard to Valuation Models and Risk Models.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

To address these risks, Nomura has established its model risk appetite, which includes a qualitative statement and a quantitative measure. The qualitative statement for model risk specifies that it is expected that models are used correctly and appropriately. The quantitative risk appetite measure is based on Nomura's assessment of the potential loss arising from model risk.

Model Management Framework

The models within the model management framework are defined as either:

- valuation models, used for calculating prices and risk sensitivities of Nomura's positions; or,
- risk models, used for quantifying the risk of a portfolio by calculating the potential losses incurred from a specific type of risk, and used for regulatory or economic capital calculations, margin requirements for non-centrally cleared derivatives, limit monitoring, or management reporting.

Before models are put into official use, the MVG is responsible for validating their integrity and comprehensiveness independently from those who design and build them. As part of this validation process, the MVG analyzes a number of factors to assess a model's suitability, to quantify model risk which is then mitigated by applying model reserves and capital adjustments. Valuation models are developed and maintained by the business units and risk models by the Risk Methodology Group ("RMG") within the Risk Management Division. Certain models may also be developed by third party providers. The RMG has primary responsibility for the ongoing refinement and improvement of risk models and methodologies within Nomura.

All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. Upon delegation from the GRMC, the MRAC's and GRAC's primary responsibility is to govern and provide oversight of model management for valuation and risk models, respectively.

Changes to Valuation and Risk Models

Nomura has documented policies and procedures in place, approved by the GIRMC and/or GRSC, which define the process and validation requirements for implementing changes to valuation and risk models. For changes with an impact above certain materiality thresholds, model approval is required. These materiality thresholds are defined through procedures owned by MVG and reflect Nomura's model risk appetite. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

Risk Measures and Controls

Limit Frameworks

The establishment of robust limit monitoring and management is central to appropriate monitoring and management of risk. The limit management frameworks incorporate clear escalation policies to ensure approval of limits at appropriate levels of seniority. The Risk Management Division is responsible for day-to-day operation of these limit frameworks including approval, monitoring, and reporting as required. Business units are responsible for complying with the agreed limits. Limits apply across a range of quantitative measures of risk and across market and credit risks.

New Business Risk Management

The new business approval process represents the starting point for new business in Nomura and exists to support management decision-making and ensure that risks associated with new products and transactions are identified and managed appropriately. The new business approval process consists of two components:

1) Transaction committees are in place to provide formal governance over the review and decision-making process for individual transactions.
2) The new product approval process allows business unit sponsors to submit applications for new products and obtain approval from relevant departments prior to execution of the new products. The process is designed to capture and assess risks across all risk classes as a result of the new product or business.

Stress Testing

Stress testing performed at the Nomura Group provides comprehensive coverage of risks across different hierarchical levels, and covers different time horizons, severities, plausibilities and stress testing methodologies. The results of stress tests are used in capital planning processes, capital adequacy assessments, liquidity adequacy assessments, recovery and resolution planning, assessments of whether risk appetite is appropriate, and in routine risk management.

Stress tests are run on a regular basis or on an ad hoc basis as needed, for example, in response to material changes in the external environment and/or in the Nomura Group risk profile. The results of stress tests with supporting detailed analysis are reported to senior management and other stakeholders as appropriate for the stress test being performed.

Stress testing is categorised either as sensitivity analysis or scenario analysis and may be performed on a Nomura Group-wide basis or at more granular levels.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors (for example, equity prices, equity volatilities) in order primarily to capture those risks which may not be readily identified by other risk models;
- Scenario analysis is used to quantify the impact of a specified event across multiple asset classes and risk classes. This is a primary approach used in performing stress testing at the different hierarchical levels of the Nomura Group, and in reverse stress testing;
- Group-wide stress to assess the capital adequacy of the Nomura Group under severe but plausible market scenarios is conducted on a quarterly basis at a minimum to calculate the Stressed Tier 1 Ratio; and
- Reverse stress testing, a process of considering the vulnerabilities of the firm and hence how it may react to situations where it becomes difficult to continue its business and reviewing the results of that analysis, is conducted on an annual basis at a minimum.

Stress testing is an integral part of the Nomura Group’s overall governance and is used as a tool for forward-looking risk management, decision-making and enhancing communication amongst the Risk Management Division, Front Office, and senior management.

(5) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board ("EMB"). Nomura's liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and one month periods, respectively, without raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

We have in place a number of liquidity risk management frameworks that enable us to achieve our primary liquidity objective. These frameworks include (1) Centralized Control of Residual Cash and Maintenance of Liquidity Portfolio; (2) Utilization of Unencumbered Assets as Part of Our Liquidity Portfolio; (3) Appropriate Funding and Diversification of Funding Sources and Maturities Commensurate with the Composition of Assets; (4) Management of Credit Lines to Nomura Group Entities; (5) Implementation of Liquidity Stress Tests; and (6) Contingency Funding Plan.

Our EMB has the authority to make decisions concerning group liquidity management. The Chief Financial Officer ("CFO") has the operational authority and responsibility over our liquidity management based on decisions made by the EMB.

1. Centralized Control of Residual Cash and Maintenance of Liquidity Portfolio.

We centrally control residual cash held at Nomura Group entities for effective liquidity utilization purposes. As for the usage of funds, the CFO decides the maximum amount of available funds, provided without posting any collateral, for allocation within Nomura and the EMB allocates the funds to each business division. Global Treasury monitors usage by businesses and reports to the EMB.

In order to enable us to transfer funds smoothly between group entities, we limit the issuance of securities by regulated broker-dealers or banking entities within the Nomura Group and seek to raise unsecured funding primarily through the Company or through unregulated subsidiaries. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across the Nomura Group.

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2016, our liquidity portfolio was ¥5,947.1 billion which generated a liquidity surplus taking into account stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2015 and 2016 and averages maintained for the years ended March 31, 2015 and 2016. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2015	March 31, 2015	Average for year ended March 31, 2016	March 31, 2016
Cash, cash equivalents and time deposits[1]	¥ 1,726.2	¥1,292.3	¥ 1,873.0	¥2,050.5
Government debt securities	4,678.3	4,470.4	3,821.8	3,617.9
Others[2]	248.9	301.3	230.0	278.7
Total liquidity portfolio	¥ 6,653.4	¥6,064.0	¥ 5,924.8	¥5,947.1

(1) Cash, cash equivalents, and time deposits include nostro balances and deposits with both central banks and market counterparties that are readily available to support the liquidity position of Nomura.

(2) Others include other liquid financial assets such as money market funds and U.S. agency securities.

The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2015 and 2016 and averages maintained for the years ended March 31, 2015 and 2016. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2015	March 31, 2015	Average for year ended March 31, 2016	March 31, 2016
Japanese Yen	¥ 2,267.7	¥1,753.4	¥ 1,859.5	¥2,464.5
U.S. Dollar	2,580.6	2,736.5	2,839.8	2,698.3
Euro	1,175.0	1,017.9	772.7	369.7
British Pound	514.6	404.8	319.9	248.2
Others[1]	115.5	151.4	132.9	166.4
Total liquidity portfolio	¥ 6,653.4	¥6,064.0	¥ 5,924.8	¥5,947.1

(1) Includes other currencies such as the Canadian Dollar, the Australian Dollar and the Swiss Franc.

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura Group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. ("NHI") and Nomura Securities Co. Ltd. ("NSC"), our other major broker-dealer subsidiaries, our bank subsidiaries, and other group entities. In determining the amounts and entities which hold this liquidity portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 18 "*Regulatory requirements*" in our consolidated financial statements included within this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2015 and 2016.

	Billions of yen	
	March 31, 2015	March 31, 2016
NHI and NSC[1]	¥ 1,637.1	¥ 1,522.5
Major broker-dealer subsidiaries	3,036.9	2,958.5
Bank subsidiaries[2]	1,050.3	1,037.1
Other affiliates	339.7	429.0
Total liquidity portfolio	¥ 6,064.0	¥ 5,947.1

(1) NSC, a broker-dealer located in Japan, holds an account with the Bank of Japan ("BOJ") and has direct access to the BOJ Lombard facility through which same day funding is available for our securities pool. Any liquidity surplus at NHI is lent to NSC via short-term intercompany loans, which can be unwound immediately when needed.
(2) Includes Nomura Bank International plc ("NBI"), Nomura Singapore Limited and Nomura Bank Luxembourg S.A.

2. Utilization of Unencumbered Assets as Part of Our Liquidity Portfolio.

In addition to our liquidity portfolio, we had ¥2,002.7 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2016 was ¥7,949.8 billion, which represented 240.6% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2015	March 31, 2016
Net liquidity value of other unencumbered assets	¥ 1,821.2	¥ 2,002.7
Liquidity portfolio	6,064.0	5,947.1
Total	¥ 7,885.2	¥ 7,949.8

3. Appropriate Funding and Diversification of Funding Sources and Maturities Commensurate with the Composition of Assets

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets.

We also seek to achieve diversification of our funding by market, instrument type, investors, currency, and staggered maturities in order to reduce unsecured refinancing risk.

We diversify funding by issuing various types of debt instruments—these include both structured loans and notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt increased to 39.2% of total long-term debt outstanding as of March 31, 2016 from 38.1% as of March 31, 2015.

3.1 Short-Term Unsecured Debt

Our short-term unsecured debt consists of short-term bank borrowings (including long-term bank borrowings maturing within one year), other loans, commercial paper, deposit at banking entities, certificates of deposit and debt securities maturing within one year. Deposits at banking entities and certificates of deposit comprise customer deposits and certificates of deposit of our banking subsidiaries. Short-term unsecured debt includes the current portion of long-term unsecured debt.

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2015 and 2016.

	Billions of yen	
	March 31, 2015	March 31, 2016
Short-term bank borrowings	¥ 267.3	¥ 184.9
Other loans	23.9	127.1
Commercial paper	252.9	177.9
Deposits at banking entities	813.6	2,021.2
Certificates of deposit	260.9	32.0
Debt securities maturing within one year	938.4	760.7
Total short-term unsecured debt	¥ 2,557.0	¥ 3,303.8

3.2 Long-Term Unsecured Debt

We meet our long-term capital requirements and also achieve both cost-effective funding and an appropriate maturity profile by routinely funding through long-term debt and diversifying across various maturities and currencies.

Our long-term unsecured debt includes senior and subordinated debt issued through U.S. registered shelf offerings and our U.S. registered medium-term note programs, our Euro medium-term note programs, registered shelf offerings in Japan and various other debt programs.

As a globally competitive financial services group in Japan, we have access to multiple global markets and major funding centers. The Company, NSC, Nomura Europe Finance N.V., NBI, and Nomura International Funding Pte. Ltd. are the main group entities that borrow externally, issue debt instruments and engage in other funding activities. By raising funds to match the currencies and liquidities of our assets or by using foreign exchange swaps as necessary, we pursue optimization of our funding structures.

We use a wide range of products and currencies to ensure that our funding is efficient and well diversified across markets and investor types. Our unsecured senior debt is mostly issued without financial covenants, such as covenants related to adverse changes in our credit ratings, cash flows, results of operations or financial ratios, which could trigger an increase in our cost of financing or accelerate repayment of the debt.

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2015 and 2016.

	Billions of yen	
	March 31, 2015	March 31, 2016
Long-term deposits at banking entities	¥ 145.9	¥ 169.8
Long-term bank borrowings	2,623.0	2,732.5
Other loans	196.4	143.9
Debt securities[1]	3,544.1	3,547.4
Total long-term unsecured debt	¥ 6,509.4	¥ 6,593.6

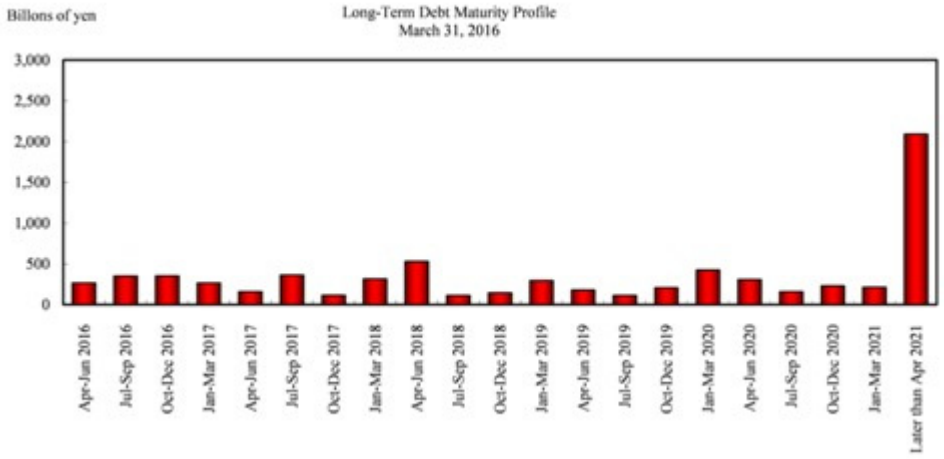
(1) Excludes long-term debt securities issued by consolidated special purpose entities and similar entities that meet the definition of variable interest entities under ASC 810 "*Consolidation*" and secured financing transactions recognized within *Long-term borrowings* as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860 "Transfer and Servicing".

During the year ended March 31, 2016, we issued ¥55 billion of domestic senior notes bonds and ¥165 billion of unsecured perpetual subordinated bonds with write-down clause.

3.3 Maturity Profile

We also seek to maintain an average maturity for our plain vanilla debt securities and borrowings greater than or equal to three years. The average maturity for our plain vanilla debt securities and borrowings with maturities longer than one year was 4.0 years as of March 31, 2016. A significant amount of our structured loans and structured notes are linked to interest rates, currencies, equities, commodities, or related indices. These maturities are evaluated based on internal models and monitored by Global Treasury. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called.

On this basis, the average maturity of structured loan and structured notes with maturities longer than one year was 6.9 years as of March 31, 2016. The average maturity of our entire long-term debt with maturities longer than one year including plain vanilla debt securities and borrowings, was 5.0 years as of March 31, 2016. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.



Redemption schedule is individually estimated by considering the probability of redemption.

3.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese "Gensaki Repo" transactions. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We lower the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, delivering various types of securities collateral, and actively seeking long-term agreements. For more detail of secured borrowings and repurchase agreements, see Note 4 "*Collateralized transactions*" in our consolidated financial statements included within this annual report.

4. Management of Credit Lines to Nomura Group Entities

We maintain and expand credit lines to Nomura Group entities from other financial institutions to secure stable funding. We ensure that the maturity dates of borrowing agreements are distributed evenly throughout the year in order to prevent excessive maturities in any given period.

5. Implementation of Liquidity Stress Tests

We maintain our liquidity portfolio and monitor the sufficiency of our liquidity based on an internal model which simulates changes in cash outflow under specified stress scenarios to comply with our above mentioned liquidity management policy.

We assess the liquidity requirements of the Nomura Group under various stress scenarios with differing levels of severity over multiple time horizons. We evaluate these requirements under Nomura-specific and broad market-wide events, including potential credit rating downgrades at the Company and subsidiary levels that may impact us by loss of access to unsecured capital markets, additional collateral posting requirements, limited or no access to secured funding markets and other events. We call this risk analysis our Maximum Cumulative Outflow ("MCO") framework.

The MCO framework is designed to incorporate the primary liquidity risks for Nomura and models the relevant future cash flows in the following two primary scenarios:

- *Stressed scenario*—To maintain adequate liquidity during a severe market-wide liquidity event without raising funds through unsecured financing or through the liquidation of assets for a year; and
- *Acute stress scenario*—To maintain adequate liquidity during a severe market-wide liquidity event coupled with credit concerns regarding Nomura's liquidity position, without raising funds through unsecured funding or through the liquidation of assets for one month.

We assume that Nomura will not be able to liquidate assets or adjust its business model during the time horizons used in each of these scenarios. The MCO framework therefore defines the amount of liquidity required to be held in order to meet our expected liquidity needs in a stress event to a level we believe appropriate based on our liquidity risk appetite.

As of March 31, 2016, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

We constantly evaluate and modify our liquidity risk assumptions based on regulatory and market changes. The model we use in order to simulate the impact of stress scenarios includes the following assumptions:

- No liquidation of assets;
- No ability to issue additional unsecured funding;
- Upcoming maturities of unsecured debt (maturities less than one year);
- Potential buybacks of our outstanding debt;
- Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates;
- Fluctuation of funding needs under normal business circumstances;
- Cash and collateral outflows in a stress event;
- Widening of haircuts on outstanding repo funding;
- Additional collateralization requirements of clearing banks and depositories;
- Drawdown on loan commitments;
- Loss of liquidity from market losses;
- Assuming a two-notch downgrade of our credit ratings, the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts; and
- Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

6. Contingency Funding Plan

We have developed a detailed contingency funding plan to integrate liquidity risk control into our comprehensive risk management strategy and to enhance the quantitative aspects of our liquidity risk control procedures. As a part of our Contingency Funding Plan ("CFP"), we have developed an approach for analyzing and quantifying the impact of any liquidity crisis. This allows us to estimate the likely impact of both Nomura-specific and market-wide events; and specifies the immediate action to be taken to mitigate any risk. The CFP lists details of key internal and external parties to be contacted and the processes by which information is to be disseminated. This has been developed at a legal entity level in order to capture specific cash requirements at the local level—it assumes that our parent company does not have access to cash that may be trapped at a subsidiary level due to regulatory, legal or tax constraints. We periodically test the effectiveness of our funding plans for different Nomura-specific and market-wide events. We also have access to central banks including, but not exclusively, the BOJ, which provide financing against various types of securities. These operations are accessed in the normal course of business and are an important tool in mitigating contingent risk from market disruptions.

Liquidity Regulatory Framework

In 2008, the Basel Committee published "Principles for Sound Liquidity Risk Management and Supervision". To complement these principles, the Committee has further strengthened its liquidity framework by developing two minimum standards for funding liquidity. These standards have been developed to achieve two separate but complementary objectives.

The first objective is to promote short-term resilience of a financial institution's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for one month. The Committee developed the Liquidity Coverage Ratio ("LCR") to achieve this objective.

The second objective is to promote resilience over a longer time horizon by creating additional incentives for financial institutions to fund their activities with more stable sources of funding on an ongoing basis. The Net Stable Funding Ratio ("NSFR") has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.

These two standards are comprised mainly of specific parameters which are internationally "harmonized" with prescribed values. Certain parameters, however, contain elements of national discretion to reflect jurisdiction-specific conditions.

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Average of Nomura's month-end LCRs for the three months ended March 31, 2016 was 175.8%, and Nomura was compliant with requirements of the above notices. As for the NSFR, the international agreement was issued by the Basel Committee in October 2014, and the ratio is planned to be implemented as minimum standards in Japan in 2018.

Cash Flows

Nomura's cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the year ended March 2015, we recorded net cash outflows from operating activities and net cash inflows from investing activities. For the year ended March 2016, we recorded net cash inflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2015 and 2016.

	Billions of yen	
	Year Ended March 31	
	2015	2016
Net cash provided by (used in) operating activities	¥ (77.0)	¥ 1,238.4
Net income	226.0	142.6
Trading assets and private equity investments	2,917.9	248.5
Trading liabilities	(1,731.1)	(2,280.0)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(1,251.3)	1,605.7
Securities borrowed, net of securities loaned	(221.3)	1,762.2
Other, net	(17.2)	(240.6)
Net cash provided by (used in) investing activities	12.3	(23.7)
Net cash provided by (used in) financing activities	(178.2)	986.4
Long-term borrowings, net	(193.8)	95.9
Increase in deposits received at banks, net	140.6	1,010.1
Other, net	(124.9)	(119.6)
Effect of exchange rate changes on cash and cash equivalents	68.5	(40.2)
Net increase (decrease) in cash and cash equivalents	(174.4)	2,160.9
Cash and cash equivalents at beginning of the year	1,489.8	1,315.4
Cash and cash equivalents at end of the year	¥ 1,315.4	¥ 3,476.3

See the consolidated statements of cash flows in our consolidated financial statements included within this annual report for more detailed information.

For the year ended March 31, 2016, our cash and cash equivalents increased by ¥2,160.9 billion to ¥3,476.3 billion. Net cash of ¥986.4 billion was provided by financing activities due to net cash inflows of ¥1,010.1 billion from *Deposits received at banks*. As part of trading activities, while there were net cash outflows of ¥2,031.5 billion from cash inflows due to a decrease in *Trading assets and Private equity investments* in combination with cash outflows due to a decrease in *Trading liabilities*, they were offset by ¥3,367.8 billion of net cash inflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell, Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥1,238.4 billion was provided by operating activities.

For the year ended March 31, 2015, our cash and cash equivalents decreased by ¥174.4 billion to ¥1,315.4 billion. Net cash of ¥178.2 billion was used in financing activities due to net cash outflows of ¥193.8 billion from *Long-term borrowings*. As part of trading activities, while there were net cash inflows of ¥1,186.8 billion from cash outflows due to a decrease in *Trading liabilities* in combination with cash inflows due to a decrease in *Trading assets and Private equity investments*, they were offset by ¥1,472.6 billion of net cash outflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell, Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥77.0 billion was used in operating activities.

Balance Sheet and Financial Leverage

Total assets as of March 31, 2016, were ¥41,090.2 billion, a decrease of ¥693.1 billion compared with ¥41,783.2 billion as of March 31, 2015, reflecting primarily due to a decrease in *Securities borrowed*. Total liabilities as of March 31, 2016, were ¥38,347.2 billion, a decrease of ¥691.1 billion compared with ¥39,038.3 billion as of March 31, 2015, reflecting primarily due to a decrease in *Trading liabilities*. NHI shareholders' equity as of March 31, 2016, was ¥2,700.2 billion, a decrease of ¥7.5 billion compared with ¥2,707.8 billion as of March 31, 2015, primarily due to a decrease in *Accumulated other comprehensive income (loss)*.

We seek to maintain sufficient capital at all times to withstand losses due to extreme market movements. The EMB is responsible for implementing and enforcing capital policies. This includes the determination of our balance sheet size and required capital levels. We continuously review our equity capital base to ensure that it can support the economic risk inherent in our business. There are also regulatory requirements for minimum capital of entities that operate in regulated securities or banking businesses.

As leverage ratios are commonly used by other financial institutions similar to us, we voluntarily provide a Leverage ratio and Adjusted leverage ratio primarily for benchmarking purposes so that users of our annual report can compare our leverage against other financial institutions. Adjusted leverage ratio is a non-GAAP financial measure that Nomura considers to be a useful supplemental measure of leverage.

The following table presents NHI shareholders' equity, total assets, adjusted assets and leverage ratios as of March 31, 2015 and 2016.

	Billions of yen, except ratios	
	March 31	
	2015	2016
NHI shareholders' equity	¥ 2,707.8	¥ 2,700.2
Total assets	41,783.2	41,090.2
Adjusted assets[(1)]	25,063.7	26,012.5
Leverage ratio[(2)]	15.4x	15.2x
Adjusted leverage ratio[(3)]	9.3x	9.6x

(1) Represents total assets less *Securities purchased under agreements to resell and Securities borrowed*. Adjusted assets is a non-GAAP financial measure and is calculated as follows:

	Billions of yen	
	March 31	
	2015	2016
Total assets	¥41,783.2	¥41,090.2
Less:		
Securities purchased under agreements to resell	8,481.5	9,205.2
Securities borrowed	8,238.0	5,872.5
Adjusted assets	¥25,063.7	¥26,012.5

(2) Equals total assets divided by NHI shareholders' equity.
(3) Equals adjusted assets divided by NHI shareholders' equity.

Total assets decreased by 1.7% reflecting primarily a decrease in *Securities borrowed*. Total NHI shareholders' equity decreased by 0.3% reflecting primarily a decrease in *Accumulated other comprehensive income (loss)*. As a result, our leverage ratio went down from 15.4 times as of March 31, 2015 to 15.2 times as of March 31, 2016.

Adjusted assets increased primarily due to an increase in *Cash and cash equivalents*. As a result, our adjusted leverage ratio was 9.3 times as of March 31, 2015 and 9.6 times as of March 31, 2016.

Consolidated Regulatory Capital Requirements

The FSA established the "Guideline for Financial Conglomerates Supervision" ("Financial Conglomerates Guideline") in June 2005 and set out the rules on consolidated regulatory capital. We started monitoring our consolidated capital adequacy ratio in accordance with the Financial Conglomerates Guideline from April 2005.

The Company has been assigned by the FSA as a Final Designated Parent Company who must calculate a consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company in April 2011. Since then, we have been calculating our consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 and Basel III since then. We have calculated a Basel III-based consolidated capital adequacy ratio from the end of March 2013. Basel 2.5 includes significant change in calculation method of market risk and Basel III includes redefinition of capital items for the purpose of requiring higher quality of capital and expansion of the scope of credit risk-weighted assets calculation.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31, 2016, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 15.4%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 16.1% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 18.1% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. (required level including applicable minimum consolidated capital buffers as of March 31, 2016 is 5.25% for the common equity Tier 1 capital ratio, 6.75% for the Tier 1 capital ratio and 8.75% for the consolidated capital adequacy ratio).

The following table presents the Company's consolidated capital adequacy ratios as of March 31, 2015 and March 31, 2016.

	Billions of yen, except ratios	
	March 31	
	2015	2016
Common equity Tier 1 capital	¥ 2,459.2	¥ 2,469.4
Tier 1 capital	2,459.2	2,577.5
Total capital	2,820.4	2,900.6
Risk-Weighted Assets		
Credit risk-weighted assets	9,112.6	7,872.0
Market risk equivalent assets	7,113.0	5,307.4
Operational risk equivalent assets	2,703.5	2,791.2
Total risk-weighted assets	¥18,929.2	¥15,970.5
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	12.9%	15.4%
Tier 1 capital ratio	12.9%	16.1%
Consolidated capital adequacy ratio	14.8%	18.1%

Common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital are calculated by deducting regulatory adjustment item from basic capital item for each capital class, respectively. Each capital item and regulatory adjustment is defined in the Capital Adequacy Notice on Final Designated Parent Company and these new definitions of capital came into effect with transitional measures.

Since the end of March, 2011, we have been calculating credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and the Standardized Approach, respectively, with the approval of the FSA. Furthermore, Market risk equivalent assets are calculated by using the Internal Models Approach for market risk.

We provide consolidated capital adequacy ratios not only to demonstrate that we are in compliance with the requirements set out in the Capital Adequacy Notice on Final Designated Parent Company but also for benchmarking purposes so that users of this annual report can compare our capital position against those of other financial groups to which Basel III is applied. Management receives and reviews these capital ratios on a regular basis.

Consolidated Leverage Ratio Requirements

In March 2015, the FSA set out requirements for the calculation and disclosure of a consolidated leverage ratio, through amendments to revising "Specification of items which a final designated parent company should disclose on documents to show the status of its sound management" (2010 FSA Regulatory Notice No. 132; "Notice on Pillar3 Disclosure") and the publication of "Consolidated Leverage Ratio prescribed by Commissioner of Financial Services Agency in accordance with Article 3, paragraph 1 of Pillar3 Notice" (2015 FSA Regulatory Notice No. 11; "Notice on Consolidated Leverage Ratio"). We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with the Notice on Pillar3 Disclosure and Notice on Consolidated Leverage Ratio. Management receives and reviews this consolidated leverage ratio on a regular basis. As of March 31 2016, our consolidated leverage ratio was 4.28%.

Regulatory changes which affect us

The Basel Committee has issued a series of announcements regarding a Basel III program designed to strengthen the regulatory capital framework in light of weaknesses revealed by the financial crises. The following is a summary of the proposals which are most relevant to us.

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, "International framework for liquidity risk measurement, standards and monitoring" and "A global regulatory framework for more resilient banks and banking systems". They include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment ("CVA") charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; introducing a series of measures to address concerns over the "procyclicality" of the current framework; and introducing a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. These standards were implemented from 2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties ("CCPs") on July 25, 2012, which came into effect in 2013 as part of Basel III. Moreover, in addition to Basel III leverage ratio framework under which we started the calculation and disclosure of consolidated leverage ratio as above, a series of final standards on the regulatory frameworks such as capital requirements for banks' equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to CCPs, supervisory framework for measuring and controlling large exposures, Basel III: The Net Stable Funding Ratio and revisions to the securitization framework, and revised framework for market risk capital requirements have been published by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board ("FSB") and the Basel Committee announced the list of global systemically important banks ("G-SIBs") and the additional requirements to the G-SIBs including the recovery and resolution plan. The group of G-SIBs have been updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIBs. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions ("D-SIBs") and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In December 2015, the FSA identified us as a D-SIB and required additional capital charge of 0.5% after March 2016, with 3-year transitional arrangement.

It is likely that the FSA's regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee, FSB or International Organization of Securities Commissions.

Credit Ratings

The cost and availability of unsecured funding are generally dependent on credit ratings. Our short-term and long-term debts of the Company and NSC are rated by Standard & Poor's, Moody's Investors Service, Fitch Ratings, Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.

As of May 31, 2016, the credit ratings of the Company and NSC were as follows.

Nomura Holdings, Inc.	Short-term Debt	Long-term Debt
Standard & Poor's	A-2	BBB+
Moody's Investors Service	—	Baa1
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.	—	AA-

Nomura Securities Co., Ltd.	Short-term Debt	Long-term Debt
Standard & Poor's	A-2	A-
Moody's Investors Service	P-2	A3
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.	—	AA-

(6) Off-Balance Sheet Arrangements

Off-balance sheet entities

In the normal course of business, we engage in a variety of off-balance sheet arrangements with off-balance sheet entities which may have an impact on Nomura's future financial position and performance.

Off-balance sheet arrangements with off-balance sheet entities include where Nomura has:

- an obligation under a guarantee contract;
- a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves to provide credit, liquidity or market risk support to such entity;
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or
- any obligation, including a contingent obligation, arising out of a variable interest in an off-balance sheet entity that is held by, and material to, us, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, us.

Off-balance sheet entities may take the form of a corporation, partnership, fund, trust or other legal vehicle which is designed to fulfill a limited, specific purpose by its sponsor. We both create or sponsor these entities and also enter into arrangements with entities created or sponsored by others.

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In connection with our securitization and equity derivative activities, we also act as a transferor of financial assets to these entities, as well as, underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities. We retain, purchase and sell variable interests in SPEs in connection with our market-making, investing and structuring activities. Our other types of off-balance sheet arrangements include guarantee agreements and derivative contracts. Significant involvement is assessed based on all of our arrangements with these entities, even if the probability of loss, as assessed at the balance sheet date, is remote.

For further information about transactions with VIEs, see Note 6 "*Securitizations and Variable Interest Entities*" in our consolidated financial statements included in this annual report.

(7) Tabular Disclosure of Contractual Obligations

In the ordinary course of our business, we enter into a variety of contractual obligations and contingent commitments, which may require future payments. These arrangements include:

Standby letters of credit and other guarantees:

- In connection with our banking and financing activities, we enter into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have fixed expiration dates.

Long-term borrowings and contractual interest payments:

- In connection with our operating activities, we issue Japanese yen and non-Japanese yen denominated long-term borrowings which incur variable and fixed interest payments in accordance with our funding policy.

Operating lease commitments:

- We lease our office space, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancellable lease agreements which are customarily renewed upon expiration;
- We lease certain equipment and facilities in Japan and overseas under non-cancellable operating lease agreements.

Capital lease commitments:

- We lease certain equipment and facilities in Japan and overseas under capital lease agreements.

Purchase obligations:

- We have purchase obligations for goods and services which include payments for construction, advertising, and computer and telecommunications maintenance agreements.

Commitments to extend credit:

- In connection with our banking and financing activities, we enter into contractual commitments to extend credit, which generally have fixed expiration dates;
- In connection with our investment banking activities, we enter into agreements with clients under which we commit to underwrite securities that may be issued by clients.

Commitments to invest in partnerships:

- We have commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to those partnerships.

Note 8 "*Leases*" in our consolidated financial statements contains further detail on our operating leases and capital leases. Note 10 "*Borrowings*" in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 20 "*Commitments, contingencies and guarantees*" in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

The contractual amounts of commitments to extend credit represent the maximum amounts at risk should the contracts be fully drawn upon, should the counterparties default, and assuming the value of any existing collateral becomes worthless. The total contractual amount of these commitments may not represent future cash requirements since the commitments may expire without being drawn upon. The credit risk associated with these commitments varies depending on our clients' creditworthiness and the value of collateral held. We evaluate each client's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the counterparty.

The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2016.

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 8,422	¥ 13	¥ 7	¥ —	¥ 8,402
Long-term borrowings[1]	8,002,104	652,343	2,160,895	1,892,244	3,296,622
Contractual interest payments[2]	793,173	119,792	196,656	132,917	343,808
Operating lease commitments	150,749	18,758	33,428	23,550	75,013
Capital lease commitments[3]	57,358	4,369	7,928	8,401	36,660
Purchase obligations[4]	33,230	20,913	8,759	1,619	1,939
Commitments to extend credit	782,525	256,992	125,393	160,874	239,266
Commitments to invest	136,204	117,104	—	—	19,100
Total	¥9,963,765	¥1,190,284	¥2,533,066	¥2,219,605	¥4,020,810

(1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.

(2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2016.

(3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.

(4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

Excluded from the above table are obligations that are generally short-term in nature, including short-term borrowings, deposits received at banks and other payables, collateralized agreements and financing transactions (such as reverse repurchase and repurchase agreements), and trading liabilities.

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥1,813 billion for reverse repurchase agreements and ¥535 billion for repurchase agreements as of March 31, 2016.

Item 4. Company Information

1. Share Capital Information

(1) Total Number of Shares

A. Number of Authorized Share Capital

Type	Authorized Share Capital (shares)
Common Stock	6,000,000,000
Class 1 Preferred Stock	200,000,000
Class 2 Preferred Stock	200,000,000
Class 3 Preferred Stock	200,000,000
Class 4 Preferred Stock	200,000,000
Total	6,000,000,000

(Note)

The "Authorized Share Capital" is stated by class and the total is the number of authorized share capital designated in the Articles of Incorporation.

B. Issued Shares

Type	Number of Issued Shares as of March 31, 2016	Number of Issued Shares as of June 23, 2016	Trading Markets	Description
Common Stock	3,822,562,601	3,822,562,601	Tokyo Stock Exchange[2] Nagoya Stock Exchange[2] Singapore Stock Exchange New York Stock Exchange	1 unit is 100 shares
Total	3,822,562,601	3,822,562,601	—	—

(1) Shares that may have increased from exercise of stock options between June 1, 2016 and June 23, 2016 are not included in the number of issued shares as of June 23, 2016.

(2) Listed on the First Section of each stock exchange.

(2) Stock Options

A. Stock Acquisition Right

Name of Stock Acquisition Rights ("SARs")	Number of SARs	Number of Common Stock under SARs (March 31, 2016)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2016)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.28	1,384	138,400	—	From May 1, 2011 to April 30, 2016	1
SARs No.29	398	39,800	14,000	From June 17, 2011 to June 16, 2016	1
SARs No.30	1,140	114,000	48,200	From June 17, 2011 to June 16, 2016	1
SARs No.31	1,160	116,000	Same as left	From August 6, 2011 to August 5, 2016	727
SARs No.32	19,365	1,936,500	1,934,500	From August 6, 2011 to August 5, 2016	727
SARs No.34	3,801	380,100	377,100	From May 19, 2012 to May 18, 2017	1
SARs No.35	6,468	646,800	588,700	From May 19, 2012 to May 18, 2017	1
SARs No.37	13,811	1,381,100	1,371,100	From April 30, 2012 to April 29, 2017	1
SARs No.38	6,470	647,000	646,000	From April 30, 2013 to April 29, 2018	1
SARs No.39	15,943	1,594,300	1,589,700	From November 16, 2012 to November 15, 2017	474
SARs No.40	10,650	1,065,000	1,020,100	From May 25, 2012 to May 24, 2018	1
SARs No.41	13,882	1,388,200	1,316,900	From May 25, 2013 to May 24, 2018	1
SARs No.42	20,474	2,047,400	2,004,800	From May 25, 2014 to May 24, 2018	1
SARs No.43	15,149	1,514,900	1,509,900	From November 16, 2013 to November 15, 2018	299
SARs No.44	9,502	950,200	892,900	From April 20, 2013 to April 19, 2018	1
SARs No.45	15,705	1,570,500	1,472,800	From April 20, 2014 to April 19, 2019	1
SARs No.46	24,641	2,464,100	2,112,200	From April 20, 2015 to April 19, 2020	1
SARs No.47	47,374	4,737,400	2,834,400	From April 20, 2016 to April 19, 2021	1
SARs No.48	47,140	4,714,000	4,710,800	From April 20, 2017 to April 19, 2022	1
SARs No.49	16,464	1,646,400	739,600	From October 20, 2015 to April 19, 2021	1
SARs No.50	16,479	1,647,900	Same as left	From October 20, 2016 to April 19, 2022	1

Name of Stock Acquisition Rights ("SARs")	Number of SARs	Number of Common Stock under SARs (March 31, 2016)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2016)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.51	18,524	1,852,400	1,851,400	From November 13, 2014 to November 12, 2019	298
SARs No.52	10,916	1,091,600	1,066,200	From April 20, 2014 to April 19, 2019	1
SARs No.53	18,838	1,883,800	1,437,800	From April 20, 2015 to April 19, 2020	1
SARs No.54	65,975	6,597,500	4,945,600	From April 20, 2016 to April 19, 2021	1
SARs No.55	26,837	2,683,700	Same as left	From November 19, 2015 to November 18, 2020	828
SARs No.56	25,509	2,550,900	1,972,600	From April 20, 2015 to April 19, 2020	1
SARs No.57	82,853	8,285,300	63,321,000	From April 20, 2016 to April 19, 2021	1
SARs No.58	82,266	8,226,600	8,172,200	From April 20, 2017 to April 19, 2022	1
SARs No.59	13,368	1,336,800	897,700	From March 31, 2015 to March 30, 2020	1
SARs No.60	45,803	4,580,300	2,553,400	From March 31, 2016 to March 30, 2021	1
SARs No.61	91,616	9,161,600	Same as left	From March 31, 2017 to March 30, 2022	1
SARs No.62	27,020	2,702,000	2,698,000	From November 18, 2016 to November 17, 2021	744
SARs No.63	67,484	6,748,400	5,695,700	From April 20, 2016 to April 19, 2021	1
SARs No.64	67,208	6,720,800	6,707,100	From April 20, 2017 to April 19, 2022	1
SARs No.65	66,856	6,685,600	6,672,000	From April 20, 2018 to April 19, 2023	1
SARs No.66	16,683	1,668,300	1,123,000	From November 8, 2015 to November 7, 2020	1
SARs No.67	8,604	860,400	783,500	From May 8, 2016 to May 7, 2021	1
SARs No.68	25,913	2,591,300	2,587,300	From November 18, 2017 to November 17, 2022	809

B. Bond with the stock acquisition right

None

C. Convertible Bonds and Bonds with subscription warrant which are deemed as Bonds with stock acquisition rights according to Article 19, paragraph 2 of Law Amending and Furnishing Commercial Code, etc

None

(3) Conversion of bond with the stock acquisition right with provision of adjustment of conversion price

None

(4) Rights plan

None

(5) Changes in Issued Shares, Common Stock, etc.

Date	Increase/(Decrease) of Issued Shares	Total Issued Shares	Increase/(Decrease) of Common Stock (thousand yen)	Common Stock (thousand yen)	Increase/(Decrease) of Additional paid-in capital (thousand yen)	Additional paid-in capital (thousand yen)
July 1, 2011[(1)]	103,429,360	3,822,562,601	—	594,492,852	35,478,900	559,676,228

(1) Increase due to the Share Exchange Agreement between the Company and Nomura Land and Building Co., Ltd. ("NLB") on which 118 common shares of the Company were allotted for each share of NLB.

(6) Shareholders

	As of March 31, 2016								
	Unit Shareholders (100 shares per 1 unit)								
					Foreign Shareholders				
	Governments and Municipal Governments	Financial Institutions	Securities Companies	Other Corporations	Other than individuals	Individuals	Individuals and Others	Total	Shares Representing Less than One Unit (Shares)
Number of Shareholders	—	200	103	3,451	784	249	388,887	393,674	—
Number of Units Held	—	7,261,668	1,521,292	1,502,000	15,160,722	6,366	12,756,958	38,209,006	1,662,001
Percentage of Units Held (%)	—	19.01	3.98	3.93	39.68	0.02	33.38	100.00	—

(1) Out of 213,040,769 treasury stocks, 2,130,407 units are included in *Individuals and Others* while 69 shares are in *Shares Representing Less than One Unit (Shares)*.
(2) *Other Corporations* includes 20 units held by Japan Securities Depository Center, Inc.

(7) Major Shareholders

Name	Address	As of March 31, 2016 Shares Held (thousand shares)	As of March 31, 2016 Percentage of Issued Shares (%)
State Street Bank and Trust Company 505223	P.O. Box 351 Boston Massachusetts 02101 U.S.A	246,648	6.45
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	135,640	3.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-Ku, Tokyo, Japan	124,589	3.25
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	52,439	1.37
State Street Bank West Client Treaty 505234	1776 Heritage Drive, North Quincy, MA 02171, U.S.A.	52,055	1.36
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	50,608	1.32
The Bank of New York Mellon SA/NV 10	Rue Montoyerstraat 46, 1000 Brussels, Belgium	47,067	1.23
The Bank of New York Mellon as Depositary Bank for DR Holders	C/O The Bank of New York Mellon 101 Barclays Street. 22nd Floor West, New York, NY10286 U.S.A.	43,528	1.13
Barclays Securities Japan Ltd.	Roppongi Hills Forest Tower the 31st floor, 6-10-1, Roppongi, Minato-ku, Tokyo, Japan	42,000	1.09
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	39,075	1.02
Total		833,649	21.80

(1) The Company has 213,040 thousand shares of treasury stock as of March 31, 2016 which is not included in the Major Shareholders list above.
(2) For *Shares Held* in the above, amounts less than thousand shares are discarded.
(3) Harris Associates L.P. submitted reports of substantial shareholding on February 29, 2016 on March 3, 2016 on the number of shares owned as stated below. However, confirmation on the status of these shareholdings as of March 31, 2016 cannot be made and therefore, is not included in the above list of *Major Shareholders*.

Name	Address	As of February 29, 2016 Shares Held (thousand shares)	Percentage of Issued Shares (%)
Harris Associates L.P.	111 South Wacker Drive, Suite 4600, Chicago, IL, U.S.A,	279,672	7.32

(8) Voting Rights

A. Outstanding Shares

		As of March 31, 2016 Number of Shares	Number of Votes	Description
Stock without voting right		—	—	—
Stock with limited voting right (Treasury stocks, etc.)		—	—	—
Stock with limited voting right (Others)		—	—	—
Stock with full voting right (Treasury stocks, etc.)	(Treasury stocks) Common stock	213,040,700	—	—
	(Crossholding stocks) Common stock	1,105,000	—	—
Stock with full voting right (Others)	Common stock	3,606,754,900	36,067,549	—
Shares less than 1 unit	Common stock	1,662,001	—	Shares less than 1 unit (100 shares)
Total Shares Issued		3,822,562,601	—	—
Voting Rights of Total Shareholders		—	36,067,549	—

(1) *Stock with full voting right (Others)* includes 2,000 shares held by Japan Securities Depository Center, Inc. *Shares less than 1 unit* includes 69 treasury stocks.

B. Treasury Stocks

Name	Address	As of March 31, 2016 Directly held shares	Indirectly held shares	Total	Percentage of Issued Shares (%)
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan	213,040,700	—	213,040,700	5.57
(Crossholding Stocks)					
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishi Shinjuku, Shinjuku-Ku, Tokyo, Japan	1,000,000	—	1,000,000	0.03
Takagi Securities Co., Ltd.	1-3-1-400, Umeda, Kita-Ku, Osaka-Shi, Osaka, Japan	100,000	—	100,000	0.00
Nomura Japan Corporation	2-1-3 Nihonbashi, Horidomecho, Chuo-Ku, Tokyo, Japan	5,000	—	5,000	0.00
Total	—	214,145,700	—	214,145,700	5.60

(9) Stock Option System

The Company adopts stock option system utilizing stock acquisition rights.

2. Stock Repurchase

Type of Stock Repurchase of the common stock in accordance with provisions of Articles 155-3 and 155-7 of the Companies Act.

(1) Stock Repurchase resolved by Shareholders' Meeting

None

(2) Stock Repurchase resolved by Board of Directors

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (May 19, 2015) (Purchase period from May 20 to July 28, 2015)	25,000,000	20,000,000,000
Stock repurchased prior to April 1, 2015	—	—
Stock repurchased from April 1, 2015 to March 31, 2016	24,331,100	19,976,847,950
Total shares and amounts resolved	—	—
Percentage not repurchased at year end (%)	2.7	0.1
Repurchases made in the period	—	—
Percentage not repurchased at the date of submission of this annual report (%)	2.7	0.1

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (April 27, 2016) (Purchase period from May 18, 2016 to July 22, 2016)	35,000,000	20,000,000,000
Stock repurchased prior to April 1, 2015	—	—
Stock repurchased from April 1, 2015 to March 31, 2016	—	—
Total shares and amounts resolved	35,000,000	20,000,000,000
Percentage not repurchased at year end (%)	100.0	100.0
Repurchases made in the period	35,000,000	16,324,582,570
Percentage not repurchased at the date of submission of this annual report (%)	—	18.4

(3) Stock Repurchase not based on above (1) or (2)

	Number of Shares	Total Amount (Yen)
Stock repurchased during the year ended March 31, 2016[1]	33,653	25,092,810
Stock repurchased during the period[2]	1,925	912,524

(1) Acceptance of requests for purchasing less-than-a-full-unit-shares.
(2) Repurchases from June 1, 2016 to the reporting date of this annual report are not included.

(4) Disposal and retention of repurchased stock

	Year ended March 31, 2016		Stock repurchased during the period[2]	
	Number of shares	Total amount of disposal (yen)	Number of shares	Total amount of disposal (yen)
Disposal through offering	—	—	—	—
Cancellation	—	—	—	—
Transfer through merger, share exchange and corporate division	—	—	—	—
Others[1]	33,879,686	23,296,589,894	12,210,353	8,114,925,435
Treasury stocks	213,040,769	—	226,070,241	—

(1) Others are for purchasing less-than-a-full-unit-shares and disposal for exercise of stock acquisition rights.
(2) Repurchases or disposals from June 1, 2016 to the reporting date of this annual report are not included.

3. Dividend Policy

The Company seeks to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, Nomura maintains sufficient capital to support its business. It reviews its capital sufficiency as appropriate, taking into consideration economic risks inherent in its businesses, regulatory requirements, and maintenance of a sufficient debt rating for a global financial institution.

The Company believes that raising shareholder value over the long term and paying dividends are essential to rewarding shareholders. It will strive to pay stable dividends using a consolidated payout ratio of 30 percent as a key indicator.

However, dividend payments for period will be determined taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment as well as the company's consolidated financial performance.

The payment frequency is semi-annual in principle (record dates: September 30 and March 31).

As for retained earnings, the Company intends to invest in business areas where high profitability and growth may reasonably be expected, including development and expansion of infrastructure such as IT system and retail, to maximize shareholder value, while giving due regard to potential regulatory changes as mentioned above.

Acquisition of treasury stocks is considered as one of the choices in the financial policy in order to take flexible action to the changes in the business environment. Approved treasury stock acquisition will be disclosed without delay and executed according to the Company's policy.

(Dividends for the year ended March 31, 2016)

In line with its dividend policy for the year ended March 31, 2016, the Company paid a dividend of ¥10 per share to shareholders of record as of September 30, 2015. Based on the same dividend policy, we paid a dividend of ¥3 yen per share to shareholders of record as of March 31, 2016. As a result, the annual dividend totaled ¥13 per share.

The details of dividends from retained earnings in the year ended March 31, 2016 are as follows.

Decision date	Record date	Total dividend value (millions of yen)	Dividend per share (yen)
Board of Directors October 28, 2015	September 30, 2015	35,983	10.00
Board of Directors April 27, 2016	March 31, 2016	10,829	3.00

4. Stock Price History

(1) Annual Highs and Lows over the last five years

Year Ending	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
High (Yen)	436	608	980	757.0	909.2
Low (Yen)	223	241	535	576.2	442.8

Stock prices in the first section of Tokyo Stock Exchange

(2) Monthly Highs and Lows over the last six months

Month	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016
High (Yen)	809.0	800.0	754.6	681.9	682.1	553.7
Low (Yen)	678.4	727.5	664.0	568.2	442.8	467.0

Stock prices in the first section of Tokyo Stock Exchange

6. Status of Corporate Governance and Other

(1) Status of Corporate Governance

Underlying Concept of Corporate Governance

The Company recognizes that enhancement of corporate governance is one of the top priorities for the Company to achieve its management visions "to enhance corporate value by deepening society's trust in the firm and increasing the satisfaction of stakeholders, including that of shareholders and clients." On this basis, the Company is committed to strengthening and to improving its governance framework by ensuring effectiveness of management oversight and transparency in the Company's management and at the same time expediting the decision-making process within the Nomura Group.

Although Japan's Corporate Governance Code went into effect in June 2015, we had already been moving forward with a number of initiatives to reinforce our corporate governance prior to this.

In 2001, when the Company adopted a holding company structure and was listed on the New York Stock Exchange (NYSE), the Company installed Outside Directors and established an Internal Controls Committee, a Compensation Committee (comprised of a majority of Outside Directors) and an Advisory Board of eminent persons from outside the Company, and further improved its information disclosure system.

Beginning in 2003, the Company further strengthened and increased the transparency of the Company's oversight functions by adopting the governance structure under which management oversight and business execution functions are clearly separated ("Company with Three Board Committees"), and established the Nomination, Audit and Compensation Committees, and the majority of the members of each committee are Outside Directors. At the same time, considerable authority for the execution of business functions has been delegated to the Company's Executive Officers to expedite the decision-making process within the Nomura Group.

In addition, the Company is striving to fulfill its responsibility to all stakeholders by establishing the "Code of Ethics of Nomura Group" in 2004, which specifies matters to be observed by each director, officer and employee of the Nomura Group with respect to corporate governance and corporate social responsibility.

Further, in November 2015, recognizing the perspectives of various stakeholders beginning with shareholders and clients, the Company has established the "Nomura Holdings Corporate Governance Guidelines" with the aim of defining, and to contribute to realizing, a framework of effective corporate governance as a structure for transparent/fair and timely/decisive decision-making. The "Nomura Holdings Corporate Governance Guidelines" can be accessed from the Company's website (http://www.nomuraholdings.com/company/cg/data/cg_guideline.pdf).

Summary of the corporate governance structure and reasons for adopting such structure

The Company is a Company with Three Board Committees. The Company determined that the Company with Three Board Committees structure is the most suitable form of corporate governance at this point in time for the reasons below.

The Company with Three Board Committees structure enhances oversight functions by clearly separating management oversight and business execution functions. The Company with Three Board Committees structure expedites the decision-making process by broadly delegating authority for the execution of business functions from the Board of Directors to the Executive Officers. Further, the Company with Three Board Committees structure increases transparency by establishing the Nomination, Audit and Compensation Committees, and the majority of the members of each committee are Outside Directors. Among the various organizational structures the Company could have chosen to adopt, the Company believes that the Company with Three Board Committees structure is the most compatible with the corporate governance standards which form a part of the NYSE (which the company is listed on) Listed Company Manual.

The outline of the Company's Corporate Governance Structure is as follows:

<The Board of Directors and Committees>

In accordance with a general rule that the majority of the Board of Directors shall be Outside Directors to perform its management oversight functions appropriately, six out of the eleven Directors of the Company's Board of Directors are Outside Directors, aiming for transparent management under oversight with an emphasis on external perspective.

As an entity that has adopted the Company with Three Board Committees structure, the Board of Directors and the Audit Committee perform the central role in management oversight functions within the Company. The Chair of the Board of Directors is held by a Director who is not concurrently serving as an Executive Officer, allowing the Board of Directors to better oversee the business conducted by the Executive Officers. The Audit Committee is chaired by an Outside Director, making its independence from the management even clearer.

The overview of the roles and members, etc., of each Committee are as follows:

(1) Nomination Committee

This Committee is a statutory organ which determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders. The three members of the committee are elected by the Board of Directors. The current members of this Committee are: Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Takao Kusakari and Hiroshi Kimura. This Committee is chaired by Nobuyuki Koga.

(2) Audit Committee

This Committee is a statutory organ which (i) audits the execution by the Directors and Executive Officers of their duties and the preparation of audit reports and (ii) determines the details of proposals concerning the election, dismissal, and non-reappointment of the independent auditors to be submitted to general meetings of shareholders. The three members of the Committee are elected by the Board of Directors. The current members of the Committee are: Outside Directors Noriaki Shimazaki and Toshinori Kanemoto, and a Director not concurrently serving as an Executive Officer and a full-time member, Hisato Miyashita. This Committee is chaired by Noriaki Shimazaki. All members satisfy requirements for independence as defined in the Sarbanes-Oxley Act of 2002, and Noriaki Shimazaki is a Financial Expert under this Act and has comprehensive knowledge in the areas of finance and accounting.

(3) Compensation Committee

This Committee is a statutory organ which determines the Company's policy with respect to the determination of the details of each Director and Executive Officer's compensation. The committee also determines the details of each Director and Executive Officer's actual compensation. The three members of the committee are elected by the Board of Directors. The current members of this committee are: Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Takao Kusakari and Hiroshi Kimura. This Committee is chaired by Nobuyuki Koga.

<Outside Director>

Six out of the eleven Directors of the Company's Board of Directors are Outside Directors. The Outside Directors, including corporate managers, an attorney and accountants, possess diverse backgrounds. The Company believes that having Outside Directors make statements based on their extensive experience and knowledge from their field of expertise diversifies and activates the discussions of the Board of Directors and each of the Nomination, Audit and Compensation Committees. Such activities of the Outside Directors have played a significant role in determining important managerial matters and overseeing the business execution of the Company and the Company recognizes that the status of the appointment of Outside Directors is appropriate.

As for decisions on resolutions to appoint/dismiss Outside Directors, the Company's Nomination Committee sets specific selection standards based on factors such as personality, insight, expertise and experience in corporate management and makes decisions based on such standards. In addition, the Company's "Independence Criteria for Outside Directors" is set forth below. Furthermore, as none of the Outside Directors fall under the categories set down by the Exchange for which independence is considered suspect, and since there is no danger of a conflict of interest arising with the general shareholders, the Company has designated all six Outside Directors as "Independent Directors," and has notified the Exchange accordingly.

“Independence Criteria for Outside Directors of Nomura Holdings, Inc.”

Outside Directors of Nomura Holdings, Inc. (the “Company”) shall satisfy the requirements set forth below to maintain their independence from the Nomura Group.

1. The person, currently, or within the last three years, shall not correspond to a person listed below.
   (1) Person Related to the Company

   A person satisfying any of the following requirements shall be considered a Person Related to the Company:

   - Executive (*1) of another company where any Executive of the Company serves as a director or officer of that company;
   - Major shareholder of the Company (directly or indirectly holding more than 10% of the voting rights) or Executive of such major shareholder; or
   - Partner of the Company’s accounting auditor or employee of such firm who works on the Company’s audit.

   (2) Executive of a Major Lender (*2) of the Company.

   (3) Executive of a Major Business Partner (*3) of the Company (including Partners, etc.).

   (4) A person receiving compensation from the Nomura Group of more than 10 million yen per year, excluding director/officer compensation.

   (5) A person executing the business of an institution receiving more than a Certain Amount of Donation (*4) from the Company.
2. The person’s spouse, relatives within the second degree of kinship or anyone who lives with the person shall not correspond to a person listed below (excluding persons in unimportant positions):
   (1) Executive of the Nomura Group; or

   (2) A person identified in any of subsections (1) ~ (5) in Section 1 above.

(Notes)

*1: Executive shall mean Executive Directors (*gyoumu shikkou torishimariyaku*), Executive Officers (*shikkouyaku*) and important employees (*jyuuyou na shiyounin*), including Senior Managing Directors (*shikkouyakuin*), etc.
*2: Major Lender shall mean a lender from whom the Company borrows an amount equal to or greater than 2% of the consolidated total assets of the Company.
*3: Major Business Partner shall mean a business partner whose transactions with the Company exceed 2% of such business partner’s consolidated gross revenues in the last completed fiscal year.
*4: Certain Amount of Donation shall mean, with respect to any given institution, any amount that exceeds 2% of the donee institution’s gross revenue or ordinary income, whichever is greater, or donations that exceed 10 million yen per year.

<Business Execution Framework>

The Board of Directors has, to the extent permitted by laws and regulations, delegated to the Executive Officers decision making authority for business execution functions to ensure that the Executive Officers can execute the Company’s business with speed and efficiency. Among the matters delegated to the Executive Officers by resolutions adopted by the Board of Directors, the most important matters of business must be decided upon deliberation by specific management bodies within the Company including the Executive Management Board, the Group Integrated Risk Management Committee, and the Internal Controls Committee. These management bodies are required to report to the Board of Directors on the status of their deliberations at least once every three months. The roles and members of each management body are outlined below.

(1) Executive Management Board

This Board is chaired by the Group Chief Executive Officer (“Group CEO”) and also consists of the Group Chief Operating Officer (“Group COO”) and other persons designated by the Group CEO. The Executive Management Board deliberates and determines management strategies, business plans, budgets, allocation of management resources, and other important matters related to the management of the Nomura Group.

(2) Group Integrated Risk Management Committee

This committee is chaired by the Group CEO and also consists of the Group COO, Division Heads (responsible for execution of business in each division), Chief Risk Officer, Chief Financial Officer (CFO), Chief Legal Officer, Co- CRO and other persons designated by the Group CEO. The Executive Management Board has delegated authority to the Group Integrated Risk Committee to deliberate and determine important matters concerning enterprise risk management of the Nomura Group. Please refer to Item 2 “*(4) Quantitative and Qualitative Disclosures about Market Risk*” of the Section 6. “*Operating and Financial Analysis*” for other information relating to the status of the risk management system.

(3) Internal Controls Committee

This committee is chaired by the Group CEO, any person(s) designated by the Group CEO, an Audit Committee member elected by the Audit Committee, and a Director elected by the Board of Directors. The Internal Controls Committee deliberates and decides upon matters concerning basic framework for evaluating internal control with respect to the Nomura Group's business, and matters related to the promotion of proper corporate behavior throughout the Nomura Group.

In order to further bolster the Company's business execution framework for financial operations that are becoming increasingly sophisticated and specialized, the Company utilizes a system whereby the Executive Officers delegate a part of their authority for business execution decisions to Senior Managing Directors, who focus on individual business and operations.

In addition to the above, an "Advisory Board", consisting of external leaders with extensive expertise, has been established as a consultative panel for the Executive Management Board to utilize outside opinions in planning the Company's management strategies.

Management Organizations

Status of the Internal Controls System and Status of the Internal Controls System of the Subsidiaries

The Company is committed to strengthening and improving its internal controls system in order to promote proper corporate behavior throughout the Nomura Group, from the viewpoints of ensuring management transparency and efficiency, complying with laws and regulations, controlling risks, ensuring the reliability of business and financial reports and fostering the timely and appropriate disclosure of information.

The internal controls system in the Company has been implemented based on a resolution adopted by the Board of Directors under the title "Structures for Ensuring Appropriate Operations at Nomura Holdings, Inc.," which also includes matters regarding maintenance of internal control system as a group. Further, based on the content of the resolution of the Company, each Nomura Group company maintains internal control system that reflects the actual conditions of each company.

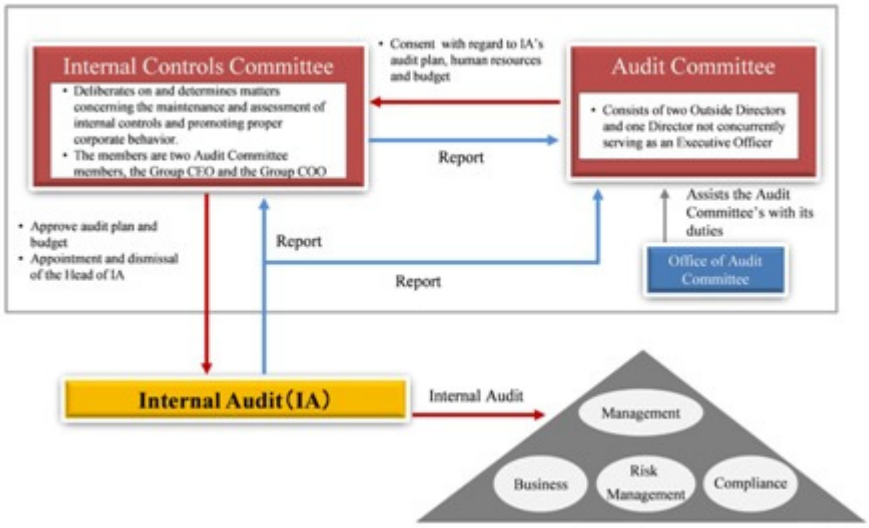
Organization, personnel and procedures for internal audits and audits by the Audit Committee/Cooperation in conducting internal audits, audits by the Audit Committee and accounting audits, and their relationship with the Internal Audit Department

The Company established an Office of Audit Committee to support the Audit Committee. Either the Audit Committee or an Audit Committee member elected by the Audit Committee performs personal evaluations of the staff employees working in the Office of Audit Committee, and the consent of either the Audit Committee or an Audit Committee member elected by the Audit Committee is required for recruitments, transfers, and discipline of employees serving in the Office of Audit Committee. Further, in order to increase the effectiveness of audit work, a non-executive full-time Director familiar with the business and organization of Nomura Group may be appointed as a full-time member of the Audit Committee or an Audit Mission Director as necessary.

Further, in order to ensure effective and adequate internal controls, the Group Internal Audit Department which is independent from the business execution functions and other similar audit sections placed in major affiliated subsidiaries conduct internal audits of the Company and its subsidiaries. The implementation status of the internal audit is reported to the Internal Controls Committee, which includes a member of the Audit Committee, and the matters discussed at the Internal Controls Committee are also reported to the Board of Directors. In addition, the Audit Committee is coordinating with the Internal Audit Division by receiving reports, as necessary, directly from the Senior Managing Director in charge of internal audits or indirectly through Audit Committee Members, regarding matters such as the maintenance, operational status and implementation status of the internal audit structure, and concerning any matters worthy of special mention, such matters are included in the periodic reports from the Audit Committee to the Board of Directors. Through such reports, the Outside Directors recognize challenges, etc., based on the internal audits and provide advice, etc., as necessary, to executives.

In addition, to strengthen the independence of the internal audit sections from the business execution functions, implementation plans and formulation of the budget of the Internal Audit Division, as well as the election and dismissal of the Head of the Internal Audit Division require the consent of the Audit Committee, or a member of the Audit Committee designated by the Audit Committee. Audit Committee members may recommend to Executive Officers changes to the implementation plan, additional audit procedures or improvement plan preparations.

The Audit Committee has the authority to approve the accounting auditor's annual audit plan, hear reports and explanations regarding the accounting audit from the accounting auditor at least once each quarter, exchange information from time to time with the accounting auditor, audit the method and result of the accounting auditor's audits in view of the appropriateness thereof and examine the relevant financial statements, etc. In addition, audit fees to be paid to the accounting auditor are approved by the Audit Committee upon an explanation from the CFO. Furthermore, regarding services rendered by the accounting auditor and its affiliates' to the Company and its subsidiaries and the fees to be paid, the Company has a procedure for deliberation and prior approval by the Audit Committee upon the request of the CFO, pursuant to the U.S. Sarbanes-Oxley Act of 2002 and the relevant rules of the U.S. Securities and Exchange Commission.



Compensation

(1) Compensation policy

We have developed our compensation policy for both executives and employees of the Nomura Group to enable us to achieve sustainable growth, realize a long-term increase in shareholder value, deliver client excellence, compete in a global market and enhance our reputation. Our compensation policy is based around the following six key themes. It aims to:

1. align with Nomura values and strategies;
2. reflect group, divisional and individual performance;
3. establish appropriate performance measurement with a focus on risk;
4. align employee and shareholder interests;
5. establish appropriate compensation structures; and
6. ensure robust governance and control processes.

(2) Compensation governance

The Compensation Committee of Nomura, which is a statutory committee, is responsible for approving our overall compensation policy and for ensuring that the Nomura Group's compensation framework supports our business strategy.

The Company has delegated authority to the Human Resources Committee ("HRC") to develop and to implement the Nomura Group's compensation policy. The HRC's responsibilities include:

- approving the compensation framework, while taking into account necessary factors to ensure that all staff, including members of executive management, are provided with appropriate incentives to enhance their performance and are rewarded for their individual contributions to the success of our business globally;
- approving the total bonus pool and its allocation to each business;
- reviewing the performance measures of senior executives to ensure that compensation reflects the performance of both individuals and our business globally;
- continually reviewing the appropriateness and relevance of our compensation policy; and
- approving any major changes in employee benefits structures globally;

Current members of the HRC include the Group CEO (as Chairman of the Committee), Group COO, CFO, Chief Risk Officer ("CRO"), Chief of Staff and heads of Human Resources.

(3) Nomura's compensation framework

Nomura delivers compensation to executives and employees through fixed and variable components. The key objectives of these components are provided below, together with the specific elements of each component.

Compensation Components	Objectives	Specific Elements
Fixed Compensation	• Rewards individuals for their knowledge, skills, competencies and experiences • Reflects local labour market standards • Reflects practices of local labour markets to deliver allowances as a part of fixed compensation to individuals	• Base salary • Housing allowances • Overtime pay
Variable Compensation	• Rewards team and individual performances, and their contribution to results as well as the Company's strategic and future value • Reflects appropriate internal and market-based peer comparisons • Reflects broad views on compensation, including individual performances, approaches to risk, compliance and cross-divisional cooperation	• Cash bonuses • Deferred compensation

Note: Benefits driven by local market regulations and practices are not included in the above.

From April, 2014, Fixed Compensation in EMEA was revised in line with regulations on remunerations in European countries.

(4) Variable Compensation

Cash bonuses

A proportion of variable compensation is delivered in the form of a cash payment following the end of the fiscal year. Individuals with higher levels of compensation receive a lower proportion in cash. This is in line with regulatory guidance, and while the policy is global in application, specific local regulatory requirements will be adhered to when deciding on proportions of cash bonuses.

Deferred compensation

Certain senior management and employees whose compensation is above a certain level receive a portion of their variable compensation through deferred compensation awards. By linking the economic value of a part of compensation to Nomura's stock price and imposing certain vesting periods, such plans will:

- align employee interest with that of shareholders;
- increase employee retention through providing opportunities to grow personal wealth over the period from grant to vesting; and
- encourage cross-divisional and cross-regional collaboration by focusing individuals on a common goal of long-term increase in corporate value.

As a result of these benefits, deferred compensation awards are also recommended by regulators in the key jurisdictions in which we operate.

The deferral period over which our deferred compensation awards vest is generally three or more years. This is in line with the "Principles for Sound Compensation Practices" issued by the FSB, which recommends, among other things, a deferral period of three or more years. Deferred compensation awards are also generally reduced, forfeited or clawed back in the event of:

- voluntary termination of employment;
- material restatement in our consolidated group financial statements;
- material violation of policies of Nomura; and
- material detriment to the business or reputation of Nomura.

Deferred compensation awards for the fiscal year ended March 31, 2013 and subsequent fiscal years which are delivered to senior management and employees who exceed certain compensation levels will also be reduced, forfeited or clawed back in the event of a material downturn in performance of the Nomura group and/or a material failure of risk management.

Furthermore, stricter terms and conditions for reduction, forfeiture and clawback were introduced into deferred compensation awards for the fiscal year ended March 31, 2015 and subsequent fiscal years.

Certain deferred compensation awards delivered in respect of the fiscal years ended March 31, 2013 and March 2014 include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria are met. Awards in respect of the fiscal year ended March 31, 2015 and subsequent fiscal years include similar FCR provisions, however the ability of the recipient to claim FCR in the first year of the award is now limited to a pre-defined election window which closes at a certain day.

Nomura's deferred compensation awards currently comprise core deferral awards and supplemental deferral awards.

1. Core deferral awards

(a) Stock Acquisition Right ("SAR") awards

Nomura has issued the following two types of SAR awards.

- SAR Plan A awards

  The Company issues SAR Plan A awards linked to price of the Company's common stock pursuant to several stock option plans. These awards vest and are exercisable into the Company's common stock two years after grant date, expire approximately seven years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is generally not less than the fair value of the Company's common stock on grant date. The awards qualify as SARs under Japanese tax law and are therefore delivered primarily to employees in Japan.

- SAR Plan B awards

  The Company issues SAR Plan B awards linked to price of the Company's common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company's common stock approximately half to five years after grant date, expire approximately five and a half to ten years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

  This plan is intended to offer a similar economic effect as restricted stock, as commonly used in the U.S. and Europe. Options are granted with an exercise price of ¥1 per share.

(b) Notional Stock Unit ("NSU") awards

NSU awards are cash-settled awards linked to the price of the Company's common stock which are designed to replicate the key features of SAR Plan B awards described above but are settled in cash rather than exercisable into the Company's common stock. This allows equity-linked awards to be made in countries where SARs are less favorably treated from tax or other perspectives. These awards have graded vesting over five years from grant date and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

2. Supplemental deferral awards

Beginning with the fiscal year ended March 31, 2011, we have also delivered deferred compensation to certain senior management and employees through supplemental deferral awards which are in additional to the core deferral awards described above. These awards reinforce our goals of retaining and motivating our key talent in the competitive market place. These awards have graded vesting over five years after grant date.

(a) Collared Notional Stock Unit ("CSU") awards

CSU awards are linked to the value of the Nomura's stock price subject to a cap and a floor.

(b) Notional Indexed Unit ("NIU") awards

NIU awards are linked to a world stock index quoted by Morgan Stanley Capital International. Other material terms, including deferral period and vesting conditions, are the same as those for CSUs.

(5) Consistency with risk management and linkage to performance

In determining aggregate compensation, Nomura considers the ratio of compensation and benefit expenses to adjusted net income (defined as net income before income taxes and before deduction of compensation and benefits expenses followed by a specific risk adjustment). The risk adjustment to income is determined by deducting a certain proportion of economic capital from each division's revenue. Such economic capital comprehensively recognizes quantitatively assessed risks, and reflects various risks including market, credit, liquidity, and operational risks.

Nomura recognizes that its aggregate compensation should maintain consistency with the current financial soundness and future prospects of Nomura, and that it should not have significant impact on capital adequacy in the future.

(6) Compensation for Directors and Executive Officers

Pursuant to the fundamental approach and framework of compensation as described above, and as a company which adopts a committee-based corporate governance system, a Compensation Committee of Nomura determines compensation of its Directors and Executive Officers in accordance with our applicable compensation policy.

1. Aggregate compensation

		Millions of yen			
		Year ended March 31, 2016			
	Number of Directors or Executive Officers[1]	Basic Compensation[2][3]	Bonus	Deferred Compensation[4]	Total
Directors	10	¥ 302	¥ 36	¥ 73	¥ 411
(Outside Directors included in above)	(7)	(160)	(—)	(—)	(160)
Executive Officers	7	501	169	495	1,165
Total	17	¥ 803	¥ 205	¥ 568	¥1,576

(1) There were 10 Directors and 7 Executive Officers as of March 31, 2016. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.
(2) Basic compensation of ¥803 million includes other compensation (such as commuter pass allowances) of ¥0.3 million.
(3) In addition to basic compensation, 10 million yen of corporate housing costs, such as housing allowance and related tax adjustments, were provided.
(4) Deferred compensation represents amounts recognized as compensation and benefit expense during the year ended March 31, 2016 in respect of awards such as SARs granted during the year ended March 31, 2016 and prior years.
(5) Subsidiaries of the Company paid ¥52 million to Outside Directors as compensation etc. for their directorship at those subsidiaries for the year ended March 31, 2016.
(6) The Company abolished retirement bonuses to Directors in 2001.

2. Individual compensation of Directors and Executive Officers receiving ¥100 million or more

			Millions of yen						
			Fixed Remuneration (Basic Compensation)			Variable Compensation[1]			
Name	Company	Category	Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	Deferred Compensation (SARs, etc.)	Total	Total
Nobuyuki Koga	Nomura	Director	¥ 83	¥ —	¥ 83	¥ 29	¥ 58	¥ 87	¥170
Koji Nagai[2]	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	42	83	125	244
Atsushi Yoshikawa	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	31	61	92	200
Tetsu Ozaki	Nomura	Executive Officer	66	13	79	22	44	66	145
Toshio Morita	Nomura	Executive Officer	60	13	73	40	79	119	192
Kunio Watanabe	Nomura	Executive Officer	60	13	73	20	41	61	134
Shoichi Nagamatsu	Nomura	Executive Officer	60	13	73	15	31	46	119

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2016.
(2) In addition to basic compensation, 10 million yen of corporate housing costs, such as housing allowance and related tax adjustments, were provided.

Status of Equity Investment

(1) Equity investment not for pure investment purpose

Number of the different securities:	306 securities
Amount on balance sheet:	¥112,158 million

(2) Equity investments not for pure investment purpose by security, number of shares, amount on balance sheet and holding purpose.

(Year ended March 31, 2015)

Name of security	Number of shares (‘000 shares)	Amount on balance sheet (Millions of yen)	Holding purpose
Toyota Motor Corporation	3,553	29,785	To enhance business relationship
DENTSU INC.	2,400	12,360	Same as above
Asahi Group Holdings, Ltd.	2,650	10,106	Same as above
Japan Exchange Group, Inc	2,215	7,718	Same as above
The Chiba Bank, Ltd.	5,693	5,021	Same as above
Resona Holdings, Inc.	7,905	4,716	Same as above
SURUGA bank, Ltd.	1,136	2,835	Same as above
The Gunma Bank, Ltd.	3,168	2,572	Same as above
Benesse Holdings, Inc.	568	2,146	Same as above
The Hiroshima Bank, Ltd.	3,000	1,944	Same as above
Mitsui Fudosan Co., Ltd.	516	1,821	Same as above
The Shizuoka Bank, Ltd.	1,500	1,800	Same as above
Nankai Electric Railway Co., Ltd.	3,316	1,645	Same as above
HIROSE ELECTRIC CO., LTD.	105	1,632	Same as above
Takashimaya Company, Limited	1,379	1,629	Same as above
THE NISHI-NIPPON CITY BANK, LTD.	4,610	1,609	Same as above
NIPPON EXPRESS CO., LTD.	2,060	1,384	Same as above
The Iyo Bank, Ltd.	934	1,333	Same as above
The Musashino Bank, Ltd.	313	1,264	Same as above
The Juroku Bank, Ltd.	2,617	1,154	Same as above
Hokuhoku Financial Group, Inc.	4,132	1,107	Same as above
Nippon Television Holdings, Inc.	548	1,097	Same as above
Heiwa Corporation.	400	944	Same as above
Daiko Securities Business Co., Ltd.	1,071	901	Same as above
The Joyo Bank, Ltd.	1,298	802	Same as above
The Aomori Bank, Ltd.	2,040	790	Same as above
Japan Securities Finance Co., Ltd.	1,000	759	Same as above
North Pacific Bank, Ltd.	1,670	758	Same as above
Higo Bank, Ltd.	1,000	737	Same as above
TOKYO TY Financial Group, Inc.	218	703	Same as above

(Year ended March 31, 2016)

Name of security	Number of shares ('000 shares)	Amount on balance sheet (Millions of yen)	Holding purpose
Toyota Motor Corporation	3,553	21,147	To enhance business relationship
DENTSU INC.	2,400	13,560	Same as above
Asahi Group Holdings, Ltd.	2,650	9,294	Same as above
Japan Exchange Group, Inc	4,429	7,636	Same as above
The Chiba Bank, Ltd.	5,693	3,194	Same as above
Resona Holdings, Inc.	7,905	3,175	Same as above
SURUGA bank, Ltd.	1,136	2,247	Same as above
Nankai Electric Railway Co., Ltd.	3,316	2,026	Same as above
Benesse Holdings, Inc.	568	1,839	Same as above
The Gunma Bank, Ltd.	3,168	1,473	Same as above
Mitsui Fudosan Co., Ltd.	516	1,449	Same as above
HIROSE ELECTRIC CO., LTD.	105	1,303	Same as above
Takashimaya Company, Limited	1,379	1,298	Same as above
The Hiroshima Bank, Ltd.	3,000	1,233	Same as above
The Shizuoka Bank, Ltd.	1,500	1,218	Same as above
NIPPON EXPRESS CO., LTD.	2,060	1,055	Same as above
Nippon Television Holdings, Inc.	548	1,018	Same as above
Daiko Securities Business Co., Ltd.	1,071	935	Same as above
Heiwa Corporation.	400	933	Same as above
THE NISHI-NIPPON CITY BANK, LTD.	4,610	917	Same as above
ULVAC, Inc.	247	910	Same as above
Kyushu Financial Group, Inc.	1,395	906	Same as above
The Musashino Bank, Ltd.	313	888	Same as above
The Juroku Bank, Ltd.	2,617	879	Same as above
The Iyo Bank, Ltd.	934	688	Same as above
The Aomori Bank, Ltd.	2,040	669	Same as above
Hokuhoku Financial Group, Inc.	4,132	611	Same as above
TOKYO TY Financial Group, Inc.	218	571	Same as above
C. Uyemura & Co., Ltd.	114	547	Same as above
The Awa Bank, Limited	1,000	545	Same as above

(3) Equity investments for pure investment purpose

	Millions of yen				
	Year ended March 31, 2015	Year ended March 31, 2016			
	Total amount on balance sheet	Total amount on balance sheet	Total dividends received	Total gains on sale	Total gains on valuation
Non-listed securities	—	—	—	—	—
Listed securities	7,339	7,200	119	—	4,037

Regulations regarding the Number of Directors

The Company's Articles of Incorporation provide for not more than 20 Directors.

Requirements for a Resolution to Appoint Directors

The Company's Articles of Incorporation provide that a resolution for the appointment of Directors shall be adopted at a general meeting of shareholders with a vote in favor by a simple majority of the voting rights held by the shareholders present at a meeting attended by shareholders entitled to exercise voting rights holding in aggregate 1/3 or more of the total voting rights. The Company's Articles of Incorporation also provide that no cumulative voting shall be used for the appointment of Directors.

Requirements for a "Special" Resolution at the General Meeting of Shareholders

The Company's Articles of Incorporation provide that any resolution under Article 309, Paragraph 2 of the Companies Act must be adopted with a vote in favor by 2/3 of the voting rights held by the shareholders at a meeting attended by shareholders entitled to exercise voting rights holding in aggregate 1/3 or more of the total voting rights.

Decision-Making Body for Dividends, etc.

In order for the Company to return profit to the shareholders and execute capital policy by responding flexibly to changes in the business environment, the Company's Articles of Incorporation provide that dividend distributions, etc., under Article 459, Paragraph 1 of the Companies Act must be approved by a resolution adopted by the Board of Directors, instead of a resolution adopted by the general meeting of shareholders, unless otherwise prescribed by law.

Release for Directors and Executive Officers

In order for the Directors and Executive Officers to perform their expected roles in the execution of their duties, the Company's Articles of Incorporation provide that Directors (including former Directors) and Executive Officers (including former Executive Officers) can be released from Companies Act Article 423 Paragraph 1 liability by a resolution adopted by the Board of Directors pursuant to Article 426 Paragraph 1 of the Companies Act, up to the amount specified in applicable laws and regulations.

Limitation of Liability Agreement

The Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages (limitation of liability agreements) with Directors Hisato Miyashita, David Benson and all of the Outside Directors. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

Preferred Stock

In order for the Company to secure flexibility of financing and to quickly respond to changes in the economic and business environments, the Company's Articles of Incorporation enables the Company to issue preferred stock with no voting rights, in addition to common stock. The unit for preferred stock is 100 shares, which is the same as the unit for common stock. The shareholders of preferred stock may not exercise voting rights with regard to any proposals at a general meeting of shareholders, as long as such shareholders of the preferred stock receive preferred dividends that are paid in priority to the shareholders of the common stock.

As of the date of this report, the Company has only issued common stock.

Names of the certified public accountants who executed the audit work, name of the audit corporation to which the certified public accountants belong, and composition of the assistants assigned to the audit work

1. Names of the certified public accountants who executed the audit work and name of the audit corporation to which the certified public accountants belong

Designated and Operating Partner Tadayuki Matsushige	Ernst & Young ShinNihon LLC
Designated and Operating Partner Noboru Miura	Ernst & Young ShinNihon LLC
Designated and Operating Partner Yuichiro Sakurai	Ernst & Young ShinNihon LLC
Designated and Operating Partner Toyohiro Fukata	Ernst & Young ShinNihon LLC

Personal profiles are not provided, as none of the above accountants have records of more than seven years of continuous service as auditors of the Company.

2. Composition of the assistants assigned to the audit work

Certified public accountants:	twenty eight (28) persons
Others:	eighty one (81) persons

Others include those who passed the Certified Public Accountant Examination and system auditors.

(2) Audit fees, etc

1. Details of fees to Ernst & Young ShinNihon LLC

	(in millions of yen)			
	Year ended March 31, 2015		Year ended March 31, 2016	
	Audit	Non-audit	Audit	Non-audit
Company	¥ 858	¥ 18	¥ 849	¥ 17
Consolidated subsidiaries	380	119	363	92
Total	¥ 1,238	¥ 137	¥ 1,212	¥ 109

2. Details of significant fees to Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC is a member firm of Ernst & Young. Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC also provide a various type of services, such as audit services, audit-related services, tax services and other services with the Company and its consolidated subsidiaries. The following table presents information about fees for those services provided by Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC.

	Millions of yen Year ended March 31, 2015	Millions of yen Year ended March 31, 2016
Audit Fees	¥ 2,047	¥ 1,912
Audit-Related Fees	124	120
Tax Fees	139	148
All Other Fees	570	343
Total	¥ 2,880	¥ 2,523

3. Details of non-audit services provided by Ernst & Young ShinNihon for the Company

Ernst & Young ShinNihon LLC provides certain non-audit services, such as, accounting advice and comfort letter, which are not included in the scope of services prescribed in Article 2, Paragraph 1 of Certified Public Accountants Act, with the Company.

4. Approval of audit fees

Our Audit Committee is to agree on audit fee level for Ernst & Young ShinNihon LLC after our Chief Financial Officer ("CFO") considers the appropriate fee level in order to practice a high quality audit based on the previous performance, audit scope, audit procedure, audit system, annual plans and etc. With respect to non-audit services to be provided by Ernst & Young ShinNihon LLC, Ernst & Young and its member firm companies, our Audit Committee receives the application from our CFO and makes the pre-approval decision on these services after reviewing the details and estimated fee levels for each engagement, pursuant to its internal policies.

Item 5. Financial Information

1. Preparation Method of Consolidated Financial Statements and Unconsolidated Financial Statements

(1) Pursuant to Article 95 of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976), the consolidated financial statements were prepared in accordance with the accounting principles which are required in order to issue American Depositary Shares ("ADS"), i.e., the accounting principles generally accepted in the United States of America ("U.S. GAAP").

(2) The consolidated financial statements were prepared by making necessary adjustments to the financial statements of each consolidated company which were prepared in accordance with the accounting principles generally accepted in each country. Such adjustment has been made to comply with above-mentioned principles in (1).

(3) The unconsolidated financial statements of the Company were prepared based on the "Ordinance on Terminology, Forms and Preparation Methods of Financial Statements"(Ministry of Finance Ordinance No. 59, 1963) (the "Ordinance"). Also, the financial statements of the Company are prepared in accordance with Article 127 of the Ordinance.

2. Audit Certificate

Under Article No.193-2-1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed audits of the consolidated and unconsolidated financial statements for the year ended March 31, 2016.

3. Specific efforts to ensure the appropriateness of the consolidated financial statements

The Company makes specific efforts to ensure the appropriateness of its consolidated financial statements. Certain internal structures are in place for ensuring the Company's correct understanding of the accounting standards and the ability to accurately deal with any changes in the standards as well as for maintaining the completeness and appropriateness in disclosure in relation to any significant information which is subject to disclosure requirements.

NOMURA HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	Notes	Millions of yen March 31 2015	2016
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents		¥ 1,315,408	¥ 3,476,261
Time deposits		328,151	196,632
Deposits with stock exchanges and other segregated cash		453,037	225,950
Total cash and cash deposits		2,096,596	3,898,843
Loans and receivables:			
Loans receivable (including ¥317,218 million and ¥301,766 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2, 7	1,461,075	1,605,603
Receivables from customers (including ¥1,803 million and ¥1,542 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2	187,026	210,844
Receivables from other than customers		1,303,576	1,156,608
Allowance for doubtful accounts	*7	(3,253)	(3,477)
Total loans and receivables		2,948,424	2,969,578
Collateralized agreements:			
Securities purchased under agreements to resell (including ¥1,529,451 million and ¥1,098,969 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2	8,481,474	9,205,165
Securities borrowed		8,238,046	5,872,495
Total collateralized agreements		16,719,520	15,077,660
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥8,114,490 million and ¥6,483,857 million in 2015 and 2016, respectively; including ¥8,133 million and ¥5,761 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2, 3	17,260,121	16,379,424
Private equity investments (including ¥6,539 million and ¥7,145 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2	48,727	30,578
Total trading assets and private equity investments		17,308,848	16,410,002
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥383,992 million and ¥402,599 million in 2015 and 2016, respectively)		401,069	355,507
Non-trading debt securities	*2, 5	948,180	870,812
Investments in equity securities	*2	159,755	137,970
Investments in and advances to affiliated companies	*7, 19	378,278	395,284
Other (including ¥90,984 million and ¥60,359 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2, 5, 9	822,566	974,511
Total other assets		2,709,848	2,734,084
Total assets		¥41,783,236	¥41,090,167

The accompanying notes are an integral part of these consolidated financial statements.

NOMURA HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS—(Continued)

	Notes	Millions of yen March 31 2015	2016
LIABILITIES AND EQUITY			
Short-term borrowings (including ¥189,018 million and ¥330,816 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2, 10	¥ 662,256	¥ 662,902
Payables and deposits:			
Payables to customers		723,839	688,196
Payables to other than customers		1,454,361	1,337,931
Deposits received at banks		1,220,400	2,222,991
Total payables and deposits		3,398,600	4,249,118
Collateralized financing:			
Securities sold under agreements to repurchase (including ¥982,567 million and ¥442,247 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2	12,217,144	14,192,309
Securities loaned (including ¥129,201 million measured at fair value by applying the fair value option in 2016)	*2	2,494,036	1,937,009
Other secured borrowings		668,623	476,273
Total collateralized financing		15,379,803	16,605,591
Trading liabilities	*2, 3	10,044,236	7,499,335
Other liabilities (including ¥15,786 million and ¥17,739 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2, 9	1,217,099	1,200,647
Long-term borrowings (including ¥2,578,489 million and ¥2,703,816 million measured at fair value by applying the fair value option in 2015 and 2016, respectively)	*2, 10	8,336,296	8,129,559
Total liabilities		39,038,290	38,347,152
Commitments and contingencies	*20		
Equity:	*17		
Nomura Holdings, Inc. (“NHI”) shareholders’ equity:			
Common stock			
No par value shares; Authorized—6,000,000,000 shares in 2015 and 2016 Issued—3,822,562,601 shares in 2015 and 2016 Outstanding—3,598,865,213 shares in 2015 and 3,608,391,999 shares in 2016		594,493	594,493
Additional paid-in capital		683,407	692,706
Retained earnings		1,437,940	1,516,577
Accumulated other comprehensive income (loss)	*16	143,739	44,980
Total NHI shareholder’s equity before treasury stock		2,859,579	2,848,756
Common stock held in treasury, at cost—223,697,388 shares in 2015 and 214,170,602 shares in 2016		(151,805)	(148,517)
Total NHI shareholders’ equity		2,707,774	2,700,239
Noncontrolling interests		37,172	42,776
Total equity		2,744,946	2,743,015
Total liabilities and equity		¥41,783,236	¥41,090,167

The accompanying notes are an integral part of these consolidated financial statements.

The following table presents the classification of consolidated variable interest entities' ("VIEs") assets and liabilities included in the consolidated balance sheets above. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not have any recourse to Nomura beyond the assets held in the VIEs. See Note 6 "*Securitizations and Variable Interest Entities*" for further information.

	Billions of yen	
	March 31	
	2015	2016
Cash and cash deposits	¥ 9	¥ 3
Trading assets and private equity investments	1,008	1,310
Other assets	40	10
Total assets	¥1,057	¥1,323
Trading liabilities	12	¥ 3
Other liabilities	3	2
Borrowings	750	809
Total liabilities	¥ 765	¥ 814

The accompanying notes are an integral part of these consolidated financial statements.

NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Notes	Millions of yen Year ended March 31 2015	2016
Revenue:			
Commissions		¥ 453,401	¥ 431,959
Fees from investment banking		95,083	118,333
Asset management and portfolio service fees		203,387	229,006
Net gain on trading	*2, 3	531,337	354,031
Gain on private equity investments		5,502	13,761
Interest and dividends		436,766	440,050
Gain (loss) on investments in equity securities		29,410	(20,504)
Other	*9	175,702	156,460
Total revenue		1,930,588	1,723,096
Interest expense		326,412	327,415
Net revenue		1,604,176	1,395,681
Non-interest expenses:			
Compensation and benefits		596,593	574,191
Commissions and floor brokerage		129,977	123,881
Information processing and communications		192,300	189,910
Occupancy and related depreciation		76,112	78,411
Business development expenses		35,230	35,892
Other	*9	227,205	228,238
Total non-interest expenses		1,257,417	1,230,523
Income before income taxes		346,759	165,158
Income tax expense	*15	120,780	22,596
Net income		¥ 225,979	¥ 142,562
Less: Net income attributable to noncontrolling interests		1,194	11,012
Net income attributable to NHI shareholders		¥ 224,785	¥ 131,550
		Yen	
Per share of common stock:	*11		
Basic—			
Net income attributable to NHI shareholders per share		¥ 61.66	¥ 36.53
Diluted—			
Net income attributable to NHI shareholders per share		¥ 60.03	¥ 35.52

The accompanying notes are an integral part of these consolidated financial statements.

NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen	
	Year ended March 31	
	2015	2016
Net income	¥225,979	¥ 142,562
Other comprehensive income (loss):		
Cumulative translation adjustments		
Cumulative translation adjustments	110,628	(68,237)
Deferred income taxes	(141)	(12,856)
Total	110,487	(81,093)
Defined benefit pension plans:		
Pension liability adjustment	5,259	(26,074)
Deferred income taxes	(1,854)	8,153
Total	3,405	(17,921)
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	27,643	(1,492)
Deferred income taxes	(8,681)	81
Total	18,962	(1,411)
Total other comprehensive income (loss)	132,854	(100,425)
Comprehensive income	358,833	42,137
Less: Comprehensive income attributable to noncontrolling interests	10,945	9,346
Comprehensive income attributable to NHI shareholders	¥347,888	¥ 32,791

The accompanying notes are an integral part of these consolidated financial statements.

NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Millions of yen	
	Year ended March 31	
	2015	2016
Common stock		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of year	594,493	594,493
Additional paid-in capital		
Balance at beginning of year	683,638	683,407
Gain (loss) on sales of treasury stock	(2,417)	—
Issuance and exercise of common stock options	2,186	4,127
Changes in an affiliated company's interests in its subsidiary	—	5,172
Balance at end of year	683,407	692,706
Retained earnings		
Balance at beginning of year	1,287,003	1,437,940
Net income attributable to NHI shareholders	224,785	131,550
Cash dividends	(68,627)	(46,797)
Gain (loss) on sales of treasury stock	(5,221)	(6,116)
Balance at end of year	1,437,940	1,516,577
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments		
Balance at beginning of year	27,704	133,371
Net change during the year	105,667	(79,953)
Balance at end of year	133,371	53,418
Defined benefit pension plans		
Balance at beginning of year	(18,809)	(15,404)
Pension liability adjustment	3,405	(17,921)
Balance at end of year	(15,404)	(33,325)
Non-trading securities		
Balance at beginning of year	11,741	25,772
Net unrealized gain (loss) on non-trading securities	14,031	(885)
Balance at end of year	25,772	24,887
Balance at end of year	143,739	44,980

NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Millions of yen	
	Year ended March 31	
	2015	2016
Common stock held in treasury		
Balance at beginning of year	(72,090)	(151,805)
Repurchases of common stock	(104,047)	(20,002)
Sales of common stock	3	1
Common stock issued to employees	24,226	23,296
Other net change in treasury stock	103	(7)
Balance at end of year	(151,805)	(148,517)
Total NHI shareholders' equity		
Balance at end of year	2,707,774	2,700,239
Noncontrolling interests		
Balance at beginning of year	39,533	37,172
Cash dividends	(39)	(9,978)
Net income attributable to noncontrolling interests	1,194	11,012
Accumulated other comprehensive income (loss) attributable to noncontrolling interests		
Cumulative translation adjustments	4,820	(1,140)
Net unrealized gain (loss) on non-trading securities	4,931	(525)
Purchase / sale of subsidiary shares, net	4,889	500
Other net change in noncontrolling interests	(18,156)	5,735
Balance at end of year	37,172	42,776
Total equity		
Balance at end of year	¥ 2,744,946	¥ 2,743,015

The accompanying notes are an integral part of these consolidated financial statements.

NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	Year ended March 31	
	2015	2016
Cash flows from operating activities:		
Net income	¥ 225,979	¥ 142,562
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	78,882	79,394
Stock option expenses	19,364	16,890
(Gain) loss on investments in equity securities	(29,410)	20,504
Equity in earnings of affiliates, net of dividends received	(34,772)	(22,886)
Loss on disposal of office buildings, land, equipment and facilities	9,690	1,325
Deferred income taxes	26,489	(58,859)
Changes in operating assets and liabilities:		
Time deposits	38,341	124,922
Deposits with stock exchanges and other segregated cash	(66,122)	213,288
Trading assets and private equity investments	2,917,895	248,495
Trading liabilities	(1,731,133)	(2,279,966)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(1,251,323)	1,605,658
Securities borrowed, net of securities loaned	(221,295)	1,762,173
Other secured borrowings	(145,877)	(192,350)
Loans and receivables, net of allowance for doubtful accounts	(92,713)	(136,694)
Payables	236,029	(41,838)
Bonus accrual	(3,659)	(41,281)
Accrued income taxes, net	59,931	(37,126)
Other, net	(113,324)	(165,839)
Net cash provided by (used in) operating activities	(77,028)	1,238,372
Cash flows from investing activities:		
Payments for purchases of office buildings, land, equipment and facilities	(209,468)	(324,722)
Proceeds from sales of office buildings, land, equipment and facilities	159,480	282,473
Payments for purchases of investments in equity securities	(354)	—
Proceeds from sales of investments in equity securities	6,977	899
Increase in loans receivable at banks, net	(49,192)	(40,767)
Decrease in non-trading debt securities, net	109,761	56,814
Business combinations or disposals, net	(7,308)	—
Decrease in investments in affiliated companies, net	2,212	1,803
Other, net	229	(211)
Net cash provided by (used in) investing activities	12,337	(23,711)
Cash flows from financing activities:		
Increase in long-term borrowings	2,974,115	3,018,453
Decrease in long-term borrowings	(3,167,956)	(2,922,558)
Increase (decrease) in short-term borrowings, net	34,041	(17,395)
Increase in deposits received at banks, net	140,571	1,010,101
Proceeds from sales of common stock held in treasury	387	571
Payments for repurchases of common stock held in treasury	(104,047)	(20,002)
Payments for cash dividends	(55,317)	(82,783)
Net cash provided by (used in) financing activities	(178,206)	986,387
Effect of exchange rate changes on cash and cash equivalents	68,513	(40,195)
Net increase (decrease) in cash and cash equivalents	(174,384)	2,160,853
Cash and cash equivalents at beginning of the year	1,489,792	1,315,408
Cash and cash equivalents at end of the year	¥ 1,315,408	¥ 3,476,261

Supplemental information:		
Cash paid during the year for—		
Interest	¥ 364,392	¥ 352,276
Income tax payments, net	¥ 34,359	¥ 118,580

Non cash activities—

Business acquisitions:

Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥34,271 million and ¥18,817 million, respectively, for the year ended March 31, 2015.

The accompanying notes are an integral part of these consolidated financial statements.

1. Basis of accounting and summary of accounting policies:

In December 2001, Nomura Holdings Inc. (the "Company") filed a registration statement, in accordance with the Securities Exchange Act of 1934, with the United States Securities and Exchange Commission (the "SEC") in order to list its American Depositary Shares ("ADS") on the New York Stock Exchange. Since then, the Company has an obligation to file an annual report, Form 20-F, with the SEC in accordance with the Securities Exchange Act of 1934.

Therefore, the Company and other entities in which it has a controlling financial interest (collectively "Nomura") prepares consolidated financial statements in accordance with the accounting principles, procedures and presentations which are required in order to issue ADS, i.e., U.S. generally accepted accounting principles ("U.S. GAAP"), pursuant to Article 95 of "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976). The following paragraphs describe the major differences between U.S. GAAP applied by Nomura and accounting principles generally accepted in Japan ("Japanese GAAP") for the year ended March 31, 2016. Where the effect of these major differences are significant to *Income before income taxes*, Nomura discloses as (higher) or (lower) below the amount by which *Income before income taxes* based on U.S. GAAP was higher or lower than Japanese GAAP, respectively.

Scope of consolidation—

Under U.S. GAAP, the scope of consolidation is mainly determined by the ownership of a majority of the voting interests in a voting interest entity or by identifying the primary beneficiary of variable interest entities. Under Japanese GAAP, the scope of consolidation is determined by a "financial controlling model", which takes into account the ownership level of voting interests in an entity and other factors.

In addition, U.S. GAAP provides a definition of investment companies for which specialized accounting guidance applies, and entities that are subject to this guide carry all of their investments at fair value, with changes in fair value recognized through earnings. Under Japanese GAAP, under situations such as where a venture capital fund holds other companies' shares for trading and investment promotion purposes, such companies are not considered as subsidiaries even if such shareholding otherwise meets the control criteria.

Unrealized gains and losses on investments in equity securities—

Under U.S. GAAP applicable to broker-dealers, minority investments in equity securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥24,685 million (higher) and ¥20,691 million (higher) for the years ended March 31, 2015 and 2016, respectively.

Unrealized gains and losses on investment in equity securities for other than operating purposes—

Under U.S. GAAP applicable to broker-dealers, investments in equity securities for other than operating purposes are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥2,515 million (higher) and ¥696 million (higher) for the years ended March 31, 2015 and 2016, respectively. The investments in equity securities for other than operating purposes are included in *Other assets-Other* in the consolidated balance sheets.

Unrealized gains and losses on non-trading debt securities—

Under U.S. GAAP applicable to broker-dealers, unrealized gains and losses on non-trading debt securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, unrealized gains and losses on non-trading debt securities, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥1,059 million (lower) and ¥1,866 million (higher) for the years ended March 31, 2015 and 2016, respectively.

Retirement and severance benefits—

Under U.S. GAAP, gains or losses resulting from either experience that is different from an actuarial assumption or a change in assumption is amortized over the average remaining service period of employees when a net gain or loss at the beginning of the year exceeds the "Corridor" which is defined as 10% of the larger of projected benefit obligation or the fair value of plan assets. Under Japanese GAAP, these gains or losses are amortized over a certain period regardless of the Corridor.

Amortization of goodwill and equity method goodwill—

Under U.S. GAAP, goodwill is not amortized and is tested for impairment periodically. Under Japanese GAAP, goodwill is amortized over a certain period of less than 20 years using the straight-line method. Therefore, under U.S. GAAP, *Income before income taxes* was ¥9,121 million (higher) and ¥7,180 million (higher) for the years ended March 31, 2015 and 2016, respectively

Changes in the fair value of derivative contracts—

Under U.S. GAAP, all derivative contracts, including derivative contracts that have been designated as hedges of specific assets or specific liabilities, are carried at fair value, with changes in fair value recognized either in earnings or other comprehensive income. Under Japanese GAAP, derivative contracts that have been entered into for hedging purposes are carried at fair value with changes in fair value, net of applicable income taxes, recognized in other comprehensive income.

Fair value for financial assets and financial liabilities—

Under U.S. GAAP, the fair value option may be elected for eligible financial assets and liabilities which would otherwise be carried on a basis other than fair value ("the fair value option"). Where the fair value option is elected, the financial asset or liability is carried at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, the fair value option is not permitted. Therefore, under U.S. GAAP, *Income before income taxes* was ¥375 million (lower) and ¥29,473 million (lower) for the years ended March 31, 2015 and 2016, respectively. In addition, non-marketable equity securities which are carried at fair value in the consolidated financial statements shall be carried at cost less impairment losses under Japanese GAAP.

Offsetting of amounts related to certain contracts—

Under U.S. GAAP, an entity that is party to a master netting arrangement is permitted to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement. Under Japanese GAAP, offsetting of such amounts is not permitted.

Stock issuance costs—

Under U.S. GAAP, stock issuance costs are deducted from capital. Under Japanese GAAP, stock issuance costs are either immediately expensed or capitalized as a deferred asset and amortized over periods of up to three years using the straight-line method.

Accounting for changes in controlling interests in a consolidated subsidiary's shares—

Under U.S. GAAP, when a parent's ownership interest decreases as a result of sales of a subsidiary's common shares by the parent and such subsidiary becomes an equity method investee, the parent's remaining investment in the former subsidiary is measured at fair value as of the date of loss of a controlling interest and a related valuation gain or loss is recognized in earnings. Under Japanese GAAP, the remaining investment on the parent's consolidated balance sheet is calculated as the sum of the carrying amount of investment in the equity method investee recorded in the parent's stand-alone balance sheet as adjusted for the share of net income or losses and other adjustments from initial acquisition through to the date of loss of a controlling interest multiplied by the ratio of the remaining shareholding percentage against the holding percentage prior to loss of control.

Description of business—

The Company and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government clients on a global basis.

Nomura operates its business through various divisions based upon the nature of specific products and services, its main client base and its management structure. Nomura reports operating results through three business segments: Retail, Asset Management and Wholesale.

In its Retail segment, Nomura provides investment consultation services mainly to individual clients in Japan. In its Asset Management segment, Nomura develops and manages investment trusts, and provides investment advisory services. In its Wholesale segment, Nomura engages in the sales and trading of debt and equity securities, derivatives, and currencies on a global basis, and provides investment banking services such as the underwriting of debt and equity securities as well as mergers and acquisitions and financial advice.

Basis of consolidated financial statements—

These consolidated financial statements include the financial statements of the Company and other entities in which it has a controlling financial interest. Nomura initially determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity ("VIE") under Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 810 "*Consolidation*" ("ASC 810"). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Nomura consolidates VIEs where Nomura is the primary beneficiary, which is where Nomura holds variable interests that provide power over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses meeting a significance test, provided that Nomura is not acting as a fiduciary for other interest holders. For certain VIEs that qualify as investment companies under ASC 946 "*Financial Services—Investment Companies*" ("ASC 946") or for which it is industry practice to apply guidance consistent with the measurement principles in ASC 946, Nomura is the primary beneficiary when it holds an interest that will absorb a majority of the expected losses or a majority of the expected residual returns of the entity, or both.

For entities other than VIEs, Nomura is generally determined to have a controlling financial interest in an entity when it owns a majority of the voting interests.

Equity investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as a holding of 20 to 50 percent of the voting stock of a corporate entity, or at least 3 percent of a limited partnership) are accounted for under the equity method of accounting ("equity method investments") and reported within *Other assets—Investments in and advances to affiliated companies* or at fair value by electing the fair value option permitted by ASC 825 "*Financial Instruments*" ("ASC 825") and reported within *Trading assets, Private equity investments or Other assets—Other*. Other financial investments are generally reported within Trading assets. Equity investments in which Nomura has neither control nor significant influence are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income.

Certain entities in which Nomura has a financial interest are investment companies under ASC 946. These entities carry all of their investments at fair value, with changes in fair value recognized through the consolidated statements of income.

The Company's principal subsidiaries include Nomura Securities Co., Ltd. ("NSC"), Nomura Securities International, Inc. ("NSI"), Nomura International plc ("NIP") and Nomura Financial Products & Services, Inc. ("NFPS").

All material intercompany transactions and balances have been eliminated on consolidation. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Use of estimates—

In presenting these consolidated financial statements, management makes estimates regarding the valuation of certain financial instruments and investments, the outcome of litigation and tax examinations, the recovery of the carrying value of goodwill, the allowance for doubtful accounts, the realization of deferred tax assets and other matters that affect the reported amounts of assets and liabilities as well as the disclosures in these consolidated financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results may differ from estimates which could have a material impact on these consolidated financial statements, and it is possible that such adjustments could occur in the near term.

Fair value of financial instruments—

A significant amount of Nomura's financial assets and financial liabilities are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income. Use of fair value is either specifically required under U.S. GAAP or Nomura makes an election to use fair value for certain eligible items under the fair value option.

Other financial assets and financial liabilities are carried at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition, such as to measure impairment.

In all cases, fair value is determined in accordance with ASC 820 "*Fair Value Measurements and Disclosures*" ("ASC 820") which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura's principal market, or in the absence of a principal market, the most advantageous market for the relevant financial asset or financial liability. See Note 2 "*Fair value measurements*" for further information regarding how Nomura estimates fair value for specific types of financial instruments used in the ordinary course of business.

Transfers of financial assets—

Nomura accounts for the transfer of a financial asset as a sale when Nomura relinquishes control over the asset by meeting the following conditions: (a) the asset has been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the asset received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, if, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests held and (c) the transferor has not maintained effective control over the transferred asset.

In connection with its securitization activities, Nomura utilizes special purpose entities ("SPEs") to securitize commercial and residential mortgage loans, government and corporate securities and other types of financial assets. Nomura's involvement with SPEs includes structuring and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets and does not consolidate the SPE. Nomura may obtain or retain an interest in the financial assets, including residual interests in the SPEs dependent upon prevailing market conditions. Any such interests are accounted for at fair value and reported within *Trading assets* in the consolidated balance sheets with the change in fair value reported within *Revenue—Net gain on trading* in the consolidated statements of income.

Foreign currency translation—

The financial statements of the Company's subsidiaries are measured using their functional currency which is the currency of the primary economic environment in which the entity operates. All assets and liabilities of subsidiaries which have a functional currency other than Japanese yen are translated into Japanese yen at exchange rates in effect at the balance sheet date, and all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported within *Accumulated other comprehensive income (loss)* in NHI shareholders' equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date and the resulting translation gains or losses are credited or charged to the consolidated statements of income.

Fee revenue—

Revenue—Commissions includes amounts charged for executing brokerage transactions accrued on a trade date basis and are included in current period earnings. *Revenue—Fees from investment banking* includes securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when the related services are performed. *Revenue—Asset management and portfolio service fees* are accrued over the period that the related services are provided or when specified performance requirements are met.

Trading assets and trading liabilities—

Trading assets and *Trading liabilities* primarily comprise debt securities, equity securities and derivatives which are recognized on the consolidated balance sheets on a trade date basis and loans which are recognized on the consolidated balance sheets on a settlement date basis. Trading assets and liabilities are carried at fair value and changes in fair value are generally reported within *Revenue—Net gain on trading* in the consolidated statements of income.

Certain trading liabilities are held to economically hedge the price risk of investments in equity securities held for operating purposes. Changes in fair value of these trading liabilities are reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income.

Collateralized agreements and collateralized financing—

Collateralized agreements consist of reverse repurchase agreements disclosed as *Securities purchased under agreements to resell* and securities borrowing transactions disclosed as *Securities borrowed*. *Collateralized financing* consists of repurchase agreements disclosed as *Securities sold under agreements to repurchase*, securities lending transactions disclosed as *Securities loaned* and certain other secured borrowings.

Reverse repurchase and repurchase agreements principally involve the buying or selling of securities under agreements with clients to resell or repurchase these securities to or from those clients, respectively. These transactions are generally accounted for as collateralized agreements or collateralized financing transactions and are recognized in the consolidated balance sheets at the amount for which the securities were originally acquired or sold. Certain reverse repurchase and repurchase agreements are carried at fair value through election of the fair value option. No allowance for credit losses is generally recognized against reverse repurchase agreements due to the strict collateralization requirements.

Repurchase agreements where the maturity of the security transferred as collateral matches the maturity of the repurchase agreement (“repurchase-to-maturity transactions”) are accounted for as secured borrowing transactions under ASC 860.

Nomura also enters into Gensaki Repo transactions which are the standard type of repurchase agreement used in Japanese financial markets. Gensaki Repo transactions contain margin requirements, rights of security substitution, and certain restrictions on the client’s right to sell or repledge the transferred securities. Gensaki Repo transactions are accounted for as collateralized agreements or collateralized financing transactions and are recognized on the consolidated balance sheets at the amount that the securities were originally acquired or sold.

Reverse repurchase agreements and repurchase agreements accounted for as collateralized agreements and collateralized financing transactions, respectively, entered into with the same counterparty and documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 “*Balance Sheet—Offsetting*” (“ASC 210-20”) are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

Securities borrowing and lending transactions are generally accounted for as collateralized agreements and collateralized financing transactions, respectively. These transactions are generally cash collateralized and are recognized on the consolidated balance sheets at the amount of cash collateral advanced or received. No allowance for credit losses is generally recognized against securities borrowing transactions due to the strict collateralization requirements.

Securities borrowing and lending transactions accounted for as collateralized agreements and collateralized financing transactions, respectively, entered into with the same counterparty and documented under a master netting agreement are also offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met.

Other secured borrowings consist primarily of secured borrowings from financial institutions and central banks in the inter-bank money market, and are carried at contractual amounts due.

Trading balances of secured borrowings consist of liabilities related to transfers of financial assets that are accounted for as secured financing transactions rather than sales under ASC 860 and are reported in the consolidated balance sheets within *Long-term borrowings*. The fair value option is generally elected for these transactions, which are carried at fair value on a recurring basis. See Note 6 "*Securitizations and Variable Interest Entities*" and Note 10 "*Borrowings*" for further information regarding these transactions.

All Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including collateral transferred under Gensaki Repo transactions, are reported parenthetically within *Trading assets as Securities pledged as collateral* in the consolidated balance sheets.

See Note 4 "*Collateralized transactions*" for further information.

Derivatives—

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, for both trading and non-trading purposes. All freestanding derivatives are carried at fair value in the consolidated balance sheets and reported within *Trading assets or Trading liabilities* depending on whether fair value at the balance sheet date is positive or negative, respectively. Certain derivatives embedded in hybrid financial instruments such as structured notes and certificates of deposit are bifurcated from the host contract and are also carried at fair value in the consolidated balance sheets and reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.

Changes in fair value are recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

Derivative assets and liabilities with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 and ASC 815 "*Derivatives and Hedging*" ("ASC 815") are met. These criteria include requirements around the legal enforceability of such close-out and offset rights under the master netting agreement. In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively, where certain additional criteria are met.

Trading

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value reported in the consolidated statements of income within *Revenue—Net gain on trading*.

Non-trading

In addition to its trading activities, Nomura uses derivative financial instruments for other than trading purposes such as to manage risk exposures arising from recognized assets and liabilities, forecasted transactions and firm commitments. Certain derivatives used for non-trading purposes are formally designated as fair value and net investment hedges under ASC 815.

Nomura designates certain derivative financial instruments as fair value hedges of interest rate risk and foreign exchange risk arising from specific financial liabilities and foreign currency denominated non-trading debt securities, respectively. These derivatives are effective in reducing the risk associated with the exposure being hedged and they are highly correlated with changes in the fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Changes in fair value of the hedging derivatives are reported together with those of the hedged financial liabilities through the consolidated statements of income within *Interest expense* and *Revenue—Other*, respectively.

Derivative financial instruments designated as hedges of the net investment in foreign operations are linked to specific subsidiaries with non-Japanese yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates and is reported through NHI shareholders' equity within *Accumulated other comprehensive income (loss)*. The change in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate is excluded from the measure of hedge effectiveness and is reported in the consolidated statements of income within *Revenue—Other.*

See Note 3 "*Derivative instruments and hedging activities*" for further information.

Loans receivable—

Loans receivable are loans which management intends to hold for the foreseeable future. Loans receivable are either carried at fair value or at amortized cost. Interest earned on loans receivable is generally reported in the consolidated statements of income within *Revenue—Interest and dividends*.

Loans receivable carried at fair value

Certain loans which are risk managed on a fair value basis are carried at fair value through election of the fair value option. Nomura makes this election to mitigate volatility in the consolidated statements of income caused by the difference in measurement basis that would otherwise exist between the loans and the derivatives used to risk manage those loans. Changes in the fair value of loans receivable carried at fair value are reported in the consolidated statements of income within *Revenue—Net gain on trading*.

Loans receivable carried at amortized cost

Loans receivable which are not carried at fair value are carried at amortized cost. Amortized cost represents cost adjusted for deferred fees and direct costs, unamortized premiums or discounts on purchased loans and after deducting any applicable allowance for credit losses.

Loan origination fees, net of direct origination costs, are amortized to *Revenue—Interest and dividends* as an adjustment to yield over the life of the loan. Net unamortized deferred fees and costs were ¥536 million and ¥81 million as of March 31, 2015 and March 31, 2016, respectively.

See Note 7 "*Financing receivables*" for further information.

Other receivables—

Receivables from customers include amounts receivable on client securities transactions and *Receivables from other than customers* include amounts receivable for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, receivables for commissions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥315,708 million and ¥161,651 million as of March 31, 2015 and March 31, 2016, respectively.

These amounts are carried at contractual amounts due less any applicable allowance for credit losses which reflects management's best estimate of probable losses incurred within these receivables which have been specifically identified as impaired. The allowance for credit losses is reported in the consolidated balance sheets within *Allowance for doubtful accounts*.

Loan commitments—

Unfunded loan commitments written by Nomura are accounted for as either off-balance sheet instruments, or are carried at fair value on a recurring basis either as trading instruments or through election of the fair value option.

These loan commitments are generally accounted for in a manner consistent with the accounting for the loan receivable upon funding. Where the loan receivable will be classified as a trading asset or will be elected for the fair value option, the loan commitment is also generally held at fair value, with changes in fair value reported in the consolidated statements of income within *Revenue—Net gain on trading*. Loan commitment fees are recognized as part of the fair value of the commitment.

For loan commitments where the loan will be held for the foreseeable future, Nomura recognizes an allowance for credit losses which is reported within *Other liabilities—other* in the consolidated balance sheets which reflects management's best estimate of probable losses incurred within the loan commitments which have been specifically identified as impaired. Loan commitment fees are generally deferred and recognized over the term of the loan when funded as an adjustment to yield. If drawdown of the loan commitment is considered remote, loan commitment fees are recognized over the commitment period as service revenue.

Payables and deposits—

Payables to customers include amounts payable on client securities transactions and are generally measured at contractual amounts due.

Payables to other than customers include payables to brokers and dealers for securities failed to receive, cash collateral payable for derivative transactions, certain collateralized agreements and financing transactions and net payables arising from unsettled securities transactions. Amounts are measured at contractual amounts due.

Deposits received at banks represent amounts held on deposit within Nomura's banking subsidiaries and are measured at contractual amounts due.

Office buildings, land, equipment and facilities—

Office buildings, land, equipment and facilities, held for use by Nomura are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are expensed as incurred in the consolidated statements of income.

The following table presents a breakdown of *Office buildings, land, equipment and facilities* as of March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Land	¥ 91,055	¥ 80,031
Office buildings	105,043	99,400
Equipment and facilities	46,186	27,380
Software	158,348	147,235
Construction in progress	437	1,461
Total	¥401,069	¥355,507

Depreciation and amortization charges of assets which are owned by Nomura are generally computed using the straight-line method and recognized over the estimated useful lives of each asset. Depreciation charges of assets which are leased by Nomura under agreements which are classified as capital leases under ASC 840 "*Leases*" ("ASC 840") are generally recognized over the term of the lease. The estimated useful life of an asset takes into consideration technological change, normal deterioration and actual physical usage by Nomura. Leasehold improvements are depreciated over the shorter of their useful life or the term of the lease.

The estimated useful lives for significant asset classes are as follows:

Office buildings	5 to 50 years
Equipment and facilities	2 to 20 years
Software	Up to 5 years

Depreciation and amortization charges of both owned and capital lease assets are reported within *Non-interest expenses—Information processing and communications* in the amount of ¥59,153 million and ¥61,906 million, and in *Non-interest expenses—Occupancy and related depreciation* in the amount of ¥19,729 million and ¥17,488 million for the years ended March 31, 2015 and 2016, respectively.

Leases that involve real estate are classified as either operating or capital leases in accordance with ASC 840. Rent expense relating to operating leases is recognized over the lease term on a straight-line basis. If the lease is classified as a capital lease, Nomura recognizes the real estate as an asset on the consolidated balance sheets together with a lease obligation. The real estate is initially recognized at the lower of its fair value or present value of minimum lease payments, and subsequently depreciated over its useful life on a straight-line basis. Where Nomura has certain involvement in the construction of real estate subject to a lease, Nomura is deemed the owner of the construction project and recognizes the real estate on the consolidated balance sheets until construction is completed. At the end of the construction period the real estate is either derecognized or continues to be recognized on the consolidated balance sheets in accordance with ASC 840, depending on the extent of Nomura's continued involvement with the real estate.

Long-lived assets, excluding goodwill and indefinite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flows generated by the asset is less than the carrying amount of the asset, a loss is recognized to the extent that the carrying value exceeds its fair value.

Investments in equity securities—

Nomura holds minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations in order to promote existing and potential business relationships. These companies often have similar investments in Nomura. Such cross-holdings are a customary business practice in Japan and provide a way for companies to manage shareholder relationships.

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets—Investments in equity securities* in the consolidated balance sheets, with changes in fair value reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥121,901 million and ¥37,854 million, respectively, as of March 31, 2015 and ¥99,203 million and ¥38,767 million, respectively, as of March 31, 2016.

Other non-trading debt and equity securities—

Certain non-trading subsidiaries within Nomura, including an insurance subsidiary, hold debt securities and minority stakes in equity securities for non-trading purposes. Non-trading securities held by non-trading subsidiaries are carried at fair value and reported within *Other assets—Non-trading debt securities* and *Other assets—Other* in the consolidated balance sheets with changes in fair value reported within *Revenue—Other* in the consolidated statements of income. Non-trading securities held by the insurance subsidiary are also carried at fair value within *Other assets—Non-trading debt securities* and *Other assets—Other* in the consolidated balance sheets with unrealized changes in fair value generally reported net-of-tax within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income. Changes in fair value of non-trading debt securities designated as foreign currency fair value hedges attributable to the risk being hedged are reported within *Revenue—Other* in the consolidated statements of income with other unrealized changes in fair value reported net-of-tax within *Other comprehensive income (loss)*. Realized gains and losses on non-trading securities are reported *within Revenue—Other* in the consolidated statements of income.

Where the fair value of non-trading securities held by Nomura's insurance subsidiary has declined below amortized cost, the securities are assessed to determine whether the decline in fair value is other-than-temporary in nature. Nomura considers quantitative and qualitative factors including the length of time and extent to which fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer and Nomura's intent and ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value. If an other-than-temporary impairment loss exists, for equity securities, the security is written down to fair value, with the entire difference between fair value and amortized cost reported within *Revenue—Other* in the consolidated statements of income. For debt securities, an other-than-temporary impairment loss is also reported within *Revenue—Other* in the consolidated statements of income if Nomura intends to sell the debt security or it is more likely than not that Nomura will be required to sell the debt security before recovery of amortized cost. If Nomura does not intend to sell the debt security and it is not more likely than not that Nomura will be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss is reported in the consolidated statements of income and any non-credit loss component reported within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income.

See Note 5 "*Non-trading securities*" for further information.

Short-term and long-term borrowings—

Short-term borrowings are defined as borrowings which are due on demand, which have a contractual maturity of one year or less at issuance date, or which have a longer contractual maturity but which contain features outside of Nomura's control that allows the investor to demand redemption within one year from original issuance date. Short-term and long-term borrowings primarily consist of commercial paper, bank borrowings, and certain structured notes issued by Nomura and SPEs consolidated by Nomura, and financial liabilities recognized in transfers of financial assets which are accounted for as financings rather than sales under ASC 860 ("secured financing transactions"). Of these financial liabilities, certain structured notes and secured financing transactions are accounted for at fair value on a recurring basis through election of the fair value option. Other short and long-term borrowings are carried at amortized cost.

Structured notes are debt securities which contain embedded features (often meeting the accounting definition of a derivative) that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variable(s) such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or more complex interest rate calculation.

All structured notes issued by Nomura on or after April 1, 2008 are carried at fair value on a recurring basis through election of the fair value option. This blanket election for structured notes is made primarily to mitigate the volatility in the consolidated statements of income caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions and to generally simplify the accounting Nomura applies to these financial instruments.

Certain structured notes issued prior to April 1, 2008 were already measured at fair value but others continue to be accounted for by Nomura by bifurcating the embedded derivative from the associated debt host contract. The embedded derivative is accounted for at fair value and the debt host contract is accounted for at amortized cost.

Changes in the fair value of structured notes elected for the fair value option and bifurcated embedded derivatives are reported within *Revenue—Net gain on trading* in the consolidated statements of income.

See Note 10 "*Borrowings*" for further information.

Income taxes—

Deferred tax assets and liabilities are recognized to reflect the expected future tax consequences of operating loss carryforwards, tax credit carryforwards and temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities based upon enacted tax laws and tax rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is established against deferred tax assets for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Deferred tax assets and deferred tax liabilities that relate to the same tax-paying component within a particular tax jurisdiction are offset in the consolidated balance sheets. Net deferred tax assets and net deferred tax liabilities are reported within *Other assets—Other* and *Other liabilities* in the consolidated balance sheets.

Nomura recognizes and measures unrecognized tax benefits based on Nomura's estimate of the likelihood, based on technical merits, that tax positions will be sustained upon examination based on the facts and circumstances and information available at the end of each period. Nomura adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. The reassessment of unrecognized tax benefits could have a material impact on Nomura's effective tax rate in the period in which it occurs.

Nomura recognizes income tax-related interest and penalties within Income tax expense in the consolidated statements of income.

See Note 15 "*Income taxes*" for further information.

Stock-based and other compensation awards—

Stock-based awards issued by Nomura to senior management and other employees are classified as either equity or liability awards depending on the terms of the award.

Stock-based awards such as Stock Acquisition Rights ("SARs") which are expected to be settled by the delivery of the Company's common stock are classified as equity awards. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

Stock-based awards such as Notional Stock Units ("NSUs") and Collared Notional Stock Units ("CSUs") which are expected to be settled in cash are classified as liability awards. Other awards such as Notional Index Units ("NIUs") which are linked to a world stock index quoted by Morgan Stanley Capital International and which are expected to be cash settled are also effectively classified as liability awards. Liability awards are remeasured to fair value at each balance sheet date, net of estimated forfeitures with the final measurement of cumulative compensation cost equal to the settlement amount.

For both equity and liability awards, fair value is determined either by using option pricing models, the market price of the Company's common stock or the price of the third party index, as appropriate. Compensation cost is recognized in the consolidated statements of income over the requisite service period, which generally is equal to the contractual vesting period. Where an award has graded vesting, compensation expense is recognized using the accelerated recognition method.

Certain deferred compensation awards granted since May 2013 include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination or by claiming FCR during a pre-defined election window if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

See Note 13 "*Deferred compensation plans*" for further information.

Earnings per share—

The computation of basic earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities based on the most advantageous conversion rate or exercise price available to the investors, and assuming conversion of convertible debt under the if-converted method.

See Note 11 "*Earnings per share*" for further information.

Cash and cash equivalents—

Nomura defines cash and cash equivalents as cash on hand and demand deposits with banks.

Goodwill and intangible assets—

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment at a reporting unit level during the fourth quarter of each fiscal year, or more frequently during earlier interim periods if events or circumstances indicate there may be impairment. Nomura's reporting units are at one level below its business segments.

Nomura tests goodwill of each separate reporting unit by initially qualitatively assessing whether events and circumstances indicate that it is more likely than not (i.e. greater than 50%) that a reporting unit's fair value is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the reporting unit is deemed not to be impaired and no further analysis is required. If it is more likely than not that the fair value of the reporting unit is below its carrying value, a quantitative two-step impairment test is then performed.

In the first step, the current estimated fair value of the reporting unit is compared with its carrying value, including goodwill. If the fair value is less than the carrying value, then a second step is performed. In the second step, the implied current fair value of the reporting unit's goodwill is determined by comparing the fair value of the reporting unit to the fair value of the net assets of the reporting unit, as if the reporting unit were being acquired in a business combination. An impairment loss is recognized if the carrying value of goodwill exceeds its implied current fair value.

Intangible assets not subject to amortization ("indefinite-lived intangible assets") are tested for impairment on an individual asset basis during the fourth quarter of each fiscal year, or more frequently during earlier interim periods if events or circumstances indicate there may be impairment. Similar to goodwill, Nomura tests an indefinite-lived intangible asset by initially qualitatively assessing whether events or circumstances indicate that it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the intangible asset is deemed not to be impaired and no further analysis is required. If it is more likely than not that the fair value of the intangible asset is below its carrying value, the current estimated fair value of the intangible asset is compared with its carrying value. An impairment loss is recognized if the carrying value of the intangible asset exceeds its estimated fair value.

Intangible assets with finite lives ("finite-lived intangible assets") are amortized over their estimated useful lives and tested for impairment either individually or with other assets ("asset group") when events and circumstances indicate that the carrying value of the intangible asset (or asset group) may not be recoverable.

A finite-lived intangible asset is impaired when its carrying amount or the carrying amount of the asset group exceeds its fair value. An impairment loss is recognized only if the carrying amount of the intangible asset (or asset group) is not recoverable and exceeds its fair value.

For both goodwill and intangible assets, to the extent an impairment loss is recognized, the loss establishes a new cost basis for the asset which cannot be subsequently reversed.

See Note 9 "*Other assets—Other/Other liabilities*" for further information.

Nomura's equity method investments are tested in their entirety for other-than-temporary impairment when there is an indication of impairment. The underlying assets associated with the equity method investments, including goodwill, are not tested separately for impairment.

Restructuring costs—

Costs associated with an exit activity are recognized at fair value in the period in which the liability is incurred. Such costs include one-time termination benefits provided to employees, costs to terminate certain contracts and costs to relocate employees. Termination benefits provided to employees as part of ongoing benefit arrangements are recognized as liabilities at the earlier of the date an appropriately detailed restructuring plan is approved by regional executive management or the terms of the involuntary terminations are communicated to employees potentially affected. Contractual termination benefits included in an employee's contract of employment that is triggered by the occurrence of a specific event are recognized during the period in which it is probable that Nomura has incurred a liability and the amount of the liability can be reasonably estimated. A one-time termination benefit is established by a plan of termination that applies to a specified termination event and is recognized when an appropriately detailed restructuring plan is approved by regional executive management and the terms of the involuntary terminations are communicated to those employees potentially affected by the restructuring.

See Note 14 "*Restructuring initiatives*" for further information.

Employee benefit plans—

Nomura provides certain eligible employees with various benefit plans, including pensions and other post-retirement benefits. These benefit plans are classified as either defined benefit plans or defined contribution plans.

Plan assets and benefit obligations, as well as the net periodic benefit cost of a defined benefit pension or post-retirement benefit plan, are recognized based on various actuarial assumptions such as discount rates, expected return on plan assets and future compensation levels at the balance sheet date. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and unrecognized prior service costs or credits are amortized to net periodic benefit cost on a straight-line basis over the average remaining service life of active employees expected to receive benefits. The overfunded or underfunded status of a plan is reported within *Other assets—Other* or *Other liabilities* in the consolidated balance sheets, and changes in funded status are reflected in net periodic benefit cost and *Other comprehensive income (loss)* on a net-of-tax basis in the consolidated statements of comprehensive income.

The net periodic pension and other benefit cost of defined contribution plans is recognized within *Compensation and benefits* in the consolidated statements of income when the employee renders service to Nomura, which generally coincides with when contributions to the plan are made.

See Note 12 "*Employee benefit plans*" for further information.

New accounting pronouncements adopted during the current year—

The following table presents a summary of new accounting pronouncements relevant to Nomura which have been adopted during the year ended March 31, 2016:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2014-11, *"Repurchase-to-maturity Transactions, Repurchase Financings and Disclosures"*(1)	• Requires new footnote disclosures regarding remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings and nature of underlying transferred financial assets.	Prospective adoption from April 1, 2015	No material impact See Note 4 *"Collateralized transactions"* where new disclosures provided
ASU 2014-04, "*Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure"*	• Provides guidance on when an in substance repossession or foreclosure occurs, when a creditor is considered to have received physical possession of a residential real estate property collateralizing a consumer mortgage loan. • Requires new footnote disclosures regarding foreclosed residential real estate property held by the creditor and consumer mortgage loans currently in foreclosure proceedings.	Prospective adoption from April 1, 2015	No material impact
ASU 2014-14, "*Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure"*	• Provides guidance on when a creditor should recognize a separate receivable instead of real estate upon foreclosure of a government-guaranteed mortgage loan.	Prospective adoption from April 1, 2015	No material impact
ASU 2014-08, "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity"*	• Limits the criteria for discontinued operations reporting to disposals of components of an entity that representing a strategic shift and having a major effect on an entity's operations and financial results. • Requires new presentation and footnote disclosure requirements for discontinued operations.	Prospective adoption from April 1, 2015	No material impact

(1) Changes to the accounting for repurchase transactions and other new disclosures introduced by ASU 2014-11 were adopted by Nomura prior to April 1, 2015 and have therefore not been included in the above table.

Future accounting developments—

The following table presents a summary of new accounting pronouncements relevant to Nomura which will be adopted in future periods and which may have a material impact on these consolidated financial statements:

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-02, "*Amendments to the Consolidation Analysis"*	• Simplifies complex consolidation guidance in ASC 810 by eliminating the legacy variable interest consolidation model applied to certain investment companies, money market funds, qualifying real estate funds and similar entities. • Provides a new consolidation exception for certain registered money market funds and similar entities. • Modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities under ASC 810. • Modifies how fee arrangements and related party relationships should be considered in determining whether a variable interest entity should be consolidated. • Requires new footnote disclosures regarding financial support arrangements with certain registered money market funds and similar entities to which the exception from consolidation has been applied.	Modified retrospective adoption from April 1, 2016	No material impact expected
ASU 2014-13, "*Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity"*	• Provides an alternative method for measuring both financial assets and liabilities of consolidated collateralized financing entity by using either the fair value of the financial assets or financial liabilities, whichever is more observable. • Requires certain new qualitative footnote disclosures where the alternative method is applied.	Modified retrospective adoption from April 1, 2016	No material impact expected
ASU 2014-12, "*Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period"*	• Clarifies a performance target that affects vesting and that could be achieved after the requisite service period is accounted for as a performance condition.	Prospective or full retrospective adoption from April 1, 2016	No material impact expected
ASU 2015-03, "*Simplifying the Presentation of Debt Issuance Costs"*	• Requires issuance costs related to a recognized debt liability be presented as a direct deduction from the carrying amount of the related debt liability rather than a separate asset.	Full retrospective adoption from April 1, 2016	No material impact expected

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-05 "*Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*"	• Provides guidance on evaluating the accounting for fees paid in a cloud computing arrangement.	Prospective or full retrospective adoption from April 1, 2016	No material impact expected
ASU 2015-15, "*Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*"	• Clarifies the SEC staff's position on presentation and measurement of debt issuance costs associated with line-of-credit arrangements which are permitted to be presented as an asset and subsequently amortized ratably over the term of the related line-of-credit arrangements.	Prospective adoption from April 1, 2016	No material impact expected
ASU 2015-07 "*Disclosures for investments in certain entities that calculate net asset value per share (or Its Equivalents)*"	• Removes the requirement to categorize investments for which fair value is estimated using net asset value as a practical expedient within the fair value hierarchy. • Revises certain other related fair value footnote disclosure requirements.	Full retrospective adoption from April 1, 2016	No material impact expected
ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments"	• Eliminates the requirement for an acquirer in a business combination to account for adjustments made to provisional amounts retrospectively. • New footnote disclosure requirement for any measurement-period adjustments identified during the reporting period.	Prospective adoption from April 1, 2016	No material impact expected
ASU 2016-05, *"Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships"*	• Clarifies how a change in counterparty of a derivative designated as hedging instrument in an existing hedging relationship affects the hedging relationship under ASC 815.	Prospective or modified retrospective adoption from April 1, 2017[(1)]	No material impact expected
ASU 2016-07, "Simplifying the Transition Method of Equity Method of Accounting"	• Simplifies investor's accounting for equity method investments as a result of an increase in ownership level or degree of influence over the investee from prior period. • Requires prospective application of equity method accounting from the date when an equity investment qualifies for equity method of accounting.	Prospective adoption from April 1, 2017[(1)]	No material impact expected

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-09 *"Improvements to Employee Share-Based Payment Accounting"*	• Allows an accounting policy election to be made to either account for forfeitures when they occur or to include estimated forfeitures in compensation expense recognized during a reporting period. • Requires all associated excess tax benefits to be recognized as an income tax benefit through earnings rather than as additional paid-in capital with excess tax deficiencies recognized as income tax expense rather than as an offset of excess tax benefits, if any. • Requires recognition of excess tax benefits regardless of whether the benefit reduces taxes payable in the current reporting period.	Modified retrospective or prospective adoption from April 1, 2017[1] depending on the nature of the accounting change	Currently evaluating the potential impact
ASU 2016-01, *"Recognition and Measurement of Financial Assets and Financial Liabilities"*	• Requires all equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in earnings. • Requires unrealized changes in the fair value of financial liabilities elected for the fair value option attributable to instrument-specific credit risk ("own credit adjustments") to be presented separately in other comprehensive income. • Introduces new disclosures for financial instruments including embedded derivatives. • Eliminates certain existing disclosures around the assumptions and methodology used to determine fair value of financial instruments.	Modified retrospective adoption[3]	Presentation of own credit adjustments in other comprehensive income will significantly reduce volatility in Nomura's consolidated group income statement Currently evaluating the potential impact of other changes

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2014-09, "*Revenue from Contracts with Customers*"[2]	• Replaces existing revenue recognition guidance in ASC 605 and certain industry-specific revenue recognition guidance. • Requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. • Specifies the accounting for costs to obtain or fulfill a customer contract. • Revises existing guidance for principal-versus-agency determination. • Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers.	Full or modified retrospective adoption from April 1, 2018[1]	Currently evaluating the potential impact
ASU 2016-02, "*Leases*"	• Replaces ASC 840, the current guidance on lease accounting, and revised the definition of a lease. • Requires all lessees to recognize a right of use ("ROU") asset and corresponding lease liability on balance sheet. • Lessor accounting is largely unchanged from current guidance. • Simplifies the accounting for sale leaseback and "build-to-suit" leases. • Requires extensive new qualitative and quantitative footnote disclosures on lease arrangements.	Modified retrospective adoption from April 1, 2019[1]	Currently evaluating the potential impact
ASU 2016-13, "Measurement of Credit Losses on Financial Instruments"	• Provides a new model for recognition and impairment of credit losses against financial instruments such as loans and receivables which are not carried at fair value with changes in fair value recognized through earnings. • New model based on current expected credit losses rather than incurred credit losses. • Requires enhanced qualitative and quantitative disclosures around credit risk, the methodology used to estimate and monitor expected credit losses and changes in estimates of expected credit losses.	Modified retrospective adoption from April 1, 2020[1]	Currently evaluating the potential impact

(1) Unless Nomura early adopts which is considered unlikely as of the date of these consolidated financial statements.
(2) As subsequently amended by ASU 2015-14 "*Revenue from Contracts with Customers—Deferral of the Effective Date*", ASU 2016-08 "*Revenue from Contracts with Customers—Principal versus Agent Considerations*", ASU 2016-10 "*Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing*" and ASU 2016-12 "*Revenue from Contracts with Customers—Narrow-Scope Improvements and Practical Expedients*".
(3) As permitted by ASU 2016-01, Nomura currently expects to adopt the changes to the presentation for own credit adjustments prior to April 1, 2018. All other changes introduced by ASU 2016-01 will be adopted on April 1, 2018.

2. Fair value measurements:

The fair value of financial instruments

A significant amount of Nomura's financial instruments are carried at fair value. Financial assets carried at fair value on a recurring basis are reported in the consolidated balance sheets within *Trading assets and private equity investments, Loans and receivables, Collateralized agreements* and *Other assets*. Financial liabilities carried at fair value on a recurring basis are reported within *Trading liabilities, Short-term borrowings, Payables and deposits, Collateralized financing, Long-term borrowings* and *Other liabilities.*

Other financial assets and financial liabilities are measured at fair value on a nonrecurring basis, where the primary measurement basis is not fair value but where fair value is used in specific circumstances after initial recognition, such as to measure impairment.

In all cases, fair value is determined in accordance with ASC 820 which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura's principal market, or in the absence of the principal market, the most advantageous market for the relevant financial assets or financial liabilities.

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

Financial assets carried at fair value also include investments in certain funds where, as a practical expedient, fair value is determined on the basis of net asset value per share ("NAV per share") if the NAV per share is calculated in accordance with certain industry standard principles.

Increases and decreases in the fair value of assets and liabilities will significantly impact Nomura's position, performance, liquidity and capital resources. As explained below, valuation techniques applied contain inherent uncertainties and Nomura is unable to predict the accurate impact of future developments in the market. Where appropriate, Nomura uses economic hedging strategies to mitigate its risk, although these hedges are also subject to unpredictable movements in the market.

Valuation methodology for financial instruments carried at fair value on a recurring basis

The fair value of financial instruments is based on quoted market prices including market indices, broker or dealer quotations or an estimation by management of the expected exit price under current market conditions. Various financial instruments, including cash instruments and over-the-counter ("OTC") contracts, have bid and offer prices that are observable in the market. These are measured at the point within the bid-offer range which best represents Nomura's estimate of fair value. Where quoted market prices or broker or dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value.

Where quoted prices are available in active markets, no valuation adjustments are taken to modify the fair value of assets or liabilities marked using such prices. Other instruments may be measured using valuation techniques, such as valuation pricing models incorporating observable valuation inputs, unobservable parameters or a combination of both. Valuation pricing models use valuation inputs which would be considered by market participants in valuing similar financial instruments.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized and realized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Valuation uncertainty results from a variety of factors, including the valuation technique or model selected, the quantitative assumptions used within the valuation model, the inputs into the model, as well as other factors. Valuation adjustments are used to reflect the assessment of this uncertainty. Common valuation adjustments include model reserves, credit adjustments, close-out adjustments, and other appropriate instrument-specific adjustments, such as those to reflect transfer or sale restrictions.

The level of adjustments is largely judgmental and is based on an assessment of the factors that management believe other market participants would use in determining the fair value of similar financial instruments. The type of adjustments taken, the methodology for the calculation of these adjustments, and the valuation inputs for these calculations are reassessed periodically to reflect current market practice and the availability of new information.

For example, the fair value of certain financial instruments includes adjustments for credit risk; both with regards to counterparty credit risk on positions held and Nomura's own creditworthiness on positions issued. Credit risk on financial assets is significantly mitigated by credit enhancements such as collateral and netting arrangements. Any net credit exposure is measured using available and applicable valuation inputs for the relevant counterparty. The same approach is used to measure the credit exposure on Nomura's financial liabilities as is used to measure counterparty credit risk on Nomura's financial assets.

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The Global Model Validation Group ("MVG") within Nomura's Risk Management Department reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about a model's suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

As explained above, any changes in fixed income, equity, foreign exchange and commodity markets can impact Nomura's estimates of fair value in the future, potentially affecting trading gains and losses. Where financial contracts have longer maturity dates, Nomura's estimates of fair value may involve greater subjectivity due to the lack of transparent market data.

Fair value hierarchy

All financial instruments measured at fair value, including those carried at fair value using the fair value option, have been categorized into a three-level hierarchy ("fair value hierarchy") based on the transparency of valuation inputs used by Nomura to estimate fair value. A financial instrument is classified in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the financial instrument. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the most transparent inputs and Level 3 representing the least transparent inputs:

Level 1:

Unadjusted quoted prices for identical financial instruments in active markets accessible by Nomura at the measurement date.

Level 2:

Quoted prices in inactive markets or prices containing other inputs which are observable, either directly or indirectly. Valuation techniques using observable valuation inputs reflect assumptions used by market participants in pricing financial instruments and are based on data obtained from independent market sources at the measurement date.

Level 3:

Unobservable valuation inputs that are significant to the fair value measurement of the financial instrument. Valuation techniques using unobservable valuation inputs reflect management's assumptions about the estimates used by other market participants in valuing similar financial instruments. These valuation techniques are developed based on the best available information at the measurement date.

The availability of valuation inputs observable in the market varies by product and can be affected by a variety of factors. Significant factors include, but are not restricted to the prevalence of similar products in the market, especially for customized products, how established the product is in the market, for example, whether it is a new product or is relatively mature, and the reliability of information provided in the market which would depend, for example, on the frequency and volume of current data. A period of significant change in the market may reduce the availability of observable data. Under such circumstances, financial instruments may be reclassified into a lower level in the fair value hierarchy.

Significant judgments used in determining the classification of financial instruments include the nature of the market in which the product would be traded, the underlying risks, the type and liquidity of market data inputs and the nature of observed transactions for similar instruments.

Where valuation models include the use of valuation inputs which are less observable or unobservable in the market, significant management judgment is used in establishing fair value. The valuations for Level 3 financial instruments, therefore, involve a greater degree of judgment than those valuations for Level 1 or Level 2 financial instruments.

Certain criteria management use to determine whether a market is active or inactive include the number of transactions, the frequency that pricing is updated by other market participants, the variability of price quotes among market participants, and the amount of publicly available information.

The following tables present the amounts of Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2015 and 2016 within the fair value hierarchy.

	Billions of yen				
	March 31, 2015				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of March 31, 2015
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥1,707	¥ 710	¥ 39	¥ —	¥ 2,456
Private equity investments[3]	—	0	49	—	49
Japanese government securities	2,233	—	—	—	2,233
Japanese agency and municipal securities	—	277	—	—	277
Foreign government, agency and municipal securities	3,965	1,391	3	—	5,359
Bank and corporate debt securities and loans for trading purposes	—	1,786	167	—	1,953
Commercial mortgage-backed securities ("CMBS")	—	113	2	—	115
Residential mortgage-backed securities ("RMBS")	—	2,496	1	—	2,497
Real estate-backed securities	—	—	13	—	13
Collateralized debt obligations ("CDOs") and other[4]	—	184	15	—	199
Investment trust funds and other	448	120	4	—	572
Total trading assets and private equity investments	8,353	7,077	293	—	15,723
Derivative assets[5]					
Equity contracts	7	1,668	72	—	1,747
Interest rate contracts	16	31,559	90	—	31,665
Credit contracts	5	1,066	40	—	1,111
Foreign exchange contracts	—	7,544	33	—	7,577
Commodity contracts	0	0	—	—	0
Netting	—	—	—	(40,514)	(40,514)
Total derivative assets	28	41,837	235	(40,514)	1,586
Subtotal	¥8,381	¥48,914	¥ 528	¥ (40,514)	¥ 17,309
Loans and receivables[6]	—	304	15	—	319
Collateralized agreements[7]	—	1,530	—	—	1,530
Other assets					
Non-trading debt securities	342	606	0	—	948
Other[3]	342	128	57	—	527
Total	¥9,065	¥51,482	¥ 600	¥ (40,514)	¥ 20,633
Liabilities:					
Trading liabilities					
Equities	¥1,027	¥ 62	¥ 3	¥ —	¥ 1,092
Japanese government securities	3,117	—	—	—	3,117
Foreign government, agency and municipal securities	3,155	904	—	—	4,059
Bank and corporate debt securities	—	379	0	—	379
Residential mortgage-backed securities ("RMBS")	—	1	—	—	1
Collateralized debt obligations ("CDOs") and other[4]	—	3	—	—	3
Investment trust funds and other	84	0	—	—	84
Total trading liabilities	7,383	1,349	3	—	8,735
Derivative liabilities[5]					
Equity contracts	18	1,887	78	—	1,983
Interest rate contracts	8	31,555	112	—	31,675

Credit contracts	2	1,080	36	—	1,118
Foreign exchange contracts	—	6,954	38	—	6,992
Commodity contracts	1	0	0	—	1
Netting	—	—	—	(40,460)	(40,460)
Total derivative liabilities	29	41,476	264	(40,460)	1,309
Subtotal	¥7,412	¥42,825	¥ 267	¥ (40,460)	¥ 10,044
Short-term borrowings[8]	¥ —	¥ 188	¥ 1	¥ —	¥ 189
Payables and deposits[9]	—	0	0	—	0
Collateralized financing[7]	—	983	—	—	983
Long-term borrowings[8][10][11]	80	1,996	525	—	2,601
Other liabilities[12]	96	108	—	—	204
Total	¥7,588	¥46,100	¥ 793	¥ (40,460)	¥ 14,021

	Billions of yen				
	March 31, 2016				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of March 31, 2016
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥1,032	¥ 783	¥ 44	¥ —	¥ 1,859
Private equity investments[3]	—	—	31	—	31
Japanese government securities	2,973	—	—	—	2,973
Japanese agency and municipal securities	—	215	—	—	215
Foreign government, agency and municipal securities	3,673	1,383	4	—	5,060
Bank and corporate debt securities and loans for trading purposes	—	1,061	107	—	1,168
Commercial mortgage-backed securities (“CMBS”)	—	44	17	—	61
Residential mortgage-backed securities (“RMBS”)	—	3,065	9	—	3,074
Real estate-backed securities	—	—	38	—	38
Collateralized debt obligations (“CDOs”) and other[4]	—	80	10	—	90
Investment trust funds and other	356	111	2	—	469
Total trading assets and private equity investments	8,034	6,742	262	—	15,038
Derivative assets[5]					
Equity contracts	5	1,229	51	—	1,285
Interest rate contracts	11	28,688	126	—	28,825
Credit contracts	1	649	29	—	679
Foreign exchange contracts	0	6,886	21	—	6,907
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(36,325)	(36,325)
Total derivative assets	18	37,452	227	(36,325)	1,372
Subtotal	¥8,052	¥44,194	¥ 489	¥ (36,325)	¥ 16,410
Loans and receivables[6]	—	277	26	—	303
Collateralized agreements[7]	—	1,099	—	—	1,099
Other assets					
Non-trading debt securities	337	534	0	—	871
Other[3]	426	122	61	—	609
Total	¥8,815	¥46,226	¥ 576	¥ (36,325)	¥ 19,292
Liabilities:					
Trading liabilities					
Equities	¥1,108	¥ 29	¥ 0	¥ —	¥ 1,137
Japanese government securities	1,746	—	—	—	1,746
Japanese agency and municipal securities	—	9	—	—	9
Foreign government, agency and municipal securities	2,203	747	—	—	2,950
Bank and corporate debt securities	—	519	3	—	522
Commercial mortgage-backed securities (“CMBS”)	—	0	—	—	0
Residential mortgage-backed securities (“RMBS”)	—	3	—	—	3
Collateralized debt obligations (“CDOs”) and other[4]	—	2	—	—	2
Investment trust funds and other	78	2	0	—	80
Total trading liabilities	5,135	1,311	3	—	6,449
Derivative liabilities[5]					
Equity contracts	5	1,491	45	—	1,541
Interest rate contracts	8	28,380	109	—	28,497
Credit contracts	1	776	29	—	806
Foreign exchange contracts	0	6,624	30	—	6,654
Commodity contracts	8	0	—	—	8
Netting	—	—	—	(36,456)	(36,456)
Total derivative liabilities	22	37,271	213	(36,456)	1,050
Subtotal	¥5,157	¥38,582	¥ 216	¥ (36,456)	¥ 7,499
Short-term borrowings[8]	¥ 1	¥ 309	¥ 21	¥ —	¥ 331

Payables and deposits	—	0	0	—	0
Collateralized financing[7]	—	571	—	—	571
Long-term borrowings[8][10][11]	105	2,265	331	—	2,701
Other liabilities[12]	150	111	2	—	263
Total	¥5,413	¥41,838	¥ 570	¥ (36,456)	¥ 11,365

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.
(2) Includes investments in certain funds measured at fair value on the basis of NAV per share as a practical expedient.
(3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.

(4) Includes collateralized loan obligations ("CLOs") and asset-backed securities ("ABS") such as those secured on credit card loans, auto loans and student loans.
(5) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
(6) Includes loans for which the fair value option has been elected.
(7) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
(8) Includes structured notes for which the fair value option has been elected.
(9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
(10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
(11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
(12) Includes loan commitments for which the fair value option has been elected.

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

Equities and equity securities reported within *Other assets*—Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2015 and 2016, respectively. The fair value of unlisted equity securities is determined using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable. As a practical expedient, fund investments which do not have a readily determinable fair value are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily NAV per share are classified in Level 1. Fund investments where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified in Level 2. Fund investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The Direct Capitalization Method ("DCM") is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified in Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued.

Private equity investments—The determination of fair value of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow ("DCF") or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital ("WACC"). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization ("EV/EBITDA") ratios, Price/Earnings ("PE") ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the investee or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

Government, agency and municipal securities—The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

Bank and corporate debt securities—The fair value of bank and corporate debt securities is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

Commercial mortgage-backed securities ("CMBS") and *Residential mortgage-backed securities ("RMBS")*—The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

Real estate-backed securities—The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or DCM valuation techniques and are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as yields or loss severities.

Collateralized debt obligations ("CDOs") and other—The fair value of CDOs is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used include market spread data for each credit rating, yields, prepayment rates, default probabilities and loss severities. CDOs are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are observable or market-corroborated. CDOs will be classified in Level 3 where one or more of the significant valuation inputs used in the DCF valuations are unobservable.

Investment trust funds and other—The fair value of investment trust funds is primarily determined using NAV per share. Publicly traded funds which are valued using a daily NAV per share are classified in Level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in Level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The fair value of certain other investments reported within *Investment trust funds and other* is determined using DCF valuation techniques. These investments are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as credit spreads of issuer and correlation.

Derivatives—Equity contracts—Nomura enters into both exchange-traded and OTC equity derivative transactions such as index and equity options, equity basket options and index and equity swaps. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded equity derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC equity derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, volatility or correlation valuation inputs are significant and unobservable.

Derivatives—Interest rate contracts—Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements, swaptions, caps and floors. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded interest rate derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded interest rate derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC interest rate derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange ("FX") rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC interest rate derivatives are classified in Level 3 where interest rate, volatility or correlation valuation inputs are significant and unobservable.

Derivatives—Credit contracts—Nomura enters into OTC credit derivative transactions such as credit default swaps and credit options on single names, indices or baskets of assets. The fair value of OTC credit derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, credit spreads, recovery rates, default probabilities, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC credit derivatives are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC credit derivatives are classified in Level 3 where credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

Derivatives—Foreign exchange contracts—Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain foreign exchange derivatives are classified in Level 3 where volatility valuation inputs are significant and unobservable.

Loans—The fair value of loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques as quoted prices are typically not available. The significant valuation inputs used are similar to those used in the valuation of corporate debt securities described above. Loans are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs are observable. Certain loans, however, are classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2 or credit spreads of the issuer used in DCF valuations are significant and unobservable.

Collateralized agreements and *Collateralized financing*—The primary types of collateralized agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

Non-trading debt securities—These are debt securities held by certain non-trading subsidiaries in the group and are valued and classified in the fair value hierarchy using the same valuation techniques used for other debt securities classified as *Government, agency and municipal securities* and *Bank and corporate debt securities* described above.

Short-term and *long-term borrowings ("Structured notes")*—Structured notes are debt securities issued by Nomura or by consolidated variable interest entities ("VIEs") which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves and prepayment rates. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura's own creditworthiness. As of March 31, 2015 and March 31, 2016, the fair value of structured notes includes a debit adjustment of ¥0 billion and a debit adjustment of ¥23 billion, respectively, to reflect Nomura's own creditworthiness. The valuation methodology used to determine this adjustment was refined during the year ended March 31, 2016 by incorporating certain additional term features in Nomura's credit spreads, which are a key valuation input used to determine the amount of the adjustment. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

Long-term borrowings ("Secured financing transactions")—Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura's own creditworthiness.

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements, including those classified in Level 3 within the fair value hierarchy, Nomura operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the trading businesses assuming the risk of the financial instrument. Such functions within Nomura with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group ("PCVG") within Nomura's Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument in accordance with U.S. GAAP. While it is the responsibility of market makers and investment professionals in our trading businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the trading businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer ("CFO");
- The Accounting Policy Group within Nomura's Finance Department defines the group's accounting policies and procedures in accordance with U.S. GAAP, including those associated with determination of fair value under ASC 820 and other relevant U.S. GAAP pronouncements. This group reports to the Global Head of Accounting Policy and ultimately to the CFO; and
- The MVG within Nomura's Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. This group reports to the Chief Risk Officer.

The fundamental components of this governance framework over valuation processes within Nomura particularly as it relates to Level 3 financial instruments are the procedures in place for independent price verification, pricing model validation and revenue substantiation.

Independent price verification processes

The key objective of the independent price verification processes within Nomura is to verify the appropriateness of fair value measurements applied to all financial instruments within Nomura. In applying these control processes, observable inputs are used whenever possible and when unobservable inputs are necessary, the processes seek to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.

The independent price verification processes aim to verify the fair value of all positions to external levels on a regular basis. The process will involve obtaining data such as trades, marks and prices from internal and external sources and examining the impact of marking the internal positions at the external prices. Margin disputes within the collateral process will also be investigated to determine if there is any impact on valuations.

Where third-party pricing information sourced from brokers, dealers and consensus pricing services is used as part of the price verification process, consideration is given as to whether that information reflects actual recent market transactions or prices at which transactions involving identical or similar financial instruments are currently executable. If such transactions or prices are not available, the financial instrument will generally be classified in Level 3.

Where there is a lack of observable market information around the inputs used in a fair value measurement, then the PCVG and the MVG will assess the inputs used for reasonableness considering available information including comparable products, surfaces, curves and past trades. Additional valuation adjustments may be taken for the uncertainty in the inputs used, such as correlation and where appropriate trading desks may be asked to execute trades to evidence market levels.

Model review and validation

For more complex financial instruments pricing models are used to determine fair value measurements. The MVG performs an independent model approval process which incorporates a review of the model assumptions across a diverse set of parameters. Considerations include:

- Scope of the model (different financial instruments may require different but consistent pricing approaches);
- Mathematical and financial assumptions;
- Full or partial independent benchmarking along with boundary and stability tests, numerical convergence, calibration quality and stability;
- Model integration within Nomura's trading and risk systems;
- Calculation of risk numbers and risk reporting; and
- Hedging strategies/practical use of the model.

New models are reviewed and approved by the MVG. The frequency of subsequent MVG reviews ("Model Re-approvals") is at least annually.

Revenue substantiation

Nomura's Product Control function also ensures adherence to Nomura's valuation policies through daily and periodic analytical review of net revenues. This process involves substantiating revenue amounts through explanations and attribution of revenue sources based on the underlying factors such as interest rates, credit spreads, volatilities, foreign exchange rates etc. In combination with the independent price verification processes, this daily, weekly, monthly and quarterly review substantiates the revenues made while helping to identify and resolve potential booking, pricing or risk quantification issues.

Level 3 financial instruments

As described above, the valuation of Level 3 financial assets and liabilities is dependent on certain significant valuation inputs which are unobservable. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, non-executable broker quotes or little publicly released information.

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be measured using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered as an unobservable valuation input. Other techniques for determining an appropriate value for unobservable input may consider information such as consensus pricing data among certain market participants, historical trends, extrapolation from observable market data and other information Nomura would expect market participants to use in valuing similar instruments.

Use of reasonably possible alternative valuation input assumptions to value Level 3 financial instruments will significantly influence fair value determination. Ultimately, the uncertainties described above about input assumptions imply that the fair value of Level 3 financial instruments is a judgmental estimate. The specific valuation for each instrument is based on management's judgment of prevailing market conditions, in accordance with Nomura's established valuation policies and procedures.

Quantitative and qualitative information regarding significant unobservable inputs

The following tables present quantitative and qualitative information about the significant unobservable valuation inputs used by Nomura to measure the fair value of financial instruments classified in Level 3 as of March 31, 2015 and 2016. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy. Changes in each of these significant unobservable valuation inputs used by Nomura will impact upon the fair value measurement of the financial instrument. The following tables also therefore qualitatively summarize the sensitivity of the fair value measurement for each type of financial instrument as a result of an increase in each unobservable valuation input and summarize the interrelationship between significant unobservable valuation inputs where more than one is used to measure fair value.

	March 31, 2015						
Financial instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs[1]	Weighted average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationships between valuation inputs[5]
Assets:							
Trading assets and private equity investments							
Equities	¥39	DCF	Liquidity discounts	4.6 – 40.0%	21.6%	Lower fair value	Not applicable
Private equity investments	49	Market multiples	EV/EBITDA ratios Price/Embedded values Liquidity discounts	10.0 x 0.4 x 30.0 – 33.0%	10.0 x 0.4 x 32.3%	Higher fair value Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Foreign government, agency and municipal securities	3	DCF	Credit spreads	0.3 – 6.1%	1.1%	Lower fair value	Not applicable
Bank and corporate debt securities and loans for trading purposes	167	DCF	Credit spreads Recovery rates	0.0 – 33.4% 0.0 – 42.6%	10.4% 24.9%	Lower fair value Higher fair value	No predictable interrelationship
Commercial mortgage-backed securities (“CMBS”)	2	DCF	Yields	18.1 – 50.6%	15.3%	Lower fair value	Not applicable
Residential mortgage-backed securities (“RMBS”)	1	DCF	Yields Prepayment rates	0.1 – 10.6% 2.7 – 12.8%	2.2% 7.5%	Lower fair value Lower fair value	No predictable interrelationship
Real estate-backed securities	13	DCF	Yields Loss severities	17.0 – 26.0% 0.0 – 46.8%	24.3% 18.6%	Lower fair value Lower fair value	No predictable interrelationship
Collateralized debt obligations (“CDOs”) and other	15	DCF	Yields Prepayment rates Default probabilities Loss severities	4.7 – 23.4% 0.0 – 20.0% 1.0 – 10.0% 30.0 – 100.0%	12.6% 19.0% 2.2% 32.7%	Lower fair value Lower fair value Lower fair value Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates

	March 31, 2015						
Financial instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs[1]	Weighted average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationships between valuation inputs[5]
Derivatives, net:							
Equity contracts	¥(6)	Option models	Dividend yield	0.0 – 8.4%	—	Higher fair value	No predictable interrelationship
			Volatilities	9.2 – 100.2%	—	Higher fair value	
			Correlations	(0.75) – 0.98	—	Higher fair value	
Interest rate contracts	(22)	DCF/ Option models	Interest rates	0.8 – 3.3%	—	Higher fair value	No predictable interrelationship
			Volatilities	13.7 – 300.0%	—	Higher fair value	
			Correlations	(0.30) – 0.99	—	Higher fair value	
Credit contracts	4	DCF/ Option models	Credit spreads	0.0 – 19.9%	—	Higher fair value	No predictable interrelationship
			Recovery rates	0.0 – 90.0%	—	Higher fair value	
			Volatilities	1.0 – 70.0%	—	Higher fair value	
			Correlations	0.37 – 0.95	—	Higher fair value	
Foreign exchange contracts	(5)	Option models	Volatilities	0.6 – 16.1%	—	Higher fair value	Not applicable
Loans and receivables	15	DCF	Credit spreads	0.0 – 12.2%	0.7%	Lower fair value	Not applicable
Other assets							
Other[6]	57	DCF	WACC	5.7%	5.7%	Lower fair value	No predictable interrelationship
			Growth rates	1.0%	1.0%	Higher fair value	
			Credit spreads	0.6 – 2.4%	1.3%	Lower fair value	
			Liquidity discounts	30.0%	30.0%	Lower fair value	
		Market multiples	EV/EBITDA ratios	2.9 – 13.5 x	7.6 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			PE ratios	11.5 – 83.9 x	29.3 x	Higher fair value	
			Price/Book ratios	0.0 – 5.0 x	1.1 x	Higher fair value	
			Liquidity discounts	20.0 – 30.0%	29.2%	Lower fair value	
Liabilities:							
Short-term borrowings	¥1	DCF/ Option models	Volatilities	15.4 – 47.5%	—	Higher fair value	No predictable interrelationship
			Correlations	(0.75) – 0.91	—	Higher fair value	
Long-term borrowings	525	DCF/ Option models	Volatilities	13.7 – 47.5%	—	Higher fair value	No predictable interrelationship
			Correlations	(0.75) – 0.99	—	Higher fair value	

	March 31, 2016						
Financial instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs[1]	Weighted average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationships between valuation inputs[5]
Assets:							
Trading assets and private equity investments							
Equities	¥44	DCF	Liquidity discounts	30.0 – 45.0%	41.7%	Lower fair value	Not applicable
Private equity investments	31	Market multiples	EV/EBITDA ratios Price/Book ratio Liquidity discounts	7.8 x 1.1 x 0.0 – 30.0%	7.8 x 1.1 x 22.9%	Higher fair value Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Foreign government, agency and municipal securities	4	DCF	Credit spreads	0.0 – 5.9%	1.3%	Lower fair value	Not applicable
Bank and corporate debt securities and loans for trading purposes	107	DCF	Credit spreads Recovery rates	0.0 – 40.7% 0.0 – 97.0%	5.3% 68.6%	Lower fair value Higher fair value	No predictable interrelationship
Commercial mortgage-backed securities (“CMBS”)	17	DCF	Yields Loss severities	0.0 – 183.1% 0.0 – 20.0%	7.7% 10.0%	Lower fair value Lower fair value	No predictable interrelationship
Residential mortgage-backed securities (“RMBS”)	9	DCF	Yields Prepayment rates Loss severities	0.0 – 17.4% 2.7 – 12.0% 4.5 – 60.6%	4.1% 9.0% 30.1%	Lower fair value Lower fair value Lower fair value	No predictable interrelationship
Real estate-backed securities	38	DCF	Yields Loss severities	4.0 – 165.1% 0.0 – 100.0%	25.3% 21.4%	Lower fair value Lower fair value	No predictable interrelationship
Collateralized debt obligations (“CDOs”) and other	10	DCF	Yields Prepayment rates Default probabilities Loss severities	10.8 – 25.0% 4.0 – 20.0% 2.0 – 5.5% 30.0 – 88.0%	21.1% 19.6% 2.6% 31.8%	Lower fair value Lower fair value Lower fair value Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates

	March 31, 2016						
Financial instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs[1]	Weighted average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationships between valuation inputs[5]
Derivatives, net:							
Equity contracts	¥6	Option models	Dividend yield Volatilities Correlations	0.0 – 13.7% 0.0 – 125.2% (0.74) – 0.99	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Interest rate contracts	17	DCF/ Option models	Interest rates Volatilities Correlations	0.1 – 3.3% 13.8 – 422.2% (0.65) – 1.00	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Credit contracts	0	DCF/ Option models	Credit spreads Recovery rates Volatilities Correlations	0.0 – 45.9% 0.0 – 90.0% 30.0 – 58.1% 0.26 – 0.87	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Foreign exchange contracts	(9)	Option models	Volatilities	1.0 – 31.6%	—	Higher fair value	Not applicable
Loans and receivables	26	DCF	Credit spreads	0.0 – 16.8%	4.9%	Lower fair value	Not applicable
Other assets							
Other[6]	61	DCF	WACC Growth rates Credit spreads Liquidity discounts	5.5% 1.0% 0.6 – 0.7% 30.0%	5.5% 1.0% 0.7% 30.0%	Lower fair value Higher fair value Lower fair value Lower fair value	No predictable interrelationship
		Market multiples	EV/EBITDA ratios PE ratios Price/Book ratios Liquidity discounts	4.0 – 13.5 x 3.7 – 31.5 x 0.0 – 5.6 x 20.0 – 30.0%	8.0 x 19.6 x 1.1 x 27.7%	Higher fair value Higher fair value Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Liabilities:							
Trading liabilities							
Bank and corporate debt securities	¥3	DCF	Credit spreads	0.9 – 10.3%	2.9%	Lower fair value	Not applicable
Short-term borrowings	21	DCF/ Option models	Volatilities	34.6%	—	Higher fair value	Not applicable
Long-term borrowings	331	DCF/ Option models	Volatilities Correlations	13.8 – 91.4% (0.57) – 0.99	— —	Higher fair value Higher fair value	No predictable interrelationship

(1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
(2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
(3) The above table only considers the impact of an increase in each significant unobservable valuation input on the fair value measurement of the financial instrument. However, a decrease in the significant unobservable valuation input would have the opposite effect on the fair value measurement of the financial instrument. For example, if an increase in a significant unobservable valuation input would result in a lower fair value measurement, a decrease in the significant unobservable valuation input would result in a higher fair value measurement.
(4) The impact of an increase in the significant unobservable input on the fair value measurement for a derivative assumes Nomura is long risk to the input eg long volatility. Where Nomura is short such risk, the impact of an increase would have a converse effect on the fair value measurement of the derivative.
(5) Consideration of the interrelationships between significant unobservable inputs is only relevant where more than one unobservable valuation input is used to determine the fair value measurement of the financial instrument.
(6) Valuation technique(s) and unobservable valuation inputs in respect of equity securities reported within *Other assets* in the consolidated balance sheets.

Qualitative discussion of the ranges of significant unobservable inputs

The following comments present qualitative discussion about the significant unobservable valuation inputs used by Nomura for financial instruments classified in Level 3.

Derivatives—Equity contracts—The significant unobservable inputs are dividend yield, volatilities and correlations. The range of dividend yields varies as some companies do not pay any dividends, for example due to a lack of profits or as a policy during a growth period, and hence have a zero dividend yield while others may pay a high dividend for example to return money to investors. The range of volatilities is wide as the volatilities of shorter-dated equity derivatives or those based on single equity securities can be higher than those of longer-dated instruments or those based on indices. Correlations represent the relationships between one input and another ("pairs") and can either be positive or negative amounts. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships throughout the range.

Derivatives—Interest rate contracts—The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is wide as volatilities can be higher when interest rates are at extremely low levels, and also because volatilities of shorter-dated interest rate derivatives are typically higher than those of longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of the inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

Derivatives—Credit contracts—The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads reflects the different risk of default present within the portfolio. At the low end of the range, underlying reference names have a very limited risk of default whereas at and the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong.

Derivatives—Foreign exchange contracts—The only significant unobservable inputs are volatilities. The range of volatilities is relatively narrow with the lower end of the range arising from currencies that trade in narrow ranges versus the U.S. Dollar. All significant unobservable volatilities are spread across the ranges.

Short-term borrowings and Long-term borrowings—The significant unobservable inputs are volatilities and correlations. The range of volatilities is wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

Movements in Level 3 financial instruments

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified in Level 3 for the years ended March 31, 2015 and 2016. Financial instruments classified in Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable valuation inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable valuation inputs.

For the year ended March 31, 2016, gains and losses related to Level 3 assets did not have a material impact on Nomura's liquidity and capital resources management.

	Billions of yen									
	Year ended March 31, 2015									
	Balance as of April 1, 2014	Total gains (losses) recognized in net revenue[1]	Total gains (losses) recognized in other comprehensive income	Purchases / issues[2]	Sales / redemptions[2]	Settlements	Foreign exchange movements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Balance as of March 31, 2015
Assets:										
Trading assets and private equity investments										
Equities	¥ 68	¥ 1	¥ —	¥ 28	¥ (52)	¥ —	¥ 2	¥ 3	¥ (11)	¥ 39
Private equity investments	42	2	—	6	(2)	—	1	—	0	49
Japanese agency and municipal securities	—	—	—	0	0	—	—	—	—	—
Foreign government, agency and municipal securities	26	8	—	150	(152)	—	—	7	(36)	3
Bank and corporate debt securities and loans for trading purposes	116	8	—	200	(154)	—	15	33	(51)	167
Commercial mortgage-backed securities ("CMBS")	3	0	—	6	(9)	—	0	2	0	2
Residential mortgage-backed securities ("RMBS")	3	(1)	—	1	(5)	—	—	4	(1)	1
Real estate-backed securities	0	0	—	4	(24)	—	1	34	(2)	13
Collateralized debt obligations ("CDOs") and other	13	(5)	—	44	(43)	—	4	20	(18)	15
Investment trust funds and other	30	3	—	1	(11)	—	0	0	(19)	4

Total trading assets and private equity investments	301	16	—	440	(452)	—	23	103	(138)	293
Derivatives, net[4]										
Equity contracts	11	(2)	—	—	—	(14)	0	(10)	9	(6)
Interest rate contracts	(39)	(27)	—	—	—	39	1	(3)	7	(22)
Credit contracts	5	(13)	—	—	—	13	0	0	(1)	4
Foreign exchange contracts	5	(1)	—	—	—	(12)	1	1	1	(5)
Commodity contracts	0	0	—	—	—	0	0	0	—	0
Total derivatives, net	(18)	(43)	—	—	—	26	2	(12)	16	(29)
Subtotal	¥ 283	¥ (27)	¥ —	¥ 440	¥ (452)	¥ 26	¥ 25	¥ 91	¥ (122)	¥ 264
Loans and receivables	¥ 26	¥ (1)	¥ —	¥ —	¥ (14)	¥ —	¥ 4	¥ 0	¥ —	¥ 15
Other assets										
Non-trading debt securities	3	0	0	—	(3)	—	0	—	—	0
Other	56	1	1	3	(5)	—	1	—	0	57
Total	¥ 368	¥ (27)	¥ 1	¥ 443	¥ (474)	¥ 26	¥ 30	¥ 91	¥ (122)	¥ 336
Liabilities:										
Trading liabilities										
Equities	¥ 1	¥ 0	¥ —	¥ 4	¥ 0	¥ —	¥ 0	¥ 0	¥ (2)	¥ 3
Bank and corporate debt securities	0	0	—	0	0	—	0	0	0	0
Collateralized debt obligations (“CDOs”) and other	—	0	—	1	(1)	—	0	—	—	—
Total trading liabilities	¥ 1	¥ 0	¥ —	¥ 5	¥ (1)	¥ —	¥ 0	¥ 0	¥ (2)	¥ 3
Short-term borrowings	3	(1)	—	1	(2)	—	0	0	(2)	1
Payables and deposits	0	0	—	0	0	—	0	—	0	0
Long-term borrowings	394	(83)	—	419	(467)	—	8	121	(33)	525
Total	¥ 398	¥ (84)	¥ —	¥ 425	¥ (470)	¥ —	¥ 8	¥ 121	¥ (37)	¥ 529

	Billions of yen									
	Year ended March 31, 2016									
	Balance as of April 1, 2015	Total gains (losses) recognized in net revenue[1]	Total gains (losses) recognized in other comprehensive income	Purchases / issues[2]	Sales / redemptions[2]	Settlements	Foreign exchange movements	Transfers into Level 3[3]	Transfers out of Level 3[3]	Balance as of March 31, 2016
Assets:										
Trading assets and private equity investments										
Equities	¥ 39	¥ (1)	¥ —	¥ 20	¥ (12)	¥ —	¥ (2)	¥ 2	¥ (2)	¥ 44
Private equity investments	49	14	—	3	(27)	—	(2)	—	(6)	31
Japanese agency and municipal securities	—	0	—	11	(11)	—	—	—	0	—
Foreign government, agency and municipal securities	3	0	—	21	(22)	—	0	3	(1)	4
Bank and corporate debt securities and loans for trading purposes	167	(9)	—	164	(243)	—	(9)	60	(23)	107
Commercial mortgage-backed securities (“CMBS”)	2	2	—	15	(3)	—	0	1	—	17
Residential mortgage-backed securities (“RMBS”)	1	0	—	1	(1)	—	0	8	—	9
Real estate-backed securities	13	0	—	35	(20)	—	(3)	13	—	38
Collateralized debt obligations (“CDOs”) and other	15	(8)	—	9	(14)	—	(1)	16	(7)	10
Investment trust funds and other	4	0	—	2	(1)	—	0	0	(3)	2
Total trading assets and private equity investments	293	(2)	—	281	(354)	—	(17)	103	(42)	262
Derivatives, net[4]										
Equity contracts	(6)	11	—	—	—	(4)	0	1	4	6
Interest rate contracts	(22)	(17)	—	—	—	61	(3)	(1)	(1)	17
Credit contracts	4	(1)	—	—	—	(4)	0	(6)	7	0
Foreign exchange contracts	(5)	(14)	—	—	—	18	1	(3)	(6)	(9)
Commodity contracts	0	0	—	—	—	0	0	—	—	—
Total derivatives, net	(29)	(21)	—	—	—	71	(2)	(9)	4	14
Subtotal	¥ 264	¥ (23)	¥ —	¥ 281	¥ (354)	¥ 71	¥ (19)	¥ 94	¥ (38)	¥ 276
Loans and receivables	¥ 15	¥ (1)	¥ —	¥ 7	¥ (1)	¥ —	¥ (2)	¥ 8	¥ —	¥ 26
Other assets										
Non-trading debt securities	0	—	—	—	—	—	0	—	—	0
Other	57	5	0	4	(4)	—	(1)	0	0	61
Total	¥ 336	¥ (19)	¥ 0	¥ 292	¥ (359)	¥ 71	¥ (22)	¥ 102	¥ (38)	¥ 363
Liabilities:										

Trading liabilities												
Equities	¥ 3	¥ (1)	¥ —	¥ 1	¥ (4)	¥ —	¥ 0	¥ 1	¥ (2)	¥ 0		
Bank and corporate debt securities	0	(2)	—	1	0	—	0	1	(1)	3		
Investment trust funds and other	—	0	—	—	—	—	0	0	—	0		
Total trading liabilities	¥ 3	¥ (3)	¥ —	¥ 2	¥ (4)	¥ —	¥ 0	¥ 2	¥ (3)	¥ 3		
Short-term borrowings	1	(2)	—	27	(1)	—	0	9	(17)	21		
Payables and deposits	0	0	—	0	0	—	0	—	—	0		
Long-term borrowings	525	30	—	232	(412)	—	(7)	114	(91)	331		
Other liabilities	—	(2)	—	0	0	—	0	0	0	2		
Total	¥ 529	¥ 23	—	261	(417)	—	(7)	¥ 125	(111)	357		

(1) Includes gains and losses reported primarily within *Net gain on trading, Gain on private equity investments,* and also within *Gain on investments in equity securities, Revenue—Other* and *Non-interest expenses—Other, Interest and dividends* and *Interest expense* in the consolidated statements of income.

(2) Amounts reported in *Purchases / issues* include increases in trading liabilities while *Sales / redemptions* include decreases in trading liabilities.

(3) If financial instruments move from Level 3 to another Level or move from another Level to Level 3, the amount reported in *Transfers into Level 3 and Transfers out of Level 3* is the fair value as of the beginning of the quarter during which the movement occurs. Therefore if financial instruments move from another Level to Level 3, all gains/ (losses) during the quarter are included in the table and if financial instruments move from Level 3 to another Level, all gains/ (losses) during the year are excluded from the table.

(4) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

Unrealized gains and losses recognized for Level 3 financial instruments

The following table presents the amounts of unrealized gains (losses) for the years ended March 31, 2015 and 2016, relating to those financial instruments which Nomura classified in Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date.

	Billions of yen	
	March 31	
	2015	2016
	Unrealized gains / (losses)[1]	
Assets:		
Trading assets and private equity investments		
Equities	¥ (4)	¥ 0
Private equity investments	2	6
Japanese agency and municipal securities	0	0
Foreign government, agency and municipal securities	1	0
Bank and corporate debt securities and loans for trading purposes	0	(8)
Commercial mortgage-backed securities (“CMBS”)	0	4
Residential mortgage-backed securities (“RMBS”)	0	0
Real estate-backed securities	(1)	0
Collateralized debt obligations (“CDOs”) and other	(3)	(4)
Investment trust funds and other	4	0
Total trading assets and private equity investments	(1)	(2)
Derivatives, net[2]		
Equity contracts	(1)	4
Interest rate contracts	(11)	14
Credit contracts	(13)	(4)
Foreign exchange contracts	(5)	(9)
Commodity contracts	0	—
Total derivatives, net	(30)	5
Subtotal	¥ (31)	¥ 3
Loans and receivables	0	(1)
Other assets		
Non-trading debt securities	0	0
Other	1	4
Total	¥ (30)	¥ 6
Liabilities:		
Trading liabilities		
Equities	¥ 0	¥ 0
Bank and corporate debt securities	0	(2)
Investment trust funds and other	—	0
Total trading liabilities	¥ 0	¥ (2)
Short-term borrowings	0	(2)
Payables and deposits	0	1
Long-term borrowings	(14)	33
Other liabilities	—	(2)
Total	¥ (14)	¥ 28

(1) Includes gains and losses reported within *Net gain on trading, Gain on private equity investments*, and also within *Gain on investments in equity securities, Revenue—Other* and *Non-interest expenses—Other, Interest and dividends* and *Interest expense* in the consolidated statements of income.

(2) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

Transfers between levels of the fair value hierarchy

Nomura assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

Transfers between Level 1 and Level 2

During the year ended March 31, 2015, a total of ¥218 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥199 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became less active. This also comprised ¥6 billion of *Foreign government, agency and municipal securities,* ¥8 billion of *Investment trust funds and other* and ¥4 billion of equity securities reported within *Other assets—Other* which were transferred because the observable markets in which these instruments were traded became less active. During the same period, a total of ¥41 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥39 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became less active.

During the year ended March 31, 2016, a total of ¥85 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥65 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became less active. This also comprised ¥20 billion of *Investment trust funds and other,* which were transferred because the observable markets in which these instruments were traded became less active. During the same period, a total of ¥28 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥27 billion of short sales of equities reported within *Trading liabilitie*s which were transferred because the observable markets in which these instruments were traded became less active.

During the year ended March 31, 2015, the amount of ¥407 billion of equity derivative assets and ¥362 billion of equity derivative liabilities were transferred from Level 1 to Level 2. The fair value of certain exchange-traded equity derivatives has been determined using a model price rather than exchange price. Use of a model price is more representative of fair value than exchange price because of the higher volume and frequency of trading in the underlying equity instruments.

During the year ended March 31, 2015, a total of ¥125 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥103 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became more active. This also comprised ¥6 billion of *Bank and corporate debt securities and loans for trading purposes*, ¥11 billion of *Investment trust funds and other* and ¥4 billion of equity securities reported within *Other assets—Other* which were transferred because the observable markets in which these instruments were traded became more active. During the same period, a total of ¥69 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥68 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became more active.

During the year ended March 31, 2016, a total of ¥87 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥60 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became more active. This also comprised ¥21 billion of *Investment trust funds and other* which were transferred because the observable markets in which these instruments were traded became more active. During the same period, a total of ¥25 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥24 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became more active.

Transfers out of Level 3

During the year ended March 31, 2015, a total of ¥138 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥11 billion of *Equities* which were transferred because certain liquidity discounts became observable, ¥36 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became observable, ¥51 billion of *Bank and corporate debt securities and loans for trading purposes,* principally debt securities, which were transferred because certain credit spreads and recovery rates became observable, ¥18 billion of *CDOs and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became observable and ¥19 billion of *Investment trust funds and other* which were transferred because certain credit spreads and correlation valuation inputs became observable. During the same period, a total of ¥37 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥33 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became observable.

During the year ended March 31, 2015, a total of ¥16 billion of net derivative liabilities were also transferred out of Level 3. This comprised primarily ¥9 billion of net equity derivative liabilities which were transferred because certain dividend yield, volatility and correlation valuation inputs became observable, and ¥7 billion of net interest rate derivative liabilities which were transferred because certain interest rate, volatility and correlation valuation inputs became observable.

During the year ended March 31, 2016, a total of ¥42 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥23 billion of *Bank and corporate debt securities and loans for trading purposes* which were transferred because certain credit spreads and recovery rates became observable. During the same period, a total of ¥111 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥17 billion of *Short-term borrowings,* and ¥91 billion of *Long-term borrowings*, which were transferred because certain volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2016, a total amount of net derivative liabilities which were transferred out of Level 3 was not significant.

Transfers into Level 3

During the year ended March 31, 2015, a total of ¥103 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥7 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became unobservable, ¥33 billion of *Bank and corporate debt securities and loans for trading purposes*, principally loans, which were transferred because certain credit spread and recovery rate valuation inputs became unobservable, ¥34 billion of *Real estate-backed securities* which were transferred because certain yields and loss severities became unobservable and ¥20 billion of *CDOs and other* which were transferred because certain yield, prepayment rate, default probability and loss severity valuation inputs became unobservable. The amount of gains and losses on these transfer reported in *Foreign government, agency and municipal securities, Bank and corporate debt securities and loans for trading purposes, Real estate-backed securities* and *CDOs and other* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥121 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised ¥121 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable. The amount of gains and losses on these transfer reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2015, a total of ¥12 billion of net derivative liabilities were also transferred into Level 3. This comprised ¥10 billion of net equity derivative liabilities which were transferred because certain dividend yield, volatility and correlation valuation inputs became unobservable. Gains on the equity derivative liabilities which were recognized in the quarter when the transfer into Level 3 occurred were ¥5 billion.

During the year ended March 31, 2016, a total of ¥111 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥60 billion of *Bank and corporate debt securities and loans for trading purposes,* which were transferred because certain credit spread and recovery rate valuation inputs became unobservable, ¥13 billion of *Real estate-backed securities* which were transferred because certain yield and loss severity valuation inputs became unobservable and ¥16 billion of *Collateralized debt obligations ("CDOs") and other*, which were transferred because certain yield, prepayment rate, default probability and loss severity valuation inputs became unobservable. The amount of gains and losses on these transfer reported in *Bank and corporate debt securities and loans for trading purposes, Real estate-backed securities* and *Collateralized debt obligations ("CDOs") and other* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥125 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥114 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable or more significant. The amount of gains and losses on these transfer reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2016, a total amount of net derivative liabilities which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the quarter when the transfer into Level 3 occurred was also not significant.

Investments in investment funds that calculate NAV per share

In the normal course of business, Nomura invests in non-consolidated funds which meet the definition of investment companies or are similar in nature and which do not have readily determinable fair values. For certain of these investments, Nomura uses NAV per share as the basis for valuation as a practical expedient. Some of these investments are redeemable at different amounts from NAV per share.

The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2015 and 2016. Investments are presented by major category relevant to the nature of Nomura's business and risks.

	Billions of yen			
	March 31, 2015			
	Fair value	Unfunded commitments[1]	Redemption frequency (if currently eligible)[2]	Redemption notice[3]
Hedge funds	¥ 98	¥ 0	Monthly	Same day-90 days
Venture capital funds	3	1	—	—
Private equity funds	47	20	—	—
Real estate funds	1	—	—	—
Total	¥ 149	¥ 21		

	Billions of yen			
	March 31, 2016			
	Fair value	Unfunded commitments[1]	Redemption frequency (if currently eligible)[2]	Redemption notice[3]
Hedge funds	¥ 58	¥ 0	Monthly	Same day-90 days
Venture capital funds	2	1	—	—
Private equity funds	38	19	—	—
Real estate funds	1	—	—	—
Total	¥ 99	¥ 20		

(1) The contractual amount of any unfunded commitments Nomura is required to make to the entities in which the investment is held.
(2) The range in frequency with which Nomura can redeem investments.
(3) The range in notice period required to be provided before redemption is possible.

Hedge funds:

These investments include funds of funds that invest in multiple asset classes. The fair values of these investments are determined using NAV per share. Although most of these funds can be redeemed within six months, certain funds cannot be redeemed within six months due to contractual, liquidity or gating issues. The redemption period cannot be estimated for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

Venture capital funds:

These investments include primarily start-up funds. The fair values of these investments are determined using NAV per share. Most of these funds cannot be redeemed within six months. The redemption period cannot be estimated for certain suspended or liquidating funds. These investments contain restrictions against transfers of the investments to third parties.

Private equity funds:

These investments are made mainly in various sectors in Europe, United States and Japan. The fair values of these investments are determined using NAV per share. Redemption is restricted for most of these investments. Some of these investments contain restrictions against transfers of the investments to third parties.

Real estate funds:

These are investments in commercial and other types of real estate. The fair values of these investments are determined using NAV per share. Redemption is restricted for most of these investments. These investments contain restrictions against transfers of the investments to third parties.

Fair value option for financial assets and financial liabilities

Nomura carries certain eligible financial assets and liabilities at fair value through the election of the fair value option permitted by ASC 815 and ASC 825. When Nomura elects the fair value option for an eligible item, changes in that item's fair value are recognized through earnings. Election of the fair value option is generally irrevocable unless an event occurs that gives rise to a new basis of accounting for that instrument.

The financial assets and financial liabilities primarily elected for the fair value option by Nomura, and the reasons for the election, are as follows:

- Equity method investments reported within *Trading assets and private equity investments* and *Other assets* held for capital appreciation or current income purposes which Nomura generally has an intention to exit rather than hold indefinitely. Nomura elects the fair value option to more appropriately represent the purpose of these investments in these consolidated financial statements.
- Loans reported within *Loans and receivables* which are risk managed on a fair value basis and loan commitments related to loans receivable for which the fair value option will be elected upon funding. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between loans and the derivatives used to risk manage those instruments.
- Reverse repurchase and repurchase agreements reported within *Collateralized agreements* and *Collateralized financing* which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between the reverse repurchase and repurchase agreements and the derivatives used to risk manage those instruments.
- All structured notes issued on or after April 1, 2008 reported within *Short-term borrowings* and *Long-term borrowings*. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions. Nomura also elects the fair value option for certain notes issued by consolidated VIEs for the same purpose and for certain structured notes issued prior to April 1, 2008.
- Financial liabilities reported within *Long-term borrowings* recognized in transactions which are accounted for as secured financing transactions under ASC 860. Nomura elects the fair value option for these financial liabilities to mitigate volatility through earnings that otherwise would arise had this election not been made. Even though Nomura usually has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheets and continue to be carried at fair value, with changes in fair value recognized through earnings.

Interest and dividends arising from financial instruments for which the fair value option has been elected are recognized within *Interest and dividends, Interest expense* or *Net gain on trading*.

The following table presents gains (losses) due to changes in fair value for financial instruments measured at fair value using the fair value option for the years ended March 31, 2014, 2015 and 2016.

	Billions of yen	
	Year ended March 31	
	2015	2016
	Gains/(Losses)[1]	
Assets:		
Trading assets and private equity investments[2]		
Trading assets	¥ 0	¥ 1
Private equity investments	1	1
Loans and receivables	4	5
Collateralized agreements[3]	4	2
Other assets[2]	6	(22)
Total	¥ 15	¥ (13)
Liabilities:		
Short-term borrowings[4]	¥ 11	¥ 14
Collateralized financing[3]	(2)	6
Long-term borrowings[4][5]	(7)	79
Other liabilities[6]	0	(2)
Total	¥ 2	¥ 97

(1) Includes gains and losses reported primarily within *Net gain on trading, Gain on private equity investments* and *Revenue—Other* in the consolidated statements of income.
(2) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
(3) Includes reverse repurchase and repurchase agreements.
(4) Includes structured notes and other financial liabilities.
(5) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.
(6) Includes unfunded written loan commitments.

Nomura currently carries its investment in the common stock of Ashikaga Holdings Co., Ltd. (“Ashikaga Holdings”) at fair value through election of the fair value option. Nomura held 37.1% of the common stock as of March 31, 2015, 36.9% as of March 31, 2016. This investment was reported within *Other assets—Other* as of March 31, 2014 and *Other assets—Other* as of March 31, 2015 and 2016 in the consolidated balance sheets.

On November 2, 2015, Ashikaga Holdings agreed to merge with Joyo Bank, Ltd. through a share exchange which is scheduled to be effective on October 1, 2016. Nomura’s investment in the common stock of Ashikaga Holdings will continue to be carried at fair value after the share exchange.

Ashikaga Holdings recognized total revenue of ¥97 billion, total expense of ¥76 billion and net income after tax of ¥17 billion for the year ended March 31, 2015. As of March 31, 2015, its total assets and total liabilities were ¥5,864 billion and ¥5,577 billion, respectively, determined in accordance with accounting principles generally accepted in Japan. Ashikaga Holdings recognized total revenue of ¥102 billion, total expense of ¥72 billion and net income after tax of ¥22 billion for the year ended March 31, 2016. As of March 31, 2016, its total assets and total liabilities were ¥6,106 billion and ¥5,803 billion, respectively, determined in accordance with accounting principles generally accepted in Japan.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques using a rate which incorporates observable changes in its credit spread.

Gains from changes in the fair value of financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥2 billion for the year ended March 31, 2015, mainly due to the widening of Nomura's credit spread. Gains from changes in the fair value of financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥23 billion for the year ended March 31, 2016, mainly due to the widening of Nomura's credit spread.

There was no significant impact on financial assets for which the fair value option was elected attributable to instrument-specific credit risk.

As of March 31, 2015, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥1 billion more than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

As of March 31, 2016, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥2 billion less than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

Concentrations of credit risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura has credit risk concentrations on bonds issued by the Japanese Government, U.S. Government, Governments within the European Union ("EU"), their states and municipalities, and their agencies. These concentrations generally arise from taking trading positions and are reported within *Trading assets* in the consolidated balance sheets. Government, agency and municipal securities, including *Securities pledged as collateral*, represented 19% of total assets as of March 31, 2015 and 20% as of March 31, 2016.

The following tables present geographic allocations of Nomura's trading assets related to government, agency and municipal securities as of March 31, 2015 and 2016. See Note 3 "*Derivative instruments and hedging activities*" for further information regarding the concentration of credit risk for derivatives.

	Billions of yen				
	March 31, 2015				
	Japan	U.S.	EU	Other	Total[(1)]
Government, agency and municipal securities	¥2,510	¥1,815	¥3,098	¥446	¥7,869

	Billions of yen				
	March 31, 2016				
	Japan	U.S.	EU	Other	Total[(1)]
Government, agency and municipal securities	¥3,188	¥2,445	¥2,197	¥418	¥8,248

(1) Other than above, there were ¥635 billion and ¥577 billion of government, agency and municipal securities reported within *Other assets—Non-trading debt securities* in the consolidated balance sheets as of March 31, 2015 and 2016, respectively. These securities are primarily Japanese government, agency and municipal securities.

Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheets since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortized cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within *Cash and cash equivalents, Time deposits, Deposits with stock exchanges and other segregated cash, Receivables from customers, Receivables from other than customers, Securities purchased under agreements to resell* and *Securities borrowed* and financial liabilities reported within *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned* and *Other secured borrowings* in the consolidated balance sheets. These would be generally classified in either Level 1 or Level 2 within the fair value hierarchy.

The estimated fair values of other financial instruments which are longer-term in nature or may contain more than minimal credit risk may be different to their carrying value. Financial assets of this type primarily include certain loans which are reported within *Loans receivable* while financial liabilities primarily include long-term borrowings which are reported within *Long-term borrowings*. The estimated fair value of loans receivable which are not elected for the fair value option is generally estimated in the same way as other loans carried at fair value on a recurring basis. Where quoted market prices are available, such market prices are utilized to estimate fair value. The fair value of long-term borrowings which are not elected for the fair value option is generally estimated in the same way as other borrowings carried at fair value on a recurring basis using quoted market prices where available or by DCF valuation techniques. All of these financial assets and financial liabilities would be generally classified in Level 2 or Level 3 within the fair value hierarchy using the same methodology as is applied to these instruments when they are elected for the fair value option.

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instrument of which a portion of the ending balance was carried at fair value as of March 31, 2015 and 2016.

	Billions of yen				
	March 31, 2015[1]				
			Fair value by level		
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 1,315	¥ 1,315	¥1,315	¥ —	¥ —
Time deposits	328	328	—	328	—
Deposits with stock exchanges and other segregated cash	453	453	—	453	—
Loans receivable[2]	1,460	1,460	—	1,141	319
Securities purchased under agreements to resell	8,481	8,481	—	8,479	2
Securities borrowed	8,238	8,238	—	8,238	—
Total	¥20,275	¥20,275	¥1,315	¥18,639	¥ 321
Liabilities:					
Short-term borrowings	¥ 662	¥ 662	¥ —	¥ 661	¥ 1
Deposits received at banks	1,220	1,220	—	1,220	0
Securities sold under agreements to repurchase	12,217	12,217	—	12,214	3
Securities loaned	2,494	2,494	—	2,494	—
Long-term borrowings	8,336	8,365	80	7,760	525
Total	¥24,929	¥24,958	¥ 80	¥24,349	¥ 529

	Billions of yen				
	March 31, 2016[1]				
			Fair value by level		
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 3,476	¥ 3,476	¥3,476	¥ —	¥ —
Time deposits	197	197	—	197	—
Deposits with stock exchanges and other segregated cash	226	226	—	226	—
Loans receivable[2]	1,605	1,605	—	1,180	425
Securities purchased under agreements to resell	9,205	9,205	—	9,205	—
Securities borrowed	5,872	5,872	—	5,872	—
Total	¥20,581	¥20,581	¥3,476	¥16,680	¥ 425
Liabilities:					
Short-term borrowings	¥ 663	¥ 663	¥ 1	¥ 641	¥ 21
Deposits received at banks	2,223	2,223	—	2,223	0
Securities sold under agreements to repurchase	14,192	14,192	—	14,192	—
Securities loaned	1,937	1,936	—	1,936	—
Long-term borrowings	8,130	8,128	104	7,692	332
Total	¥27,145	¥27,142	¥ 105	¥26,684	¥ 353

(1) Includes financial instruments which are carried at fair value on a recurring basis.
(2) Carrying values are shown after deducting relevant allowances for credit losses.

For the estimated fair value of liabilities relating to investment contracts underwritten by Nomura's insurance subsidiary, see Note 9 "*Other assets—Other/Other liabilities*" in our consolidated financial statements included in this annual report.

Assets and liabilities measured at fair value on a nonrecurring basis

In addition to financial instruments carried at fair value on a recurring basis, Nomura also measures other financial and non-financial assets and liabilities at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition such as to measure impairment.

As of March 31, 2015, there were no significant amount of assets and liabilities which were measured at fair value on a nonrecurring basis.

During the year ended March 31, 2016, Nomura recognized other-than-temporary impairment losses of ¥2 billion within *Non-interest expenses—Other* in the consolidated statements of operations against certain listed equity method investees. The carrying amount of these investments, which is reported within *Other assets—Investments in and advances to affiliated companies* in the consolidated balance sheets, was written down to their fair value of ¥3 billion. Fair value was determined in accordance with ASC 820 using unadjusted quoted market prices. Consequently, these nonrecurring fair value measurements have been determined using valuation inputs which would be classified as Level 1 in the fair value hierarchy.

3. Derivative instruments and hedging activities:

Nomura uses a variety of derivative financial instruments, including futures, forwards, options and swaps, for both trading and non-trading purposes.

Derivatives used for trading purposes

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet client needs, for trading purposes, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are client oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging clients' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives to assist its clients in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide clients with securities and other capital market products at competitive prices.

Futures and forward contracts are commitments to either purchase or sell securities, foreign currency or other capital market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are executed through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency exposures. Entering into swap agreements may involve the risk of credit losses in the event of counterparty default.

To the extent these derivative financial instruments are economically hedging financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments.

Derivatives used for non-trading purposes

Nomura's principal objectives in using derivatives for non-trading purposes are to manage interest rate risk, to modify the interest rate characteristics of certain financial liabilities, to manage foreign exchange risk of certain foreign currency denominated debt securities, to manage net investment exposure to fluctuations in foreign exchange rates arising from certain foreign operations and to mitigate equity price risk arising from certain stock-based compensation awards given to employees.

Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

Nomura designates certain derivative financial instruments as fair value hedges of interest rate risk arising from specific financial liabilities and foreign currency risk arising from specific foreign currency denominated debt securities. These derivatives are effective in reducing the risk associated with the exposure being hedged and are highly correlated with changes in the fair value and foreign currency rates of the underlying hedged items, both at inception and throughout the life of the hedge contract. Changes in fair value of the hedging derivatives are reported together with those of the hedged assets and liabilities through the consolidated statements of income within Interest expense or *Revenue—Other*.

Derivative financial instruments designated as hedges of the net investment in foreign operations relate to specific subsidiaries with non-Japanese Yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates and is reported through NHI shareholders' equity within *Accumulated other comprehensive income (loss)*. Changes in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate are excluded from the measure of hedge effectiveness and are reported in the consolidated statements of income within *Revenue—Other*.

Concentrations of credit risk for derivatives

The following tables present Nomura's significant concentration of exposures to credit risk in OTC derivatives with financial institutions including transactions cleared through central counterparties as of March 31,2015 and 2016. The gross fair value of derivative assets represents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

	Billions of yen			
	March 31, 2015			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 33,930	¥ (31,773)	¥(1,713)	¥ 444

	Billions of yen			
	March 31, 2016			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 35,166	¥ (33,104)	¥(1,560)	¥ 502

Derivative activities

The following tables quantify the volume of Nomura's derivative activity as of March 31, 2015 and 2016 through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

	Billions of yen			
	March 31, 2015			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional[1]	Fair value[1]
Derivatives used for trading and non-trading purposes[2][3]:				
Equity contracts	¥ 20,681	¥ 1,747	¥ 20,431	¥ 1,983
Interest rate contracts	1,367,970	31,611	1,343,616	31,691
Credit contracts	30,055	1,111	29,689	1,118
Foreign exchange contracts	136,683	7,576	126,750	6,990
Commodity contracts	13	0	39	1
Total	¥1,555,402	¥42,045	¥1,520,525	¥ 41,783
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 1,741	¥ 54	¥ 199	¥ 0
Foreign exchange contracts	177	1	161	2
Total	¥ 1,918	¥ 55	¥ 360	¥ 2
Total derivatives	¥1,557,320	¥42,100	¥1,520,885	¥ 41,785

	Billions of yen			
	March 31, 2016			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional[1]	Fair value[1]
Derivatives used for trading and non-trading purposes[2][3]:				
Equity contracts	¥ 17,460	¥ 1,285	¥ 17,019	¥ 1,541
Interest rate contracts	1,121,588	28,765	1,134,813	28,494
Credit contracts	23,802	679	23,460	806
Foreign exchange contracts	174,061	6,900	169,504	6,650
Commodity contracts	2,197	1	8,224	8
Total	¥1,339,108	¥37,630	¥1,353,020	¥ 37,499
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 1,506	¥ 60	¥ —	¥ —
Foreign exchange contracts	254	7	139	4
Total	¥ 1,760	¥ 67	¥ 139	¥ 4
Total derivatives	¥1,340,868	¥37,697	¥1,353,159	¥ 37,503

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
(2) Each derivative classification includes derivatives with multiple risk underlying. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.
(3) As of March 31, 2015 and 2016, the amounts reported include derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. These amounts have not been separately presented since such amounts were not significant.

Changes in fair value are recognized either through earnings or other comprehensive income depending on the purpose for which the derivatives are used.

Offsetting of derivatives

Counterparty credit risk associated with derivative financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce the risk of loss, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. In certain cases, Nomura may agree for such collateral to be posted to a third-party custodian under a control agreement that enables Nomura to take control of such collateral in the event of counterparty default. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, OTC derivative transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain OTC centrally-cleared and exchange-traded derivatives, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing party or exchange. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparties and in certain jurisdictions, Nomura may enter into derivative transactions which are not documented under a master netting agreement. Similarly, even when derivatives are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights, . This may include derivative transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, exchanges and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

Derivative assets and liabilities with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 and ASC 815 are met. These criteria include requirements around the legal enforceability of such close-out and offset rights under the master netting agreement. In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively where certain additional criteria are met.

The following table presents information about offsetting of derivatives and related collateral amounts in the consolidated balance sheets as of March 31, 2015 and 2016 by type of derivative contract, together with the extent to which master netting agreements entered into with counterparties, central clearing counterparties or exchanges permit additional offsetting of derivatives and collateral in the event of counterparty default. Derivative transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	Billions of yen		Billions of yen	
	March 31, 2015		March 31, 2016	
	Derivative assets	Derivative liabilities[1]	Derivative assets	Derivative liabilities[1]
Equity contracts				
OTC settled bilaterally	¥ 1,191	¥ 1,349	¥ 945	¥ 1,126
OTC centrally-cleared	—	—	—	—
Exchange-traded	556	634	340	415
Interest rate contracts				
OTC settled bilaterally	12,421	12,580	11,372	11,102
OTC centrally-cleared	19,226	19,102	17,442	17,387
Exchange-traded	18	9	11	5
Credit contracts				
OTC settled bilaterally	1,003	1,023	577	709
OTC centrally-cleared	103	93	101	96
Exchange-traded	5	2	1	1
Foreign exchange contracts				
OTC settled bilaterally	7,562	6,977	6,888	6,639
OTC centrally-cleared	10	10	19	15
Exchange-traded	5	5	0	0
Commodity contracts				
OTC settled bilaterally	0	0	0	6
OTC centrally-cleared	—	—	—	—
Exchange-traded	0	1	1	2
Total gross derivative balances[2]	¥ 42,100	¥ 41,785	¥ 37,697	¥ 37,503
Less: Amounts offset in the consolidated balance sheets[3]	(40,514)	(40,460)	(36,325)	(36,456)
Total net amounts reported on the face of the consolidated balance sheets[4]	¥ 1,586	¥ 1,325	¥ 1,372	¥ 1,047
Less: Additional amounts not offset in the consolidated balance sheets[5]				
Financial instruments and non-cash collateral	¥ (252)	¥ (53)	¥ (457)	¥ (59)
Cash collateral	—	(4)	—	(7)
Net amount	¥ 1,334	¥ 1,268	¥ 915	¥ 981

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
(2) Includes all gross derivative asset and liability balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. As of March 31, 2015, the gross balance of derivative assets and derivative liabilities which are not documented under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥298 billion and ¥447 billion, respectively. As of March 31, 2016, the gross balance of such derivative assets and derivative liabilities was ¥203 billion and ¥326 billion, respectively.
(3) Represents amounts offset through counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 815. As of March 31, 2015, Nomura offset a total of ¥1,830 billion of cash collateral receivables against net derivative liabilities and ¥1,884 billion of cash collateral payables against net derivative assets. As of March 31, 2016, Nomura offset a total of ¥1,885 billion of cash collateral receivables against net derivative liabilities and ¥1,754 billion of cash collateral payables against net derivative assets.
(4) Net derivative assets and net derivative liabilities are generally reported within *Trading assets and private equity investments—Trading assets* and *Trading liabilities*, respectively in the consolidated balance sheet. Bifurcated embedded derivatives are reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.
(5) Represents amounts which are not permitted to be offset on the face of the consolidated balance sheets in accordance with ASC 210-20 and ASC 815 but which provide Nomura with a legally enforceable right of offset in the event of counterparty default. Amounts relating to derivative and collateral agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded. As of March 31, 2015, a total of ¥223 billion of cash collateral receivables and ¥757 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives. As of March 31, 2016, a total of ¥298 billion of cash collateral receivables and ¥466 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives.

Derivatives used for trading purposes

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value recognized through the consolidated statements of income within *Revenue—Net gain on trading*.

The following table presents amounts recognized in the consolidated statements of income for the years ended March 31, 2015 and 2016 related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen	
	Year ended March 31	
	2015	2016
Derivatives used for trading and non-trading purposes[1][2]:		
Equity contracts	¥ (9)	¥ 372
Interest rate contracts	(105)	(142)
Credit contracts	11	92
Foreign exchange contracts	(17)	134
Commodity contracts	(2)	(73)
Total	¥ (122)	¥ 383

(1) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

(2) Includes net gains (losses) on derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. For the years ended March 31, 2015 and 2016, these amounts have not been separately presented as net gains (losses) for these non-trading derivatives were not significant.

Fair value hedges

Nomura issues Japanese Yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to a floating rate and applies fair value hedge accounting to these instruments.

Also, Nomura's insurance subsidiary holds foreign currency denominated non-trading debt securities. The insurance subsidiary generally enters into swap agreements to convert foreign currency denominated principal amounts of these debt securities into its functional currency and applies fair value hedge accounting to these instruments.

Derivative financial instruments designated as fair value hedges are carried at fair value. Changes in fair value of the hedging derivatives are recognized together with those of the hedged liabilities and hedged debt securities in the consolidated statements of income within *Interest expense* and *Revenue—Other*, respectively.

The following table presents amounts recognized in the consolidated statements of income for the years ended March 31, 2015 and 2016 related to derivatives designated as fair value hedges by type of underlying derivative contract and the nature of the hedged item.

	Billions of yen	
	Year ended March 31	
	2015	2016
Derivatives designated as hedging instruments:		
Interest rate contracts	¥ 29	¥ 26
Foreign exchange contracts	(1)	8
Total	¥ 28	¥ 34

	Billions of yen	
	Year ended March 31	
	2015	2016
Hedged items:		
Long-term borrowings	¥ (29)	¥ (26)
Non-trading debt securities	1	(8)
Total	¥ (28)	¥ (34)

Net investment hedges

Nomura designates foreign currency forwards and foreign currency denominated long-term debt as hedges of certain subsidiaries with significant foreign exchange risks and applies hedge accounting to these instruments. Accordingly, the effective hedging portion of the foreign exchange gains (losses) arising from the derivative contracts and non-derivative financial products designated as hedges is recognized through the consolidated statements of comprehensive income within *Other comprehensive income (loss)—Change in cumulative translation adjustments, net of tax*. This is offset by the foreign exchange adjustments arising from consolidation of the relevant foreign subsidiaries.

The following table presents gains (losses) from derivatives and non-derivatives designated as net investment hedges recognized in the consolidated statements of comprehensive income for the years ended March 31, 2015 and 2016.

	Billions of yen	
	Year ended March 31	
	2015	2016
Hedging instruments:		
Foreign exchange contracts	¥ 7	¥ 7
Total	¥ 7	¥ 7

(1) The portion of gains (losses) representing the amount of hedge ineffectiveness and the amount excluded from the assessment of hedge effectiveness are recognized within *Revenue—Other* in the consolidated statements of income. The amount of gains (losses) was not significant during the years ended March 31, 2015 and 2016.

Derivatives containing credit risk related contingent features

Nomura enters into certain OTC derivatives and other agreements containing credit-risk-related contingent features. These features would require Nomura to post additional collateral or settle the instrument upon occurrence of a credit event, the most common of which would be a downgrade in the Company's long-term credit rating.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2015 was ¥874 billion with related collateral pledged of ¥708 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2015, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥19 billion.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2016, was ¥719 billion with related collateral pledged of ¥587 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2016, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥15 billion.

Credit derivatives

Credit derivatives are derivative instruments in which one or more of their underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities that expose the seller of credit protection to potential loss from credit risk related events specified in the contract.

Written credit derivatives are instruments or embedded features where Nomura assumes third party credit risk, either as guarantor in a guarantee-type contract, or as the party that provides credit protection in an option-type contract, credit default swap, or any other credit derivative contract.

Nomura enters into credit derivatives as part of its normal trading activities as both purchaser and seller of protection for credit risk mitigation, proprietary trading positions and for client transactions.

The most significant type of credit derivatives used by Nomura are single-name credit default swaps where settlement of the derivative is based on the credit risk of a single third party. Nomura also writes credit derivatives linked to the performance of credit default indices and issues other credit risk related portfolio products.

Nomura would have to perform under a credit derivative contract if a credit event as defined in the respective contract occurs. Typical credit events include bankruptcy, failure to pay and restructuring of obligations of the reference asset.

Credit derivative contracts written by Nomura are either cash or physically settled. In cash-settled instruments, once payment is made upon an event of a default, the contract usually terminates with no further payments due. Nomura generally has no right to assume the reference assets of the counterparty in exchange for payment, nor does Nomura usually have any direct recourse to the actual issuers of the reference assets to recover the amount paid. In physically settled contracts, upon a default event, Nomura takes delivery of the reference asset in return for payment of the full notional amount of the contract.

Nomura actively monitors and manages its credit derivative exposures. Where protection is sold, risks may be mitigated by purchasing credit protection from other third parties either on identical underlying reference assets or on underlying reference assets with the same issuer which would be expected to behave in a correlated fashion. The most common form of recourse provision to enable Nomura to recover from third parties any amounts paid under a written credit derivative is therefore not through the derivative itself but rather through the separate purchase of credit derivatives with identical or correlated underlyings.

Nomura quantifies the value of these purchased contracts in the following tables in the column titled "Purchased Credit Protection". These amounts represent purchased credit protection with identical underlyings to the written credit derivative contracts which act as a hedge against Nomura's exposure. To the extent Nomura is required to pay out under the written credit derivative, a similar amount would generally become due to Nomura under the purchased hedge.

Credit derivatives have a stated notional amount which represents the maximum payment Nomura may be required to make under the contract. However, this is generally not a true representation of the amount Nomura will actually pay as in addition to purchased credit protection, other risk mitigating factors reduce the likelihood and amount of any payment, including:

The probability of default: Nomura values credit derivatives taking into account the probability that the underlying reference asset will default and that Nomura will be required to make payments under the contract. Based on historical experience and Nomura's assessment of the market, Nomura believes that the probability that all reference assets on which Nomura provides protection will default in a single period is remote. The disclosed notional amount, therefore, significantly overstates Nomura's realistic exposure on these contracts.

The recovery value on the underlying asset: In the case of a default, Nomura's liability on a contract is limited to the difference between the notional amount and the recovery value of the underlying reference asset. While the recovery value on a defaulted asset may be minimal, this does reduce amounts paid on these contracts.

Nomura holds assets as collateral in relation to written credit derivatives. However, these amounts do not enable Nomura to recover any amounts paid under the credit derivative but rather mitigate the risk of economic loss arising from a counterparty defaulting against amounts due to Nomura under the contract. Collateral requirements are determined on a counterparty level rather than individual contract, and also generally cover all types of derivative contracts rather than just credit derivatives.

The following tables present information about Nomura's written credit derivatives and purchased credit protection with identical underlyings as of March 31, 2015 and 2016.

	Billions of yen						
	March 31, 2015						
		Maximum potential payout/Notional					Notional
			Years to maturity				
	Carrying value (Asset) / Liability[1]	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Purchased credit protection
Single-name credit default swaps	¥ (21)	¥18,808	¥ 4,146	¥7,396	¥5,657	¥ 1,609	¥16,519
Credit default indices	(22)	6,044	919	1,926	2,462	737	5,240
Other credit risk related portfolio products	(8)	673	324	217	117	15	293
Credit risk related options and swaptions	0	300	—	—	255	45	255
Total	¥ (51)	¥25,825	¥ 5,389	¥9,539	¥8,491	¥ 2,406	¥22,307

	Billions of yen						
	March 31, 2016						
		Maximum potential payout/Notional					Notional
			Years to maturity				
	Carrying value (Asset) / Liability[1]	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Purchased credit protection
Single-name credit default swaps	¥ 131	¥15,609	¥ 3,658	¥5,292	¥5,252	¥ 1,407	¥12,796
Credit default indices	52	5,797	918	1,623	2,505	751	4,295
Other credit risk related portfolio products	12	355	71	248	24	12	209
Credit risk related options and swaptions	0	67	—	—	67	—	67
Total	¥ 195	¥21,828	¥ 4,647	¥7,163	¥7,848	¥ 2,170	¥17,367

(1) Carrying value amounts are shown on a gross basis prior to cash collateral or counterparty netting. Asset balances represent positive fair value amounts caused by tightening of credit spreads of underlyings since inception of the credit derivative contracts.

The following tables present information about Nomura's written credit derivatives by external credit rating of the underlying asset. Ratings are based on Standard & Poor's Financial Services LLC ("S&P"), or if not rated by S&P, based on Moody's Investors Service, Inc. If ratings from either of these agencies are not available, the ratings are based on Fitch Ratings Ltd. or Japan Credit Rating Agency, Ltd. For credit default indices, the rating is determined by taking the weighted average of the external credit ratings given for each of the underlying reference entities comprising the portfolio or index.

	Billions of yen						
	March 31, 2015						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other[1]	Total
Single-name credit default swaps	¥1,768	¥1,418	¥4,766	¥6,722	¥2,526	¥1,608	¥18,808
Credit default indices	85	14	3,936	1,306	376	327	6,044
Other credit risk related portfolio products	38	—	1	4	1	629	673
Credit risk related options and swaptions	—	—	277	—	—	23	300
Total	¥1,891	¥1,432	¥8,980	¥8,032	¥2,903	¥2,587	¥25,825

	Billions of yen						
	March 31, 2016						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other[1]	Total
Single-name credit default swaps	¥1,230	¥1,305	¥4,407	¥5,428	¥2,243	¥ 996	¥15,609
Credit default indices	178	15	4,249	939	224	192	5,797
Other credit risk related portfolio products	19	—	1	3	1	331	355
Credit risk related options and swaptions	—	—	—	67	—	—	67
Total	¥1,427	¥1,320	¥8,657	¥6,437	¥2,468	¥1,519	¥21,828

(1) "Other" includes credit derivatives where the credit rating of the underlying reference asset is below investment grade or where a rating is unavailable.

Derivatives entered into in contemplation of sales of financial assets

Nomura enters into transactions which involve both the transfer of financial assets to a third party counterparty and a separate agreement with the same counterparty entered into in contemplation of the initial transfer through which Nomura retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These transactions primarily include sales of securities with bilateral OTC total return swaps or other derivative agreements which are in-substance total return swaps. These transactions are accounted for as sales of the securities with the derivative accounted for separately if the criteria for derecognition of the securities under ASC 860 are met. Where the derecognition criteria are not met, the transfer and separate derivative are accounted for as a single collateralized financing transaction which is reported within *Long-term borrowings—Trading balances of secured borrowings* in the consolidated balance sheets.

As of March 31, 2016 there were no outstanding sales with total return swap or in-substance total return swap transactions accounted for as sales rather than collateralized financing transactions.

4. Collateralized transactions:

Nomura enters into collateralized transactions, including reverse repurchase agreements, repurchase agreements, securities borrowing transactions, securities lending transactions, other secured borrowings and similar transactions mainly to meet clients' needs, finance trading inventory positions and obtain securities for settlements.

Reverse repurchase agreements, repurchase agreements, securities borrowing transactions and securities lending transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain centrally-cleared reverse repurchase and repurchase agreements, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing counterparty. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparty and in certain jurisdictions, Nomura may enter into reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions which are not documented under a master netting agreement. Similarly, even when these transactions are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that the close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, agent banks and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

In all of these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In most cases, Nomura is permitted to use the securities received to enter into repurchase agreements, enter into securities lending transactions or to cover short positions with counterparties. In repurchase and reverse repurchase agreements, the value of collateral typically exceeds the amount of cash transferred. Collateral is generally in the form of securities. Securities borrowing transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities lending transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities either received from or provided to the counterparty. Additional cash or securities are exchanged as necessary, to ensure that such transactions are adequately collateralized throughout the life of the transactions.

Offsetting of certain collateralized transactions

Reverse repurchase agreements and repurchase agreements, securities borrowing and lending transactions with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

The following tables present information about offsetting of these transactions in the consolidated balance sheets as of March 31, 2015 and 2016, together with the extent to which master netting agreements entered into with counterparties and central clearing parties permit additional offsetting in the event of counterparty default. Transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	Billions of yen			
	March 31, 2015			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance[1]	¥ 25,532	¥ 8,460	¥ 29,268	¥ 2,924
Less: Amounts offset in the consolidated balance sheets[2]	(17,051)	(242)	(17,051)	(242)
Total net amounts of reported on the face of the consolidated balance sheets[3]	¥ 8,481	¥ 8,218	¥ 12,217	¥ 2,682
Less: Additional amounts not offset in the consolidated balance sheets[4]				
Financial instruments and non-cash collateral	(6,295)	(6,531)	(10,058)	(2,371)
Cash collateral	(1)	—	—	—
Net amount	¥ 2,185	¥ 1,687	¥ 2,159	¥ 311

	Billions of yen			
	March 31, 2016			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance[1]	¥ 25,834	¥ 5,868	¥ 30,821	¥ 2,260
Less: Amounts offset in the consolidated balance sheets[2]	(16,629)	(5)	(16,629)	(5)
Total net amounts of reported on the face of the consolidated balance sheets[3]	¥ 9,205	¥ 5,863	¥ 14,192	¥ 2,255
Less: Additional amounts not offset in the consolidated balance sheets[4]				
Financial instruments and non-cash collateral	(7,052)	(4,553)	(11,503)	(1,713)
Cash collateral	0	—	0	—
Net amount	¥ 2,153	¥ 1,310	¥ 2,689	¥ 542

(1) Includes all recognized balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. Amounts include transactions carried at fair value through election of the fair value option. As of March 31, 2015, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,979 billion and ¥2,091 billion, respectively. As of March 31, 2015, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,507 billion and ¥52 billion, respectively. As of March 31, 2016, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥940 billion and ¥2,176 billion, respectively. As of March 31, 2016, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,162 billion and ¥186 billion, respectively.

(2) Represents amounts offset through counterparty netting under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 210-20. Amounts offset include transactions carried at fair value through election of the fair value option.

(3) Reverse repurchase agreements and securities borrowing transactions are reported within *Collateralized agreements—Securities purchased under agreements to resell* and *Collateralized agreements—Securities borrowed* in the consolidated balance sheets, respectively. Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported under securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets.

(4) Represents amounts which are not permitted to be offset on the face of the balance sheet in accordance with ASC 210-20 but which provide Nomura with the right of offset in the event of counterparty default. Amounts relating to agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

Maturity analysis of repurchase agreements and securities lending transactions

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by remaining contractual maturity of the agreement as of March 31, 2016. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen					
	March 31, 2016					
	Overnight and open[1]	Up to 30 days	30 - 90 days	90 days - 1 year	Greater than 1 year	Total
Repurchase agreements	¥ 12,271	¥14,713	¥2,109	¥1,229	¥ 499	¥30,821
Securities lending transactions	1,264	751	131	102	12	2,260
Total gross recognized liabilities[2]	¥ 13,535	¥15,464	¥2,240	¥1,331	¥ 511	¥33,081

(1) Open transactions do not have an explicit contractual maturity date and are terminable on demand by Nomura or the counterparty.

(2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

Securities transferred in repurchase agreements and securities lending transactions

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by class of securities transferred by Nomura to counterparties as of March 31, 2016. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen		
	March 31, 2016		
	Repurchase agreements	Securities lending transactions	Total
Equities and convertible securities	¥ 90	¥ 2,112	¥ 2,202
Japanese government, agency and municipal securities	854	12	866
Foreign government, agency and municipal securities	24,137	132	24,269
Bank and corporate debt securities	2,119	3	2,122
Commercial mortgage-backed securities (“CMBS”)	10	—	10
Residential mortgage-backed securities (“RMBS”)[1]	3,530	—	3,530
Collateralized debt obligations (“CDOs”) and other	81	—	81
Investment trust funds and other	—	1	1
Total gross recognized liabilities[2]	¥ 30,821	¥ 2,260	¥33,081

(1) Includes ¥3,415 billion of US government sponsored agency mortgage pass—through securities and collateralized mortgage obligations.

(2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

Collateral received by Nomura

The following table presents the fair value of securities received as collateral, securities borrowed with collateral and securities borrowed without collateral, which Nomura is permitted to sell or repledge, and the portion that has been sold or repledged as of March 31, 2015 and 2016.

	Billions of yen	
	March 31	
	2015	2016
The fair value of securities received as collateral, securities borrowed as collateral and securities borrowed without collateral where Nomura is permitted by contract or custom to sell or repledge the securities	¥45,397	¥40,714
The portion of the above that has been sold (reported within *Trading liabilities* in the consolidated balance sheets) or repledged	39,165	34,172

Collateral pledged by Nomura

Nomura pledges firm-owned securities to collateralize repurchase transactions, other secured financings and derivative transactions. Pledged securities that can be sold or repledged by the transferee, including Gensaki Repo transactions, are reported in parentheses as *Securities pledged as collateral* within *Trading assets* in the consolidated balance sheets.

The following table presents the carrying amounts of financial assets recognized in the consolidated balance sheets which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them by type of asset as of March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Trading assets:		
Equities and convertible securities	¥ 95,331	¥ 104,642
Government and government agency securities	1,122,308	731,430
Bank and corporate debt securities	139,062	68,029
Commercial mortgage-backed securities (“CMBS”)	32,894	6,031
Residential mortgage-backed securities (“RMBS”)	1,391,414	2,684,186
Collateralized debt obligations (“CDOs”) and other[1]	104,877	32,348
Investment trust funds and other	45,619	78,158
	¥2,931,505	¥3,704,824
Deposits with stock exchanges and other segregated cash	¥ —	¥ 2,000
Non-trading debt securities	47,959	24,057
Investments in and advances to affiliated companies	¥ 32,034	¥ 32,907

(1) Includes CLOs and ABS such as those secured on credit card loans, auto loans and student loans.

The following table presents the carrying amount of financial and non-financial assets recognized in the consolidated balance sheets, other than those disclosed above, which are subject to lien as of March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Loans and receivables	¥ 1,220	¥ 249
Trading assets	1,833,959	1,755,260
Office buildings, land, equipment and facilities	5,362	5,355
Non-trading debt securities	264,685	191,545
Other	34	30
	¥2,105,260	¥1,952,439

Assets in the above table were primarily pledged for secured borrowings, including other secured borrowings, collateralized borrowings of consolidated VIEs, trading balances of secured borrowings, and derivative transactions. See Note 10 "*Borrowings*" for further information regarding trading balances of secured borrowings.

5. Non-trading securities:

The following tables present information regarding the cost and/or amortized cost, gross unrealized gains and losses and fair value of non-trading securities held by Nomura's insurance subsidiary as of March 31, 2015 and 2016.

	Millions of yen			
	March 31, 2015			
	Cost and/or amortized cost	Unrealized gains and losses		Fair value
		Gross unrealized gains	Gross unrealized losses	
Government, agency and municipal securities[1]	¥ 106,785	¥ 5,123	¥ 36	¥111,872
Other debt securities[2]	161,631	22,717	95	184,253
Equity securities[3]	40,315	22,751	230	62,836
Total	¥ 308,731	¥ 50,591	¥ 361	¥358,961

	Millions of yen			
	March 31, 2016			
	Cost and/or amortized cost	Unrealized gains and losses		Fair value
		Gross unrealized gains	Gross unrealized losses	
Government, agency and municipal securities[1]	¥ 84,926	¥ 4,046	¥ 162	¥ 88,810
Other debt securities[2]	161,685	14,078	1,251	174,512
Equity securities[3]	42,132	24,101	233	66,000
Total	¥ 288,743	¥ 42,225	¥ 1,646	¥329,322

(1) Primarily Japanese government, agency and municipal securities.
(2) Primarily corporate debt securities.
(3) Primarily Japanese equity securities.

For the year ended March 31, 2015, non-trading securities of ¥75,745 million were disposed of resulting in ¥5,008 million of realized gains and ¥15 million of realized losses. Total proceeds received from these disposals were ¥80,738 million. For the year ended March 31, 2016, non-trading securities of ¥63,752 million were disposed of resulting in ¥3,841 million of realized gains and ¥631 million of realized losses. Total proceeds received from these disposals were ¥66,962 million. Related gains and losses were computed using the average method. There were no transfers of non-trading securities to trading assets for the year ended March 31, 2015 and 2016

The following table presents an analysis of the fair value of non-trading debt securities by residual contractual maturity as of March 31, 2016. Actual maturities may differ from contractual maturities as certain securities contain features that allow redemption of the securities prior to their contractual maturity.

	Millions of yen				
	March 31, 2016				
		Years to maturity			
	Total	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Non-trading debt securities	¥263,322	¥ 23,543	¥150,072	¥ 70,079	¥ 19,628

The following tables present the fair value and gross unrealized losses of non-trading securities aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2015 and 2016.

	Millions of yen					
	March 31, 2015					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥17,536	¥ 5	¥13,127	¥ 31	¥30,663	¥ 36
Other debt securities	12,814	95	—	—	12,814	95
Equity securities	2,064	230	—	—	2,064	230
Total	¥32,414	¥ 330	¥13,127	¥ 31	¥45,541	¥ 361

	Millions of yen					
	March 31, 2016					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥ 4,611	¥ 159	¥13,673	¥ 3	¥18,284	¥ 162
Other debt securities	35,606	1,251	—	—	35,606	1,251
Equity securities	4,113	233	—	—	4,113	233
Total	¥44,330	¥ 1,643	¥13,673	¥ 3	¥58,003	¥ 1,646

As of March 31, 2015, the total number of non-trading securities in unrealized loss positions was 26. As of March 31, 2016, the total number of non-trading securities in unrealized loss positions was 52.

For the years ended March 31, 2015 and 2016, other-than-temporary impairment losses recognized for non-trading equity securities and reported within *Revenue—Other* were ¥16 million and ¥486 million, respectively. For the year ended March 31, 2015, the credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities was ¥98 million. For the year ended March 31, 2016, there were no credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities. For the year ended March 31, 2015 and March 31, 2016, the non-credit loss component of other-than-temporary impairment losses recognized for Government, agency and municipal securities and other debt securities and reported within *Other comprehensive income (loss)* were ¥31 million and ¥(28) million. For the year ended March 31, 2015 and 2016, other gross unrealized losses of non-trading securities were considered temporary.

6. Securitizations and Variable Interest Entities:

Securitizations

Nomura utilizes special purpose entities ("SPEs") to securitize commercial and residential mortgage loans, government agency and corporate securities and other types of financial assets. Those SPEs are incorporated as stock companies, Tokumei kumiai (silent partnerships), Cayman special purpose companies ("SPCs") or trust accounts. Nomura's involvement with SPEs includes structuring SPEs, underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura accounts for the transfer of financial assets in accordance with ASC 860. This statement requires that Nomura accounts for the transfer of financial assets as a sale when Nomura relinquishes control over the assets. ASC 860 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests, and (c) the transferor has not maintained effective control over the transferred assets. Nomura may retain an interest in the financial assets, including residual interests in the SPEs. Any such interests are accounted for at fair value and reported within *Trading assets* in Nomura's consolidated balance sheets, with the change in fair value reported within *Revenue-Net gain on trading*. Fair value for retained interests in securitized financial assets is determined by using observable prices; or in cases where observable prices are not available for certain retained interests, Nomura estimates fair value based on the present value of expected future cash flows using its best estimates of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. Nomura may also enter into derivative transactions in relation to the assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the years ended March 31, 2015 and 2016, Nomura received cash proceeds from SPEs in new securitizations of ¥261 billion and ¥382 billion, respectively, and the associated gain (loss) on sale was not significant. For the years ended March 31, 2015 and 2016, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,276 billion and ¥1,867 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥823 billion and ¥1,412 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥5,656 billion and ¥6,533 billion as of March 31, 2015 and 2016, respectively. Nomura's retained interests were ¥233 billion and ¥200 billion as of March 31, 2015 and 2016, respectively. For the years ended March 31, 2015 and 2016, Nomura received cash flows of ¥23 billion and ¥51 billion, respectively, from the SPEs on the retained interests held in the SPEs. Nomura had outstanding collateral service agreements and written credit default swap agreements in the amount of ¥2 billion and ¥2 billion as of March 31, 2015 and 2016, respectively. Nomura does not provide financial support to SPEs beyond its contractual obligations.

The following tables present the fair value of retained interests which Nomura has continuing involvement in SPEs and their classification in the fair value hierarchy, categorized by the type of transferred assets as of March 31, 2015 and 2016.

	Billions of yen					
	March 31, 2015					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥ —	¥ 231	¥ —	¥231	¥ 231	¥—
Bank and corporate debt securities	—	—	0	0	—	0
CMBS and RMBS	—	2	0	2	0	2
Total	¥ —	¥ 233	¥ 0	¥233	¥ 231	¥ 2

	Billions of yen					
	March 31, 2016					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥ —	¥ 197	¥ —	¥197	¥ 197	¥—
Bank and corporate debt securities	—	—	0	0	—	0
CMBS and RMBS	—	3	0	3	0	3
Total	¥ —	¥ 200	¥ 0	¥200	¥ 197	¥ 3

The following table presents the key economic assumptions used to determine the fair value of the retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions as of March 31, 2015 and 2016.

	Billions of yen, except percentages	
	Material retained interests held[1] as of March 31	
	2015	2016
Fair value of retained interests[1]	¥ 208	¥ 171
Weighted-average life (Years)	5.4	5.4
Constant prepayment rate	6.1%	5.4%
Impact of 10% adverse change	(2.3)	(1.4)
Impact of 20% adverse change	(4.3)	(2.4)
Discount rate	2.4%	2.4%
Impact of 10% adverse change	(0.9)	(0.9)
Impact of 20% adverse change	(1.8)	(1.6)

(1) The sensitivity analysis covers the material retained interests held of ¥208 billion out of ¥233 billion as of March 31, 2015 and ¥171 billion out of ¥200 billion as of March 31, 2016. Nomura considers the amount or the probability of anticipated credit loss from the retained interests which Nomura continuously holds would be minimal.

Changes in fair value based on 10% or 20% adverse changes generally cannot be extrapolated since the relationship of the change in assumption to the change in fair value may not be linear. The impact of a change in a particular assumption is calculated holding all other assumptions constant. For this reason, concurrent changes in assumptions may magnify or counteract the sensitivities disclosed above. The sensitivity analyses are hypothetical and do not reflect Nomura's risk management practices that may be undertaken under those stress scenarios.

The following table presents the type and carrying value of financial assets included within *Trading assets* which have been transferred to SPEs but which do not meet the criteria for derecognition under ASC 860 as of March 31, 2015 and 2016. These transfers are accounted for as secured financing transactions and generally reported within *Long-term borrowings.* The assets are pledged as collateral of the associated liabilities and cannot be removed unilaterally by Nomura and the liabilities are non-recourse to Nomura.

	Billions of yen	
	March 31	
	2015	2016
Assets		
Trading assets		
Equities	¥ 83	¥ 22
Debt securities	26	24
CMBS and RMBS	22	20
Total	¥ 131	¥ 66
Liabilities		
Long-term borrowings	¥ 129	¥ 127

Variable Interest Entities ("VIEs")

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities.

If Nomura has an interest in a VIE that provides Nomura with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses that could be significant to the VIE, Nomura is the primary beneficiary of the VIE and must consolidate the entity, provided that Nomura does not meet separate tests confirming that it is acting as a fiduciary for other interest holders. Nomura's consolidated VIEs include those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura's aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary beneficiary.

The power to make the most significant decisions may take a number of different forms in different types of VIEs. For transactions such as securitizations, investment funds, and CDOs, Nomura considers collateral management and servicing to represent the power to make the most significant decisions. Accordingly, Nomura does not consolidate such types of VIEs for which it does not act as collateral manager or servicer unless Nomura has the right to replace the collateral manager or servicer or to require liquidation of the entity.

For many transactions, such as where VIEs are used for re-securitizations of residential mortgage-backed securities, there are no significant economic decisions made on an ongoing basis and no single investor has the unilateral ability to liquidate the VIE. In these cases, Nomura focuses its analysis on decisions made prior to the initial closing of the transaction, and considers factors such as the nature of the underlying assets held by the VIE, the involvement of third party investors in the design of the VIE, the size of initial third party investment and the amount and level of any subordination of beneficial interests issued by the VIE which will be held by

Nomura and third party investors. Nomura has sponsored numerous re-securitization transactions and in many cases has determined that it is not the primary beneficiary on the basis that control over the most significant decisions relating to these entities are shared with third party investors. In some cases, however, Nomura has consolidated such VIEs, for example, where it was determined that third party investors were not involved in the design of the VIEs, including where the size of third party investment was not significant at inception of the transaction.

The following table presents the classification of consolidated VIEs' assets and liabilities in these consolidated financial statements as of March 31, 2015 and 2016. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not have any recourse to Nomura beyond the assets held in the VIEs.

	Billions of yen	
	March 31	
	2015	2016
Consolidated VIE assets		
Cash and cash equivalents	¥ 9	¥ 3
Trading assets		
Equities	461	530
Debt securities	473	756
CMBS and RMBS	71	22
Derivatives	2	1
Private equity investments	1	1
Securities purchased under agreements to resell	1	—
Office buildings, land, equipment and facilities	15	3
Other	24	7
Total	¥ 1,057	¥ 1,323
Consolidated VIE liabilities		
Trading liabilities		
Debt securities	¥ 1	¥ —
Derivatives	11	3
Securities sold under agreements to repurchase	1	—
Borrowings		
Short-term borrowings	—	65
Long-term borrowings	750	744
Other	2	2
Total	¥ 765	¥ 814

Nomura continuously reassesses its initial evaluation of whether it is the primary beneficiary of a VIE based on current facts and circumstances as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by Nomura and by other parties, and the variable interests owned by Nomura and other parties.

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura's variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.

The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests as of March 31, 2015 and 2016. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure. The risks associated with VIEs in which Nomura is involved are limited to the amount recorded in the consolidated balance sheets, the amount of commitments and financial guarantees and the notional amount of the derivative instruments. Nomura believes the notional amount of derivative instruments generally exceeds the amount of actual risk.

	Billions of yen		
	March 31, 2015		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 123	¥ —	¥ 123
Debt securities	237	—	237
CMBS and RMBS	2,521	—	2,521
Investment trust funds and other	387	—	387
Derivatives	0	—	2
Private equity investments	24	—	24
Loans	314	—	314
Other	4	—	4
Commitments to extend credit and other guarantees	—	—	40
Total	¥ 3,610	¥ —	¥ 3,652

	Billions of yen		
	March 31, 2016		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 87	¥ —	¥ 87
Debt securities	118	—	118
CMBS and RMBS	3,067	—	3,067
Investment trust funds and other	413	—	413
Derivatives	0	—	2
Private equity investments	14	—	14
Loans	423	—	423
Other	4	—	4
Commitments to extend credit and other guarantees	—	—	42
Total	¥ 4,126	¥ —	¥ 4,170

7. Financing receivables:

In the normal course of business, Nomura extends financing to clients primarily in the form of loans and collateralized agreements such as reverse repurchase agreements and securities borrowing transactions. These financing receivables are recognized as assets on Nomura's consolidated balance sheets and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

Collateralized agreements

Collateralized agreements consist of reverse repurchase agreements reported as *Securities purchased under agreements to resell* and securities borrowing transactions reported as *Securities borrowed* in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers, or borrowing these securities with cash collateral. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Reverse repurchase agreements are generally recognized in the consolidated balance sheets at the amount for which the securities were originally acquired with applicable accrued interest. Securities borrowing transactions are generally recognized in the consolidated balance sheets at the amount of cash collateral advanced. No allowance for credit losses is generally recognized against these transactions due to the strict collateralization requirements.

Loans receivable

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and unsecured loans extended by licensed banking entities within Nomura such as The Nomura Trust & Banking Co., Ltd. and Nomura Bank International plc. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are loans provided to clients in connection with securities brokerage business. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value ("LTV") ratio. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these loans is not significant as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients extended by non-licensed banking entities within Nomura. Corporate loans include loans secured by real estate or securities, as well as unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

In addition to the loans above, Nomura has advances to affiliated companies which are loans provided to related parties of Nomura. As these loans are generally not secured, Nomura is exposed to the risk of default of the counterparty.

The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets as of March 31, 2015, and 2016 by portfolio segment.

	Millions of yen		
	March 31, 2015		
	Carried at amortized cost	Carried at fair value[1]	Total
Loans receivable			
Loans at banks	¥ 324,503	¥ —	¥ 324,503
Short-term secured margin loans	425,245	—	425,245
Inter-bank money market loans	16,995	—	16,995
Corporate loans	377,114	317,218	694,332
Total loans receivable	¥1,143,857	¥317,218	¥1,461,075
Advances to affiliated companies	2,104	—	2,104
Total	¥1,145,961	¥317,218	¥1,463,179

	Millions of yen		
	March 31, 2016		
	Carried at amortized cost	Carried at fair value[1]	Total
Loans receivable			
Loans at banks	¥ 364,976	¥ —	¥ 364,976
Short-term secured margin loans	377,437	—	377,437
Inter-bank money market loans	9,751	—	9,751
Corporate loans	551,673	301,766	853,439
Total loans receivable	¥1,303,837	¥301,766	¥1,605,603
Advances to affiliated companies	300	—	300
Total	¥1,304,137	¥301,766	¥1,605,903

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option.

The amount of significant purchases of corporate loans during the year ended March 31, 2015 was ¥79,811 million. The amount of significant sales of corporate loans during the year ended March 31, 2015 was ¥15,187 million. During the same period, there were no significant reclassifications of loans receivable to trading assets.

The amount of significant purchases of corporate loans during the year ended March 31, 2016 was ¥124,161 million. There were no significant sales of corporate loans during the year ended March 31, 2016. During the same period, there were no significant reclassifications of loans receivable to trading assets.

Allowance for credit losses

Management establishes an allowance for credit losses against loans carried at amortized cost which reflects management's best estimate of probable losses incurred. The allowance for credit losses against loans, which is reported in the consolidated balance sheets within *Allowance for doubtful accounts*, comprises two components:

- A specific component for loans which have been individually evaluated for impairment; and
- A general component for loans which, while not individually evaluated for impairment, have been collectively evaluated for impairment based on historical loss experience.

The specific component of the allowance reflects probable losses incurred within loans which have been individually evaluated for impairment. A loan is defined as being impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include an assessment of the ability of borrowers to pay by considering various factors such as the nature of the loan, prior credit loss experience, current economic conditions, the current financial situation of the borrower and the fair value of any underlying collateral. Loans that experience insignificant payment delays or insignificant payment shortfalls are not classified as impaired. Impairment is measured on a loan by loan basis by adjusting the carrying value of the loan to either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance is for loans not individually evaluated for impairment and includes judgment about collectability based on available information at the balance sheet date and the uncertainties inherent in those underlying assumptions. The allowance is based on historical loss experience adjusted for qualitative factors such as current economic conditions.

While management has based its estimate of the allowance for credit losses against loans on the best information available, future adjustments to the allowance may be necessary as a result of changes in the economic environment or variances between actual results and original assumptions.

Loans are charged-off when Nomura determines that the loans are uncollectible. This determination is based on factors such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that the proceeds from collateral will not be sufficient to pay the loans.

The following tables present changes in the total allowance for credit losses for the years ended March 31, 2015 and 2016.

	Millions of yen							
	Year ended March 31, 2015							
	Allowance for credit losses against loans							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 678	¥ 87	¥ —	¥ 82	¥ 1	¥ 848	¥ 2,161	¥ 3,009
Provision for credit losses	61	53	—	(3)	0	111	254	365
Charge-offs	—	—	—	—	—	—	(189)	(189)
Other[1]	—	2	—	0	—	2	66	68
Ending balance	¥ 739	¥ 142	¥ —	¥ 79	¥ 1	¥ 961	¥ 2,292	¥ 3,253

	Millions of yen							
	Year ended March 31, 2016							
	Allowance for credit losses against loans							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 739	¥ 142	¥ —	¥ 79	¥ 1	¥ 961	¥ 2,292	¥ 3,253
Provision for credit losses	173	(75)	7	(71)	(1)	33	287	320
Charge-offs	—	—	—	—	—	—	—	—
Other[1]	—	(1)	—	(0)	—	(1)	(95)	(96)
Ending balance	¥ 912	¥ 66	¥ 7	¥ 8	¥ 0	¥ 993	¥ 2,484	¥ 3,477

(1) Includes the effect of foreign exchange movements.

The following tables present the allowance for credit losses against loans and loans by impairment methodology and type of loans as of March 31, 2015 and 2016.

	Millions of yen					
	March 31, 2015					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ 3	¥ 84	¥ —	¥ 7	¥ —	¥ 94
Evaluated collectively	736	58	—	72	1	867
Total allowance for credit losses	¥ 739	¥ 142	¥ —	¥ 79	¥ 1	¥ 961
Loans by impairment methodology						
Evaluated individually	¥ 4,929	¥ 172,259	¥ 16,995	¥369,113	¥ 174	¥ 563,470
Evaluated collectively	319,574	252,986	—	8,001	1,930	582,491
Total loans	¥324,503	¥ 425,245	¥ 16,995	¥377,114	¥ 2,104	¥1,145,961

	Millions of yen					
	March 31, 2016					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ —	¥ —	¥ —	¥ 7	¥ —	¥ 7
Evaluated collectively	912	66	7	1	0	986
Total allowance for credit losses	¥ 912	¥ 66	¥ 7	¥ 8	¥ 0	¥ 993
Loans by impairment methodology						
Evaluated individually	¥ 4,513	¥ 139,183	¥ 1,371	¥543,050	¥ —	¥ 688,117
Evaluated collectively	360,463	238,254	8,380	8,623	300	616,020
Total loans	¥364,976	¥ 377,437	¥ 9,751	¥551,673	¥ 300	¥1,304,137

Nonaccrual and past due loans

Loans which are individually evaluated as impaired are assessed for nonaccrual status in accordance with Nomura's policy. When it is determined to suspend interest accrual as a result of an assessment, any accrued but unpaid interest is reversed. Loans are generally only returned to an accrual status if the loan is brought contractually current, i.e. all overdue principal and interest amounts are paid. In limited circumstances, a loan which has not been brought contractually current will also be returned to an accrual status if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time or there has been a sustained period of repayment performance by the borrower.

As of March 31, 2015 and 2016, the amount of loans which were on a nonaccrual status was not significant. The amount of loans which were 90 days past due was not significant.

Once a loan is impaired and placed on a nonaccrual status, interest income is subsequently recognized using the cash basis method.

Loan impairment and troubled debt restructurings

In the ordinary course of business, Nomura may choose to recognize impairment and also restructure a loan classified as held for investment either because of financial difficulties of the borrower, or simply as a result of market conditions or relationship reasons. A troubled debt restructuring ("TDR") occurs when Nomura (as lender) for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that Nomura would not otherwise consider.

Any loan being restructured under a TDR will generally already be identified as impaired with an applicable allowance for credit losses recognized. If not (for example if the loan is collectively assessed for impairment with other loans), the restructuring of the loan under a TDR will immediately result in the loan as being classified as impaired. An impairment loss for a loan restructuring under a TDR which only involves modification of the loan's terms (rather than receipt of assets in full or partial settlement) is calculated in the same way as any other impaired loan. Assets received in full or partial satisfaction of a loan in a TDR are recognized at fair value.

As of March 31, 2015 and 2016, the amount of loans which were classified as impaired but against which no allowance for credit losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment, the total unpaid principal balance and the related allowance was not significant.

The amount of TDRs which occurred during the years ended March 31, 2015 and 2016 was not significant.

Credit quality indicators

Nomura is exposed to credit risks deriving from a decline in the value of loans or a default caused by deterioration of creditworthiness or bankruptcy of the obligor. Nomura's risk management framework for such credit risks is based on a risk assessment through an internal rating process, in depth pre-financing credit analysis of each individual loan and continuous post-financing monitoring of obligor's creditworthiness.

The following tables present an analysis of each class of loans not carried at fair value using Nomura's internal ratings or equivalent credit quality indicators applied by subsidiaries as of March 31, 2015 and 2016.

	Millions of yen				
	March 31, 2015				
	AAA-BBB	BB-CCC	CC-D	Others[1]	Total
Secured loans at banks	¥100,927	¥ 38,373	¥ —	¥ 39,186	¥ 178,486
Unsecured loans at banks	141,395	4,620	2	—	146,017
Short-term secured margin loans	—	—	—	425,245	425,245
Secured inter-bank money market loans	7,249	—	—	—	7,249
Unsecured inter-bank money market loans	9,746	—	—	—	9,746
Secured corporate loans	249,046	117,255	1,141	2,298	369,740
Unsecured corporate loans	3,619	—	—	3,755	7,374
Advances to affiliated companies	1,929	175	—	—	2,104
Total	¥513,911	¥160,423	¥1,143	¥470,484	¥1,145,961

	Millions of yen				
	March 31, 2016				
	AAA-BBB	BB-CCC	CC-D	Others[1]	Total
Secured loans at banks	¥125,371	¥ 75,853	¥ 0	¥ 39,281	¥ 240,505
Unsecured loans at banks	122,411	2,059	1	—	124,471
Short-term secured margin loans	—	—	—	377,437	377,437
Secured inter-bank money market loans	—	—	—	—	—
Unsecured inter-bank money market loans	9,751	—	—	—	9,751
Secured corporate loans	268,206	264,323	3,974	4,119	540,622
Unsecured corporate loans	2,957	1,123	—	6,971	11,051
Advances to affiliated companies	300	—	—	—	300
Total	¥528,996	¥343,358	¥3,975	¥427,808	¥1,304,137

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

The following table below presents a definition of each of the internal ratings used in the Nomura Group.

Rating Range	Definition
AAA	Highest credit quality. An obligor or facility has extremely strong capacity to meet its financial commitments. 'AAA' is the highest credit rating assigned by Nomura. Extremely low probability of default.
AA	Very high credit quality category. An obligor or facility has very strong capacity to meet its financial commitments. Very low probability of default but above that of 'AAA'.
A	High credit quality category. An obligor or facility has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher-rated categories. Low probability of default but higher than that of 'AA range'.
BBB	Good credit quality category. An obligor or facility has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments. Medium probability of default but higher than that of 'A range'.
BB	Speculative credit quality category. An obligor or facility is less vulnerable in the near term than other lower-ratings. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the inadequate capacity to meet its financial commitments. Medium to high probability of default but higher than that of 'BBB range'.
B	Highly speculative credit quality category. An obligor or facility is more vulnerable than those rated 'BB range', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the issuer's or obligor's capacity or willingness to meet its financial commitments. High probability of default—more than that of 'BB range'.
CCC	Substantial credit risk. An obligor or facility is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Strong probability of default—more than that of "B range".
CC	An obligor or facility is currently highly vulnerable to nonpayment (default category).
C	An obligor or facility is currently extremely vulnerable to nonpayment (default category).
D	Failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations.

Nomura reviews internal ratings at least once a year by using available credit information of obligors including financial statements and other information. Internal ratings are also reviewed more frequently for high-risk obligors or problematic exposures and any significant credit event of obligors will trigger an immediate credit review process.

8. Leases:

Nomura as lessor

Nomura leases office buildings and aircraft in Japan and overseas. These leases are classified as operating leases and the related assets are stated at cost, net of accumulated depreciation, except for land, which is stated at cost in the consolidated balance sheets and reported within *Other assets—Office buildings, land, equipment and facilities*.

The following table presents the types of assets which Nomura leases under operating leases as of March 31, 2016.

	Millions of yen		
	March 31, 2016		
	Cost	Accumulated depreciation	Net carrying amount
Real estate[1]	¥3,093	¥ (1,502)	¥ 1,591
Aircraft	4,655	(1,177)	3,478
Total	¥7,748	¥ (2,679)	¥ 5,069

(1) Cost, accumulated depreciation and net carrying amounts include amounts relating to real estate space utilized by Nomura.

Nomura recognized rental income of ¥1,659 million and ¥1,229 million for the years ended March 31, 2015 and 2016, respectively in the consolidated statements of income within *Revenue—Other*.

The future minimum lease payments to be received on noncancellable operating leases as of March 31, 2016 were ¥4,020 million and these future minimum lease payments to be received are scheduled as below:

	Millions of yen						
		Years of receipt					
	Total	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments to be received	¥ 4,020	¥ 555	¥ 553	¥ 550	¥ 550	¥ 550	¥ 1,262

Nomura as lessee

Nomura leases its office spaces, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancelable operating lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities in Japan and overseas under noncancellable operating lease agreements. Rental expenses, net of sublease rental income, for the years ended March 31, 2015 and 2016 were ¥47,217 million and ¥49,000 million, respectively.

The following table presents the future minimum lease payments under noncancellable operating leases with remaining terms exceeding one year as of March 31, 2016:

	Millions of yen
	March 31
	2016
Total minimum lease payments	¥ 150,749
Less: Sublease rental income	(8,654)
Net minimum lease payments	¥ 142,095

The future minimum lease payments above are scheduled as below as of March 31, 2016:

	Millions of yen						
		Years of payment					
	Total	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments	¥ 150,749	¥ 18,758	¥ 17,587	¥ 15,841	¥ 12,809	¥ 10,741	¥ 75,013

Nomura leases certain equipment and facilities in Japan and overseas under capital lease agreements. If the lease is classified as a capital lease, Nomura recognizes the real estate at the lower of its fair value or present value of minimum lease payments, which is reported within *Other Assets—Office buildings, land, equipment and facilities* in the consolidated balance sheets. The amounts of capital lease assets as of March 31, 2015 and 2016 were ¥34,428 million and ¥31,030 million, respectively and accumulated depreciations on such capital lease assets as of March 31, 2015 and 2016 were ¥6,171 million and ¥6,784 million, respectively.

The following table presents the future minimum lease payments under capital leases as of March 31, 2016:

	Millions of yen March 31 2016
Total minimum lease payments	¥ 57,358
Less: Amount representing interest	(31,321)
Present value of net lease payments	¥ 26,037

The future minimum lease payments above are scheduled as below as of March 31, 2016:

	Millions of yen						
		Years of payment					
	Total	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments	¥ 57,358	¥ 4,369	¥ 4,074	¥ 3,854	¥ 4,199	¥ 4,202	¥ 36,660

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utilities and tax increases.

9. Other assets—Other / Other liabilities:

The following table presents components of *Other assets—Other* and *Other liabilities* in the consolidated balance sheets as of March 31, 2015 and 2016.

	Millions of yen March 31	
	2015	2016
Other assets—Other:		
Securities received as collateral	¥ 187,753	¥ 318,112
Goodwill and other intangible assets	123,486	110,532
Deferred tax assets	19,718	36,130
Investments in equity securities for other than operating purposes[(1)]	162,644	130,357
Prepaid expenses	10,741	30,997
Other	318,224	348,383
Total	¥ 822,566	¥ 974,511
Other liabilities:		
Obligation to return securities received as collateral	¥ 187,753	¥ 318,112
Accrued income taxes	48,632	32,947
Other accrued expenses and provisions	446,920	389,338
Other[(2)]	533,794	460,250
Total	¥1,217,099	¥1,200,647

(1) Includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments were comprised of listed equity securities and unlisted equity securities of ¥140,024 million and ¥22,621 million respectively, as of March 31, 2015, and ¥109,887 million and ¥20,470 million respectively, as of March 31, 2016. These securities are carried at fair value, with changes in fair value recognized within *Revenue—Other* in the consolidated statements of income.

(2) Includes liabilities relating to investment contracts underwritten by Nomura's insurance subsidiary. As of March 31, 2015 and 2016, carrying values were ¥258,310 million and ¥242,496 million, respectively, and estimated fair values were ¥261,039 million and ¥244,246 million, respectively. Fair value was estimated using DCF valuation techniques and using valuation inputs which would be generally classified in Level 3 of the fair value hierarchy.

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

The following table presents changes in goodwill, which are reported in the consolidated balance sheets within *Other assets—Other* for the years ended March 31, 2015 and 2016.

	Millions of yen							
	Year ended March 31, 2015							
	Beginning of year			Changes during year		End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Impairment[1]	Other[2]	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥ 85,951	¥ (11,817)	¥ 74,134	¥ —	¥11,578	¥ 97,529	¥ (11,817)	¥ 85,712
Other	6,549	(2,946)	3,603	(3,188)	63	6,612	(6,134)	478
Total	¥ 92,500	¥ (14,763)	¥ 77,737	¥ (3,188)	¥11,641	¥104,141	¥ (17,951)	¥ 86,190

	Millions of yen							
	Year ended March 31, 2016							
	Beginning of year			Changes during year		End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Impairment[1]	Other[2]	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥ 97,529	¥ (11,817)	¥ 85,712	¥ —	¥(5,419)	¥ 92,110	¥ (11,817)	¥ 80,293
Other	6,612	(6,134)	478	—	(8)	470	—	470
Total	¥104,141	¥ (17,951)	¥ 86,190	¥ —	¥(5,427)	¥ 92,580	¥ (11,817)	¥ 80,763

(1) For the year ended March 31, 2015, Nomura recognized goodwill impairment loss of ¥3,188 million within *Other* in Nomura's segment information. This was due to a decline in the fair value of a reporting unit caused by decreases in expected cash flows arising from changes in the economic environment. This impairment loss was reported within *Non-interest expenses—Other* in the consolidated statements of income. The fair values were determined using DCF valuation techniques.

(2) Includes currency translation adjustments.

The following table presents finite-lived intangible assets by type as of March 31, 2015 and 2016.

	Millions of yen					
	March 31, 2015			March 31, 2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships	¥ 71,445	¥ (43,839)	¥ 27,606	¥ 68,239	¥ (47,655)	¥ 20,584
Other	473	(294)	179	503	(315)	188
Total	¥ 71,918	¥ (44,133)	¥ 27,785	¥ 68,742	¥ (47,970)	¥ 20,772

Amortization expenses for the years ended March 31, 2015 and 2016 were ¥4,979 million and ¥5,181 million, respectively. Estimated amortization expenses for the next five years are shown below.

Year ending March 31	Millions of yen Estimated amortization expense
2017	¥ 5,487
2018	4,828
2019	3,621
2020	2,413
2021	2,413

The amounts of indefinite-lived intangibles, which primarily includes trademarks, were ¥9,511 million and ¥8,997 million as of March 31, 2015 and 2016, respectively.

10. Borrowings:

The following table presents short-term and long-term borrowings of Nomura as of March 31, 2015 and 2016.

	Millions of yen March 31	
	2015	2016
Short-term borrowings[1]:		
Commercial paper	¥ 252,858	¥ 177,906
Bank borrowings	217,013	149,775
Other	192,385	335,221
Total	¥ 662,256	¥ 662,902
Long-term borrowings:		
Long-term borrowings from banks and other financial institutions[2]	¥3,140,531	¥3,197,303
Bonds and notes issued[3]:		
Fixed-rate obligations:		
Japanese yen denominated	1,528,529	1,300,872
Non-Japanese yen denominated	1,102,125	876,088
Floating-rate obligations:		
Japanese yen denominated	465,296	726,568
Non-Japanese yen denominated	150,055	293,207
Index / Equity-linked obligations:		
Japanese yen denominated	1,017,380	802,849
Non-Japanese yen denominated	798,857	805,217
	5,062,242	4,804,801
Subtotal	8,202,773	8,002,104
Trading balances of secured borrowings	133,523	127,455
Total	¥8,336,296	¥8,129,559

(1) Includes secured borrowings of ¥17,284 million as of March 31, 2015 and ¥82,861 million as of March 31, 2016.
(2) Includes secured borrowings of ¥251,486 million as of March 31, 2015 and ¥226,704 million as of March 31, 2016.
(3) Includes secured borrowings of ¥749,839 million as of March 31, 2015 and ¥744,945 million as of March 31, 2016.

Trading balances of secured borrowings

These are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These borrowings are part of Nomura's trading activities intended to generate profits from the distribution of financial products secured by those financial assets.

Long-term borrowings consisted of the following:

	Millions of yen	
	March 31	
	2015	2016
Debt issued by the Company	¥3,863,436	¥3,624,836
Debt issued by subsidiaries—guaranteed by the Company	1,885,256	1,973,213
Debt issued by subsidiaries—not guaranteed by the Company[(1)]	2,587,604	2,531,510
Total	¥8,336,296	¥8,129,559

(1) Includes trading balances of secured borrowings.

As of March 31, 2015, fixed-rate long-term borrowings mature between 2015 and 2045 at interest rates ranging from 0.00% to 12.66%. Floating-rate obligations, which are generally based on LIBOR, mature between 2015 and 2052 at interest rates ranging from 0.00% to 9.02%. Index / Equity-linked obligations mature between 2015 and 2045 at interest rates ranging from 0.00% to 28.50%.

As of March 31, 2016, fixed-rate long-term borrowings mature between 2016 and 2046 at interest rates ranging from 0.00% to 14.53%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2016 and 2047 at interest rates ranging from 0.00% to 9.01%. Index / Equity-linked obligations mature between 2016 and 2046 at interest rates ranging from 0.00% to 31.00%.

Certain borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the borrower at specified dates prior to maturity and include various equity-linked or other index-linked instruments.

Nomura enters into swap agreements to manage its exposure to interest rates and foreign exchange rates. Principally, debt securities and notes issued are effectively converted to LIBOR-based floating rate obligations through such swap agreements. The carrying value of the long-term borrowings includes adjustments to reflect fair value hedges.

Following table presents the effective weighted-average interest rates of borrowings, including the effect of fair value hedges as of March 31, 2015 and 2016.

	March 31	
	2015	2016
Short-term borrowings	0.37%	0.77%
Long-term borrowings	0.78%	0.88%
Fixed-rate obligations	1.18%	1.45%
Floating-rate obligations	0.82%	0.89%
Index / Equity-linked obligations	0.34%	0.36%

Maturities of long-term borrowings

The following table presents the aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges and liabilities measured at fair value, as of March 31, 2016:

Year ending March 31	Millions of yen
2017	¥ 652,343
2018	1,032,790
2019	1,128,105
2020	1,057,019
2021	835,225
2022 and thereafter	3,296,622
Subtotal	8,002,104
Trading balances of secured borrowings	127,455
Total	¥ 8,129,559

Borrowing facilities

As of March 31, 2015 and 2016, Nomura had unutilized borrowing facilities of ¥15,000 million and ¥27,458 million, respectively. The terms for these unutilized borrowing facilities do not significantly differ from existing borrowings. Nomura has structured facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. These facilities are subject to customary lending conditions and covenants.

Subordinated borrowings

As of March 31, 2015 and 2016, subordinated borrowings were ¥489,888 million and ¥657,463 million, respectively.

11. Earnings per share:

Basic and diluted earnings per share ("EPS") are presented on the face of the consolidated statements of income. Basic EPS is calculated by dividing net income attributable to NHI shareholders by the weighted average number of the Company's common shares outstanding during the year. The calculation of diluted EPS is similar to basic EPS, except that the weighted average number of the Company's common shares is adjusted to reflect all dilutive instruments where the Company's common shares are potentially deliverable during the year. In addition, net income attributable to NHI shareholders is adjusted for any change in income or loss that would result from the assumed conversion of dilutive instruments issued by subsidiaries and affiliates.

The following table presents a reconciliation of the amounts and the numbers used in the calculation of net income attributable to NHI shareholders per share (basic and diluted) for the years ended March 31, 2015 and 2016.

	Millions of yen except per share data presented in yen	
	Year ended March 31	
	2015	2016
Basic—		
Net income attributable to NHI shareholders	¥ 224,785	¥ 131,550
Weighted average number of shares outstanding	3,645,514,878	3,600,701,499
Net income attributable to NHI shareholders per share	¥ 61.66	¥ 36.53
Diluted—		
Net income attributable to NHI shareholders	¥ 224,726	¥ 131,426
Weighted average number of shares outstanding	3,743,690,088	3,700,388,050
Net income attributable to NHI shareholders per share	¥ 60.03	¥ 35.52

Net income attributable to NHI shareholders was adjusted to reflect the decline in Nomura's equity share of earnings of subsidiaries and affiliates for the years ended March 31, 2015 and 2016 arising from options to purchase common shares issued by subsidiaries and affiliates. The weighted average number of shares used in the calculation of diluted EPS reflects the increase in potential issuance of the Company's common shares arising from stock-based compensation plans by the Company, which would have minimal impact on EPS for the years ended March 31, 2015 and 2016.

Antidilutive stock options to purchase 9,745,800 and 10,029,500 of the Company's common shares were not included in the computation of diluted EPS for the years ended March 31, 2015 and 2016, respectively.

Subsequent Events

The Company conducted a share buyback from May 18, 2016 to June 7, 2016. See Note 17 "*Shareholders' equity*" for further information.

On April 27, 2016, the Company adopted a resolution to issue SARs pursuant to the SAR awards. See Note 13 "*Deferred compensation plans*" for further information.

12. Employee benefit plans:

Nomura provides various pension plans and other post-retirement benefits which cover certain eligible employees worldwide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society ("NSHIS").

Defined benefit pension plans—

The Company and certain subsidiaries in Japan ("Japanese entities") have contributory funded benefit pension plans for eligible employees. The benefits are paid as annuity payments subsequent to retirement or as lump-sum payments at the time of retirement based on a combination of years of service, age at retirement and employee's choice. The benefits under the plans are calculated based upon position, years of service and reason for retirement. In addition to the plans described above, certain Japanese entities also have unfunded lump-sum payment plans. Under these plans, employees with at least two years of service are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon position, years of service and the reason for retirement. Nomura's funding policy is to contribute annually the amount necessary to satisfy local funding standards. In December 2008, certain contributory funded benefit pension plans and unfunded lump-sum payment plans were amended and "Cash balance pension plans" were introduced. Participants receive an annual benefit in their cash balance pension plan account, which is computed based on compensation of the participants, adjusted for changes in Japanese government debt securities yields.

Certain overseas subsidiaries have various local defined benefit plans covering certain employees. Nomura recognized an asset for surplus pension benefits for these plans amounting to ¥10,652 million and ¥9,019 million as of March 31, 2015 and 2016, respectively.

Net periodic benefit cost

The following table presents the components of net periodic benefit cost for defined benefit plans of Japanese entities for the years ended March 31, 2015 and 2016. Nomura's measurement date is March 31 for defined benefit plans of Japanese entities.

	Millions of yen	
	Year ended March 31	
	2015	2016
Service cost	¥ 7,800	¥ 8,253
Interest cost	3,090	2,092
Expected return on plan assets	(5,732)	(6,064)
Amortization of net actuarial losses	2,127	1,456
Amortization of prior service cost	(1,148)	(1,148)
Net periodic benefit cost	¥ 6,137	¥ 4,589

Prior service cost is amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized over the average remaining service period of active participants, which is 11 years.

Benefit obligations and funded status

The following table presents a reconciliation of changes in projected benefit obligation ("PBO") and the fair value of plan assets, as well as a summary of the funded status of Japanese entities' plans as of, and for the years ended March 31, 2015 and 2016.

	Millions of yen	
	As of or for the year ended March 31	
	2015	2016
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	¥ 233,885	¥ 240,858
Service cost	7,800	8,253
Interest cost	3,090	2,092
Actuarial gain	6,106	13,121
Benefits paid	(10,070)	(10,528)
Acquisition, divestitures and other	47	(504)
Projected benefit obligation at end of year	¥ 240,858	¥ 253,292
Change in plan assets:		
Fair value of plan assets at beginning of year	¥ 220,873	¥ 233,837
Actual return on plan assets	15,660	2,540
Employer contributions	5,914	4,559
Benefits paid	(8,610)	(8,909)
Fair value of plan assets at end of year	¥ 233,837	¥ 232,027
Funded status at end of year	(7,021)	(21,265)
Amounts recognized in the consolidated balance sheets	¥ (7,021)	¥ (21,265)

The accumulated benefit obligation ("ABO") was ¥240,858 million and ¥253,292 million as of March 31, 2015 and 2016, respectively.

The following table presents the PBO, ABO and fair value of plan assets for Japanese entities' plans with ABO and PBO in excess of plan assets as of March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Plans with ABO in excess of plan assets:		
PBO	¥29,643	¥31,788
ABO	29,643	31,788
Fair value of plan assets	—	—
Plans with PBO in excess of plan assets:		
PBO	¥29,643	¥31,788
ABO	29,643	31,788
Fair value of plan assets	—	—

The following table presents pre-tax amounts of Japanese entities' plans deferred in *Accumulated other comprehensive income (loss)* that have not yet been recognized as components of net periodic benefit cost during the year ended March 31, 2016.

	Millions of yen
	For the year ended March 31, 2016
Net actuarial loss	¥ 56,688
Net prior service cost	(8,236)
Total	¥ 48,452

Pre-tax amounts of Japanese entities' plans in accumulated other comprehensive income which are expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows.

	Millions of yen
	For the year ending March 31, 2017
Net actuarial loss	¥ 2,848
Net prior service cost	(1,148)
Total	¥ 1,700

Assumptions

The following table presents the weighted-average assumptions used to determine projected benefit obligations of Japanese entities' plans as of March 31, 2015 and 2016.

	March 31	
	2015	2016
Discount rate	0.9%	0.6%
Rate of increase in compensation levels	2.5%	2.5%

The following table presents the weighted-average assumptions used to determine the net periodic benefit cost of Japanese entities' plans as of March 31, 2015 and 2016.

	Year ended March 31	
	2015	2016
Discount rate	1.4%	0.9%
Rate of increase in compensation levels	2.5%	2.5%
Expected long-term rate of return on plan assets	2.6%	2.6%

Nomura generally determines the discount rates for its defined benefit plans by referencing indices for long-term, high-quality debt securities and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plans' liabilities.

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

Plan assets

Plan assets are managed with an objective to generate sufficient long-term value in order to enable future pension payouts. While targeting a long-term rate of return on plan assets, Nomura aims to minimize short-term volatility by managing the portfolio through diversifying risk. Based on this portfolio policy, the plan assets are invested diversely.

The plan assets of domestic plans target to invest 17% in equities (including private equity investments), 45% in debt securities, 20% in life insurance company general accounts, and 18% in other investments. Investment allocations are generally reviewed and revised at the time of the actual revaluation that takes place every five years or when there is a significant change in the portfolio assumptions.

For details of the levels of inputs used to measure the fair value of plan assets, see Note 2 "*Fair value measurements*".

The following tables present information about the fair value of plan assets of Japanese entities' plans as of March 31, 2015 and March 31, 2016 within the fair value hierarchy.

	Millions of yen			
	March 31, 2015			
	Level 1	Level 2	Level 3	Balance as of March 31, 2015
Pension plan assets:				
Equities	¥23,665	¥ —	¥ —	¥ 23,665
Private equity investments	—	—	6,793	6,793
Japanese government securities	67,066	—	—	67,066
Bank and corporate debt securities	2,183	2,502	—	4,685
Investment trust funds and other[1]	—	18,457	48,545	67,002
Life insurance company general accounts	—	48,989	—	48,989
Other assets	—	15,637	—	15,637
Total	¥92,914	¥85,585	¥55,338	¥ 233,837

	Millions of yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Balance as of March 31, 2016
Pension plan assets:				
Equities	¥21,283	¥ —	¥ —	¥ 21,283
Private equity investments	—	—	7,510	7,510
Japanese government securities	61,803	—	—	61,803
Bank and corporate debt securities	2,380	2,163	—	4,543
Investment trust funds and other[1]	—	12,934	47,699	60,633
Life insurance company general accounts	—	52,109	—	52,109
Other assets	—	24,146	—	24,146
Total	¥85,466	¥91,352	¥55,209	¥ 232,027

(1) Includes hedge funds and real estate funds.

The fair value of plan assets of non-Japanese entities' plans as of March 31, 2015 was ¥4,222 million, ¥136 million and ¥43,851 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively. The fair value of plan assets of non-Japanese entities' plans as of March 31, 2016 was ¥3,954 million, ¥192 million and ¥35,610 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively.

Level 1 plan assets primarily include equity securities and government securities. Unadjusted quoted prices in active markets for identical assets that Nomura has the ability to access at the measurement date are classified as Level 1. Level 2 plan assets primarily include investment trust funds, corporate debt securities and investments in life insurance company's general accounts. Investment trust funds are valued at their net asset values as calculated by the sponsor of the funds. Investments in life insurance company's general accounts are valued at conversion value.

The following tables present information about plan assets of Japanese entities' plans for which Nomura has utilized significant Level 3 valuation inputs to estimate fair value.

	Millions of yen			
	Year ended March 31, 2015			
	Balance as of April 1, 2014	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2015
Private equity investments	¥ 12,235	¥ (2,147)	¥ (3,295)	¥ 6,793
Investment trust funds and other	11,820	3,936	32,789	48,545
Total	¥ 24,055	¥ 1,789	¥ 29,494	¥55,338

	Millions of yen			
	Year ended March 31, 2016			
	Balance as of April 1, 2015	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2016
Private equity investments	¥ 6,793	¥ (2,034)	¥ 2,751	¥ 7,510
Investment trust funds and other	48,545	(2,018)	1,172	47,699
Total	¥ 55,338	¥ (4,052)	¥ 3,923	¥55,209

The fair value of Level 3 plan assets of non-Japanese entities' plans, mainly consisting of annuities, was ¥43,851 million and ¥35,610 million as of March 31, 2015 and 2016, respectively. The amount of purchases of Level 3 assets was ¥36,634 million during the year ended March 31, 2015, and the amount of unrealized loss of Level 3 assets was ¥8,241 million as of March 31, 2016. The amounts of gains and losses, purchases and sales other than above, transfers between Level 1 or Level 2 and Level 3 relating to these assets during the years ended March 31, 2015 and 2016 were not significant.

Cash Flows

Nomura expects to contribute ¥4,134 million to Japanese entities' plans in the year ending March 31, 2017. Nomura policy is to contribute annual amounts based on the relevant local funding requirements of the plans.

The following table presents the expected benefit payments of Japanese entities' plans during the next five fiscal years and in aggregate for the five fiscal years thereafter.

Year ending March 31	Millions of yen
2017	¥ 15,150
2018	14,065
2019	14,173
2020	12,772
2021	11,995
2022-2026	60,576

Defined contribution pension plans—

In addition to defined benefit pension plans, the Company, NSC and other Japanese and non-Japanese subsidiaries have defined contribution pension plans.

Nomura contributed ¥3,488 million and ¥3,582 million to defined contribution pension plans for Japanese entities' plans for the years ended March 31, 2015 and 2016, respectively.

The contributions to overseas defined contribution pension plans were ¥10,382 million and ¥10,777 million for the years ended March 31, 2015 and 2016, respectively.

Health care benefits—

The Company and certain subsidiaries provide certain health care benefits to both active and retired employees through NSHIS. The Company and certain subsidiaries also sponsor certain health care benefits to retired employees ("Special Plan") and who participate in the Special Plan on a pay-all basis, i.e., by requiring a retiree contribution based on the estimated per capita cost of coverage. The Special Plan is a multi-employer post-retirement plan because it is jointly administered by NSHIS and the Japanese government, and the funded status of it is not computed separately. Therefore, although the Company and certain subsidiaries contribute some portion of the cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not reserve for future costs. The health care benefit costs, which are equivalent to the required contribution, amounted to ¥7,116 million and ¥7,147 million for the years ended March 31, 2015 and 2016, respectively.

13. Deferred compensation plans:

Nomura issues compensation awards to senior management and other employees, certain of which are linked to the price of the Company's common stock, in order to retain and motivate key staff.

These stock-based compensation awards comprise Plan A and Plan B Stock Acquisition Rights ("SARs"), Notional Stock Units ("NSUs"), and Collared Notional Stock Units ("CSUs"). SAR Plan A awards are awards of stock options while SAR Plan B awards, NSUs and CSUs are analogous to awards of restricted common stock. The Company also issues other deferred compensation awards, namely Notional Indexed Units ("NIUs") which are linked to a world stock index quoted by Morgan Stanley Capital International.

Certain deferred compensation awards granted since May 2013 include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination or claiming FCR during a pre-defined election window if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

SAR Plan A awards

The Company issues SAR Plan A awards linked to the price of the Company's common stock pursuant to several stock option plans. These awards vest and are exercisable into the Company's common stock approximately two years after grant date, expire approximately seven years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is generally not less than the fair value of the Company's common stock on grant date.

The grant date fair value of SAR Plan A awards is estimated using a Black-Scholes option-pricing model and using the following assumptions:

- Expected volatilities based on historical volatility of the Company's common stock;
- Expected dividend yield based on the current dividend rate at the time of grant;
- Expected lives of the awards determined based on historical experience; and
- Expected risk-free interest rate based on Japanese Yen swap rate with a maturity equal to the expected lives of the options.

The weighted-average grant date fair value of SAR Plan A awards granted during the years ended March 31, 2015 and 2016 was ¥201 and ¥176 per share, respectively. The weighted-average assumptions used in each of these years were as follows.

	Year ended March 31	
	2015	2016
Expected volatility	45.26%	40.87%
Expected dividends yield	2.39%	2.99%
Expected lives (in years)	7	7
Risk-free interest rate	0.43%	0.27%

The following table presents activity relating to SAR Plan A awards for the year ended March 31, 2016.

	Outstanding (number of Nomura shares)	Weighted-average exercise price	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2015	15,649,400	¥ 683	3.8
Granted	2,597,000	809	
Exercised	(1,219,300)	442	
Forfeited	(70,000)	767	
Expired	(1,966,000)	1,274	
Outstanding as of March 31, 2016	14,991,100	¥ 640	3.6
Exercisable as of March 31, 2016	9,697,800	¥ 566	2.7

The total intrinsic value of SAR Plan A awards exercised during the years ended March 31, 2015 and 2016 was ¥401 million and ¥435 million, respectively.

The aggregate intrinsic value of SAR Plan A awards outstanding and exercisable as of March 31, 2016 was ¥730 million and ¥730 million, respectively.

As of March 31, 2016, total unrecognized compensation cost relating to SAR Plan A awards was ¥557 million which is expected to be recognized over a weighted average period of 0.6 years. The total fair value of SAR Plan A awards which vested during the years ended March 31, 2015 and 2016 was ¥1,211 million and nil, respectively.

SAR Plan B awards

The Company issues SAR Plan B awards linked to the price of the Company's common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company's common stock approximately six months to five years after grant date, expire approximately five and a half years to ten years after grant date and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is a nominal ¥1 per share.

The grant date fair value of SAR Plan B awards is determined using the price of the Company's common stock.

The following table presents activity relating to SAR Plan B awards for the year ended March 31, 2016.

	Outstanding (number of Nomura shares)	Weighted-Average grant date fair value per share	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2015	100,389,000	¥ 478	5.4
Granted	25,581,300	759	
Exercised	(32,620,800)	503	
Forfeited	(1,332,500)	618	
Expired	(40,800)	1,611	
Outstanding as of March 31, 2016	91,976,200	¥ 545	5.1
Exercisable as of March 31, 2016	23,010,400	¥ 498	3.2

The weighted-average grant date fair value per share for the years ended March 31, 2015 and 2016 was ¥483 and ¥759, respectively.

The total intrinsic value of SAR Plan B awards exercised during the years ended March 31, 2015 and 2016 was ¥23,673 million and ¥25,059 million, respectively.

The aggregate intrinsic value of SAR Plan B awards outstanding and exercisable as of March 31, 2016 was ¥46,159 million and ¥11,544 million, respectively.

As of March 31, 2016, total unrecognized compensation cost relating to SAR Plan B awards was ¥16,333 million which is expected to be recognized over a weighted average period of 1.6 years. The total fair value of SAR Plan B awards which vested during the years ended March 31, 2015 and 2016 was ¥27,662 million and ¥20,880 million, respectively.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to SAR Plan A and SAR Plan B awards for the years ended March 31, 2015 and 2016 was ¥19,364 million and ¥16,890 million, respectively.

Cash received from the exercise of SAR Plan A and SAR Plan B awards during the year ended March 31, 2016 was ¥571 million and the tax benefit realized from exercise of these awards was ¥908 million.

Total related tax benefits recognized in the consolidated statements of income for compensation expenses relating to SAR Plan A awards, SAR Plan B awards for the years ended March 31, 2015 and 2016 were ¥1,422 million and ¥806 million, respectively. The dilutive effect of outstanding compensation plans is included in the weighted average number of shares outstanding used in diluted EPS computations.

NSU and CSU awards

NSUs and CSUs are cash-settled awards linked to the price of the Company's common stock. NSUs and CSUs generally have a graded vesting period of approximately five years from grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. NSUs replicate the key features of SAR Plan B awards described above but are settled in cash rather than exercisable into the Company's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of the Company's common stock is subject to a cap and floor.

The fair value of NSUs and CSUs are determined using the price of the Company's common stock.

The following table presents activity related to NSUs and CSUs for the year ended March 31, 2016.

	NSUs		CSUs	
	Outstanding (number of units)	Stock price	Outstanding (number of units)	Stock price
Outstanding as of March 31, 2015	48,119,533	¥693	41,181,078	¥524
Granted	19,285,618	779[1]	20,691,298	826[1]
Vested	(25,903,638)	767[2]	(30,622,912)	600[2]
Forfeited	(2,919,491)		(1,738,806)	
Outstanding as of March 31, 2016	38,582,022	¥498[3]	29,510,658	¥586[3]

(1) Weighted-average price of the Company's common stock used to determine number of awards granted.
(2) Weighted-average price of the Company's common stock used to determine the final cash settlement amount of the awards.
(3) The price of the Company's common stock used to remeasure the fair value of the remaining outstanding unvested awards as of March 31, 2016.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NSUs and CSUs for the years ended March 31, 2015 and 2016 was ¥39,366 million and ¥23,480 million, respectively.

Total unrecognized compensation cost relating to NSUs, based on the fair value of these awards as of March 31, 2016, was ¥1,932 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.8 years.

The total fair value of NSUs which vested during the years ended March 31, 2015 and 2016 was ¥20,116 million and ¥19,860 million, respectively.

Total unrecognized compensation cost relating to CSUs, based on the fair value of these awards as of March 31, 2016, was ¥2,656 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.8 years.

The total fair value of CSUs which vested during the years ended March 31, 2015 and 2016 was ¥15,762 million and ¥18,366 million, respectively.

NIU awards

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International, have graded vesting period of approximately five years from grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

The fair value of NIUs is determined using the price of the index.

The following table presents activity relating to NIUs for the year ended March 31, 2016.

	Outstanding (number of units)	Index price[1]
Outstanding as of March 31, 2015	33,447,242	$ 4,650
Granted	16,824,078	4,803[2]
Vested	(25,429,583)	4,494[3]
Forfeited	(1,924,748)	
Outstanding as of March 31, 2016	22,916,989	$ 4,439[4]

(1) The price of each unit is determined using 1/1000th of the index price.
(2) Weighted-average index price used to determine number of awards granted.
(3) Weighted-average index price used to determine the final cash settlement amount of the awards.
(4) Index price used to remeasure the total fair value of the remaining outstanding unvested awards as of March 31, 2016.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NIUs for the year ended March 31, 2015 and March 31, 2016 was ¥12,900 million and ¥9,463 million respectively.

Total unrecognized compensation cost relating to NIUs, based on the fair value of these awards as of March 31, 2016, was ¥1,596 million which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.9 years.

The total fair value of NIUs which vested during the years ended March 31, 2015 and 2016 was ¥12,966 million and ¥13,725 million, respectively.

Total tax benefits recognized in the consolidated statements of income for compensation expense relating to NSUs, CSUs and NIUs for the years ended March 31, 2015 and 2016 were ¥1,252 million and ¥672 million, respectively.

Subsequent events

On April 27, 2016, the Company adopted a resolution to issue SAR Plan B awards to senior management and employees of the Company and its subsidiaries. The Company granted total of 238,705 SAR Plan B awards on June 7, 2016 which represents a right to acquire 23,870,500 shares of the Company. The exercise price is a nominal ¥1 per share, the vesting period of these awards ranges from approximately six months to three years from grant date and these awards can be exercised up to five years after vesting date.

In May 2016, Nomura also granted NSUs, CSUs and NIUs to certain senior management and employees. These awards have a total grant date fair value of ¥22 billion and a vesting period of up to three years.

14. Restructuring initiatives:

During the year ended March 31, 2016, global markets have experienced extreme volatility and a significant decline in liquidity, triggered by heightened uncertainty in the global economy. Nomura's management approved the restructuring of its Wholesale segment in EMEA and the Americas in March 2016. This restructuring will involve the closing of certain Wholesale businesses in EMEA and rationalizing existing businesses in the Americas in order to reduce costs, increase efficiencies and generate sustainable profitability within Nomura's international operations in these regions. As a result of this restructuring initiative, Nomura recognized ¥15,603 million of restructuring costs in the consolidated statements of income during the year ended March 31, 2016 which primarily relate to employee termination costs reported within *Non-interest expenses—Compensation and benefit*s in the consolidated statements of income and within Nomura's Wholesale segment. As of March 31, 2016, these costs are primarily reported as liabilities within *Other liabilities* in the consolidated statements of financial position.

This restructuring initiative is expected to be completed during the year ending March 31, 2017 and Nomura currently estimates that the amount of additional restructuring costs to be recognized in the consolidated statements of income through to completion will not be significant.

15. Income taxes:

The following table presents components of *Income tax expense* reported in the consolidated statements of income for the years ended March 31, 2015 and 2016.

	Millions of yen	
	Year ended March 31	
	2015	2016
Current:		
Domestic	¥ 80,760	¥ 72,272
Foreign	13,531	9,183
Subtotal	94,291	81,455
Deferred:		
Domestic	23,309	(66,176)
Foreign	3,180	7,317
Subtotal	26,489	(58,859)
Total	¥120,780	¥ 22,596

The income tax benefit recognized from operating losses for the years ended March 31, 2015 and 2016 was ¥3,888 million and ¥5,451 million, respectively, included within deferred income tax expense above.

The Company and its wholly-owned domestic subsidiaries have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system is permitted only for a national tax.

As a result of revisions to domestic tax laws during the fourth quarter ended March 31, 2014 and 2015, Nomura's domestic effective statutory tax rate was approximately 36% for the fiscal year ended March 31, 2015, and decreased to approximately 33% for the fiscal year ended March 31, 2016.

On March 29, 2016, the "Act to partially revise the Income Tax Act and Others" (Act No. 15 of 2016) ("Act 15") and "Act to partially revise the Local Tax Act and Others" (Act No. 13 of 2016) ("Act 13") were enacted. Under Act 13 and Act 15, effective from the fiscal year beginning on or after April 1, 2016, corporate tax rate has been reduced from 32% to 31% for the temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2016. Use of operating loss carryforwards for the tax purposes will be limited to 60% of the current year taxable income before deducting operating loss carryforwards for tax purpose after the fiscal years beginning on or after April 1, 2016, and 55% after the fiscal years beginning on or after April 1, 2017. The fiscal years beginning on or after April 1, 2018, use of operating loss carryforwards for the tax purposes will continue to be limited to 50%. Due to these revisions, net deferred tax liabilities decreased by ¥1,525 million yen and income tax expenses decreased by the same amount.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income (loss) is affected by a number of items, including various tax credits, certain revenues not subject to income taxes, certain expenses not deductible for income tax purposes, changes in deferred tax valuation allowance and different enacted tax rates applicable to foreign subsidiaries.

The following table presents a reconciliation of the effective income tax rate reflected in the consolidated statements of income to Nomura's effective statutory tax rate for the years ended March 31, 2015 and 2016.

	Year ended March 31	
	2015	2016
Nomura's effective statutory tax rate	36.0%	33.0%
Impact of:		
Changes in deferred tax valuation allowance	5.1	36.1
Additional taxable revenues	0.3	0.3
Non-deductible expenses	5.9	7.8
Non-taxable revenue	(4.7)	(7.2)
Dividends from foreign subsidiaries	0.0	0.0
Tax effect of undistributed earnings of foreign subsidiaries	0.0	0.1
Different tax rate applicable to income (loss) of foreign subsidiaries	(1.4)	1.1
Effect of changes in domestic tax laws	(1.4)	(0.9)
Expiration of loss carryforwards	0.0	—
Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates	—	(54.8)
Other	(5.0)	(1.8)
Effective tax rate	34.8%	13.7%

The following table presents the significant components of deferred tax assets and liabilities as of March 31, 2015 and 2016, before offsetting of amounts which relate to the same tax-paying component within a particular tax jurisdiction.

	Millions of yen	
	March 31	
	2015	2016
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥ 14,692	¥ 16,862
Investments in subsidiaries and affiliates	33,553	112,030
Valuation of financial instruments	56,566	60,776
Accrued pension and severance costs	10,335	16,190
Other accrued expenses and provisions	123,567	96,202
Operating losses	466,531	435,122
Other	4,356	5,644
Gross deferred tax assets	709,600	742,826
Less—Valuation allowance	(565,103)	(543,489)
Total deferred tax assets	144,497	199,337
Deferred tax liabilities		
Investments in subsidiaries and affiliates	109,087	121,874
Valuation of financial instruments	56,808	49,873
Undistributed earnings of foreign subsidiaries	735	711
Valuation of fixed assets	20,644	19,165
Other	8,670	6,822
Total deferred tax liabilities	195,944	198,445
Net deferred tax assets (liabilities)	¥ (51,447)	¥ 892

After offsetting deferred tax assets and liabilities which relate to the same tax-paying component within a particular tax jurisdiction, net deferred tax assets reported within *Other assets—Other* in the consolidated balance sheets were ¥19,718 million and ¥36,130 million as of March 31, 2015 and 2016, respectively and net deferred tax liabilities reported within *Other liabilities* in the consolidated balance sheets were ¥71,165 million and ¥35,238 million as of March 31, 2015 and 2016, respectively.

As of March 31, 2016, no deferred tax liabilities have been recognized for undistributed earnings of foreign subsidiaries totaling ¥10,649 million which are not expected to be remitted in the foreseeable future. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

The following table presents changes in the total valuation allowance established against deferred tax assets for the years ended March 31, 2015 and 2016.

	Millions of yen	
	Year ended March 31	
	2015	2016
Balance at beginning of year	¥490,603	¥565,103
Net change during the year	74,500[1]	(21,614)[2]
Balance at end of year	565,103	543,489

(1) Primarily includes ¥85,403 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, offset by a reduction of ¥2,921 million of valuation allowances of certain foreign subsidiaries and a reduction of ¥7,982 million related to Japanese subsidiaries and the Company because of decrease in valuation allowances related to operating loss carryforwards due to the effect of changes in domestic tax laws. In total, ¥74,500 million of allowances increased for the year ended March 31, 2015.

(2) Primarily includes ¥7,003 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, offset by a reduction of ¥27,757 million of valuation allowances of certain foreign subsidiaries and a reduction of ¥860 million related to Japanese subsidiaries and the Company because of decrease in valuation allowances related to operating loss carryforwards due to the effect of changes in domestic tax laws. In total, ¥21,614 million of allowances decreased for the year ended March 31, 2016.

As of March 31, 2016, total operating loss carryforwards were ¥2,127,536 million, which included ¥602,036 million relating to the Company and domestic subsidiaries, ¥721,069 million relating to foreign subsidiaries in the United Kingdom, ¥511,732 million relating to foreign subsidiaries in the United States, ¥217,337 million relating to foreign subsidiaries in Hong Kong, and ¥75,362 million relating to foreign subsidiaries in other tax jurisdictions. Of this total amount, ¥1,009,812 million can be carried forward indefinitely, ¥769,789 million expires by March 31, 2025 and ¥347,935 million expires in later fiscal years.

In determining the amount of valuation allowances to be established as of March 31, 2016, Nomura considered all available positive and negative evidence around the likelihood that sufficient future taxable income will be generated to realize the deferred tax assets in the relevant tax jurisdiction of the Company, its domestic subsidiaries and foreign subsidiaries.

In Japan and other tax jurisdictions where domestic and foreign subsidiaries have experienced cumulative operating losses in recent years, these losses provided the most verifiable negative evidence available and outweigh positive evidence.

While Nomura has considered certain future tax planning strategies as a potential source of future taxable income, no such strategies have been relied upon as positive evidence resulting in the reduction of valuation allowances in any major tax jurisdiction in which Nomura operates as of March 31, 2015 and 2016. In addition, valuation allowances have not been reduced in any of these periods as a result of changing the weighting applied to positive or negative evidence in any of the major tax jurisdictions in which Nomura operates.

The total amount of unrecognized tax benefits was not significant as of March 31, 2015 and 2016. There were also no significant movements of the gross amounts in unrecognized tax benefits and the amount of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2015 and 2016. Nomura is under continuous examination by the Japanese National Tax Agency and other taxing authorities in the major jurisdictions in which Nomura operates. Nomura regularly assesses the likelihood of additional assessments in each tax jurisdiction and the impact on these consolidated financial statements. It is reasonably possible that there may be a significant increase in unrecognized tax benefits within 12 months of March 31, 2016. Quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes. However, Nomura does not expect that any change in the gross balance of unrecognized tax benefits would have a material effect on its financial condition.

Nomura operates in multiple tax jurisdictions, and faces audits from various taxing authorities regarding many issues including, but not limited to, transfer pricing, the deductibility of certain expenses, foreign tax credits and other matters.

The table below presents information regarding the earliest year in which Nomura remains subject to examination in the major jurisdictions in which Nomura operates as of March 31, 2016. Under Hong Kong Special Administrative Region ("Hong Kong") tax law, the statute of limitation does not apply if an entity incurs taxable losses and is therefore not included in the table.

Jurisdiction	Year
Japan	2011[1]
United Kingdom	2014
United States	2013

(1) The earliest year in which Nomura remains subject to examination for transfer pricing issues is 2010.

16. Other comprehensive income (loss):

The following tables present changes in *Accumulated other comprehensive income (loss)* for the years ended March 31, 2015 and 2016.

	Millions of yen				
	For the year ended March 31, 2015				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments	¥ 27,704	¥ 110,679	¥ (5,012)	¥ 105,667	¥133,371
Pension liability adjustment	(18,809)	2,768	637	3,405	(15,404)
Net unrealized gain on non-trading securities	11,741	16,588	(2,557)	14,031	25,772
Total	¥ 20,636	¥ 130,035	¥ (6,932)	¥ 123,103	¥143,739

	Millions of yen				
	For the year ended March 31, 2016				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments	¥133,371	¥ (79,108)	¥ (845)	¥ (79,953)	¥ 53,418
Pension liability adjustment	(15,404)	(18,097)	176	(17,921)	(33,325)
Net unrealized gain on non-trading securities	25,772	363	(1,248)	(885)	24,887
Total	¥143,739	¥ (96,842)	¥ (1,917)	¥ (98,759)	¥ 44,980

The following tables present significant reclassifications out of *Accumulated other comprehensive income (loss)* for the years ended March 31, 2015 and 2016.

	Millions of yen		
	For the year ended March 31		
	2015	2016	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Cumulative translation adjustments:			
	¥ 5,995	¥ 845	Revenue—Other
	(983)	—	Income tax expense
	5,012	845	Net income
	—	—	Net income attributable to noncontrolling interests
	¥ 5,012	¥ 845	Net income attributable to NHI shareholders

	Millions of yen		
	For the year ended March 31		
	2015	2016	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Net unrealized gain on non-trading securities:			
	¥ 4,879	¥ 2,724	Revenue—Other
	(1,481)	(1,081)	Income tax expense
	3,398	1,643	Net income
	(841)	(395)	Net income attributable to noncontrolling interests
	¥ 2,557	¥ 1,248	Net income attributable to NHI shareholders

See Note 5 "*Non-trading Securities*" for further information.

17. Shareholders' equity:

The following table presents changes in shares of the Company's common stock outstanding for the years ended March 31, 2015 and 2016.

	Number of Shares	
	Year ended March 31	
	2015	2016
Common stock outstanding at beginning of year	3,717,630,462	3,598,865,213
Common stock held in treasury:		
Repurchases of common stock	(155,232,995)	(24,364,753)
Sales of common stock	5,251	686
Common stock issued to employees	36,461,000	33,879,000
Other net change in treasury stock	1,495	11,853
Common stock outstanding at end of year	3,598,865,213	3,608,391,999

The amount available for dividends and acquisition of treasury stock is subject to restrictions imposed by the Companies Act. Additional paid-in capital and retained earnings include amounts which the Companies Act prohibits for the use of dividends and acquisition of treasury stock. As of March 31, 2015 and 2016, the amounts available for distributions were ¥735,394 million and ¥1,069,296 million, respectively. These amounts are based on the amounts recorded in the Company's unconsolidated financial statements maintained in accordance with accounting principles and practices prevailing in Japan. U.S. GAAP adjustments incorporated in these consolidated financial statements but not recorded in the Company's unconsolidated financial statements have no effect on the determination of the amounts available for distributions under the Companies Act.

Retained earnings include Nomura's share of investee undistributed earnings which have been accounted for under the equity method, in the amount of, ¥164,311 million and ¥174,260 million as of March 31, 2015 and 2016, respectively.

Dividends on the Company's common stock per share were ¥19.0 for the year ended March 31, 2015 and ¥13.0 for the year ended March 31, 2016.

The change in common stock held in treasury includes the change in common stock issued to employees under stock-based compensation plans, common stock sold to enable shareholders to hold round lots of the 100 share minimum tradable quantity (adding-to-holdings requests) or common stock acquired to create round lots or eliminate odd lots. Common stock held in treasury also includes, as of March 31, 2015 and 2016, 1,141,686 shares, or ¥2,017 million, and 1,129,833 shares, or ¥2,024 million, respectively, held by affiliated companies.

Subsequent Events

On April 27, 2016, the board of directors approved a resolution to set up a share buyback program, pursuant to the Company's articles of incorporation set out in accordance with Article 459-1 of the Companies Act as follows: (a) total number of shares authorized for repurchase is up to 35,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥20 billion and (c) the share buyback program will run from May 18, 2016, to July 22, 2016. Under this buyback program from May 18, 2016 to June 7, 2016, the Company repurchased 35,000,000 shares of common stock at a cost of ¥16,325 million. This completes the share buyback program.

18. Regulatory requirements:

In April 2011, the Company has been assigned as Final Designated Parent Company who must calculate a consolidated capital adequacy ratio and since then, our consolidated capital adequacy ratio has been calculated based on Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and Basel III and Nomura has calculated a Basel III-based consolidated capital adequacy ratio since March 2013.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, Nomura's consolidated capital adequacy ratio is calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital, total capital, credit risk-weighted assets, market risk and operational risk. As of March 31, 2015 and March 31, 2016, the Company was in compliance with common equity Tier1 capital ratio, Tier 1 capital ratio and consolidated capital adequacy ratio requirements set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. The required level (including applicable minimum consolidated capital buffer) as of March 31, 2016 was 5.25% for the common equity Tier 1 capital ratio, 6.75% for the Tier 1 capital ratio and 8.75% for the consolidated capital adequacy ratio.

Under the Financial Instruments and Exchange Act ("FIEA"), NSC and NFPS are subject to the capital adequacy rules of the FSA. These rules requires the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders' equity, net unrealized gains and losses on securities held, reserves and subordinated debt) less illiquid assets. Business risks are divided into three categories: (1) market risks, (2) counterparty risks, and (3) basic risks. Under these rules, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. As of March 31, 2015 and 2016, the capital adequacy ratio of NSC exceeded 120%. Also, as of March 31, 2015 and 2016, the capital adequacy ratio of NFPS also exceeded 120%.

Financial Instruments Firms in Japan are required to segregate cash deposited by clients in connection with securities transactions under the FIEA. As of March 31, 2015 and 2016, NSC segregated debt securities with a market value of ¥433,011 million and ¥433,289 million and equity securities with a market value of ¥nil and ¥17,647 million, respectively, which were either included in *Trading assets* on the accompanying consolidated balance sheets or borrowed under lending and borrowing securities contracts, as a substitute for cash.

In the U.S., Nomura Securities International, Inc. ("NSI") is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority ("FINRA") and the Chicago Mercantile Exchange Group. NSI is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1") and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of $1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or $1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. ("NGFP") is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of $20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC ("ILLC") is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of $1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: $45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2015 and 2016, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc ("NEHS") is regulated on a consolidated basis by the Prudential Regulation Authority in the U.K., which imposes minimum capital adequacy requirements on NEHS. Nomura International plc ("NIP"), the most significant of NEHS' subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the Prudential Regulation Authority in the U.K. Nomura Bank International plc ("NBI"), another subsidiary of NEHS, is also regulated by the Prudential Regulation Authority in the U.K. on a standalone basis. As of March 31, 2015 and 2016, NEHS, NIP and NBI were in compliance with relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited ("NIHK") and Nomura Singapore Ltd ("NSL") are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing in securities and futures contracts, and advising on securities, futures contracts and corporate finance. With effect from April 22, 2013, NIHK assumed from its fellow subsidiary, Nomura Securities (Hong Kong) Ltd, the roles of exchange participant and options trading exchange participant on the Stock Exchange of Hong Kong Ltd., futures commission merchant at the Hong Kong Futures Exchange Ltd. and clearing participant on the Hong Kong Securities Clearing Co. Ltd., the SEHK Options Clearing House Ltd. and HKFE Clearing Corporation Ltd. NIHK has a branch located in Taiwan which is also regulated by its local regulators. Activities of NIHK including its branch are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit ("ACU") license governed by the Monetary Authority of Singapore ("MAS"). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. The regulations require NSL to maintain a minimum paid-up capital of SGD15 million. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. As of March 31, 2015 and 2016, NIHK and NSL were in compliance with relevant regulatory capital related requirements.

19. Affiliated companies and other equity-method investees:

Nomura's significant affiliated companies and other equity-method investees include JAFCO Co., Ltd. ("JAFCO"), Nomura Research Institute, Ltd. ("NRI") and Nomura Real Estate Holdings, Inc. ("NREH").

JAFCO

JAFCO, which is a listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies.

As of March 31, 2016, Nomura's ownership of JAFCO was 19.5% and there was no remaining equity method goodwill included in the carrying amount of the investment. Nomura continues to account for JAFCO using the equity method because Nomura still has the ability to exercise significant influence over operating and financial decisions of JAFCO.

NRI

NRI develops and manages computer systems and provides research services and management consulting services. One of the major clients of NRI is Nomura.

As of March 31, 2016, Nomura's ownership of NRI was 36.8% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥55,640 million.

NREH

NREH is the holding company of the Nomura Real Estate Group which is primarily involved in the residential property development, leasing, investment management as well as other real estate-related activities.

As of March 31, 2016, Nomura's ownership of NREH was 34.0% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥11,012 million.

Summary financial information—

A summary of financial information for JAFCO, NRI and NREH is as follows.

	Millions of yen	
	March 31	
	2015	2016
Total assets	¥2,268,874	¥2,378,185
Total liabilities	1,308,632	1,341,008

	Millions of yen	
	Year ended March 31	
	2015	2016
Net revenues	¥ 781,110	¥ 734,132
Non-interest expenses	610,747	605,542
Net income attributable to the companies	119,838	92,318

The following tables present a summary of balances and transactions with affiliated companies and other equity-method investees as of March 31, 2015 and 2016, and for the years ended March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Investments in affiliated companies	¥ 376,174	¥ 394,984
Advances to affiliated companies	2,104	300
Other receivables from affiliated companies	2,328	1,372
Other payables to affiliated companies	6,720	7,606

	Millions of yen	
	Year ended March 31	
	2015	2016
Revenues	¥ 688	¥ 1,124
Non-interest expenses	48,176	42,852
Purchase of software, securities and tangible assets	26,772	20,679

The following table presents the aggregate carrying amount and fair value of investments in affiliated companies and other equity-method investees for which a quoted market price is available as of March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Carrying amount	¥362,984	¥387,825
Fair value	530,570	487,656

Equity in earnings of equity-method investees, including those above, was income of ¥43,028 million and income of ¥33,917 million for the years ended March 31, 2015 and 2016, respectively. Equity in earnings of equity-method investees is reported within *Revenue—Other* in the consolidated statements of income. Dividends from equity-method investees for the years ended March 31, 2015 and 2016 were ¥8,256 million and ¥11,031 million, respectively.

20. Commitments, contingencies and guarantees:

Commitments—

Credit and investment commitments

In connection with its banking and financing activities, Nomura provides commitments to extend credit which generally have fixed expiration dates. In connection with its investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite notes that may be issued by the clients. The outstanding commitments under these agreements are included below in commitments to extend credit.

Nomura has commitments to invest in various partnerships and other entities, primarily in connection with its merchant banking activities, and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest.

The following table presents a summary of the key types of outstanding commitments provided by Nomura as of March 31, 2015 and 2016.

	Millions of yen	
	March 31	
	2015	2016
Commitments to extend credit	¥421,526	¥782,525
Commitments to invest[(1)]	20,710	136,204

(1) Commitments to invest as of March 31, 2016 primarily includes Nomura's commitment to purchase a non-controlling interest in American Century Companies, Inc. Nomura has subsequently completed the purchase on May 19, 2016.

As of March 31, 2016, these commitments had the following maturities:

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	¥782,525	¥256,992	¥125,393	¥160,874	¥239,266
Commitments to invest	136,204	117,104	—	—	19,100

The contractual amounts of these commitments to extend credit represent the amounts at risk but only if the contracts are fully drawn upon, should the counterparties default, and assuming the value of any existing collateral becomes worthless. The total contractual amount of these commitments may not represent future cash requirements since the commitments may expire without being drawn upon. The credit risk associated with these commitments varies depending on the clients' creditworthiness and the value of collateral held. Nomura evaluates each client's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Nomura upon extension of credit, is based on credit evaluation of the counterparty.

Other commitments

Purchase obligations for goods or services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements amounted to ¥18,779 million as of March 31, 2015 and ¥33,230 million as of March 31, 2016.

Nomura has commitments under resale and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amounted to ¥3,140 billion for resale agreements and ¥1,296 billion for repurchase agreements as of March 31, 2015 and ¥1,813 billion for resale agreements and ¥535 billion for repurchase agreements as of March 31, 2016.

In Japan, there is a market in which participants lend and borrow debt and equity securities without collateral to and from financial institutions. Under these arrangements, Nomura had obligations to return debt and equity securities borrowed without collateral of ¥358 billion and ¥486 billion as of March 31, 2015 and 2016, respectively.

As a member of various securities clearing houses and exchanges, Nomura may be required to assume a certain share of the financial obligations of another member who may default on its obligations to the clearing house or the exchange. These guarantees are generally required under the membership agreements. To mitigate these risks, exchanges and clearing houses often require members to post collateral. The potential for Nomura to make payments under such guarantees is deemed remote.

Contingencies

Investigations, lawsuits and other legal proceedings

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fines, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.

The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 "*Contingencies*" ("ASC 450"), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company's financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

For certain of the significant actions and proceedings described below, the Company is currently able to estimate the amount of reasonably possible loss, or range of reasonably possible losses, in excess of amounts recognized as a liability (if any) against such cases. These estimates are based on current information available as of the date of these consolidated financial statements and include, but are not limited to, the specific amount of damages or claims against Nomura in each case. As of June 23, 2016, for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognized as a liability (if any) against these cases is approximately ¥53 billion.

For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

In January 2008, Nomura International plc ("NIP") was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 ("Tax Notice"). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court's decisions in favor of the local tax authorities.

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, "Fairfield Funds"), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) ("BLMIS"). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the U.S. Bankruptcy Court, where it is presently pending. The second suit was brought by the Trustee for the liquidation of BLMIS ("Madoff Trustee"). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the U.S. Bankruptcy Court. Both actions seek to recover approximately $35 million.

In March 2011, PT Bank Mutiara Tbk. ("Bank Mutiara") commenced proceedings in the Commercial Court of the Canton of Zurich ("Zurich Commercial Court") against a special purpose entity ("SPE") established at the request of NIP. The proceedings were to challenge the SPE's rights over approximately $156 million in an account held in Switzerland. The SPE, which is consolidated by NIP, had a security interest over the money pursuant to a loan facility with Telltop Holdings Limited ("Telltop"), a third party company. Telltop is currently in liquidation. The SPE did not believe that Bank Mutiara had any enforceable security interest over the funds and sought release of the monies. NIP was notified on October 2, 2014 that the Zurich Commercial Court had found that the SPE alone is entitled to the funds. Bank Mutiara appealed this decision. On July 9, 2015 the Federal Supreme Court of Switzerland upheld the decision of the Zurich Commercial Court. Bank Mutiara has no further right of appeal so the funds have been released to the SPE.

In April 2011, the Federal Home Loan Bank of Boston ("FHLB-Boston") commenced proceedings in the Superior Court of Massachusetts against numerous issuers, sponsors and underwriters of residential mortgage-backed securities ("RMBS"), and their controlling persons, including Nomura Asset Acceptance Corporation ("NAAC"), Nomura Credit & Capital, Inc. ("NCCI"), Nomura Securities International, Inc. ("NSI") and Nomura Holding America Inc. ("NHA"). The action alleges that FHLB-Boston purchased RMBS issued by NAAC for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHLB-Boston seeks rescission of its purchases or compensatory damages pursuant to state law. FHLB-Boston alleges that it purchased certificates in four offerings issued by NAAC in the original principal amount of approximately $406 million. The case is currently in the discovery phase.

In July 2011, the National Credit Union Administration Board ("NCUA") commenced proceedings in the United States District Court for the Central District of California as liquidating agent of Western Corporate Federal Credit Union ("WesCorp") against various issuers, sponsors and underwriters of RMBS purchased by WesCorp. The complaint alleges that WesCorp purchased RMBS issued by NAAC and Nomura Home Equity Loan Inc. ("NHEL"), among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that WesCorp purchased certificates in two offerings in the original principal amount of approximately $83 million and seeks rescission of its purchases or compensatory damages. The court has dismissed NCUA's claims against NHEL and NCUA has appealed to the Ninth Circuit and the appeal is pending. NCUA's claim against NAAC is proceeding.

In September 2011, the Federal Housing Finance Agency ("FHFA"), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation ("GSEs"), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of RMBS, and their controlling persons, including NAAC, NHEL, NCCI, NSI and NHA (the Company's U.S. subsidiaries). The action alleged that the GSEs purchased RMBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleged that the GSEs purchased certificates in seven offerings in the original principal amount of approximately $2,046 million and sought rescission of its purchases. The case was tried before the Court beginning March 16, 2015 and closing arguments were completed on April 9, 2015. On May 15, 2015, the Court issued a judgment and ordered the defendants to pay $806 million to GSEs upon GSEs' delivery of the certificates at issue to the defendants. The Company's U.S. subsidiaries have appealed the decision to the United States Court of Appeals for the Second Circuit. Subject to the outcome of the appeal, the defendants agreed to a consent judgment for costs and attorneys' fees recoverable under the blue sky statutes at issue in the maximum amount of $33 million.

In October 2011, the NCUA commenced proceedings in the United States District Court for the District of Kansas as liquidating agent of U.S. Central Federal Credit Union ("U.S. Central") against various issuers, sponsors and underwriters of RMBS purchased by U.S. Central, including NHEL. The complaint alleges that U.S. Central purchased RMBS issued by NHEL, among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that U.S. Central purchased a certificate in one offering in the original principal amount of approximately $50 million and seeks rescission of its purchase or compensatory damages. The Court denied, in part, motions to dismiss filed by the defendants, and the Tenth Circuit Court of Appeals affirmed the trial court's holding; the Supreme Court vacated that decision and remanded the matter to the Tenth Circuit Court of Appeals for reconsideration in light of recent Supreme Court authority. Upon remand, the Tenth Circuit reinstated its decision, and the claim is proceeding.

In November 2011, NIP was served with a claim filed by the Madoff Trustee appointed for the liquidation of BLMIS in the United States Bankruptcy Court Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from the BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The amount that the Madoff Trustee is currently seeking to recover from NIP is approximately $21 million.

In August 2012, The Prudential Insurance Company of America and certain of its affiliates filed several complaints in the Superior Court of New Jersey, which was removed to federal court, against various issuers, sponsors and underwriters of RMBS, including an action against NHEL, NCCI and NSI. The complaint alleged that the plaintiffs purchased over $183 million in RMBS from five different offerings, the offering materials for which contained fraudulent misrepresentations regarding the underwriting practices and quality of the loans underlying the securities. On August 11, 2015, the parties entered into a confidential settlement and the action has been dismissed with prejudice.

In March 2013, Banca Monte dei Paschi di Siena SpA ("MPS") issued a claim in the Italian Courts against (1) two former directors of MPS and (2) NIP. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 ("Transactions") and that NIP acted fraudulently and was jointly liable for the unlawful conduct of MPS's former directors. MPS claimed damages of not less than EUR 1.142 billion.

In March 2013, NIP commenced a claim against MPS in the English Courts. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleged in its Counterclaim that NIP was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

On September 23, 2015, NIP entered into a settlement agreement with MPS to terminate the Transactions. NIP believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, NIP considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and NIP in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and NIP applied to the Italian Courts to discontinue the proceedings brought by MPS against NIP. In December 2015, the Italian Courts ordered the discontinuance of all claims against NIP except a claim brought by a former director of MPS. The financial impact of the settlement on the Company's consolidated results for the fiscal year ended March 31, 2016 is a loss of approximately ¥34.0 billion and has been included in *Net gain on trading* in the consolidated statement of income for the fiscal year ended March 31, 2016.

In July 2013, a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim was founded. The level of damages sought by FMPS is not less than EUR 315.2 million. NIP filed and served Defences to both the MPS and the FMPS claims.

In April 2013, an investigation was commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor is seeking to indict MPS, three individuals from MPS's former management, NIP and two NIP individuals for, among others, the offences of false accounting and market manipulation in relation to MPS's previous accounts. The preliminary hearing at which the court will consider whether or not to grant the indictment started on October 12, 2015 in relation to MPS's accounts for 2009.

NIP will continue to vigorously defend its position in the ongoing proceedings.

In January 2016, the Municipality of Civitavecchia in Italy ("Municipality") commenced civil proceedings against NIP in the local courts in Civitavecchia. The Municipality's claim relates to derivatives transactions entered into by the Municipality between 2003 and 2005. The Municipality alleges that NIP failed to comply with its duties under an advisory agreement and seeks to recover approximately EUR 35 million in damages. NIP intends to vigorously contest the proceedings.

Nomura Securities Co., Ltd. ("NSC") is the leading securities firm in Japan with approximately 5.39 million client accounts. Accordingly, with a significant number of client transactions, NSC is from time to time party to various Japanese civil litigation and other dispute resolution proceedings with clients relating to investment losses. These include an action commenced against NSC in April 2012 by a corporate client seeking ¥5,102 million in damages for losses on the pre-maturity cash out of 16 series of currency-linked structured notes purchased from NSC between 2003 and 2008, an action commenced in April 2013 by a corporate client seeking ¥10,247 million in damages for losses on currency derivative transactions and the pre-maturity cash out or redemption of 11 series of equity-linked structured notes purchased from NSC between 2005 and 2011, and an action commenced in October 2014 by a corporate client seeking ¥2,143 million in damages for losses on currency derivative transactions conducted between 2006 and 2012. Although the allegations of the clients involved in such actions include the allegation that NSC's explanation was insufficient at the time the contracts were entered into, NSC believes these allegations are without merit.

Subsequent Events

On June 15, 2016, Nomura International (Hong Kong) Limited ("NIHK") was served with a complaint filed in the Taipei District Court by Cathay United Bank, Co., Ltd., Taiwan Cooperative Bank Ltd., Chang Hwa Commercial Bank Ltd., Taiwan Business Bank Ltd., KGI Bank and Hwatai Bank Ltd. (collectively, "Syndicate Banks") against NIHK and its affiliated entity. The Syndicate Banks' complaint relates to a $60 million syndicated term loan to a subsidiary of Ultrasonic AG that was arranged by NIHK. The Syndicate Banks' allegations in the complaint include allegations that NIHK failed to comply with its fiduciary duties to the lenders as the arranger of the loan and the Syndicate Banks seek to recover approximately $48 million in damages. NIHK intends to vigorously contest the proceedings.

The Company supports the position of its subsidiaries in each of these claims.

Other mortgage-related contingencies in the U.S.

Certain of the Company's subsidiaries in the U.S. securitized residential mortgage loans in the form of RMBS. These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators ("originators"). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower's credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator's guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The total original principal amount of loans for which repurchase claims were received by the relevant subsidiaries within six years of each securitization is $3,203 million. The relevant subsidiaries summarily rejected any demand for repurchase received after the expiration of the statute of limitations applicable to breach of representation claims. For those claims received within six years, the relevant subsidiaries reviewed each claim received, and rejected those claims believed to be without merit or agreed to repurchase certain loans for those claims that the relevant subsidiaries determined to have merit. In several instances, following the rejection of repurchase demands, investors instituted actions through the trustee alleging breach of contract. The breach of contract claims that were brought within the six-year statute of limitations for breach of contract actions have survived motions to dismiss and are at early stages. These claims involve substantial legal, as well as factual, uncertainty and the Company cannot provide an estimate of reasonably possible loss at this time, in excess of the existing reserve.

Guarantees—

ASC 460 "*Guarantees*" specifies the disclosures to be made in regards to obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation at inception.

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

The following table presents information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen			
	March 31			
	2015		2016	
	Carrying value	Maximum potential payout / Notional total	Carrying value	Maximum potential payout / Notional total
Derivative contracts[1][2]	¥7,961,476	¥253,243,082	¥5,710,433	¥204,781,587
Standby letters of credit and other guarantees[3]	291	9,494	242	8,422

(1) Credit derivatives are disclosed in Note 3 "*Derivative instruments and hedging activities*" and are excluded from derivative contracts.
(2) Derivative contracts primarily consist of equity, interest rate and foreign exchange contracts.
(3) Collateral held in connection with standby letters of credit and other guarantees as of March 31, 2015 and March 31, 2016 was ¥7,041 million and ¥6,115 million, respectively.

The following table presents maturity information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees as of March 31, 2016.

	Millions of yen					
		Maximum potential payout/Notional				
			Years to Maturity			
	Carrying value	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Derivative contracts	¥5,710,433	¥204,781,587	¥68,207,766	¥55,597,489	¥22,883,824	¥58,092,508
Standby letters of credit and other guarantees	242	8,422	13	7	—	8,402

21. Segment and geographic information:

Operating segments—

Nomura's operating management and management reporting are prepared based on the Retail, the Asset Management, and the Wholesale segments. Nomura structures its business segments based upon the nature of its main products and services, its client base and its management structure.

The accounting policies for segment information follow U.S. GAAP, except for the impact of unrealized gains/losses on investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income (loss) before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in "*Other*", based upon Nomura's allocation methodologies as used by management to assess each segment's performance.

Business segments' results are shown in the following tables. *Net interest revenue* is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments' information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
Year ended March 31, 2015					
Non-interest revenue	¥471,565	¥ 88,802	¥626,228	¥ 282,542	¥1,469,137
Net interest revenue	4,940	3,552	163,639	(61,777)	110,354
Net revenue	476,505	92,354	789,867	220,765	1,579,491
Non-interest expenses	314,675	60,256	707,671	174,815	1,257,417
Income before income taxes	¥161,830	¥ 32,098	¥ 82,196	¥ 45,950	¥ 322,074
Year ended March 31, 2016					
Non-interest revenue	¥429,948	¥ 91,014	¥571,322	¥ 211,453	¥1,303,737
Net interest revenue	5,686	4,395	148,955	(46,401)	112,635
Net revenue	435,634	95,409	720,277	165,052	1,416,372
Non-interest expenses	308,003	58,743	704,872	158,905	1,230,523
Income before income taxes	¥127,631	¥ 36,666	¥ 15,405	¥ 6,147	¥ 185,849

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in "*Other*".

The following table presents the major components of *Income (loss) before income taxes in "Other"* for the years ended March 31, 2015 and 2016.

	Millions of yen	
	Year ended March 31	
	2015	2016
Net gain related to economic hedging transactions	¥ 15,120	¥ 6,370
Realized gain on investments in equity securities held for operating purposes	4,725	187
Equity in earnings of affiliates	42,235	32,727
Corporate items	(20,119)	(52,314)
Other[1]	3,989	19,177
Total	¥ 45,950	¥ 6,147

(1) Includes the impact of Nomura's own creditworthiness.

The table below presents reconciliations of the combined business segments' results included in the preceding table to Nomura's reported *Net revenue, Non-interest expenses* and *Income before income taxes* in the consolidated statements of income for the years ended March 31, 2015 and 2016.

	Millions of yen	
	Year ended March 31	
	2015	2016
Net revenue	¥1,579,491	¥1,416,372
Unrealized gain (loss) on investments in equity securities held for operating purposes	24,685	(20,691)
Consolidated net revenue	¥1,604,176	¥1,395,681
Non-interest expenses	¥1,257,417	¥1,230,523
Unrealized gain (loss) on investments in equity securities held for operating purposes	—	—
Consolidated non-interest expenses	¥1,257,417	¥1,230,523
Income before income taxes	¥ 322,074	¥ 185,849
Unrealized gain (loss) on investments in equity securities held for operating purposes	24,685	(20,691)
Consolidated income before income taxes	¥ 346,759	¥ 165,158

Geographic information—

Nomura's identifiable assets, revenues and expenses are generally allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding global nature of Nomura's activities and services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

The tables below present a geographic allocation of *Net revenue* and *Income (loss)* before income taxes from operations by geographic areas for the years ended March 31, 2015 and 2016 and *Long-lived assets* associated with Nomura's operations as of March 31, 2015 and 2016. Net revenue in "Americas" and "Europe" substantially represents Nomura's operations in the U.S. and the U.K., respectively. Net revenue and *Long-lived assets* have been allocated based on transactions with external customers while *Income (loss)* before income taxes has been allocated based on the inclusion of intersegment transactions.

	Millions of yen	
	Year ended March 31	
	2015	2016
Net revenue[1]:		
Americas	¥ 207,859	¥ 219,857
Europe	201,278	145,808
Asia and Oceania	86,746	78,700
Subtotal	495,883	444,365
Japan	1,108,293	951,316
Consolidated	¥1,604,176	¥1,395,681
Income (loss) before income taxes:		
Americas	¥ (27,575)	¥ (32,042)
Europe	(23,455)	(67,384)
Asia and Oceania	34,594	19,806
Subtotal	(16,436)	(79,620)
Japan	363,195	244,778
Consolidated	¥ 346,759	¥ 165,158

	March 31	
	2015	2016
Long-lived assets:		
Americas	¥ 146,758	¥ 129,308
Europe	88,928	76,589
Asia and Oceania	14,891	13,485
Subtotal	250,577	219,382
Japan	274,202	247,425
Consolidated	¥ 524,779	¥ 466,807

(1) There is no revenue derived from transactions with a single major external customer.

2. Unconsolidated Financial Statements

(1) Unconsolidated Financial Statements

1. Balance Sheets

	Notes	Millions of yen March 31 2015	2016
(ASSETS)			
Current Assets			
Cash and time deposits		¥ 4,498	¥ 1,269
Certificate deposits		3,200	—
Money held in trust		1,924	2,007
Short-term loans receivable		3,626,686	3,891,651
Accounts receivable		81,983	71,239
Deferred tax assets		759	1,076
Others		57,032	91,079
Total Current Assets		3,776,082	4,058,321
Fixed Assets			
Tangible fixed assets		35,624	30,509
Buildings		12,799	11,901
Furniture and fixtures		14,198	12,206
Land		8,627	6,402
Intangible assets		124,959	117,059
Software		124,958	117,059
Other		0	0
Investments and others		2,705,058	3,173,233
Investment securities	*1	154,275	130,459
Investments in subsidiaries and affiliates (at cost)	*1	2,001,103	2,322,122
Other securities of subsidiaries and affiliates		5,964	4,931
Long-term loans receivable from subsidiaries and affiliates		469,552	574,719
Long-term guarantee deposits		26,441	25,712
Deferred tax assets		—	62,029
Others		47,756	53,292
Allowance for doubtful accounts		(32)	(32)
Total Fixed Assets		2,865,640	3,320,801
TOTAL ASSETS		¥ 6,641,723	¥ 7,379,122

	Notes	Millions of yen March 31 2015	2016
(LIABILITIES)			
Current Liabilities			
Short-term borrowings		¥ 525,347	¥ 1,189,300
Bond due within one year		469,662	204,451
Collaterals received		65,351	76,883
Accrued income taxes		7	782
Accrued bonuses		2,675	2,077
Others		96,124	126,430
Total Current Liabilities		1,159,166	1,599,923
Long-term liabilities			
Bonds payable		1,340,240	1,326,129
Long-term borrowings		2,027,143	2,030,376
Deferred tax liabilities		18,222	—
Others		1,845	1,534
Total Long-term liabilities		3,387,449	3,358,039
TOTAL LIABILITIES		4,546,615	4,957,962
(NET ASSETS)			
Shareholder's equity			
Common stock		594,493	594,493
Capital reserves			
Additional paid-in capital		559,676	559,676
Total capital reserves		559,676	559,676
Earned surplus			
Earned surplus reserve		81,858	81,858
Other Earned surplus			
Earned surplus carried forward		885,181	1,215,789
Total earned surplus		967,039	1,297,647
Treasury stock		(149,788)	(146,493)
Total shareholder's equity		1,971,421	2,305,324
Valuation and translation adjustments			
Net unrealized gain on investments		58,665	42,211
Deferred gains or loss on hedges		20,349	25,722
Total valuation and translation adjustments		79,014	67,933
Subscription rights to shares		44,673	47,904
TOTAL NET ASSETS		2,095,108	2,421,160
TOTAL LIABILITIES AND NET ASSETS		¥ 6,641,723	¥ 7,379,122

2. Statements of Income

	Notes	Millions of yen Year ended March 31 2015	2016
Operating revenue			
Property and equipment fee revenue	*1	¥113,546	¥116,241
Rent revenue	*2	31,628	31,372
Royalty on trademark	*3	22,553	22,307
Dividend from subsidiaries and affiliates		234,580	352,978
Interest from affiliates		46,931	52,964
Others	*4	12,674	9,532
Total operating revenue		461,912	585,394
Operating expenses			
Compensation and benefits		33,777	30,688
Rental and maintenance	*5	42,568	39,742
Data processing and office supplies	*6	58,385	58,099
Depreciation and amortization		38,131	42,174
Taxes		1,893	1,847
Others		4,042	6,149
Interest expenses		48,279	49,049
Total operating expenses		227,074	227,749
Operating income		234,838	357,645
Non-operating revenue		4,394	5,533
Non-operating expenses		3,713	10,120
Ordinary income		235,519	353,058
Special profits			
Gain on sales of investment securities		6,740	353
Gain on capital reduction of subsidiaries and affiliates		25,752	—
Gain on liquidation of subsidiaries and affiliates		53,828	—
Gain on sales of fixed assets		—	276
Gain on stock acquisition rights		2,437	895
Total special profits		88,755	1,525
Special losses			
Loss on sales of investment securities		1	71
Loss on devaluation of investment securities		3	—
Loss on abandonment of fixed assets		5,762	2,163
Loss on sales of fixed assets		—	244
Impairment loss		213	—
Total special losses		5,979	2,477
Income before income taxes		318,295	352,105
Income taxes—current		(26,699)	6,690
Income taxes—deferred		50,178	(74,092)
Total income taxes		23,479	(67,402)
Net income		¥294,816	¥419,507

3. Statements of Changes in Net Assets

(Year ended March 31, 2015)

	Millions of yen						
	Shareholders' equity						
		Capital reserve		Earned surplus			
					Other Earned surplus		
	Common stock	Additional paid-in capital	Total capital reserve	Earned surplus reserve	Reserve for specified fixed assets	Earned surplus carried forward	Total Earned surplus
Balance at April 1, 2014	¥ 594,493	¥ 559,676	¥ 559,676	¥ 81,858	¥ 2	¥ 653,319	¥ 735,179
Change in the term							
Cash dividends	—	—	—	—	—	(55,317)	(55,317)
Reversal of reserve for specified fixed assets	—	—	—	—	(2)	2	—
Net income	—	—	—	—	—	294,816	294,816
Repurchases of treasury stock	—	—	—	—	—	—	—
Sale of treasury stock	—	—	—	—	—	(7,639)	(7,639)
Other-net	—	—	—	—	—	—	—
Total change in the year	—	—	—	—	(2)	231,862	231,860
Balance at March 31, 2015	¥ 594,493	¥ 559,676	¥ 559,676	¥ 81,858	¥ —	¥ 885,181	¥ 967,039

	Millions of yen						
	Shareholder's equity		Valuation and translation adjustments				
	Treasury stock	Total Shareholders' equity	Net unrealized gain on investments	Deferred gains or loss on hedges	Total Valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at April 1, 2014	¥ (69,967)	¥1,819,381	¥ 38,071	¥ 16,878	¥ 54,949	¥ 43,946	¥1,918,276
Change in the term							
Cash dividends	—	(55,317)	—	—	—	—	(55,317)
Reversal of reserve for specified fixed assets	—	—	—	—	—	—	—
Net income	—	294,816	—	—	—	—	294,816
Repurchases of treasury stock	(104,047)	(104,047)	—	—	—	—	(104,047)
Sale of treasury stock	24,227	16,588	—	—	—	—	16,588
Other-net	—	—	20,594	3,471	24,065	727	24,792
Total change in the year	(79,820)	152,040	20,594	3,471	24,065	727	176,832
Balance at March 31, 2015	¥(149,788)	¥1,971,421	¥ 58,665	¥ 20,349	¥ 79,014	¥ 44,673	¥2,095,108

(Year ended March 31, 2016)

	Millions of yen						
	Shareholders' equity						
		Capital reserve		Earned surplus			
					Other Earned surplus		
	Common stock	Additional paid-in capital	Total capital reserve	Earned surplus reserve	Reserve for specified fixed assets	Earned surplus carried forward	Total Earned surplus
Balance at April 1, 2015	¥ 594,493	¥ 559,676	¥559,676	¥81,858	¥ —	¥ 885,181	¥ 967,039
Change in the term							
Cash dividends	—	—	—	—	—	(82,783)	(82,783)
Reversal of reserve for specified fixed assets	—	—	—	—	—	—	—
Net income	—	—	—	—	—	419,507	419,507
Repurchases of treasury stock	—	—	—	—	—	—	—
Sale of treasury stock	—	—	—	—	—	(6,116)	(6,116)
Other-net	—	—	—	—	—	—	—
Total change in the year	—	—	—	—	—	330,608	330,608
Balance at March 31, 2016	¥ 594,493	¥ 559,676	¥559,676	¥81,858	¥ —	¥1,215,789	¥1,297,647

	Millions of yen						
	Shareholder's equity		Valuation and translation adjustments				
	Treasury stock	Total Shareholders' equity	Net unrealized gain on investments	Deferred gains or loss on hedges	Total Valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at April 1, 2015	¥(149,788)	¥1,971,421	¥ 58,665	¥20,349	¥ 79,014	¥ 44,673	¥2,095,108
Change in the term							
Cash dividends	—	(82,783)	—	—	—	—	(82,783)
Reversal of reserve for specified fixed assets	—	—	—	—	—	—	—
Net income	—	419,507	—	—	—	—	419,507
Repurchases of treasury stock	(20,002)	(20,002)	—	—	—	—	(20,002)
Sale of treasury stock	23,297	17,180	—	—	—	—	17,180
Other-net	—	—	(16,454)	5,373	(11,081)	3,231	(7,850)
Total change in the year	3,295	333,903	(16,454)	5,373	3,295	3,231	326,053
Balance at March 31, 2016	¥(146,493)	¥2,305,324	¥ 42,211	¥25,722	¥ 67,933	¥ 47,904	¥2,421,160

[Notes to the Financial Statements]

(Significant Accounting Policies)

1. Basis and methods of valuation for financial instruments

(1) Other securities

a. Securities with market value

Recorded at market value

The difference between the cost using the moving average method or amortized cost and market value less deferred taxes is recorded as "Net unrealized gain on investments" in "Net assets" on the balance sheet.

b. Securities without market value

Recorded at cost using the moving average method or amortized cost

With respect to investments in investment enterprise partnerships and similar ones which are regarded as equivalent to securities in accordance with Paragraph 2, Article 2 of the Securities and Exchange Act, the pro rata shares of such partnerships are recorded at net asset values based on the available current financial statements on the reporting date set forth in the partnership agreements.

(2) Stocks of subsidiaries and affiliates

Recorded at cost using the moving average method

2. Basis and method of valuation for derivative transaction

Accounted for at fair value based on the mark-to-market method

3. Basis and method of valuation for money held in trust

Accounted for at fair value based on the mark-to-market method

4. Depreciation and amortization

(1) Depreciation of tangible fixed assets

Tangible fixed assets are depreciated primarily on the declining balance method, except for buildings acquired on or after April 1, 1998, which are depreciated on the straight-line method.

(2) Amortization of intangible assets, investments and others

Intangible assets, investments and others are amortized over their estimated useful lives primarily on the straight-line method. The useful lives of software are based on those determined internally.

5. Deferred Assets

(1) Bond issuance costs

Bond issuance costs are expensed upon incurred.

6. Translation of assets and liabilities denominated in foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated into Japanese Yen using exchange rates as of the balance sheet date. Gains and losses resulting from translation are reflected in the statement of income.

7. Provisions

(1) Allowance for doubtful accounts

To provide for bad loans, Nomura Holdings, Inc. (the "Company") recorded an allowance for doubtful accounts based on an estimate of the uncollectible amounts calculated using historical loss ratios or a reasonable estimate based on the financial condition of individual borrowers.

(2) Accrued bonuses

To prepare for bonus payments to employees, the estimated amount was recorded in accordance with the prescribed calculation method.

8. Hedging activities

(1) Hedge accounting

Mark-to-market profits and losses on hedging instruments are deferred as assets or liabilities until the profits or losses on the underlying hedged items are realized for interest rate risk hedge and foreign currency risk hedge. Fair value hedge is applied and all the profits and losses are recognized for share price risk hedge.

(2) Hedging instrument and hedged item

The Company utilizes interest rate swap contracts to hedge the interest rate risk on bonds, borrowings and other instruments that the Company issued. The Company utilizes currency forward contracts and bonds to hedge foreign currency risk on investments in subsidiaries. Additionally, The Company utilizes total return swap contracts to hedge share price risk on a part of investment securities.

(3) Hedging policy

As a general rule, the interest rate risk on bonds and borrowings is fully hedged until maturity. Foreign currency investment in subsidiaries is hedged by currency forward contracts and long term foreign currency liabilities including long term bonds issued. A part of investment securities are hedged by total return swap contracts.

(4) Valuating the validity of hedging instruments

Regarding to the hedge of the interest risk and foreign currency risk, the Company regularly verifies the result of risk offsetting by each hedging instrument and hedged item, and verifies the validity of the hedge. For the hedge of share price risk, the Company verifies the hedge effectiveness by comparing the change in fair value of each investment security and total return swap contract.

9. Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

10. The Company applies the consolidated tax return system.

(Additional Information)

(Share price related risk hedge)

The Company entered into total return swap contracts to hedge share price risk of a part of investment securities.

(Revised accounting guidance of deferred tax asset)

The Company applied revised Guidance No.26 (Accounting Standard Board of Japan, revised March 28th, 2016) Implementation Guidance on Recoverability of Deferred Tax Assets. The impact of this application is not significant.

(Balance Sheets)

*1. Securities deposited

(March 31, 2015)

The Company loaned investment securities (mainly investments in subsidiaries and affiliates) with a book value of ¥15,486 million based on securities lending agreements contracts which provide borrowers with the rights to resell or repledge the securities.

(March 31, 2016)

The Company loaned investment securities (mainly investments in subsidiaries and affiliates) with a book value of ¥30,894 million based on securities lending agreements contracts which provide borrowers with the rights to resell or repledge the securities.

2. Financial guarantee[1]

(March 31, 2015)

Guarantee of principal and coupons on ¥34,200 million bonds issued by Nomura Securities Co., Ltd.

¥34,200 million

Guarantee of principal on US$198,100 thousand, EUR496,000 thousand and GBP227,500 thousand in commercial paper issued by Nomura International plc and US$3,775 thousand in stock lending transactions, JPY1,372 million in future transactions, US$272,626 thousand in repurchase transactions, US$2,885,571 thousand in derivative transactions etc. and US$1,458,000 thousand in borrowings, repurchase transactions by the same company.

¥684,639 million[2]

Guarantee of US$942,417 thousand, EUR1,425,600 thousand, AU$261,145 thousand, CA$13,000 thousand, GBP495,946 thousand, ZAR335,000 thousand, INR1,600,000 thousand, NZ$20,000 thousand, BRL1,025,800 thousand, MEX$495,000 thousand, TRY195,500 thousand, IDR135,000,000 thousand, RUB900,000 thousand, CNY2,000 thousand and JPY1,273,295 million in principal and coupons on medium term notes issued by Nomura Europe Finance N.V.

¥1,746,677 million[2]

Guarantee of US$1,065,437 thousand, EUR356,355 thousand, AU$6,000 thousand and JPY19,396 million in principal and coupons on medium term notes issued by Nomura Bank International plc and EUR135,000 thousand in borrowings, US$1,450 thousand in accounts payable from commodity transaction by the same company.

¥211,715 million

Guarantee of US$268,597 thousand in derivative transactions etc. by Nomura Global Financial Products, Inc.

¥32,258 million[2]

Guarantee of US$145,056 thousand in principal and coupons on medium term notes issued by Nomura America Finance LLC.

¥17,421 million

Guarantee of US$36,354 thousand in derivative transactions etc. by Nomura Financial Investment (Korea) Co., Ltd.

¥4,366 million

Guarantee of US$949,547 thousand, EUR402,100 thousand, AU$1,300 thousand and IDR67,550,000 thousand in principal and coupons on medium term notes issued by Nomura International Funding Pte. Ltd.

¥166,856 million

Guarantee of US$5,090 thousand in derivative transactions etc. by Nomura Fixed Income Securities Private Limited.

¥611 million

Guarantee of US$10,540 thousand in repurchase transactions etc. by Nomura Securities International Inc.

¥1,266 million

Guarantee of US$173 thousand in derivative transactions by Nomura International (Hong Kong) Limited.

¥21 million

Guarantee of US$221 thousand in settlement of security transactions by Instinet Singapore Services Private Limited.

¥27 million

Guarantee of US$1,496 thousand in derivative transactions by Nomura Singapore Limited

¥180 million

(March 31, 2016)

Guarantee of principal on US$1,045 thousand in stock lending transactions by Nomura International plc and JPY302 million in futures transactions, US$94,887 thousand in repurchase transactions, US$2,958,659 thousand in derivative transactions, etc. and US$2,394,000 thousand in borrowings, repurchase transactions, etc by the same company.

¥612,124 million(2)

Guarantee of US$1,069,484 thousand, EUR2,172,600 thousand, AU$218,795 thousand, CA$14,000 thousand, GBP495,946 thousand, ZAR460,000 thousand, INR3,040,000 thousand, NZ$36,000 thousand, BRL2,942,800 thousand, MEX$670,000 thousand, TRY356,500 thousand, IDR135,000,000 thousand, RUB1,220,000 thousand, CNY18,000 thousand and JPY1,135,818 million in principal and coupons on medium term notes issued by Nomura Europe Finance N.V.

¥1,757,165 million(2)

Guarantee of US$1,706,345 thousand, EUR352,501 thousand, AU$6,000 thousand and JPY15,096 million in principal and coupons on medium term notes issued by Nomura Bank International plc and EUR135,000 thousand in borrowings, US$1,489 thousand in accounts payable from commodity transactions by the same company.

¥269,356 million

Guarantee of US$1,007,050 thousand in derivative transactions, etc. by Nomura Global Financial Products, Inc.

¥113,082 million(2)

Guarantee of US$223,983 thousand in principal and coupons on medium term notes issued by Nomura America Finance LLC.

¥25,151 million

Guarantee of US$58,207 thousand in derivative transactions, etc. by Nomura Financial Investment (Korea) Co., Ltd.

¥6,536 million

Guarantee of US$1,890,682 thousand, EUR530,675 thousand, GBP7,204 thousand, AU$103,300 thousand IDR67,550,000 thousand, CNY679,263 thousand, KRW150,000,000 thousand and HKD820,995 thousand, in principal and coupons on medium term notes issued by Nomura International Funding Pte. Ltd.

¥328,792 million

Guarantee of US$1,991 thousand in derivative transactions etc. by Nomura Fixed Income Securities Private Limited.

¥224 million

Guarantee of US$17,530 thousand in repurchase transactions etc. by Nomura Securities International Inc.

¥1,968 million

Guarantee of US$102 thousand in security transactions by Instinet Pacific Ltd.

¥12 million

Guarantee of US$135 thousand in settlement of security transactions by Instinet Singapore Services Private Limited.

¥15 million

Guarantee of US$3,232 thousand in derivative transactions by Nomura Singapore Limited

¥363 million

Guarantee of US$3,815 thousand in derivative transactions by Nomura Financial Products & Services, Inc.

¥428 million

---

(1) In accordance with Japan Institute of Certified Public Accountants Audit and Assurance Practice Committee Practical Guideline No. 61, items recognized as effectively bearing the obligation of guarantee of liabilities are included in notes items equivalent to guaranteed obligations.

(2) Includes co-guarantee with Nomura Securities Co., Ltd.

3. Balance with Subsidiaries and Affiliates

Major balances with subsidiaries and affiliates are as follows:

	Millions of yen	
	March 31	
	2015	2016
Short-term receivables	¥3,804,535	¥2,267,190
Short-term payables	590,390	1,334,007
Long-term receivables	495,843	2,350,344
Long-term payables	10,000	10,000

4. Commitments

The Company has provided commitments to extend subordinated credits to its subsidiaries.

	Millions of yen	
	March 31	
	2015	2016
Total commitment available	¥1,005,000	¥1,055,000
Less amount utilized	503,423	500,119
Balance available	¥ 501,576	¥ 554,881

(Statements of Income)

*1 “Property and equipment fee revenue” consists of revenue mainly from Nomura Securities Co., Ltd. (“NSC”), a subsidiary of the Company, on leasing furniture, fixtures, and software.

*2 “Rent revenue” consists of revenue mainly from NSC, on renting office accommodation.

*3 “Royalty on trademark” consists of revenue from NSC, on the use of the Company’s trademark.

*4 “Others” includes fees from services provided and securities lending mainly to NSC.

*5 “Rental and maintenance” consists of expense mainly for Nomura Facilities, Inc. (“NFI”) on rent.

*6 “Data processing and office supplies” consists of expense mainly for Nomura Research Institute, Ltd. (“NRI”) on system related expense.

*7 Balance with Subsidiaries and Affiliates

	Millions of yen	
	Year ended March 31	
	2015	2016
Operating revenue	¥461,831	¥583,832
Operating expenses	83,831	85,280
Non-operating transactions	29,885	24,743

(Securities)

(March 31, 2015)

(1) Stocks of subsidiaries and affiliates with market value

	Millions of yen		
	March 31, 2015		
	Book Value	Market Value	Difference
Subsidiaries	¥ 31	¥ 208	¥ 177
Affiliates	14,140	86,403	72,263

Stocks of subsidiaries and affiliates which are considered extremely difficult to observe market value

	Millions of yen
	Book Value
Subsidiaries	¥ 1,986,532
Affiliates	399
Total	¥ 1,986,931

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(2) Available-for-sale securities with market value

	Millions of yen		
	March 31, 2015		
	Cost	Book Value	Difference
Securities with book value exceeds cost			
Equities	¥43,726	¥124,440	¥80,714
Others	3,131	4,442	1,311
Subtotal	46,858	128,882	82,025
Securities with book value does not exceed cost			
Certificate of deposits	3,200	3,200	—
Equities	373	358	(15)
Others	—	—	—
Subtotal	3,573	3,558	(15)
Total	¥50,430	¥132,440	¥82,010

(3) Securities which are considered extremely difficult to observe market value (except those referred in (1) above)

	Millions of yen
	March 31, 2015
	Book Value
Available-for-sale securities	¥ 30,998
Equities (Unlisted equities)	15,974
Others	15,023
Other securities of subsidiaries and affiliates	5,963
Others	9,060

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(Derivative Transactions)

Statement on derivative transactions is omitted as consolidated financial statements are prepared.

(March 31, 2016)

(1) Stocks of subsidiaries and affiliates with market value

	Millions of yen		
	March 31, 2016		
	Book Value	Market Value	Difference
Subsidiaries	¥ 31	¥ 200	¥ 169
Affiliates	14,140	75,594	61,454

Stocks of subsidiaries and affiliates which are considered extremely difficult to observe market value

	Millions of yen
	Book Value
Subsidiaries	¥ 2,307,331
Affiliates	619
Total	¥ 2,307,950

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(2) Available-for-sale securities with market value

	Millions of yen		
	March 31, 2016		
	Cost	Book Value	Difference
Securities with book value exceeds cost			
Equities	¥39,876	¥ 98,860	¥58,984
Others	3,131	4,230	1,098
Subtotal	43,008	103,090	60,082
Securities with book value does not exceed cost			
Certificate of deposits	—	—	—
Equities	3,923	3,313	(610)
Others	—	—	—
Subtotal	3,923	3,313	(610)
Total	¥46,931	¥106,403	¥59,472

(3) Securities which are considered extremely difficult to observe market value (except those referred in (1) above)

	Millions of yen
	March 31, 2016
	Book Value
Available-for-sale securities	¥ 28,987
Equities (Unlisted equities)	15,881
Others	13,106
Other securities of subsidiaries and affiliates	4,931
Others	8,176

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and liabilities

	Millions of yen	
	March 31	
	2015	2016
Deferred tax assets		
Loss on devaluation of securities	¥ 165,149	¥ 159,732
Loss carry-forward on local tax	50,273	33,443
Deferred loss on hedges	3,480	3,241
Loss on devaluation of fixed assets	3,325	3,221
Stock option	2,995	2,810
Others	2,737	2,109
Subtotal of deferred tax assets	227,960	204,556
Valuation allowance	(208,377)	(111,498)
Total of deferred tax assets	19,582	93,058
Deferred tax liabilities		
Net unrealized gain on investments	(23,325)	(17,244)
Deferred gain on hedges	(13,086)	(12,452)
Others	(634)	(257)
Total of deferred tax liabilities	(37,046)	(29,953)
Net deferred tax assets	¥ (17,463)	¥ 63,105

2. Major differences between the statutory effective tax rate and the corporate tax rate after tax effect accounting application

	Percentage tax rate	
	March 31	
	2015	2016
Statutory effective tax rate	36.0%	33.0%
Permanent differences excluded from revenues	(26.8)	(33.0)
Permanent differences excluded from expenses	2.4	1.7
Valuation allowance	(8.1)	(22.3)
Accumulated earning tax of overseas subsidiaries	0.3	0.1
Income taxes—prior year adjustments	1.8	0.5
Foreign tax credit	0.0	0.0
Adjustments to deferred tax assets due to change in statutory tax rate	1.4	0.7
Others	0.4	0.1
Corporate tax rate after tax effect accounting	7.4	(19.1)

3. Changes in Tax Laws

On March 29, 2016, the “Act to partially revise the Income Tax Act and Others” (Act No.15 of 2016) (“Act 15”) and “Act to partially revise the Local Tax Act and Others” (Act No.13 of 2016) (“Act 13”) were enacted. Under Act 13 and Act 15, effective from the fiscal year beginning on or after April 1, 2016, corporate tax rate has been reduced from 32% to 31% for the temporary differences expected to be reversed in the fiscal year beginning on or after April 1, 2016. Use of operating loss carryforwards for the tax purposes will be limited to 60% of the current year taxable income before deducting operating loss carryforwards for tax purpose after the fiscal years beginning on or after April 1, 2016, and 55% after the fiscal years beginning on or after April 1, 2017. The fiscal years beginning on or after April 1, 2018, use of operating loss carryforwards for the tax purposes will continue to be limited to 50%.

Due to these revisions, net deferred tax assets decreased by 1,607 million yen while income taxes-deferred, deferred gain and loss on hedges, and net unrealized gain on investments increased by 2,461 million yen, 297 million yen, and 556 million yen, respectively.

(Significant Subsequent Events)

Issuance of stock acquisition rights

On April 27, 2016, the Company resolved to issue 69th through 73th Series of Stock Acquisition Rights for the purpose of stock options to directors, executive officers, employees of the Company and its subsidiaries, to be allotted on June 7, 2016. Total number of stock acquisition rights issued upon the resolution was 238,705, which was equivalent to 23,870,500 common stocks. The exercise price will be one (1) yen per share. These awards vest and are exercisable approximately half to three years after grant date. The exercise period will be five years from the beginning day of exercise period.

Treasury stock buyback

On April 27, 2016, the Board of Directors of the Company resolved to buyback treasury stocks, pursuant to the Company's articles of incorporation set out in accordance with Article 459-1 of the Companies Act of Japan.

1. Reason to buyback treasury stocks

To raise capital efficiency and ensure a flexible capital management policy.

2. Contents of the buyback program

(1) Type of stock to be purchased	Common stock
(2) Total number of stocks to be purchased	Limits to 35,000,000 shares (0.9% of outstanding shares)
(3) Total amount of stocks	Maximum of ¥20,000 million
(4) Term	May 18, 2016 to July 22, 2016
(5) Method	Purchase on the stock exchange via a trust bank

3. Result of the buyback program

The Company repurchased 35,000,000 shares (at a cost of ¥16,325 million).

[Translation]
Report of Independent Auditors

June 23, 2016

The Board of Directors
Nomura Holdings, Inc.

Ernst & Young ShinNihon LLC

Tadayuki Matsushige
Certified Public Accountant
Designated and Engagement Partner

Noboru Miura
Certified Public Accountant
Designated and Engagement Partner

Yuichiro Sakurai
Certified Public Accountant
Designated and Engagement Partner

Toyohiro Fukata
Certified Public Accountant
Designated and Engagement Partner

Audit of Financial Statements

We have audited the consolidated financial statements of Nomura Holdings, Inc. (the "Company") included in the "financial information" section for the consolidated fiscal period from April 1, 2015 to March 31, 2016 which comprise the consolidated balance sheets, the consolidated statements of income, comprehensive income, changes in equity, and cash flows, notes to the consolidated financial statements and the consolidated supplementary schedules pursuant to the audit requirement of the rule specified in the Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to Article 95 of "Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements", and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and cash flows for the consolidated fiscal period then ended in conformity with accounting principles generally accepted in the United States of America.

Audit of Internal Control

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria) pursuant to the audit requirement of the rule specified in the Article 193-2, Section 2 of the Financial Instruments and Exchange Act. The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to independently express an opinion on the Company's internal control over financial reporting.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the PCAOB Standards). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness which should be disclosed exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our audit opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nomura Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on the COSO criteria.

Key Differences from Audit of Internal Control in Japan

We conducted the audit of the Company's internal control over financial reporting in accordance with the PCAOB Standards. The key differences from an audit under auditing standards for internal control over financial reporting generally accepted in Japan (the Japanese Standards) are as follows:

1. An opinion is expressed on Management's Report on Internal Control Over Financial Reporting under the Japanese Standards while an opinion is expressed on the company's internal control over financial reporting under the PCAOB Standards.
2. The audit scope includes the financial statements and the disclosures that could have a material effect on the reliability of the financial statements under the Japanese Standards while the audit scope only includes internal control on preparation of the financial statements contained in the "financial information" section under the PCAOB Standards, as defined above.
3. The audit covers internal control performed at affiliated companies that are accounted for by the equity method under the Japanese Standards while such internal control is not covered under the PCAOB Standards.

Conflicts of Interest

We have no interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

---

*1. Above is an electronic version of the original Report of Independent Auditors and the Company maintains the original report.
*2. The consolidated financial statements referred to above do not include the data themselves provided via XBRL.

(Note)

This is an English translation of the Japanese language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of Nomura Holdings, Inc. prepared in Japanese, for the period ended March 31, 2016. Ernst & Young ShinNihon LLC have not audited the English language version of the financial statements for the above-mentioned period, which are included in this current report on Form 6-K Report of Foreign Private Issuer.

[Translation]
Report of Independent Auditors

June 23, 2016

The Board of Directors
Nomura Holdings, Inc.

Ernst & Young ShinNihon LLC

Tadayuki Matsushige
Certified Public Accountant
Designated and Engagement Partner

Noboru Miura
Certified Public Accountant
Designated and Engagement Partner

Yuichiro Sakurai
Certified Public Accountant
Designated and Engagement Partner

Toyohiro Fukata
Certified Public Accountant
Designated and Engagement Partner

We have audited the financial statements of Nomura Holdings, Inc. (the "Company") included in the "financial information" section for its 112th fiscal period from April 1, 2015 to March 31, 2016 which comprise the balance sheet, the statements of income and changes in net assets, significant accounting policies, other explanatory information and the supplementary schedules pursuant to the audit requirement of the rule specified in the Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to independently express an opinion on the financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Holdings, Inc. as of March 31, 2016, and the results of its operations for the fiscal period then ended in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

---

*1. Above is an electronic version of the original Report of Independent Auditors and the Company maintains the original report.
*2. The financial statements referred to above do not include the data themselves provided via XBRL.

(Note)

This is an English translation of the Japanese Language Report of Independent Auditors issued by Ernst & Young ShinNihon LLC in connection with the audit of the financial statements of Nomura Holdings, Inc. prepared in Japanese, for the period ended March 31, 2016. Ernst & Young ShinNihon LLC have not audited the English language version of the financial statements for the above-mentioned period, which are included in this current report on Form 6-K Report of Foreign Private Issuer.

EXHIBIT 2

Management's Report on Internal Control Over Financial Reporting

1 [Framework of Internal Control over Financial Reporting]

Koji Nagai, Group Chief Executive Officer, and Takumi Kitamura, Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The establishment and maintenance of an adequate internal control over financial reporting are based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO framework").

Possibility exists that the internal control over financial reporting may not fully prevent or detect misstatements.

2 [Scope, Reference Date, and Method of Evaluation]

The Company evaluated the effectiveness of its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) using the criteria set forth in the COSO framework. The reference date of evaluation was as of March 31, 2016.

The Company's internal control over financial reporting covers the Company and other entities in which it has a controlling financial interest.

3 [Report of Result of Evaluation]

Based on the evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2016.

4 [Comments]

The key differences between the standards generally accepted in the United States which the Company adopts for the evaluation of internal control over financial reporting ("U.S. standards") and the standards generally accepted in Japan ("Japanese standards") are as follows:

— Under the U.S. standards, the financial reporting which is subject to the internal control requirements only includes the consolidated financial statements. Under the Japanese standards, the financial reporting which is subject to the internal control requirements includes financial statements, including consolidated financial statements, and other disclosures that have material effects on the reliability of the financial statements.

— Under the U.S. standards, the scope of internal control over financial reporting includes the parent company and its consolidated entities. Under the Japanese standards, the scope of internal control over financial reporting includes the parent company, its consolidated entities, and the affiliated companies that are accounted for by using the equity method.

5 [Special Comments]

There is no special comment to be stated.

Confirmation Letter

1 [Appropriateness of Annual Securities Report]

Koji Nagai, Group Chief Executive Officer, and Takumi Kitamura, Chief Financial Officer, have confirmed that the Annual Securities Report of Nomura Holdings, Inc. for the year ended March 31, 2016 is fairly presented pursuant to the Financial Instruments and Exchange Act.

2 [Special Comments]

There is no special comment to be stated.