As filed with the Securities and Exchange Commission on December 13, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☒ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number:

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

Japan	**9-1, Nihonbashi 1-chome Chuo-ku, Tokyo 103-8645 Japan**
(Jurisdiction of incorporation or organization)	(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock*	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.
Not applicable.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ☐ Item 18 ☒

* Not for trading, but only in connection with the registration of the American Depositary Shares, each representing one share of Common Stock.

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As used in this registration statement, references to "Nomura" are to The Nomura Securities Co., Ltd. when the references relate to the period prior to, and including, September 30, 2001 and to Nomura Holdings, Inc. when the references relate to the period after, and including, October 1, 2001. As used in this registration statement, references to "New Nomura Securities" are to Nomura Securities Co., Ltd., a wholly-owned subsidiary of Nomura. See "Reorganization" under Item 4.B of this registration statement. Also, as used in this registration statement, references to "we", "our" and "us" are to Nomura and, except as the context otherwise requires, its subsidiaries.

As used in this registration statement, "yen" or "¥" means the lawful currency of Japan, and "dollar" or "$" means the lawful currency of the United States of America.

As used in this registration statement, "U.S. GAAP" means accounting principles generally accepted in the United States of America, and "Japanese GAAP" means accounting principles generally accepted in Japan. Data derived from U.S. GAAP financial information are rounded to the nearest applicable digit, while data derived from Japanese GAAP financial information are truncated.

As used in this registration statement, "ADS" means an American Depositary Share, currently representing one share of Nomura's common stock, and "ADR" means an American Depositary Receipt evidencing one or more ADSs. See "Rights of Holders of ADSs" under Item 10.B of this registration statement.

PART I

Item 1. Identity of Directors, Senior Management and Advisors.

A. Directors and Senior Management.

Information about Nomura's Directors, Executive Officers and Statutory Auditors as of the date of this registration statement is provided in Item 6.A of this registration statement. Their business address is: Nomura Holdings, Inc., 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan.

B. Advisors.

Not applicable.

C. Auditors.

For the two years ended March 31, 2001, PricewaterhouseCoopers, independent public accountants, has acted as our auditors. The address of PricewaterhouseCoopers is Kasumigaseki Building, 32nd Floor, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-6088, Japan. PricewaterhouseCoopers is a member of the Japanese Institute of Certified Public Accountants.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data.

U.S. GAAP Selected Financial Data

You should read the selected financial data below in conjunction with Item 5 of this registration statement and our consolidated financial statements included in this registration statement. These financial statements were prepared in accordance with U.S. GAAP.

	Year Ended March 31,		
	2000	2001	2001(4)
	(yen amounts in millions and dollar amounts in thousands, except per share data)		
Statement of operations data:			
Revenue	¥1,499,781	¥1,469,298	$11,703,823
Interest expense	437,131	553,643	4,410,092
Net revenue	1,062,650	915,655	7,293,731
Non-interest expenses	690,430	759,483	6,049,729
Income before income taxes	372,220	156,172	1,244,002
Income tax expense	168,671	98,762	786,698
Net income	¥203,549	¥57,410	$457,304
Balance sheet data (period end):			
Total assets	¥14,610,868	¥17,146,024	$136,578,174
Shareholders' equity	1,410,976	1,436,428	11,441,995
Common stock	182,796	182,797	1,456,086
Number of shares outstanding	1,962,977,247	1,962,977,841	
Per share data:			
Net income per share — basic(1)	¥103.71	¥29.25	$0.23
Net income per share — diluted(1)	103.17	29.25	0.23
Shareholders' equity per share(2)	719.93	731.77	5.83
Cash dividends per share(2)	15.00	17.50	0.14
Cash dividends per share(2)(3)	$0.14	$0.14	

Notes:

(1) Calculated using the weighted average number of shares outstanding for the period (excluding shares held by Nomura or its subsidiaries).

(2) Calculated using the number of shares outstanding (excluding shares held by Nomura or its subsidiaries) at period end.

(3) Calculated using the yen-dollar exchange rate at the date of our shareholders' meeting at which the relevant dividend payment was approved.

(4) Calculated using the yen-dollar exchange rate of $1.00 = ¥125.54, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 30, 2001.

Japanese GAAP Selected Financial Data

The following selected financial data have been derived from our consolidated financial statements that were prepared in accordance with Japanese GAAP. These consolidated financial statements were included in our annual securities reports filed with the Japanese authorities pursuant to the Securities and Exchange Law of Japan.

	Year Ended March 31,					
	1997	1998(4)	1999(5)	2000	2001	2001(6)
	(yen amounts in millions and dollar amounts in thousands, except per share data)					
Statement of operations data:						
Revenue	¥919,120	¥965,482	¥625,350	¥1,089,416	¥1,299,399	$10,350,478
Interest expense	283,581	346,645	429,953	314,873	512,697	4,083,933
Net revenue	635,539	618,837	195,397	774,542	786,702	6,266,545
Selling, general, and administrative expenses	468,996	518,581	519,344	450,009	512,318	4,080,914
Operating income (loss)	166,543	100,255	(323,947)	324,532	274,383	2,185,622
Income (loss) before income taxes	(225,083)	110,795	(595,190)	263,388	322,699	2,570,487
Net income (loss)	¥(242,739)	¥76,318	¥(397,544)	¥146,298	¥181,666	$1,447,077
Balance sheet data (period end):						
Total assets	¥17,872,733	¥23,189,862	¥17,111,087	¥18,821,897	¥20,529,135	$163,526,645
Shareholders' equity	1,477,933	1,534,622	1,304,071	1,420,433	1,642,408	13,082,747
Common stock	182,795	182,795	182,795	182,795	182,796	1,456,078
Number of shares outstanding	1,962,977,015	1,962,977,247	1,962,977,247	1,962,977,247	1,962,977,841	
Per share data:						
Net income (loss) per share — basic(1)	¥(123.65)	¥38.87	¥(202.52)	¥74.55	¥92.54	$0.74
Net income (loss) per share — diluted(1)	(123.65)	38.87	(202.52)	74.24	92.29	0.74
Shareholders' equity per share(2)	752.90	781.80	664.34	724.75	836.70	6.66
Cash dividends per share(2)	10.00	10.00	10.00	15.00	17.50	0.14
Cash dividends per share(2)(3)	$0.09	$0.07	$0.08	$0.14	$0.14	

Notes:

(1) Calculated using the weighted average number of shares outstanding for the period (excluding shares held by Nomura or its subsidiaries).

(2) Calculated using the number of shares then outstanding (excluding shares held by Nomura or its subsidiaries) at period end.

(3) Calculated using the yen-dollar exchange rate at the date of our shareholders' meeting at which the relevant dividend payment was approved.

(4) In the year ended March 31, 1998, the method of valuation for financial instruments for trading purposes was changed to be recorded at market value rather than at the lower of average cost or market value. This accounting change is not reflected retroactively in the prior fiscal years. The effect of this change in accounting procedure was to increase revenue by ¥18,711 million and to increase income before income taxes by ¥18,531 million.

(5) In the year ended March 31, 1999, tax effect accounting was introduced. Deferred tax assets and liabilities were recorded for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. This accounting change is not reflected retroactively in the prior fiscal years. This change decreases net loss by ¥190,725 million and increases shareholders' equity by ¥377,464 million at period end.

(6) Calculated using the yen-dollar exchange rate of $1.00 = ¥125.54, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 30, 2001.

There are significant differences between Japanese GAAP and U.S. GAAP. They primarily relate to the statement of cash flows, disclosure of segment information, the scope of consolidation, accounting for derivatives, deferred income taxes, accounting for investments in certain equity securities, accounting for lease transactions, accrued compensated absences, accounting for employee retirement and severance benefits, accounting for the impairment of long-lived assets, earnings per share and comprehensive income. Also, under Japanese GAAP, a restatement of prior years' financial statements reflecting the effect of a change in accounting policies is not required. See the discussion of significant differences between Japanese GAAP and U.S. GAAP on page A-2 through A-5 of this registration statement.

Foreign Exchange

Fluctuations in exchange rates between the Japanese yen and U.S. dollar will affect the U.S. dollar equivalent of the yen price of our shares and ADSs and the U.S. dollar amounts received on conversion of cash dividends. We have translated some Japanese yen amounts presented in this registration statement into U.S. dollars solely for your convenience. The rate we used for the translations was ¥125.54 equal to $1.00, which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 30, 2001. These translations do not imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

The following table shows the noon buying rates for Japanese yen per $1.00.

Year ended/ending March 31,	High	Low	Average	Period end
1997	¥124.54	¥104.49	¥113.21	¥123.72
1998	133.99	111.42	123.57	133.29
1999	147.14	108.83	128.10	118.43
2000	124.45	101.53	110.02	102.73
2001	125.54	104.19	111.65	125.54
2002 (through December 7, 2001)	126.75	115.89	122.40	125.66
Calendar Year 2001				
April	126.75	121.68	123.77	123.57
May	123.67	118.88	121.77	118.88
June	124.73	119.13	122.35	124.73
July	125.85	122.85	124.50	125.00
August	124.87	118.75	121.37	118.75
September	121.08	115.89	118.61	119.23
October	122.99	120.20	121.45	122.54
November	124.44	119.98	122.41	123.22
December (through December 7)	125.66	123.90	124.61	125.66

The noon buying rate for Japanese yen on December 7, 2001 was $1.00 = ¥125.66.

B. Capitalization and Indebtedness.

The following table shows our capitalization as of March 31, 2001 in accordance with U.S. GAAP.

The data are derived from the consolidated balance sheet as of March 31, 2001 which is a part of our consolidated financial statements included in this registration statement.

You should read the following capitalization table together with Item 5 of this registration statement and our consolidated financial statements included in this registration statement.

	As of March 31, 2001 (yen amounts in millions; dollar amounts in thousands)	
Long-term borrowings(1):		
Bank and other loans(2)	¥ 271,226	$ 2,160,475
Bonds and notes(3)	1,217,958	9,701,752
Total long-term borrowings	1,489,184	11,862,227
Non-recourse PFG entities loans and bonds(4)	869,214	6,923,801
Shareholders' equity:		
Common stock —		
Authorized — 6,000,000,000 shares		
Issued — 1,962,977,841 shares	182,797	1,456,086
Additional paid-in capital	146,133	1,164,035
Retained earnings	1,177,660	9,380,755
Accumulated other comprehensive income	(70,104)	(558,419)
Less — Common stock held in treasury, at cost — 26,334 shares	(58)	(462)
Total shareholders' equity	1,436,428	11,441,995
Total capitalization	¥3,794,826	$30,228,023

Notes:

(1) As of March 31, 2001, none of our bank and other loans, or bonds and notes was guaranteed by a third party.

(2) As of March 31, 2001, ¥8,700 million of our long-term bank and other loans were secured. Also as of March 31, 2001, ¥130,000 million of our long-term bank and other loans were subordinated loans.

(3) As of March 31, 2001, ¥35,312 million of our bonds and notes were secured. We redeemed these bonds and notes on May 9, 2001. Also as of March 31, 2001, ¥67,877 million of our bonds and notes were subordinated.

(4) Represents long-term borrowings made, and long-term bonds issued, by the Principal Finance Group, or PFG, entities, which are consolidated in our consolidated financial statements included in this registration statement. See "Our Securities Businesses — *Global Wholesale*" under Item 4.B of this registration statement for a description of the Principal Finance Group.

(5) As of March 31, 2001, our contingent liabilities, consisting of standby letters of credit and financial guarantees, were ¥42,105 million.

(6) Changes in our capitalization which occurred during the six months ended September 30, 2001 include the following material transactions: our long-term bank and other loans decreased by ¥76,430 million; our long-term bonds and notes increased by ¥122,777 million; and our non-recourse PFG entities loans and bonds increased by ¥354,240 million.

(7) Except as noted above and for any change in retained earnings and accumulated other comprehensive income reflecting our results of operations on and after April 1, 2001, there has been no material change in our capitalization or in our contingent liabilities since March 31, 2001.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. 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 or results of operations could be adversely affected. In that event, the trading prices of our shares and ADSs could decline, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

Market fluctuations could harm our businesses

Our businesses are materially affected by conditions in the financial markets and economic conditions in Japan and elsewhere around the world. Recently, the securities markets in Japan, Europe and the United States — which are our principal markets — have fluctuated considerably. In particular, in the Japanese stock market, stock prices have declined substantially between 2000 and 2001. Also, so far in 2001, the stock market in the United States has suffered a severe deterioration, and, should it persist or spill over into the Japanese and other stock markets, our revenues could decline and our businesses could be adversely affected in many other ways, including those described below. Furthermore, the terrorist attacks on September 11, 2001 in the United States have had a dampening effect on the U.S. stock market as well as the Japanese stock market, and may continue to do so. Even in the absence of a prolonged market downturn, we may incur substantial losses due to market volatility.

Our brokerage and asset management revenues may decline

A market downturn could result in a decline in the revenues we receive from commissions because of a decline in the volume of brokered securities transactions that we execute for our customers. Also, in most cases, we charge fees for managing our clients' portfolios that are based on the value of their portfolios. A market downturn that reduces the value of our clients' portfolios, increases the amount of withdrawals or reduces the amount of new investments in these portfolios would reduce the revenue we receive from our asset management businesses.

Our investment banking revenues may decline

Unfavorable financial or economic conditions would likely reduce 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 is a sustained market downturn. For example, our investment banking revenues have decreased significantly during the six months ended September 30, 2001, because there were fewer public stock offerings in Japan as compared to prior fiscal years.

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in the fixed income and equity markets, both for our own account and for the purpose of facilitating our customers' trades. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of those long positions decreases. For example, in the year ended March 31, 1999, we recorded trading losses on our long positions that were severely adversely affected by the economic turmoil in Asia and Russia in 1998. Furthermore, to the extent that we have sold assets we do not own, or have short positions, a market upturn could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market. Sometimes we use a trading strategy consisting of holding a long position in one asset and a short position in another, from which we expect to earn revenues based on changes in the relative value of the two assets. If the relative value of the two assets changes in a direction or manner that we did not anticipate or against which we are not hedged, we might realize a loss in those paired positions.

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

Concentration of risk can expose us to large losses in our market-making, block trading and underwriting businesses. 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. For example, we previously held a large inventory of commercial mortgage-backed securities in our U.S. operations, the value of which seriously deteriorated after bond investors took flight from these investments in August 1998.

Our hedging strategies may not prevent losses

We use a variety of 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 a long position in an asset, we may hedge this position by taking a short position in an asset where the short position has, historically, moved in a direction that would offset a change in value in the long position. However, historical trading patterns and correlations may not continue, and these hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

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. Some of our methods of managing risk are based upon observed historical market behavior. This historical market behavior may not continue in future periods. As a result, we may be unable to predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods that we use also rely on our evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated, in which case we may be unable to properly assess our risks.

Market risk may increase the 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, if we incur substantial trading losses, our need for liquidity could rise sharply while our access to liquidity could be impaired. Also, if there is a market downturn, our customers 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. Our liquidity risk and credit risk are described below.

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

Liquidity, or having ready access to funds, is essential to our businesses. In addition to maintaining a readily available cash position, we seek to enhance our liquidity through repurchase and securities lending transactions, access to long-term debt, 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 the debt capital markets

We depend on continuous access to the debt capital markets to finance our day-to-day operations. An inability to raise money in the long-term or short-term debt markets, or to engage in repurchase agreements and securities lending, 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 because of their assessment of our long-term or short-term financial prospects:

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

Our ability to borrow in the debt markets also could be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the prospects for the investment banking, securities or financial services industries generally. For example, in 1998 and 1999, as a result of concerns regarding asset quality and the failure of several large Japanese financial institutions, some international lenders charged an additional risk premium to Japanese financial institutions for short-term borrowings in the interbank market and restricted the availability of credit they were willing to extend.

In particular, we may be unable to access the short-term debt markets

We depend on the issuance of commercial paper and other short-term debt instruments as a principal source of unsecured short-term funding for our operations. As of March 31, 2001, we had ¥634.1 billion in principal amount of outstanding commercial paper and other short-term debt instruments with a weighted-average maturity of 89 days. Our liquidity depends largely on our ability to refinance these borrowings on a continuous basis. Investors who hold our outstanding commercial paper and other short-term debt instruments have no obligation to purchase new instruments when the outstanding instruments mature. We may be unable to obtain short-term financing from banks to make up any shortfall.

We may be unable to sell assets

If we are unable to borrow in the debt capital markets or if our cash balances decline significantly, we will need to liquidate our 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, which could adversely affect our liquidity, or we may have to sell assets at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell our assets may be impaired by other market participants seeking to sell similar assets into the market at the same time. For example, after the Russian economic crisis in 1998, the liquidity of some of our assets, including Russian bonds and other assets such as commercial mortgage-backed securities, were significantly reduced by simultaneous attempts by other market participants to sell similar assets.

Lowering of our credit ratings could increase our borrowing costs

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on "credit watch" with negative implications. A reduction in our credit ratings, or being placed on "credit watch" with negative implications, could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity. For example, in 1998, after a series of credit rating downgrades, we experienced an increase in borrowing costs and reduced access to short-term funding sources — particularly in connection with our operations in Europe and the United States.

Losses caused by financial or other problems of third parties may expose us to credit risk

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties include our trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise from:

- holding securities of third parties,
- entering into swap or other derivative contracts under which counterparties have obligations to make payments to us,
- executing securities, futures, currency or derivative trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, or
- extending credit to our clients through bridge or margin loans or other arrangements.

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

Defaults by a large financial institution could adversely affect 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, or a default by, one institution could lead to significant liquidity problems or losses in, or defaults by, other 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. Several major Japanese financial institutions, such as Yamaichi Securities Company, Limited, The Long-Term Credit Bank of Japan, Limited, The Nippon Credit Bank, Ltd. and The Chiyoda Life Insurance Company, have been liquidated or restructured within the past few years. Although our credit exposure to these financial institutions was not significant, we may suffer financially if other major Japanese financial institutions 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 customers 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 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 find that we have insufficient value in the collateral. For example, if sudden declines in market values reduce the value of our collateral, we may become undersecured.

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

Country, regional and political risks are components of credit risk, as well as market risk. Economic or political 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 to us.

Operational risk may disrupt our businesses, result in regulatory action against us or limit our growth

We face operational risk arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. We depend on our ability to process a large number of transactions across numerous markets in many currencies. The transactions we process have become increasingly complex. We rely heavily on our financial, accounting and other data processing systems. Many of our data processing systems are developed and maintained by our affiliate, Nomura Research Institute, Ltd. If any of these systems does not operate properly or is disabled, we could suffer financial loss, a disruption of our businesses, liability to customers or counterparties, regulatory intervention or reputational damage.

Our business is subject to substantial legal and regulatory risk and to regulatory changes

Substantial legal liability or a significant regulatory action against us could have a material financial effect or cause reputational harm to us, which in turn could seriously harm our business prospects. Also, material changes in regulations applicable to us or to our market 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 for materially false or misleading statements made in connection with securities underwriting and other transactions, potential liability for advice we provide in corporate transactions and disputes over the terms and conditions of complex trading arrangements. We also face the possibility that counterparties will claim that we failed to tell them of the risks or that they were not authorized or permitted to enter into a transaction with us and that their obligations to us are not enforceable. During a prolonged market downturn, 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 harm our reputation. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

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

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate. These regulations are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. These regulations are not designed to protect our shareholders and often limit our activities, through net capital, customer protection and market conduct requirements. We face the risk that regulatory authorities may intervene in our businesses through extended investigation and surveillance activity, adoption of costly or restrictive new regulations or judicial or administrative proceedings that may result in substantial penalties. We could be fined, prohibited from engaging in some of our business activities, or be subject to the temporary or long-term suspension or revocation of our legal authorization to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create. As a result of 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 customers, especially governmental institutions, decide not to retain us for their financial transactions. For example, as more fully described in "Legal Proceedings" under Item 4.B of this registration statement, Nomura Asset Management Co., Ltd. received an administrative sanction from the Financial Services Agency of Japan in December 2000 relating to its investment advisory services.

Material changes in regulations applicable to us or to our market could adversely affect our business

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. For example, full deregulation of stock brokerage commission rates in October 1999, as discussed below, has intensified competition in the Japanese stock brokerage market.

Misconduct by an employee or Director could harm us and is difficult to detect and deter

We face the risk that misconduct by an employee or Director could occur. Misconduct by an employee or Director could bind us to transactions that exceed authorized limits or present unacceptable risks, or hide from us unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Misconduct by an employee or Director could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions, legal liability and serious reputational or financial harm to us. We may not always be able to deter misconduct by an employee or Director and the precautions we take to prevent and detect misconduct may not be effective in all cases.

The financial services industry is intensely competitive and rapidly consolidating

The businesses we are in are intensely competitive, and we expect them to remain so. We compete on the basis of a number of factors, including transaction execution, our products and services, innovation, reputation and price. In recent years, we have experienced intense price competition in brokerage, underwriting and other businesses. There has also been increased competition in terms of delivery of value-added services to customers, such as corporate advisory services, especially from non-Japanese firms entering or expanding operations in the Japanese market.

Deregulation in Japan has increased competition in the Japanese securities industry

Since the late 1990s, the financial services sector in Japan has been deregulated. Banks and other types of financial institutions can compete with us to a greater degree than they could before deregulation in the areas of financing, customers and the investment of customers' funds. Moreover, since the full deregulation of stock brokerage commission rates in October 1999, competition in the domestic brokerage market has intensified. A number of securities companies in Japan, especially small and medium-sized firms, including those that specialize in on-line securities brokerage, have started offering securities brokerage services at low commission rates. In response to commission deregulation, we also restructured our stock brokerage commissions to offer lower commissions depending on the trading amount and the type of customer account. We may continue to experience pricing pressures in the future.

Competition with non-Japanese firms in the Japanese market is increasing

Competition from non-Japanese firms has also increased as they have strengthened their presence in Japan, especially in the areas of securities underwriting and corporate advisory services.

Increased global consolidation in the financial services industry means increased competition for us

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and overseas. Many of these firms have the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services. This diversity of services offered may enhance their competitive position. They also have the ability to supplement their investment banking and securities business with commercial banking, insurance and other financial services revenues in an effort to gain market share. As these large, consolidated firms increase their market share, we may experience increased price competition in our business.

Our ability to expand internationally will depend on our ability to compete successfully with financial institutions in international markets

We believe that significant challenges and opportunities will arise for us outside of Japan. In order to take advantage of these opportunities, we will have to compete successfully with financial institutions based in important non-Japanese markets, including Europe, the United States and Asia. Some of these institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets.

Our revenues may decline due to competition from alternative trading systems

Securities and futures transactions are now being conducted through the Internet and other alternative, non-traditional trading systems. It appears that the trend toward alternative trading systems will continue and probably accelerate. A dramatic increase in electronic trading may adversely affect our commission and trading revenues, reduce our participation in the trading markets and access to market information, and lead to the creation of new and stronger competitors.

We may not be able to dispose of our operating investments at the time or with the speed we would like

As discussed in more detail in "Results of Operations" under Item 5.A of this registration statement, we hold a substantial number of operating investments, *i.e.*, investments in shares of companies not affiliated with us which we hold on a long-term basis in order to promote existing and potential business relationships. A substantial portion of our operating investments consists of securities of public companies in Japan. Under U.S. GAAP, depending on market conditions, we may record significant unrealized gains or losses on operating investments which would have a substantial impact on our statement of operations. We may not be able to dispose of them when we would like to do so or as quickly as we may wish, especially if the investees, with which we have business relationships we would like to maintain, would regard the disposition of our investments in them as an unfriendly move.

We may not be able to dispose of our private equity investments at the time or with the speed we would like

As discussed in more detail in "Our Securities Businesses — *Global Wholesale*" under Item 4.B of this registration statement, we hold substantial private equity investments, primarily in Europe, through our Principal Finance Group. Given the large size and illiquid nature of these investments, they may prove difficult to realize and we may not be able to dispose of these investments at the value, at the time or in the way that we would wish. Although these investments are consolidated in our consolidated financial statements, inability to dispose of these investments could have a material impact on future financial statements.

Our investments in publicly-traded shares of affiliates accounted for under the equity method in our consolidated financial statements may decline significantly over a period of time and result in our incurring impairment loss

We have equity investments in affiliates accounted for under the equity method in our consolidated financial statements, 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, based on the guidance of APB No. 18, "The Equity Method of Accounting for Investments in Common Stock", that the decline is other than temporary, then we must record impairment loss for the applicable fiscal period. We discuss our investment in JAFCO Co., Ltd., one of such affiliates, in "Recent Decline in the Fair Value of Our Investment in JAFCO" under Item 5.A of this registration statement.

By having controlling interests in stand-alone operations through private equity investments, we may be exposed to additional risks and liabilities

We manage our private equity investments on a decentralized and stand-alone basis. While we typically select the majority of directors on the board of directors of the companies in which we make these investments and have a controlling financial interest in these investments through the holding of warrants to purchase equity interests in these companies, we do not exert management control on a day-to-day basis. The control we may be deemed to have over the investments imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of government regulations and other types of liability against which we may not be able to limit ourselves.

The departure of key personnel could disrupt our business

We depend on the efforts of our executive officers and senior management. The loss of key personnel, or the inability to hire and retain qualified replacements, could adversely affect our business, financial position and results of operations.

Under Japan's unit share system, holders of our shares constituting less than one unit are subject to significant transfer, voting and other restrictions

Pursuant to the Commercial Code of Japan relating to joint stock corporations and certain related legislation, our Articles of Incorporation provide that 1,000 shares of our stock constitute one "unit". The Commercial Code imposes significant restrictions and limitations on holdings of shares that constitute less than a whole unit. In general, holders of shares constituting less than one unit do not have the right to vote or any other right relating to voting. The transferability of shares constituting less than one unit is significantly limited. Under the unit share system, holders of shares constituting less than a unit have the right to require us to purchase their shares. However, holders of ADSs are unable to withdraw underlying shares representing less than one unit. Therefore, as a practical matter, they cannot require us to purchase these underlying shares. As a result, holders of ADSs representing shares in lots of less than one unit may not have access to the Japanese markets to sell their shares through the withdrawal mechanism.

As a holder of ADSs, you will have fewer rights than a shareholder has and you will have to act through the depositary to exercise these rights

The rights of the shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the company's accounting books and records and exercising appraisal rights are available only to holders of record. Because the depositary, through its custodian agent, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay to you the dividends and distributions collected from us. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights except through the depositary.

Rights of shareholders under Japanese law may be more limited than under the laws of jurisdictions within the United States

Our Articles of Incorporation, our Regulations of the Board of Directors and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties and shareholders' rights may be different from those that would apply if we were a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction within the United States.

Foreign exchange rate fluctuations may affect the dollar value of our ADSs and dividends payable to holders of our ADSs

Market prices for our ADSs may fall if the value of the yen declines against the U.S. dollar. In addition, the U.S. dollar amount of cash dividends and other cash payments made to holders of our ADSs would be reduced if the value of the yen declines against the U.S. dollar.

It may not be possible for investors to effect service of process within the United States upon us or our Directors, Executive Officers or Statutory Auditors, or to enforce against us or those persons judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States

We are a limited liability, joint-stock corporation incorporated under the laws of Japan. Most of our Directors, Executive Officers and Statutory Auditors reside in Japan. Many of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States. We believe that there is doubt as to the enforceability in Japan, in original actions or inactions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Special Note Regarding Forward-looking Statements

This registration statement contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "anticipate", "estimate", "plan" or similar words. These statements discuss future expectations, identify strategies, contain projections of our results of operations or financial condition, or state other forward-looking information. Known and unknown risks, uncertainties and other factors could cause the actual results to differ materially from those contained in any forward-looking statement. We cannot promise that expectations expressed in these forward-looking statements will turn out to be correct. Important risks and factors that could cause our actual results to be materially different from our expectations are provided above in this Item 3.D and elsewhere in this registration statement.

Item 4. Information on the Company.

A. History and Development of the Company.

Nomura was incorporated in Japan in 1925 when the securities division of The Osaka Nomura Bank, Ltd. became a separate entity specializing in the trading and distribution of debt securities in Japan. Nomura was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York, which actively traded non-yen-denominated debt securities. In Japan, we broadened the scope of our business when we began trading in equity securities in 1938 and when we organized the first investment trust in Japan in 1941.

Since the end of World War II, we have played a leading role in most major developments in the Japanese securities market. These developments include the re-establishment of investment trusts in the 1950s, the introduction of public stock offerings by Japanese companies in the 1960s, the development of the over-the-counter bond market in the 1970s, the introduction of new types of investment trusts such as the medium-term Japanese government bond investment trusts in the 1980s, and the growth of the corporate bond and initial public offering markets in the 1990s.

Our post-World War II expansion overseas accelerated in 1961, when Nomura acquired a controlling interest in Nomura International (Hong Kong) Limited for the purpose of conducting broker-dealer activities in the Hong Kong capital market. Subsequently, we established a number of other overseas subsidiaries, including Nomura Securities International, Inc. in the United States in 1969 as a broker dealer and Nomura International Limited, now Nomura International plc, in the United Kingdom in 1981, which acts as an underwriter and a broker, as well as various overseas affiliates, branches and representative offices.

In recent years, we have sought to take advantage of new opportunities presented by deregulation of the Japanese financial market and by developments in information technology. For example, to increase retail customers' access to our services, we have taken advantage of the Internet to offer on-line brokerage and related services.

We have also strengthened our M&A and other financial advisory businesses by acquiring majority interests in Nomura Corporate Advisors Co., Ltd., formerly Nomura Wasserstein Perrella Co., Ltd., in November 1999. Nomura Corporate Advisors became Nomura's wholly-owned subsidiary in September 2000.

We have also enhanced our asset management business through the acquisition of a majority interest in Nomura Asset Management Co., Ltd. in March 2000. Nomura Asset Management is scheduled to become a wholly-owned subsidiary of Nomura in December 2001.

In our conducting our business, we could be affected by Japanese legal and business custom-related constraints on our ability to force a liquidation of a company whose securities we may own or propose to own. These constraints include the facts that an investor-proposed liquidation is considered a very aggressive and hostile business tactic in Japan, that under the Commercial Code of Japan a shareholder-initiated liquidation of a joint stock company generally requires at least 3% of the outstanding voting shares to convene a shareholders' meeting, a quorum comprised of at least a majority of the company's issued voting shares to hold such a meeting and at least two-thirds of the voting shares voted at such a meeting to approve a liquidation, and that the liquidation and approval procedure generally takes a substantial amount of time. In a company with many shareholders, it is difficult to force a liquidation. Also, under the Commercial Code, shareholders owning 10% or more of the outstanding voting shares may demand a Japanese court to dissolve the company under very limited circumstances, such as where the company is suffering or is threatened with irreparable injury due to a deadlock in the management of the company's affairs.

As described in more detail in "Reorganization" under Item 4.B of this registration statement, on October 1, 2001, we adopted a holding company structure. In connection with this reorganization, Nomura changed its name to "Nomura Holdings, Inc." Nomura continues to be listed on the Tokyo Stock Exchange and other stock exchanges on which it was previously listed. A wholly-owned subsidiary of Nomura assumed Nomura's securities business and is named "Nomura Securities Co., Ltd."

The address of Nomura's registered office is 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan, telephone number: 81-3-5255-1000. There is no agent of Nomura in the United States in connection with this registration statement.

B. Business Overview.

Overview

We are the leading securities and investment banking firm in Japan and have worldwide operations. Our operations are divided into two businesses:

- Securities businesses, and
- Asset management businesses.

Our customers include individuals, corporations, financial institutions, governments and governmental agencies.

We conduct our securities businesses through New Nomura Securities, which is a leading securities company in Japan, and our other subsidiaries in and outside Japan. Our overseas subsidiaries include Nomura International in the United Kingdom, Nomura Securities International in the United States and Nomura International (Hong Kong) in Hong Kong. Our securities businesses include:

- Domestic Retail — principally brokerage services in Japan, and
- Global Wholesale — principally sales and trading and investment banking services in and outside Japan.

We conduct our asset management businesses mainly through Nomura Asset Management, which is the largest asset management company in Japan in terms of the aggregate value of assets under management. Our asset management businesses include development and management of investment trusts, and investment advisory services.

For information on revenues by category of activity, see "Results of Operations" under Item 5.A of this registration statement.

Recent Trends in the Japanese Securities Market

Japan has one of the largest securities markets in the world. According to publicly available data, the Tokyo Stock Exchange ranked second in the world in terms of the value of stock listed as of September 30, 2001, after the New York Stock Exchange. We have observed recent trends in the Japanese securities market:

Capital markets in Japan are growing in importance

Companies in Japan have been reducing their reliance on traditional bank borrowings as a source of capital. As companies have reduced their reliance on traditional bank borrowings, capital markets have been growing in importance. At the same time, emerging Japanese companies have recently relied to a significant extent on the capital markets to finance growth and investments. According to the Bank of Japan, the outstanding principal amount of corporate straight bonds in Japan increased from ¥27.3 trillion as of March 31, 1996 to ¥54.0 trillion as of March 31, 2001 while average outstanding bank loans decreased from ¥529.9 trillion in 1996 to ¥465.3 trillion in 2000.

New Japanese securities markets have emerged

Several new securities markets have been established in Japan. In November 1999, the Tokyo Stock Exchange created the MOTHERS section to give emerging companies with high growth potential greater access to capital. As of September 30, 2001, 34 companies were listed on MOTHERS. In June 2000, Nasdaq Japan began operation through a joint undertaking between Nasdaq and the Osaka Securities Exchange. As of September 30, 2001, 69 companies were listed on Nasdaq Japan.

Internet-based securities trading is growing rapidly

The explosive growth of the Internet in Japan is affecting the stock market and the securities industry in general. According to Japan's Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of users of dial-up internet connections in Japan increased by 81.6% from 10.6 million in December 31, 1999 to 19.2 million in September 30, 2001. In addition, the number of users of Internet services offered through mobile telephones, including NTT DoCoMo's mobile phones, increased from 3.7 million to 44.9 million during the same period. The growth of the Internet has led to the advent of on-line brokerage services. According to a survey conducted by Bloomberg, the number of on-line brokerage services accounts in Japan was 2,501,725 as of September 30, 2001. Factors which could increase Internet trading even further include reductions in local phone charges, increases in sales of personal computers and continued increase in mobile Internet users.

Deregulation of the Japanese securities industry has increased competition

In October 1999, Japan's stock brokerage commission rates were fully deregulated, an event that effectively started Internet trading in Japan as customers were able to take advantage of lower cost structures offered by such brokers. This has greatly increased competition in the Japanese securities industry. Price competition intensified as a number of on-line brokers, including new foreign on-line brokers, entered the market and started offering discount stock brokerage commissions. The number of on-line brokerage accounts increased rapidly, from 191,200 as of September 30, 1999 to 2,501,725 as of September 30, 2001. Some securities companies that had been offering traditional stock brokerage services lowered their fees from time to time in response to price competition from discount brokers. We have not gone along with this trend as we believe our competitive strength is based on our consulting-based services and we thus view on-line brokerage as one of the several channels of access to our retail services in Japan, as discussed below.

Japanese monetary policy has created securities business opportunities

Recent monetary policy in Japan has led to extremely low interest rates. Ordinary deposits currently earn rates of around 0.02%. Low interest rate deposits have increased concern about the adequacy of pension assets and have made alternative financial assets, such as securities, more appealing to investors.

Concern about the expected limitation of deposit insurance and the financial health of Japanese banks is leading to the expectation of securities business opportunities

The Japanese government currently plans to modify the Japanese bank deposit insurance system in the spring of 2002 so that deposited amounts exceeding ¥10 million will no longer be insured. At the same time, concern about the financial health of Japanese banks has been rising. We and other non-bank financial institutions are expecting that the demand for financial products as alternatives for bank deposits will increase as the scheduled modification of the deposit insurance system approaches and the concern about Japanese banks' financial health persists.

Foreign investment in Japan is increasing

There has been a sharp increase in investment in Japan by foreign investors. The internationalization of the Japanese securities market began slowly in the 1970s, with the pace increasing dramatically in the 1980s. According to Tokyo Stock Exchange statistics, the aggregate market value of shares held by foreign investors as a percentage of the total market value of shares held by all holders of Japanese listed stocks increased from 10.5% at March 31, 1996 to 18.8% at March 31, 2001. The increase in foreign ownership has helped to promote liquidity in Japan's capital markets. It has also encouraged many Japanese companies to focus more than in the past on internationally accepted measures of shareholder value, such as return on equity.

Companies are Unwinding Cross-Shareholdings. In Japan, it has been a common practice for companies to hold shares of each other's stock to promote their business and other relationships and as a takeover defense. This practice, known as cross-shareholding, reduced liquidity in Japan's equity securities markets and limited the influence of general investors. In recent years, many Japanese companies have begun to unwind their cross-shareholdings. This has been primarily due to the introduction of mark-to-market accounting in Japan in April 2001 and to increasing pressure on these companies to restructure their balance sheets to maximize shareholder value and to achieve other financial goals. This change has stimulated trading activity and liquidity and has created selling pressures in Japanese equity markets.

Our Business Strategy

We seek to maximize our shareholder value by continuing to focus on our core businesses — securities and asset management. We, as a leading securities company in Japan with worldwide operations, have a dual franchise — a large retail customer base in Japan combined with a global institutional customer base. In our securities businesses, we closely coordinate our Domestic Retail and Global Wholesale businesses with respect to our main products and services, namely equity-related and debt-related products and services, in order to capitalize on our dual franchise in and outside Japan. We also seek to capitalize on our strong product development capabilities as well as on our stable financial base to respond to the growing needs of our dual customer base. We seek to further improve coordination between activities within our asset management businesses and those within our securities businesses, in particular with respect to investment trust related products and services, which are one category of our main products and services.

In response to changes in the global capital markets and business opportunities, we will continue to review our business strategy and to re-allocate our resources among our businesses.

The key elements of our current strategy in our securities and asset management businesses are:

Securities Businesses

Our securities businesses, which we conduct principally through New Nomura Securities, consist of Domestic Retail and Global Wholesale.

- *Domestic Retail.* In Domestic Retail, we emphasize portfolio advisory-based services and focus on increasing customers' assets held by us in Japan for safe custody. By increasing these assets, we enhance our opportunity to provide services to our customers and generate revenue by increasing the number of transactions relating to these assets and increasing operational fees for investment trusts. We believe that the demand for these services will rise, in large part reflecting the following trends:
  - With Japanese interest rates staying at historically low levels, individual investors in Japan have been changing the mix of their assets to include more capital market products relative to postal savings and bank deposits. In particular, as the percentage of senior citizens in Japan continues to

increase, concerns about the adequacy of Japan's pension system will continue to rise and their need for capital market products will increase.

- We expect that the introduction of defined contribution pension plans and the elimination of bank deposit insurance for deposits above ¥10 million will make Japanese individual investors more conscious of the risks and returns provided by various investment products, and encourage them to shift their bank deposit assets to capital market products.

We expect to take advantage of these trends by offering customers a wide range of products to match their particular needs, backed by strong research and consultation skills, and by improving accessibility and responsiveness of our services. Steps we have taken in this regard include:

- enhancement of value-added consultation services,

- development and introduction of new types of interface with customers by using information technology, and

- advertisement and other promotional activities to encourage the shift of personal financial assets to securities products.

- *Global Wholesale.* Our strategy for Global Wholesale is based on the following elements:

  - We are emphasizing businesses driven by customer order flow and seek to control our trading position exposure to market volatility. We believe that the full implementation of mark-to-market accounting in Japan in April 2001 creates opportunities to increase customer order flow. It has been a customary practice among many Japanese corporations to hold shares of one another for business relationship purposes. Mark-to-market accounting has exposed Japanese corporations' cross-shareholding portfolios to market volatility with potentially significant impact on their financial statements. We believe that Japanese corporations have been under increasing pressure to speed up the process of unwinding their cross-shareholdings.

  - We have integrated our wholesale activities on a global basis. In this way, we seek to facilitate the utilization of our regional expertise on a global basis and to increase our ability to manage and control risk on a centralized basis.

  - We believe the expertise that we have gained in our overseas operations enables us to offer competitive M&A, securitization, real estate investment banking, principal finance and other financial services in Japan. After a decade of economic stagnation in Japan and in response to increasing competition from foreign companies, many Japanese companies are implementing restructuring measures to enhance competitive strength and maximize shareholder value. We intend to highlight our financial expertise to capture a larger portion of the advisory activities and transaction fees relating to these corporate restructurings. At the same time, we will continue to seek overseas business opportunities in these areas.

Asset Management Businesses

- We conduct our asset management businesses principally through Nomura Asset Management. We closely coordinate the activities of Nomura Asset Management, which develops and manages investment trusts, with our securities businesses activities, which distribute investment trust certificates and provide administrative services for outstanding investment trust certificates that we, as a broker, have distributed. Through this close cooperation, we seek to enlarge the portion of our revenue derived from our asset management business. We believe that this provides us with increased stability in our revenue base because revenues from asset management services tend to be less affected by market volatility.

Our Securities Businesses

In our securities businesses, our client base consists of two major components: individual clients in Japan and institutional clients in and outside Japan. We seek to respond to the growing needs of these clients through close coordination between Domestic Retail and Global Wholesale.

In Domestic Retail, we provide securities services to retail customers who are mainly individual investors in Japan. These services include brokerage in stocks and other securities, and distribution and redemption of investment trust certificates. Through our brokerage activities, we receive commissions from our customers. We include these revenues under commissions in our statements of operations. We also receive fees from asset management companies in connection with the administrative services for investment trusts certificates distributed by us. We include these fees under asset management and portfolio service fees.

In Global Wholesale, we provide sales and trading and investment banking services to institutional customers globally. In our sales and trading activities, we facilitate customer transactions and trade for our own account by market-making in, and trading, fixed income and equity securities, including related derivatives. We also provide a broad range of investment banking services, including underwriting, financial advisory and other financing services. We include these revenues under net gain on trading and fees from investment banking. We also receive interest and dividends in respect of our securities inventory, which are included in our interest and dividend revenue.

Domestic Retail

We provide retail customers in Japan with a wide range of products, from relatively low-risk instruments such as Japanese government bonds and bond investment trusts to instruments with higher risk such as individual corporate stocks and stock investment trusts. We back our sales efforts with research and consultation capabilities. At our branch offices throughout Japan, we had approximately 7,600 registered representatives as of September 30, 2001. Through these representatives, we provide portfolio advisory-based services at our branch office locations. Portfolio advisory-based services involve the provision of advice to our retail customers on investment management by examining their entire investment portfolios and recommending them, and executing transactions for them in, investment products, such as stocks, bonds and investment trusts. We also provide these services through customer visits and over the telephone. The Internet is also quickly evolving as a powerful tool to provide customers with access to our services.

Our Retail Customers. We emphasize the importance of retail customers in Japan. We believe that the size of our retail customers' assets held by us in Japan for safe custody is an important indicator of the state of our medium to long-term revenue generating capabilities.

The following table shows the amount of retail customers' assets held by us for safe custody and a breakdown of these assets as of each date indicated:

	As of March 31,			As of September 30,
	1999	2000	2001	2001
	(in billions)			
Stocks	¥ 7,131.3	¥11,854.3	¥ 9,641.2	¥ 8,446.7
Bonds	4,821.2	4,789.1	4,873.8	5,223.5
Investment trust certificates:				
Stock investment trusts	2,194.4	3,280.2	2,470.1	2,065.1
Bond investment trusts	4,994.2	5,945.1	9,198.2	8,300.4
Overseas mutual funds	468.3	618.1	684.0	654.6
Subtotal	7,656.9	9,843.4	12,352.3	11,020.1
Other	42.0	52.1	32.3	34.0
Total retail customers' assets	¥19,651.4	¥26,538.9	¥26,899.6	¥24,724.3

For our retail customers, we offer Nomura Cash Management Service accounts. Through these accounts, we provide a range of customer services, including automatic cash sweep and re-investment services and the provision of reports on the status of assets in accounts and reports on investment-related information. As of September 30, 2001, we had approximately 2.7 million Nomura Cash Management Service accounts. For automatic cash sweep and re-investment purposes, we developed Money Reserve Funds as the standard money market vehicle for customers using Nomura Cash Management Service accounts. Also, we offer Nomura Home Trade, our Internet access menu, as an additional feature of our Cash Management Service.

Our Brokerage Services. In Japan, we act as a broker for our customers in the purchase and sale of securities. In return, we receive brokerage commissions. Most of our brokerage service customers are retail customers in Japan.

In connection with our retail brokerage services, we emphasize our portfolio advisory-based services by offering a range of products, with varying degrees of risk and return, and by providing advisory and consulting functions to assist our retail customers in selecting products that match their investment needs. For example, during the two years ending March 31, 2002, over ¥100 trillion of postal savings, which were deposited 10 years ago at relatively high fixed rates of interest, are maturing. Because many customers who made these investments are generally risk-averse, we have been offering low-risk securities products, such as bond investment trusts and Japanese government bonds, to these customers and encouraging them to re-allocate their assets in postal savings to assets we offer. We also offer retail customers newly issued and secondary equity and fixed income products some of which we originate specifically for our retail customers, such as retail target corporate bonds and bonds which combine equity derivatives to provide higher interest rates. As discussed in "Global Wholesale" below, we maintain a high market share in the underwriting market for stock and bond offerings in Japan. By closely coordinating our Global Wholesale activities and Domestic Retail activities, we can offer these stocks and bonds to our retail customers on a regular basis.

We are the leading provider of retail brokerage services for transactions in equity securities in Japan. Based on publicly available sources and other information available to us, our market share in terms of value of stock brokerage transactions by individuals on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange was about 19% for the year ended March 31, 2000, about 21% for the year ended March 31, 2001, and about 16% for the six months ended September 30, 2001.

Some of our stock brokerage transactions on the Japanese stock exchanges for retail customers are effected on a margin basis. As of September 30, 2001, the aggregate amount of loans to customers on margin transactions was ¥111.5 billion, and customer margin sale proceeds were ¥12.0 billion. Gross interest earned from margin transactions is included in our interest and dividend revenue.

We also provide brokerage services for our retail customers in Japan for transactions in derivatives, including bond futures, stock index futures and stock index options traded on the Japanese stock exchanges.

Our Activities as a Distributor of Investment Trust Certificates. We are a leading distributor in Japan of investment trust certificates for various investment management companies. As of September 30, 2001, we acted as a distributor for Nomura Asset Management and about 30 other asset management companies. For the year ended March 31, 2001 and the six months ended September 30, 2001, over 90% of the publicly offered investment trusts measured in terms of value that we distributed and that were outstanding were those of Nomura Asset Management.

Retail customers in Japan are our primary investors in investment trust certificates. Our nationwide retail sales network has contributed to our leading position as a distributor of those products. In addition, we provide our customers with analysis of investment trusts and asset management companies, which enhances the value of our distribution services.

We offer stock investment trusts for those retail customers who are seeking to diversify their portfolios in the current low interest rate environment in Japan. Most notable among these stock investment trusts is the Nomura Japanese Stocks Strategic Fund, which we introduced in February 2000 and is the largest equity fund in Japan.

The total outstanding market value of publicly offered investment trust certificates in Japan was ¥55,657 billion as of September 30, 2001. Of this amount, the total outstanding market value of investment trust certificates deposited with us in safe custody was ¥13,731 billion as of September 30, 2001, of which ¥10,366 billion was for retail customers in Japan. We also distribute non-Japanese mutual funds to retail customers in Japan.

Our Nationwide Branch Network. As of September 30, 2001, we had 124 branch offices throughout Japan in addition to our headquarters in Tokyo. Our branch offices serve two major functions: providing customers with consultation, and providing customers with administrative services such as opening accounts and settling transactions. We allocate resources among these two functions to each branch office based on the specific needs and situations of customers in the branch's local area, to improve productivity and efficiency of our retail operations. We will open new branches, serving one or both of these two functions, in areas where we believe that specialized offices will best serve the particular needs of local customers. In order to supplement our nationwide branch network, we established "Nomura Call Center", which is described below, in February 2001.

Diversification of Access to Our Retail Services in Japan. We provide retail services to customers primarily through face-to-face meetings at our branch offices and through customer visits. For our customers' added convenience, under the name "Nomura IT Support 21", we provide them with the following major channels to access our retail services:

- Nomura Home Trade, our Internet access menu;
- Nomura Telephone Answer, which allows customers to access our services through an automated telephone answering system;
- Nomura Call Center, a telephone service for customers seeking general information on our services or basic administrative services, such as address changes; and
- Our network of automatic teller machines or ATMs, which includes in addition to our own ATM network, those ATM networks of Japanese post offices and commercial banks to which ours is connected.

Nomura Home Trade allows our customers to access our services through the Internet. Customers may use personal computers as well as mobile phones to access Nomura Home Trade. Nomura Home Trade's web site is http//www.nomura.co.jp/hometrade. Customers using Nomura Home Trade can:

- buy and sell stocks and convertible bonds that are listed on Japanese stock exchanges or traded in the registered over-the-counter market;
- buy and sell over 100 investment trust products;
- access investment information such as research reports on individual companies issued by our research analysts, a customized version of database services provided by the *Nihon Keizai Shimbun,* summary market updates, newsletters and magazines on investment and other financial topics, and stock and convertible bond prices; and
- access current reports on their asset portfolios, investments and transactions.

Since we introduced Nomura Home Trade in 1998, the number of our Internet trading accounts has grown rapidly, reaching 778,230 as of September 30, 2001. According to Bloomberg, our share of total Internet trading accounts in Japan was 31.1% as of September 30, 2001. The following chart shows the number of Nomura Home Trade accounts and the number of industry-wide Internet securities trading accounts in Japan as of each date indicated:

	As of March 31,			As of September 30,
	1999	2000	2001	2001
Nomura Home Trade	9,054	187,780	583,953	778,230
Industry-wide	N/A	774,518	1,937,729	2,501,725
Nomura's share	N/A	24.2%	30.1%	31.1%

Through Nomura Telephone Answer, our customers can place buy and sell orders for stocks and convertible bonds, purchase and liquidate interests in money market instruments, and receive information on their account portfolios, investments and transactions.

Nomura Call Center serves as a support system for our face-to-face and on-line securities trading services. Our customers can:

- get technical support for using "Nomura Home Trade";
- receive basic administrative services including address and name changes; and
- request brochures for investment trusts and other information.

We also provide our services through automated teller machines. As of September 30, 2001, we had approximately 330 ATM machines located throughout Japan. Our ATM network is connected to the ATM networks of Japanese post offices and commercial banks throughout Japan. Our customers can deposit and withdraw funds using a post office ATM, and can withdraw funds using a participating bank ATM. Through our ATMs, they can, in addition to depositing and withdrawing funds, place orders for Money Management Funds and Money Reserve Funds. We are seeking opportunities to connect our ATMs to those of other financial institutions to provide additional convenience to our customers.

Global Wholesale

We facilitate customer transactions and trade for our own account by market-making and trading fixed income and equity securities, including related derivatives, in Japan and overseas. We also provide a broad range of investment banking services, including underwriting, financial advisory and other financing services. Also we conduct proprietary transactions, including arbitrage and principal finance transactions.

Fixed Income. We have been active in auctions and secondary trading of Japanese government bonds. We also trade in corporate bonds, municipal bonds and foreign bonds. Recently, we have started to focus globally on enhancement of our structured products.

The following table sets out, for the periods indicated, the total principal amounts of (i) Japanese government bonds auctioned and (ii) bonds originally issued in Japan that are traded in the over-the-counter market or on exchanges in Japan, and the aggregate principal amounts of those two types of bonds purchased or traded by us:

	Year Ended March 31,			Six Months Ended September 30,
	1999	2000	2001	2001
		(yen amounts in billions)		
Japanese government bonds auctioned:				
Total	¥ 22,036.5	¥ 33,607.5	¥ 47,856.0	¥ 27,231.4
Nomura	¥ 2,930.7	¥ 4,762.3	¥ 6,078.8	¥ 4,248.7
Nomura's share	13.3%	14.2%	12.7%	15.6%
Bonds originally issued in Japan that are traded in the over-the-counter market and on exchanges in Japan (excluding *gensaki* and inter-dealer transactions):				
Total	¥656,915.9	¥725,432.4	¥885,494.0	¥491,860.0
Nomura	¥ 71,602.5	¥106,995.3	¥129,310.7	¥ 79,172.7
Nomura's share	10.9%	14.7%	14.6%	16.1%

With the introduction in April 2001 of mark-to-market accounting in Japan for unlisted bonds, we believe that there will be greater demand for our market-making capability in connection with liquidation by our institutional customers of their fixed income portfolios. We also believe that there will be increased demand for our service, which we provide to our institutional customers free of charge, for assigning market value to outstanding bonds in their portfolios. We believe that changes in accounting treatment may lead to greater liquidity for fixed income securities in Japan and, in turn, further enhance trading business opportunities for us.

In December 2000, we started BondNavigator, a web site through which we provide on-line information and trading tools on the fixed income market to our institutional customers. The web site of BondNavigator is https://www.bondnavi.com. Institutional customers may access this web site and trade in Japanese government bonds on-line, obtain research reports and other market information, and obtain information on the market values of bonds.

Also, we are currently working with other securities companies to establish an on-line bond market, which commenced part of operation in August of 2001.

Outside Japan, we trade in fixed income securities including U.S. government securities, Japanese government bonds, other sovereign bonds, corporate debt and securitized products.

We have established Nomura Derivative Products Inc. to act as an intermediary in interest rate, currency and other over-the-counter derivative transactions. Nomura Derivative Products acts as an intermediary between us and customers. Its activities address the preference of some swap customers to limit their trading to those counterparties having the highest credit quality. Nomura Derivative Products has been assigned an Aaa rating by Moody's Investors Service and an AAA rating by Standard & Poor's and Fitch IBCA, Duff & Phelps.

Equity. Our global equity sales and trading activities benefit from the following factors:

- our dual franchise — our large retail customer base in Japan and global institutional customer base;
- our focus on transactions driven by customer order flows; and
- the global integration of customer order flows, which enables us to execute large-size orders smoothly and efficiently from one market to another.

In recent years, many Japanese corporations, which urgently needed to restructure their balance sheets, accelerated their liquidation of cross-shareholdings of other Japanese corporations. Our broad customer base, execution capabilities and large sales force have allowed us to handle these large block orders, the demand for which has been high from both domestic and foreign investors. Also, we act as a transition manager for large corporate and public pension funds in connection with the rearrangement of their asset portfolios, which often results in orders for baskets of various stocks. Our market share of off-hours and off-exchange trading in Japan, which are often used for basket and block trading, was 21.0% for the year ended March 31, 2001, and 18.8% for the six months ended September 30, 2001.

Outside Japan, we engage in the trading of equity securities of Japanese and non-Japanese corporate issuers.

Investment Banking. We provide a broad range of investment banking services, including underwriting, financial advisory and other financing services. Also, we conduct principal finance transactions.

Underwriting and Financing — We manage and participate in the underwriting of offerings of debt, equity and other securities in the major financial markets, primarily Japan, Europe and the United States. We also arrange private placements and engage in other capital raising activities.

We are one of the leading equity underwriters in Japan. During the year ended March 31, 2001, we lead-managed 54 out of 212 initial public stock offerings of Japanese companies that were either listed on a Japanese stock exchange or registered on the Japanese over-the-counter market. In the six months ended September 30, 2001 we lead-managed 23 out of 90 initial public stock offerings of Japanese companies that were either listed on a Japanese stock exchange or registered on the Japanese over-the-counter market.

Overseas, we are active in managing offerings of equity securities of Japanese issuers in the Euromarket and various other capital markets. We also use our global distribution network to underwrite offerings by non-Japanese issuers.

We continue to strengthen our placement power by broadening our retail customer base in Japan and global institutional customer base, and to improve our ability to structure offerings in a timely manner to match issuers' particular needs and investors' demand. In 39 of our 124 domestic branch offices as of September 30, 2001, we had local corporate coverage teams who maintain close contacts with regional corporate customers on corporate finance matters.

The following tables show, for the periods indicated, the number of initial public stock offerings by Japanese companies and the number of public stock offerings by companies listed on stock exchanges or traded over the counter in Japan, the number of these offerings in each category for which we acted as the lead underwriter, and the total underwritten amount and the aggregate amount we lead-managed in all the offerings in each category:

Initial Public Offerings

	Year Ended March 31,			Six Months Ended September 30,
	1999	2000	2001	2001
	(yen amounts in billions)			
Number of companies:				
Total	101	126	212	90
Nomura	29	45	54	23
Nomura's share	28.7%	35.7%	25.5%	25.6%
Underwritten amount:				
Total	¥2,436.4	¥677.4	¥1,364.3	¥383.2
Nomura	¥ 104.6	¥287.7	¥ 596.4	¥ 64.5
Nomura's share	4.3%	42.5%	43.7%	16.8%

Public Offerings

	Year Ended March 31, 1999	2000	2001	Six Months Ended September 30, 2001
	(yen amounts in billions)			
Number of companies:				
Total	67	238	132	40
Nomura	22	85	41	13
Nomura's share	32.8%	35.7%	31.1%	32.5%
Underwritten amount:				
Total	¥1,248.1	¥4,467.2	¥3,634.9	¥419.2
Nomura	¥ 169.6	¥1,586.7	¥ 574.3	¥169.6
Nomura's share	13.6%	35.5%	15.8%	40.4%

We are the leading underwriter in Japan of fixed income securities, issued by public corporations, municipalities and corporate issuers, as well as foreign public and private issuers and supranationals. While the Japanese fixed income securities market has been dominated historically by offerings of Japanese government bonds, the number of offerings by Japanese corporate issuers and foreign public and private issuers has grown substantially in recent years. We have lead-managed many of these offerings.

The following table shows, for the periods indicated, the total principal amount underwritten in Japan, and the aggregate principal amount lead-managed by us, of Japanese corporate straight bonds and bonds issued in the Japanese market by non-Japanese issuers, called *samurai* bonds:

	Year Ended March 31, 1999	2000	2001	Six Months Ended September 30, 2001
	(yen amounts in billions)			
Japanese corporate straight bonds:				
Total	¥10,831.2	¥7,746.8	¥7,620.2	¥4,514.1
Nomura	¥ 2,758.3	¥1,880.9	¥1,693.8	¥ 869.6
Nomura's share	25.5%	24.3%	22.2%	19.3%
Samurai bonds:				
Total	¥ 149.5	¥ 867.1	¥2,270.5	¥1,446.9
Nomura	¥ 48.0	¥ 385.0	¥ 418.3	¥ 477.5
Nomura's share	32.1%	44.4%	18.4%	33.0%

In the European capital markets, we are the leading yen Eurobond underwriter and are active in underwriting fixed income securities of supranationals, governments, government agencies and corporate issuers.

M&A and Other Financial Advisory Services — We provide mergers and acquisitions and other financial advisory services. Our involvement in initial public offerings, reorganizations and other corporate restructurings enhance our opportunities to offer customers these advisory services.

Real Estate Investment Banking Business — In November 1999, in response to changes in Japanese regulations and to take advantage of growing opportunities in real estate securitization and real estate investment trust businesses in Japan, we established two subsidiaries in Japan for the purpose of developing our real estate investment banking business. Our first real estate investment trusts, which was one of the first in Japan, was launched and listed on a stock exchange in September 2001.

Structured Finance — We focus globally on enhancement of our structured finance business, as structured products can provide bigger spread to investors in Japan, who are suffering from very low interest rates.

Principal Finance Business — In Europe we are active in the private equity business through our Principal Finance Group, or PFG. The focus of this business has been to identify and acquire under-performing, misunderstood or challenging businesses, which generally are asset-backed, offer downside protection through stable cash flows but have significant upside. Since 1995, we have funded a series of 15 investments in these PFG entities, for a total investment of ¥638 billion. The businesses acquired are in basic service industries and in stable economies, primarily the United Kingdom, Germany and the United States.

Examples of companies we have bought and sold in this area include AT&T Capital Corporation, a U.S. leasing and commercial finance company, Angel Train Contracts, a privatized U.K. rolling stock company and William Hill, a major U.K. bookmaker. Current investments include: Angel Street Capital Limited, Le Grand Cap Limited and Tudor Street Capital Limited, all U.K. pub companies; Carmelite Capital Limited, a consumer rental company with operations primarily in Western Europe; Annington Holdings plc and Deutsche Annington Holdings Limited, residential property rental companies in the U.K. and Germany, respectively; and Thresher Wines Capital Limited, the largest specialist off-license retailer in the U.K.

A summary of the principal operating entities of PFG at March 31, 2001 are as follows:

Name of Company	Activity	Location
Angel Street Capital Limited	Ownership of public houses	United Kingdom
Le Grand Cap Limited	Ownership of public houses	United Kingdom
Tudor Street Capital Limited	Ownership of public houses	United Kingdom
Carmelite Capital Limited	Rental and sale of consumer electronics	United Kingdom
Thresher Wines Capital Limited	Sale of beer, wine and spirits	United Kingdom
Annington Holdings plc	Investment in properties	United Kingdom
Deutsche Annington Holdings Limited	Investment in properties	Germany

Our PFG invests for capital appreciation purposes, which we expect to realize after a five to seven year holding period, although we have exited some investments for significant returns in a shorter period. Value is generated through fundamentally changing strategy, hiring and empowering new management and achieving operational efficiencies in each of the companies acquired.

We view and treat our PFG business as private equity investments. We manage these businesses based on management's estimate of fair value and consider our financial exposure to be limited to the fair value of our direct investment. As at March 31, 2001, the management's estimate of fair value of the PFG entities was ¥317,901 million.

For financial reporting purposes, the PFG entities' financial position and results of operations are recorded using purchase accounting at the date of the acquisitions because we have controlling financial interests in the PFG entities through our holding of warrants to purchase equity interests in the PFG entities.

We believe that this type of business will expand in Japan, where we hope to utilize the experience and know-how we have gained in overseas transactions. We established a wholly-owned subsidiary, Nomura Principal Finance Co., Ltd., in July 2000 to develop this business in Japan.

Our Asset Management Businesses

In our asset management businesses, we conduct two main types of activities:

- development and management of investment trusts, including non-Japanese mutual funds, for which we and other financial institutions distribute investment trust certificates; and
- investment advisory services for pension funds and other institutional customers.

Investment trusts in Japan are investment funds that are generally divided into two types. Contractual-type investment trusts are most common in Japan. In these investment trusts, the investors' funds are held in trust by an independent trustee, typically a Japanese trust bank, and managed by an asset management company such as Nomura Asset Management, and investment returns are paid to investors through securities companies or other financial institutions from which they purchased investment trust certificates. Corporate-type investment trusts are like mutual funds in the United States, in that they are run by a company set up for that specific purpose and investors investing in these funds become shareholders and receive dividends or other returns.

We have also recently begun planning for the business of providing investment advisory and management services for Japanese defined contribution plans which were introduced in October 2001.

We include fees from our asset management businesses in our asset management and portfolio service fees.

Development and Management of Investment Trusts

Through Nomura Asset Management, we develop and manage an array of investment trusts, including those focused on stocks and bonds. We serve the different investment needs and objectives of our customers with these different types of investment trusts.

We are active in developing new investment trusts. In 1992, we introduced the first Money Management Fund, which has been popular among individual investors. Also, in 1995 we introduced the Nikkei Stock Index 300 Linked Listed Investment Trust, which was the first investment trust to be listed on a Japanese stock exchange. In February 2000, we introduced the Nomura Japanese Stocks Strategic Fund, which is the largest equity fund in Japan. In July 2001, we introduced two exchange traded funds, “Nikkei 225 Exchange Traded Fund” and “TOPIX Exchange Traded Fund”.

We support our investment trust development and management activities through our research, periodic and timely reporting of investment trust information, as well as sales support activities including information seminars and telephone inquiry services.

We have several sales channels for the investment trusts we develop. Nomura Asset Management has sales agency agreements with approximately 110 securities companies, including New Nomura Securities. New Nomura Securities accounts for over 80% of the distribution of Nomura Asset Management’s investment trusts in terms of net asset value. Nomura Asset Management also sells investment trust certificates through approximately 120 financial institutions such as banks and insurance companies.

The following table shows the aggregate net asset values of investment trusts under our management as of each date indicated:

	As of March 31,			As of September 30,
	1999	2000	2001	2001
	(in billions)			
Publicly offered investment trusts:				
Stock investment trusts	¥2,053.6	¥ 3,496.8	¥ 2,645.1	¥ 2,357.4
Bond investment trusts (other than money market instruments)	4,076.5	5,110.0	9,946.2	7,689.6
Money market instruments:				
Money Management Funds (MMFs)	3,454.0	4,956.6	2,617.1	3,927.9
Money Reserve Funds (MRFs)	241.3	660.8	767.6	1,246.6
Subtotal	9,825.4	14,224.2	15,976.0	15,221.5
Privately placed investment trusts	0.0	111.2	162.3	173.3
Total	¥9,825.4	¥14,335.4	¥16,138.3	¥15,394.8

Note: Money Management Funds, or MMFs, and Money Reserve Funds, or MRFs, are similar to money market funds in the United States. However, MMFs are subject to a number of restrictions which limit their ability to compete with bank deposit accounts in Japan. For example, a penalty will be imposed if funds are withdrawn within the first 30 days following their deposit. MRFs, on the other hand, are not subject to these restrictions.

Investment Advisory Services for Pension Funds and Other Assets

We provide investment advisory services for public and private pension funds in Japan, the United States and Europe as well as for foreign governments, central banks, and other institutional investors such as banks, insurance companies and corporations.

The following table shows the amount of pension and other assets for which we provided investment advice as of each date indicated:

	As of March 31,			As of September 30,
	1999	2000	2001	2001
		(in billions)		
Pension and other assets	¥4,839.5	¥5,597.1	¥4,903.7	¥4,443.0

Investment Advisory Services for Japanese Defined Contribution Pension Plans

Japan introduced defined contribution pension plans modeled on the U.S. 401(k) plan in October 2001. We intend to capitalize on business opportunities arising from this new type of investment alternative for individuals in Japan. We provide advice to our corporate customers relating to the structuring of defined contribution pension plans. Through Nomura DC Planning Co., Ltd., which was established in August 2000 as a wholly-owned subsidiary, we provide consultation on matters relating to the selection of products for defined contribution pension plans. Japan Investor Solutions & Technologies Co., Ltd., in which we have a minority interest together with about 90 other shareholders, provides administrative services to the plans. Nomura Funds Research and Technologies Co., Ltd., a joint venture between us and Nomura Research Institute, assists us in this business by providing investment analysis on investment trusts and management of fund-of-funds. In August 2001, we launched our first so-called lifestyle fund, which allows investors to choose and change from time to time the mix of investments in 13 different asset management companies' products.

Our Research Activities

We emphasize economic research and securities analysis in connection with our business activities. We conduct research activities through four groups at our Financial Research Center in Tokyo:

- Our sector analysts follow specific corporate sectors and individual companies in the respective sectors. Sector analysts review and analyze these companies' financial statements, business strategies and performance. Sector analysts have periodic contact with the companies' management and visit the companies' offices and plants.
- Our strategists formulate and recommend investment strategies. They review and analyze political and economic situations both in Japan and other major industrialized countries, macroeconomic trends, developments in major industries and the state of investor confidence.
- Our quantitative analysts use complex mathematical and computer-aided analysis of securities markets to identify investment opportunities.
- Our investment analysts provide advice and support to institutional customers to which we provide investment banking services.

As of September 30, 2001, we had 154 employees working at the Financial Research Center.

We produce industry-wide, company-specific and other research reports based on the work of these individuals. We distribute these research reports to our retail customers in Japan and to our institutional customers in and outside Japan.

Nomura Research Institute produces macroeconomic and other general research reports which we purchase and distribute to our customers.

Overseas, we have research analysts in our principal regional offices who contribute to our global research activities. These research analysts focus on selected sectors, such as healthcare and information technology.

Our Significant Subsidiaries

The following table lists Nomura and its significant subsidiaries, the locations of their principal offices and the jurisdictions in which they are organized. Indentation indicates the principal parent of each subsidiary. Except as otherwise specified, in each case Nomura owns, directly or indirectly, 100% of the voting securities of each subsidiary.

Name of Company	Location/Jurisdiction
Nomura Holdings, Inc.	Tokyo, Japan
Nomura Securities Co., Ltd.	Tokyo, Japan
Nomura Holding America Inc.	New York, United States
Nomura Securities International, Inc.	New York, United States
Nomura Corporate Research and Asset Management Inc.	New York, United States
Nomura Asset Capital Corporation	New York, United States
The Capital Company of America, LLC	New York, United States
Nomura Derivative Products, Inc.	New York, United States
Nomura Global Financial Products, Inc.	New York, United States
Nomura Funds Research and Technologies America, Inc.	New York, United States
Nomura International Trust Company	New York, United States
Nomura Securities (Bermuda) Ltd.	Pembroke, Bermuda
Nomura Canada Inc.	Toronto, Canada
Nomura Realty Advisors, Inc.	New York, United States
Nomura Europe Holdings plc	London, United Kingdom
Nomura International plc(3)	London, United Kingdom
Nomura Bank International plc	London, United Kingdom
Banque Nomura France	Paris, France
Nomura Nederland N.V.	Amsterdam, The Netherlands
Nomura Bank (Luxembourg) S.A.	Luxemburg
Nomura Bank (Deutschland) GmbH	Frankfurt, Germany
Nomura Maintrust GmbH	Frankfurt, Germany
MAINTRUST Kapitalanlagegesellschaft mbH	Frankfurt, Germany
Nomura Bank (Switzerland) Ltd.	Zurich, Switzerland
Nomura Italia S.I.M. p.A.	Milan, Italy
Nomura Securities Hungary Ltd.	Budapest, Hungary
Nomura Funding Facility Corporation Ltd.	London, United Kingdom
Nomura Global Funding plc	London, United Kingdom
Nomura Europe Finance N.V.	Amsterdam, The Netherlands
Nomura Asia Holding N.V.	Amsterdam, The Netherlands
Nomura International (Hong Kong) Limited	Hong Kong
Nomura Futures (Hong Kong) Limited	Hong Kong
Nomura Securities (Hong Kong) Limited	Hong Kong
Nomura Asia Limited	Cayman, Cayman Island
Nomura Investment Banking (Middle East) E.C.	Manama, Bahrain
Nomura Singapore Limited	Singapore, Singapore
Nomura Securities (Singapore) PTE. Ltd.	Singapore, Singapore
Nomura Futures (Singapore) PTE. Ltd.	Singapore, Singapore
Nomura Advisory Services (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia
Nomura Australia Limited	Sydney, Australia
Nomura Securities Philippines, Inc.	Manila, Philippine

Name of Company	Location/Jurisdiction
PT Nomura Indonesia(1)	Jakarta, Indonesia
Nomura Asset Management Co., Ltd.(1)	Tokyo, Japan
The Nomura Trust and Banking Co., Ltd.	Tokyo, Japan
Nomura Babcock and Brown Co., Ltd.	Tokyo, Japan
Nomura Corporate Advisors Co., Ltd.	Tokyo, Japan
Nomura Capital Investment Co., Ltd.	Tokyo, Japan
Nomura Realty Capital Management Co., Ltd.	Tokyo, Japan
Nomura Principal Finance Co., Ltd.	Tokyo, Japan
Nomura Investor Relations Co., Ltd.(1)	Tokyo, Japan
The Nomura Fundnet Securities Co., Ltd.	Tokyo, Japan
Nomura Funds Research and Technology Co., Ltd.(2)	Tokyo, Japan
Nomura DC Planning Co., Ltd.	Tokyo, Japan
Nomura Research & Advisory Co., Ltd.	Tokyo, Japan
Nomura Business Services Co., Ltd.	Tokyo, Japan
Nomura Satellite Communications Co., Ltd.	Tokyo, Japan

Notes:

(1) Indicates that one or more minority shareholders are non-affiliates.

(2) Owned 51% by Nomura and 49% by Nomura Research Institute, of which Nomura owns 25.2% as of the date of this registration statement.

(3) Nomura International has controlling financial interests in the following PFG entities which are consolidated in our consolidated financial statements included in this registration statement.

Name of Company	Location/Jurisdiction
Angel Street Capital Limited	Thame, United Kingdom
Le Grand Cap Limited	Thame, United Kingdom
Tudor Street Capital Limited	Coventry, United Kingdom
Carmelite Capital Limited	Hampshire, United Kingdom
Grand Utilities Capital Limited	Cwmbran, United Kingdom
Mount Street Capital Limited	London, United Kingdom
Thresher Wines Capital Limited	Welwyn Garden City, United Kingdom
Newgate Capital Limited	London, United Kingdom
Deutsche Annington Holdings Limited	Dusseldorf, Germany
Annington Holdings plc	London, United Kingdom
Grey Archer Capital Limited	Welwyn Garden City, United Kingdom

Reorganization

Effective October 1, 2001, we adopted a holding company structure.

The Commercial Code of Japan was amended in 2000 to establish new laws concerning corporate separation. By utilizing the corporate separation system, companies are able to avoid intricate and time-consuming steps, such as acquiring counterparties' consents required for a business transfer method under the Japanese Commercial Code. The Securities and Exchange Law of Japan requires prior registration of a securities company in order for that company to undertake the securities business. To meet this requirement, we undertook separation by absorption, one of the two types of corporate separation provided by the Commercial Code, by which, typically, a separating company transfers all or part of its business to an existing company, and the existing company, in consideration, allocates its shares to the separating company and/or to the shareholders of the separating company, pursuant to a corporate separation agreement made by the two companies and approved by their respective shareholders. We formed Nomura Securities Spin-off Preparation Company, Limited as Nomura's wholly-owned subsidiary, which, as an existing company, was registered under the Securities and Exchange Law in preparation for the reorganization.

The Corporate Separation Agreement dated May 17, 2001 between Nomura and Nomura Securities Spin-off Preparation Company was approved by our shareholders at our ordinary shareholders meeting held on June 28, 2001. Pursuant to this agreement, effective October 1, 2001:

- Nomura changed its name to "Nomura Holdings, Inc."
- Nomura Securities Spin-off Preparation Company, Limited changed its name to Nomura Securities Co., Ltd.
- The assets, liabilities, and contractual positions relating to the securities business of Nomura were assumed by New Nomura Securities.

As a result, we now have a holding company and, as its subsidiaries, New Nomura Securities, Nomura Asset Management and other subsidiaries.

After the reorganization, the revenues of Nomura consist primarily of royalties on a trademark from New Nomura Securities, rents on land and buildings, fees on furniture, fixtures and software from New Nomura Securities, and other domestic subsidiaries and interest and dividend income from subsidiaries and other investments.

On October 1, 2001, our management structure changed as follows:

- Of the thirty-two persons who were Nomura's Directors prior to the transformation, nine persons, including our President and Chief Executive Officer, Junichi Ujiie, became directors of both Nomura and New Nomura Securities, while the other twenty-three persons became directors solely of New Nomura Securities.
- Three persons newly became Directors solely of Nomura, of which two are outside Directors and the third is a director of Nomura Asset Management.
- Of the six persons who were Nomura's Statutory Auditors prior to the transformation, two persons became statutory auditors solely of New Nomura Securities, and one person became a statutory auditor of both Nomura and New Nomura Securities.

The information on our post-reorganization management is provided under Item 6.A.

We believe that the reorganization enables us to better cope with domestically and globally intensified competition in the financial and capital markets.

Through our holding company structure, we will establish both a clear group strategy as well as focused strategies for each of our businesses and financial targets for each business unit and for the group as a whole. We believe that the reorganization will enable us to implement strategies to allocate resources more efficiently and create other synergies within the group. We can centralize the management of some of our fixed assets such as the operating investments which our group companies have. In addition, this structure will help to minimize the possibility of conflict between our asset management activities and our broker-dealer activities because Nomura Asset Management has become one of Nomura's principal operating subsidiaries and is no longer a subsidiary of the company operating our broker-dealer business.

Our Information Technology

We believe that information technology is a key factor in the success of our overall business.

As discussed above, we provide our customers with electronic access to our products and services through the Internet and our ATM network.

We have achieved a high degree of automation of our back office operations through our computer system and network. Computer terminals located in our offices throughout Japan as well as salespersons' personal computers are connected on-line to our central host computers and local servers for marketing, order execution and compliance purposes. In addition, our computer system handles record-keeping and other support functions required for the administration of customers' accounts.

We have improved the efficiency of our domestic computer operations by decentralizing market data management, *i.e.*, gathering and maintenance functions to local servers. This has allowed local offices to respond flexibly to particular regional business conditions and customer types, and to conduct marketing with their own customized databases maintained at their respective servers. These improvements have enabled us to reduce our operational expenses by reducing operations personnel and decreasing the number of central host computers. Despite the high volume of transactions we handle, the level of errors relating to order execution and the volume of irreconcilable differences with respect to customer accounts have both been negligible.

We outsource our data management operations to Nomura Research Institute. With some exceptions, we retain Nomura Research Institute to develop the necessary software for our operations. As the author of most of our software, Nomura Research Institute also advises us in connection with the hardware we order from third-party vendors.

We have been closely monitoring the development of reforms to Japan's securities settlement and clearing system by the Committee for Reform of the Securities Clearing and Settlement System sponsored by the Japan Securities Dealers Association and other committees and working groups. In May 2001, the Tokyo Stock Exchange and the Osaka Securities Exchange introduced a delivery-versus-payment system for domestic shares. Also in August 2001, the Japan Securities Depository Center introduced a pre-settlement matching system on Japanese equity transactions for domestic institutional investors. Japanese convertible bonds, fixed income securities and investments trusts and certificates are planned to be included in both the delivery-versus-payment system and the pre-settlement matching system in the future. We intend to take appropriate steps to update our system technology in a timely manner to respond to the reforms and in order to avoid any financial loss, disruption of business or damage to our reputation.

Our Employees

The following table shows the number of our employees as of the dates indicated:

	As of March 31,	
	2000	2001
Japan	12,033	11,702
Europe	1,319	1,370
Americas	983	835
Asia (other than Japan) and Oceania	488	486
Sub Total	14,823	14,393
PFG entities	7,684	23,848
Grand Total	22,507	38,241

Japan

In Japan, as of March 31, 2001, we had 11,702 employees, of which 10,259 were employees at Nomura. 7,613 of these employees, including 7,378 registered representatives, were engaged in Domestic Retail. Also as of March 31, 2001, 1,127 of Nomura's employees worked in Global Wholesale. Nomura Asset Management had 619 employees as of March 31, 2001.

Most of Nomura's employees, excluding those registered representatives who are engaged in retail activities on annual contracts, receive compensation on the basis of fixed annual salaries and twice-a-year bonuses. Registered representatives, who numbered 2,195 as of March 31, 2001, receive mostly performance-linked compensation. As of March 31, 2001, 5,580 of our employees in Japan were members of Nomura employees' union, with which we have a labor contract. Pursuant to this contract, salaries and bonuses are negotiated with the labor union based on our overall performance during the relevant fiscal period and our financial position. Similar to other major companies in Japan, we grant our employees annual basic wage increases.

We emphasize and reward individual skills and performance. In Japan, we have started to incorporate performance-linked elements in our domestic compensation and promotion system to make us more competitive in recruiting and retaining highly-skilled individuals, particularly for our employees engaged in our wholesale business and in research activities.

In July 2000, we introduced a stock option plan under which our Directors and Statutory Auditors and 178 of our employees in Japan were granted options in the form of share subscription warrants. These warrants are exercisable between February 26, 2001 and August 23, 2004. The current exercise price is ¥2,305 per share. Subject to adjustments, a total of 472.5 thousand shares will be issuable upon full exercise of all the warrants granted to these employees.

Under our retirement allowance system, eligible employees are entitled to a lump-sum allowance and a retirement annuity upon their retirement.

In Japan, we have not experienced any strikes or other labor disputes and consider our employee relations to be excellent.

Overseas

As of March 31, 2001, we had 2,691 employees overseas, including 1,370 in Europe, 835 in the Americas and 486 in Asia (other than Japan) and Oceania.

Most of our overseas professional employees receive salaries as well as incentive compensation in the form of bonuses and profit sharing. Compensation for some of our employees consists largely of incentive compensation. Our employees overseas are not unionized.

We have not experienced any strikes or other labor disputes overseas and consider our overseas employee relations to be excellent.

PFG entities

The PFG entities had 7,684 employees as of March 31, 2000, and 23,848 employees as of March 31, 2001, mainly in Europe. The main reason for the increase was the impact of the acquisition of Thresher Wines Capital Limited. Type of contracts, compensation and other benefits differ from the rest of Nomura and vary by entity.

Competition

We encounter intense competition in all aspects of our business and compete on a global basis with other securities firms and financial institutions, in particular, other leading globally integrated financial services firms. A number of competitive factors affect our business, including:

- the quality, range and prices of our services,
- our ability to originate innovative financial products and services,
- our ability to maintain and develop customer relationships,
- our general reputation, and
- our ability to commit capital resources and to retain qualified employees.

Our competitive position is also affected by a variety of factors that influence the overall condition of global financial markets, such as:

- the monetary and fiscal policies of national governments and international economic organizations, and
- political, economic and regulatory developments in Japan, the United States and other major industrialized countries, as well as in developing countries.

In Japan, we compete with other domestic securities companies and non-Japanese securities companies. Since the late 1990s, competition with leading global securities and investment banking firms with substantial operations in Japan has become more intense as the financial services sector in Japan has become increasingly deregulated, the level of participation by overseas investors in the Japanese securities market has risen, and some of our domestic competitors have consolidated or formed alliances with other financial institutions in Japan or overseas securities and investment banking firms. We also compete with other types of financial institutions in Japan, such as banks with securities company subsidiaries, with respect to both providing financing and the investment of customers' funds.

Since stock brokerage commission rates were deregulated in October 1999, competition in the domestic stock brokerage market has intensified. A number of securities companies in Japan, especially small and medium-sized firms, started offering securities brokerage services at low commission rates. We seek to compete against these companies not on the basis of commission rates but by offering high-value added services such as our research, consultation and trading execution. At the same time, we realize that there is no assurance that we will be able to maintain our current commission rates on a long-term basis, and for that reason we continue to monitor market trends carefully.

We compete with Japanese and non-Japanese asset management companies. We are a leading provider of asset management services in Japan. Recognizing the opportunities available in Japan for asset management business, new entrants, in particular major non-Japanese asset management companies, and asset management companies with operations in Japan are allocating more resources to expand their operations. This is causing competition in this business to intensify.

Overseas, we compete with major investment banking firms. Some of our competitors in the overseas markets have a stronger local presence and longer operating history in these markets than we. We are competitive with respect to Japan-related financial products, such as global sales and trading activities and underwriting activities in Japanese equity securities and fixed income products denominated in yen, and in certain non-Japan-related areas, such as the principal finance business in Europe.

Our Properties

Our principal head office is located in Tokyo, Japan and occupies 742,688 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 197,819 square feet, our Nagoya branch office, which occupies 77,619 square feet, and the head office of Nomura Asset Management in Tokyo, which occupies 152,949 square feet. We lease most of our office space in Japan. Nomura Land and Building Co., Ltd., which is accounted for under the equity method in our consolidated financial statements, is the lessor of a substantial portion of our leased office space in Japan, including our Tokyo headquarters, Osaka branch office and Nagoya branch office.

Our major offices outside Japan are the London head office of Nomura International, which occupies 348,468 square feet, and the New York head office of Nomura Securities International, which occupies 222,462 square feet. Our New York head office is located in the World Financial Center, and in the wake of the terrorist attack in New York City on September 11, 2001, we are currently renting alternative space to run our New York operations. We own the land and building for the London head office of Nomura International. We lease most of our other overseas office space.

As of March 31, 2001, the aggregate book value of the land and buildings excluding PFG entities we owned was ¥70.5 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥28.5 billion. We lease other equipment we use in our operations.

As of March 31, 2001, the aggregate book value of land, buildings, equipment and furniture and fixtures held in PFG entities was ¥836 billion. The following table shows the location and number of properties owned by each major PFG entity, at March 31, 2001.

Name of PFG Entities	Location	Category	March 31, 2001 Number of Properties
Angel Street Capital Limited	United Kingdom	Public houses	4,230
Le Grand Cap Limited	United Kingdom	Public houses	65
Tudor Street Capital Limited	United Kingdom	Public houses	1,183
Carmelite Capital Limited	United Kingdom and others	Shops	262
Thresher Wines Capital Limited	United Kingdom	Off license shops	2,581
Annington Holdings plc	United Kingdom	Residential homes	49,948
Deutsche Annington Holdings Limited	Germany	Residential homes	63,638

Legal Proceedings

We are involved in a number of actions and proceedings in Japan and overseas, which are either ordinary routine actions and proceedings incidental to our business or not material to us. Based upon the information currently available to us and our domestic and overseas legal counsel, we believe that the ultimate resolution of such actions and proceedings will not, in the aggregate, have a material adverse effect on our financial condition or results of operations.

On December 28, 2000, Nomura Asset Management received from the Financial Services Agency of Japan an order to reform its business conduct, as well as an administrative sanction, pursuant to the Law for Regulating Securities Investment Advisory Business of Japan. With respect to Nomura Asset Management's overseas customers' accounts, Nomura Asset Management's overseas subsidiaries enter into discretionary management agreements with those customers and appoint Nomura Asset Management to provide an advisory service by forwarding investment recommendations to the subsidiaries for such accounts. For certain of these overseas accounts, Nomura Asset Management, instead of the relevant overseas subsidiaries, occasionally executed securities transactions. The Financial Services Agency determined that such execution of securities transactions by Nomura Asset Management violated that law, which prohibits the execution of securities transactions on behalf of a customer without entering into a discretionary management agreement with the customer. Pursuant to the administrative sanction, Nomura Asset Management was barred from entering into new advisory agreements for investment recommendations with non-Japanese residents during the two-month period between January 9, 2001 and March 8, 2001. Also during this period, Nomura Asset Management was barred from providing any advisory services by forwarding investment recommendations to the relevant overseas subsidiaries for the overseas customers' accounts with respect to which the Financial Services Agency determined that Nomura Asset Management violated that law. Nomura Asset Management has been taking steps to strengthen its internal compliance and monitoring system, to increase the awareness by its employees of the importance of legal compliance, and to build a management system that is worthy of its customers' trust.

Regulation

Japan

Japan's Big Bang. Wide-ranging reform of Japan's financial system has been implemented under Japan's "Big Bang" announced in November 1996. In accordance with this initiative, the Financial System Reform Law was promulgated in June 1998. This law is regarded as the core legislation for Japan's financial system reforms, and comprehensively amended existing statutes governing the securities, banking, investment advisory and insurance industries, including the Securities and Exchange Law. Most provisions of the Financial System Reform Law, including the amendment to the Securities and Exchange Law, became effective in December 1998. One major result is that securities companies and other financial institutions in Japan may provide a wider range of financial services to their customers. The new Securities and Exchange Law also substantially reduced the requirements that must be met to establish a securities company. Operating a securities company now requires only a registration with the Local Finance Bureau. This registration is substantially less burdensome than the license required before Japan's Big Bang. Other provisions of the new Securities and Exchange Law include the liberalization of securities derivatives, new requirements relating to the segregation of customer assets and the establishment of investor protection funds by securities companies, the enhancement of investor protection in bankruptcy proceedings involving securities companies, and the liberalization of commissions for brokerage of securities.

Liberalization of Commissions. As part of Japan's Big Bang, commissions for brokerage of securities were fully liberalized in October 1999.

Regulation of Securities Industry. The Securities and Exchange Law regulates most aspects of securities transactions and the securities industry, including the public offering, private placement and secondary trading of securities, the on-going disclosure by securities issuers, tender offers for securities, the organization and operations of securities exchanges and self-regulatory associations, and the registration of securities companies. The Financial Services Agency, which was established in July 2000, is generally delegated the authority of the Prime Minister under the Securities and Exchange Law. The Securities and Exchange Surveillance Commission, an external agency of the Financial Services Agency which is independent from the Agency's other bureaus, is vested with authority to conduct day-to-day monitoring of the securities market and to investigate irregular activities that hinder the fair trading of securities. Furthermore, the Financial Services Agency delegates certain authority delegated to it by the Prime Minister to the Local Finance Bureau. In addition, securities companies are subject to extensive regulations regarding the scope of business in which they may engage under the Securities and Exchange Law. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory association of securities companies.

Under the new Securities and Exchange Law, a securities company may conduct, in addition to businesses incidental to the securities business, certain businesses specified under the Securities and Exchange Law, such as investment advisory business, investment trust management business and financial futures trading.

In addition, the Antimonopoly Law prohibits securities companies from holding more than 5% of the outstanding equity capital of any other Japanese company, without first obtaining the approval of the Fair Trade Commission or falling under other exceptions.

Business practices of securities companies are also subject to various regulatory requirements. In addition, the Financial Services Agency or the Local Finance Bureau regularly conducts inspections and examinations of securities companies. A violation of applicable laws and regulations can result in various administrative sanctions, including the revocation of registration or authorization, the suspension of business and an order to discharge a director who has not complied with applicable laws and regulations.

Securities companies are not allowed to directly conduct banking and other financial services, except for those specified in the Securities and Exchange Law. Securities companies may, however, own a majority of shares in banks and other financial services institutions. Such subsidiaries conducting banking and financial services are also regulated by relevant laws and regulations. The Nomura Trust and Banking Co., Ltd. is a subsidiary of Nomura and conducts banking and certain financial services.

The Securities and Exchange Law generally prohibits banks and other financial institutions from engaging directly in the securities business, with limited exceptions including dealing in, and underwriting of, government, government-guaranteed and municipal bonds and offering and selling of investment trust certificates. Banks and certain other financial institutions may, however, engage in the securities business, through their securities subsidiaries.

To enhance investor protection, Japanese securities companies must segregate customer assets and are required to be a member of one of two investor protection funds approved by the government under the Securities and Exchange Law. Each investor protection fund is funded through assessments on securities companies that are members of the fund. The investor protection fund of which New Nomura Securities is a member provides protection of up to ¥10 million per customer, in the event of failure of a securities company that is a member of the fund. The investor protection fund covers claims related to customer securities deposited with the failed securities company and certain other claims of customers.

Overseas

Our overseas offices and subsidiaries are also subject to various laws and governmental rules and regulations applicable in those countries where such offices and subsidiaries carry on their respective operations, including those promulgated and enforced by the Securities and Exchange Commission, the New York Stock Exchange and the National Association of Securities Dealers, Inc. in the United States, and by the Financial Service Authority, the Securities and Futures Authority Limited and the London Stock Exchange Limited in the United Kingdom. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could have a material adverse effect upon us.

Regulatory Capital Rules

Japan

Under the Securities and Exchange Law, securities companies are required to maintain adjusted capital at specified levels as compared with the quantified total of their business risks on a non-consolidated basis. Article 52 of the Securities and Exchange Law requires securities companies to file month-end reports regarding their capital adequacy ratio, *i.e.,* the ratio of adjusted capital to a quantified total of business risks, to the Prime Minister through the Financial Services Agency, or the Local Finance Bureau, and to disclose their capital adequacy ratio to the public on a quarterly basis. A securities company must also file a report on a daily basis with the Financial Services Agency or the Local Finance Bureau if its capital adequacy ratio falls below 140%. Article 56-2 of the Securities and Exchange Law determines the actions which the Prime Minister may take if the ratio falls further: if the ratio falls below 120%, the Prime Minister may order the securities company to change its method of business or to deposit its property in trust, or order other measures for the public interest and investor protection if necessary. A securities company whose ratio falls below 100% may be subject to additional proceedings, including temporary suspension of its business and revocation of its registration as a securities company if there is no prospect that the ratio will recover three months after the suspension came into effect.

Adjusted capital is defined as shareholders' equity less illiquid assets. Shareholders' equity mainly consists of stated capital, additional paid-in capital, legal reserve, retained earnings, reserve for securities transactions and certain other reserves, certain allowances for doubtful accounts, net unrealized gain/loss in the market value of investment securities, and subordinated debt. The illiquid assets generally include non-current assets, certain deposits, advances and prepaid expenses, and treasury shares. The business risks are divided into three categories: (i) market risks (*i.e.,* risks of asset values being eroded when they are liquidated due to decline in their market value), (ii) counterparty risks (*i.e.,* risks of loss that may be caused by the default of a counterparty on its commitment) and (iii) basic risks (*i.e.,* risks to be monitored in carrying out daily business routines, such as administrative problems with securities transaction and clerical mistakes), each quantified in the manner specified in a ministerial ordinance under the Securities and Exchange Law.

We closely monitor New Nomura Securities' capital adequacy ratio on a continuous basis. Since the introduction of the capital adequacy requirement in Japan in 1989, we have at all times been in compliance with these requirements. We believe that we will continue to be in compliance with all applicable capital adequacy requirements in the foreseeable future.

Overseas

In the United States, Nomura Securities International is a registered broker-dealer, registered futures commission merchant and a member firm of the New York Stock Exchange. As such, Nomura Securities International is subject to the minimum net capital requirements of the United States Securities and Exchange Commission, the New York Stock Exchange and the Commodity Futures Trading Commission. These requirements specify minimum levels of capital that United States broker-dealers are required to maintain and limit the amount of leverage that such broker-dealers may use in their businesses. As a primary dealer in United States government securities, Nomura Securities International is also subject to the capital adequacy requirements under the Government Securities Act of 1986.

Nomura International in the United Kingdom is regulated by the Securities and Futures Authority Limited and is subject to capital requirements of that authority.

In addition, certain of our other subsidiaries are subject to various securities and banking regulations, and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which such subsidiaries operate. We believe that each such subsidiary is, and will in the foreseeable future be, in compliance with such requirements in all material respects.

Breakdown of Revenues by Category of Activity and Geographic Market

See Item 5.A of this registration statement.

C. Organizational Structure.

The information required by this item is set forth in Item 4.B of this registration statement.

D. Property, Plants and Equipment.

The information required by this item is set forth in Item 4.B of this registration statement.

Item 5. Operating and Financial Review and Prospects.

A. Operating Results.

You should read the following discussion of our financial condition and results of operations together with Item 3.A of this registration statement and our consolidated financial statements included in this registration statement.

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those under Item 3.D and elsewhere in this registration statement.

Business Environment

We conduct our business activities in capital markets around the world. A number of factors influence these markets, including economic and market conditions, political events and investor sentiment. The reaction of issuers and investors to a particular condition or event is unpredictable and can increase volatility in the marketplace. While higher volatility increases risk, it may also increase order flow, which drives many of our business activities. Other conditions, including the liquidity of secondary markets, the level and volatility of interest rates, currency exchange rates, security valuations, competitive conditions, and the size, number and timing of transactions, may also affect our business. As a result, our revenues and profits may vary significantly from year to year, and from one quarter to the next.

Japan

A series of aggressive economic stimulus packages in 1999 and 2000 resulted in a gradual recovery in the Japanese economy that began in spring 1999. Increases in private sector capital investment in plant and equipment, favorable demand for Japanese exports and strong information technology related investment also contributed to this gradual recovery. However, throughout the year ended March 31, 2001, the correction in the U.S. stock market and economy overshadowed the Japanese economy. The downturn in the U.S. economy sharpened throughout the year 2001. As a result, the Japanese export industry was badly hit by the serious decrease in demand from the United States and the Japanese economy started to stagnate again in first half of the year ending March 31, 2002.

Meanwhile, Japanese corporate earnings demonstrated a remarkable recovery in the years ended March 31, 2000 and 2001, mainly due to strong growth in the electric and precision instruments sector. The ordinary profit of NOMURA400 (excluding financials), a stock index of approximately 360 publicly traded companies in Japan selected by New Nomura Securities, showed a 33.5% growth for the year ended March 31, 2001, which was the highest growth rate for twenty years. However, the growth rate of Japanese corporate earnings is expected to slow down significantly in the first half of the year ending March 31, 2002, due to the rapid deterioration in the manufacturing sector's performance.

Meanwhile, although the Bank of Japan ended its near-zero interest policy in August 2000 in light of the gradual economic recovery, due to the pause of economic recovery and the outstanding deflationary pressure in Japan later that year, the Bank of Japan twice reduced the official discount rate in the January-March, 2001 period to 0.25%. In September 2001, the official discount rate was again reduced by 0.15% to 0.1% in order to minimize the negative impact on the global capital market caused by the terrorist attack on September 11, 2001 in the United States. Responding to this monetary policy, the ten-year government bond yield was approximately 1.8% in April 2000 and thereafter increased to approximately 2.0% in the summer, as a reaction to end of the Bank of Japan's near-zero interest policy. However, because of renewed easing of the monetary policy, it declined to 1.4% by end of September 2001.

In the Japanese stock market, the Tokyo Stock Price Index, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange, declined by 40% from 1,705.94 as of the end of March 2000 to 1,023.42 as of the end of September 2001 and the Nikkei Stock Average declined by 52% from ¥20,337.32 to ¥9,774.68 during the same period. The approximate total trading value, including sales and purchase on a gross basis, on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange decreased from ¥484 trillion in the year ended March 31, 2000 to ¥427 trillion in the year ended March 31, 2001 and further down to ¥201 trillion in the first six month of the year ending March 31, 2002.

The value of the yen compared with the U.S. dollar, which had been stable at a range of between ¥105 to ¥110, during April and December 2000, depreciated to ¥119 by end of March 2001, as the foreign exchange market became increasingly concerned with the stagnation of Japan's economic outlook.

Overseas Markets

The U.S. economy showed its first signs of slow-down in the summer of 2000 after an unbroken growth period of a decade. The U.S. Federal Open Market Committee maintained its tight monetary policy until December 2000 when it expressed its concern over the U.S. economy's weakness. The Federal Fund Rate was increased by 175 basis points during the calendar years 1999 and 2000 in an effort to maintain economic growth while avoiding inflation. Starting from spring 2000, concerns with corporate earnings growth, especially in the information technology sector, emerged and in the summer 2001 corporate earnings and economic growth started to show obvious deterioration. After the terrorist attack in the United States on September 11, 2001, the possibility of a recession in the U.S. economy increased. Responding to the change in the economic environment, the Federal Fund Rate was decreased by 300 basis points between January and September 2001. All the major U.S. stock indices, including the Dow Jones Industrial Average and the Nasdaq Composite Index, maintained a downward trend during the period. The Dow Jones Industrial Average declined by 19% from 10,921.92 points at the end of March 2000 to 8,847.56 at the end of September 2001, and the Nasdaq Composite Index declined by 67% from 4,572.83 points at the end of March 2000 to 1,498.80 at the end of September 2001.

A share price correction in technology stocks began in the United States at beginning of the fiscal year ended March 31, 2001 and spread globally and overshadowed the development of international capital markets throughout the year ended March 31, 2001 and the first six month of the year ending March 31, 2002. Additionally, the terrorist attack in the United States increased concern over the future development of the global economy.

European economies were not an exception to these developments. After a sustained period of economic prosperity, the European economy started to slowdown in the summer 2000, in response to the downturn in the U.S. economy. Responding to the global economic change the European Central Bank reduced its minimum bid rate on its main refinancing operation by 100 basis points between May 2001 and September 2001.

Asian economies, which had resumed their growth after significant financial turmoil and currency depreciations in calendar years 1997 and 1998, were also adversely affected by the global economic slowdown. The so-called "new economy", embracing information technology and other high-tech related businesses, had grown rapidly throughout the region in 1999 and 2000, and was greatly affected by the slowdown of U.S. economy. Due to these developments, Asian stock exchanges were generally depressed during the year ended March 31, 2001 and in the first six month in the year ending March 31, 2002.

Results of Operations

Material Factors Affecting Our Revenues and Expenses

Below is an overview of our revenue and expense items and the material factors that affect these items.

- *Commissions.* This line item includes:
  - brokerage commissions on transactions in securities and other financial instruments,
  - commissions we receive for distribution and redemption of investment trust certificates, and
  - other commissions, including commissions relating to our services as paying agent for bonds and miscellaneous fees and commissions.

  Brokerage commissions constitute a substantial portion of our commission revenue. We receive these commissions from individual and corporate investors. Most of our brokerage commissions consist of stock brokerage commissions we earn in Japan. In October 1999, stock brokerage commissions in Japan were fully deregulated. Our stock brokerage commission revenue is subject to the effects of increased price competition, including competition from on-line securities brokers that have deeply discounted their commission rates. We also lowered our brokerage commission rates to some extent at the time of implementation of full-commission deregulation. These developments have had, and may continue to have, a negative impact on our commission revenue.

We also receive commissions from investors for distribution and redemption of investment trust certificates. We generally receive a commission when we sell investment trust certificates. For certain types of bond investment trusts, we receive commissions only at the time of redemption, and for some other types of investment trusts, there is no commission. Reflecting market standards, the commissions we receive for stock investment trusts are generally higher than those we receive for bond investment trusts. Accordingly, our commission revenue from distribution and redemption of investment trust certificates is affected generally by the volume of stock investment trust certificates we distribute and tends to be volatile as it is affected by conditions in the stock market.

- *Fees from investment banking.* This line item includes:
  - underwriting and distribution fees, commissions and discounts, which we earn as an underwriter or placement agent of securities,
  - mergers and acquisitions, or M&A, advisory fees and other financial advisory fees, and
  - other types of fees, such as structuring fees and fees on securitization related to these investments.

Underwriting and distribution commissions constitute the largest portion of our fees from investment banking. These commissions depend largely on the level of the capital or liquidity requirements of our customers and market conditions for these customers' securities, as well as overall monetary, financial, economic, currency exchange, regulatory and other conditions influencing global capital markets.

Our M&A and other financial advisory fees are generally affected by the strategic needs of our customers and market conditions that may make mergers, acquisitions and other types of transactions necessary or appropriate. We provide M&A advisory services primarily through Nomura Corporate Advisors.

We also earn structuring fees and fees on securitization in investment banking activities. These structuring fees fluctuate depending on the number and size of transactions in which we engage.

- *Asset management and portfolio service fees.* This line item includes:
  - asset management fees with respect to investment trust certificates,
  - investment advisory fees with respect to pension funds and other customer assets, and
  - custodial service fees.

We provide most of our investment management services through Nomura Asset Management. Nomura Asset Management originates and manages investment trusts, and earns management fees for the portfolio management of investment trusts. We, as a broker, also receive fees related to the administration of investment trusts that we have sold to investors. Our investment trust administration services include the distribution of periodic reports to the holders of investment trust certificates. We also receive investment advisory fees from institutional customers, primarily pension fund managers, to whom we provide investment advisory services. These fees tend not to be affected by short-term market volatility because they are based on the size of the portfolios which we manage or for which we provide investment advisory services.

Prior to March 31, 2000, we owned 5.0% of Nomura Asset Management's common stock. On March 31, 2000, we increased our ownership interest in Nomura Asset Management to 73.8%. We further increased our ownership percentage to 91.8% during the first half of the year ended

March 31, 2001. Our acquisition of additional equity interest in Nomura Asset Management is discussed in "Our Acquisition of Shares of Nomura Asset Management" below. Note 3 to our consolidated financial statements included in this registration statement summarizes the accounting treatment of this acquisition. Our consolidated statement of operations reflects Nomura Asset Management's results of operations starting in the year ended March 31, 2001. Nomura Asset Management contributed ¥54.8 billion of asset management fees to our consolidated results of operations for the year ended March 31, 2001.

We have generated significant revenues from asset management fees received for medium-term Japanese government bond investment trusts. Medium-term Japanese government bond investment trusts were popular among Japanese investors, primarily because they were able to provide to investors projected returns, which were higher than interest rates on Japanese bank deposits. These funds were meeting these projected returns through realizing unrealized gains or losses on their investments carried at cost in accordance with applicable rules and guidelines.

Our revenue from medium-term Japanese government bond investment trusts was ¥12.8 billion for the year ended March 31, 2000 and ¥33.6 billion for the year ended March 31, 2001. As of March 31, 2001, the total amount of these investment trusts under our management was ¥3.6 trillion. However, with the introduction in April 2001 of mark-to-market accounting in Japan for unlisted bonds held in these investment trusts, these investment trusts are no longer able to offer attractive returns to investors. Instead, fluctuations in the market prices of the bonds included in these investment trusts directly impact the returns that the investors receive from these investment trusts. In light of this change in accounting treatment, we ceased offering medium-term Japanese government bond investment trust certificates in April 2001 and redeemed all of our outstanding medium-term Japanese government bond investment trusts in September 2001.

We have been taking steps to soften the expected negative impact of the termination of medium-term Japanese government bond investment trusts on our results of operations by providing the investors with alternative financial products. These financial products include money management funds, as these funds are similar to medium-term Japanese government bond investment trusts in terms of investment time horizon and risk-return profile, and stock investment trusts. Also, we offer zero commission to those investors that switch from medium-term government bond investment trusts to stock investment trusts. However, to the extent these investors do not reinvest the redeemed funds in other investment trust products that we offer, we will lose asset management fees that we have derived from these medium-term Japanese government bond investment trusts.

We also receive fees from our customers for custodial services relating to their assets under our custody. These fees tend not to be affected by short-term market volatility as they are based on the size of the assets under custody or the number of accounts in which the assets are held.

- *Net gain on trading.* This line item includes:
  - gains and losses recognized in connection with our equity and fixed income trading activities, and
  - gains and losses recognized in connection with our foreign exchange and other miscellaneous transactions.

Net gain on trading revenue depends primarily on the volume of, and spreads earned for, trades driven by customers' orders, fluctuations in market prices of various products, the status of our hedged and unhedged positions and the cost of managing market exposures. These factors in turn are influenced by changes in the overall state of global capital markets. Trading driven by institutional customer orders, for both equity and debt securities, is influenced by the ability of a securities company to execute large orders in a timely and cost-effective manner.

Our trading revenues are also affected by mark-to-market valuations. We focus on transactions driven by customer orders, and conduct a globally integrated trading operation and manage our exposure on a global basis. Notwithstanding these measures, depending on the size and nature of the positions we take, there is always the risk that market fluctuations will result in large losses.

- *Net interest and dividends.* We derive interest and dividend revenues primarily from:
  - trading inventory positions,
  - lending money to customers for margin transactions, and
  - other lending and investing activities.

  These revenues are affected by overall market conditions and by our asset and liability positions. Net interest and dividends are affected in part by the particular mix of our funding sources at any given time, which determines the overall amount of interest expenses.

- *Profit (loss) on investments in equity securities.* This line item includes:
  - unrealized gains and losses on operating investments, and
  - gains and losses realized upon disposition of operating investments.

  Operating investments refer to our investments in unaffiliated companies which we hold on a long-term basis in order to promote existing and potential business relationships.

  In our consolidated financial statements included in this registration statement, operating investments are treated in accordance with U.S. GAAP for broker-dealers — they are recorded at market value, with unrealized gains and losses on these investments being recognized currently in income.

  Our operating investments share the following characteristics which are based on customary business practices in Japan:
  - We primarily acquire operating investments for business relationship purposes, and not for generating capital gains. We do so in order to promote existing and potential business relationships with Japanese financial institutions and corporations.
  - We generally hold these investments for a long term, commensurate with our longstanding business relationships with the investees. We generally do not dispose of these investments for the purpose of realizing short-term capital gains.
  - We do not, as a matter of business practice, generally dispose of these investments without consulting with the investees beforehand. We have a business incentive in not disposing of an operating investment without such prior consultation, because an investee may interpret the disposal as an indication that we were placing less value on our business relationship with the investee and might, as retaliation, reduce or terminate the business it brings to us, thereby causing substantial harm to our business.

  In pursuing our business strategy, we continuously review our business relationships with Japanese companies that are the investees of our operating investments.

- *PFG entities product sales.* This line item includes:
  - beer and spirits sales to tenanted pub operators and customers at managed pubs,
  - sales of consumer electronics from retail outlets, and
  - sales of beer wine and spirits from retail outlets.

- *PFG entities rental income.* This line item includes:
  - property rental income from tenanted pub operators,
  - rental income of consumer electronics, and

    - rental income from residential property companies.

- *Other.* This line item includes:
    - net foreign currency gains or losses,
    - equity in earnings of companies that are subject to the equity method of accounting,
    - miscellaneous non-operating revenue items, and
    - sales proceeds on disposal of pubs and residential properties in PFG entities.

- *Non-interest expenses.* Our non-interest expenses include:
    - compensation and benefits,
    - commissions and floor brokerage expenses,
    - information processing and communications expenses,
    - occupancy and related depreciation expenses,
    - business development expenses, including advertising expenses,
    - PFG entities cost of goods sold,
    - PFG entities expenses associated with rental income, and
    - miscellaneous expense items, including non-operating expenses.

  Compensation and benefits are affected by changes in our employment policy and headcount. Commission and floor brokerage expenses are affected by the level of our brokerage and related business activities. Information processing and communications expenses are affected generally by the level of our business activities. Occupancy and related depreciation expenses are affected by changes in our office and branch network. Business development expenses are affected primarily by the level of our advertising activities for the promotion of our retail activities in Japan.

  PFG entities cost of goods sold consists of the cost of consumer electronics sold to retail customers, and beer, wine and spirits sold to retail and wholesale customers. PFG entities expenses associated with rental income consist of depreciation and refurbishment costs incurred at the company's residential and pub rental properties, and depreciation and repair costs incurred at the consumer electronics rental operations.

Overview

The following table provides selected consolidated statement of operations information for the periods indicated. These data have been derived from our consolidated financial statements included in this registration statement.

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Revenue:			
Commissions	¥ 329,332	¥ 189,841	$ 1,512,195
Fees from investment banking	93,644	87,160	694,281
Asset management and portfolio service fees	63,799	144,882	1,154,070
Net gain on trading	253,328	307,989	2,453,314
Interest and dividends	419,742	518,941	4,133,670
Profit (loss) on investments in equity securities	90,839	(98,968)	(788,338)
PFG entities product sales	56,476	117,523	936,140
PFG entities rental income	144,005	103,339	823,156
Other	48,616	98,591	785,335
Total revenue	1,499,781	1,469,298	11,703,823
Interest expense	437,131	553,643	4,410,092
Net revenue	1,062,650	915,655	7,293,731
Non-interest expenses	690,430	759,483	6,049,729
Income before income taxes	372,220	156,172	1,244,002
Income tax expense	168,671	98,762	786,698
Net income	¥ 203,549	¥ 57,410	$ 457,304

Net revenue decreased by 13.8% from ¥1,062,650 million for the year ended March 31, 2000 to ¥915,655 million for the year ended March 31, 2001. Our equity trading activities benefited from a high level of trades in blocks and baskets of stocks executed with our customers during the year ended March 31, 2001. Our asset management businesses were also active during this period. However, we had ¥98,968 million of loss on investments in equity securities due to general declines in the market values of our operating investments, reflecting the stagnant Japanese stock market. Non-interest expenses for the year ended March 31, 2001 increased by 10.0% to ¥759,483 million from the year ended March 31, 2000.

Net Revenue

Commissions. The following table gives a breakdown of our commission revenues for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Brokerage commissions	¥241,962	¥133,541	$1,063,733
Commissions for distribution and redemption of investment trust certificates	78,239	37,677	300,119
Other	9,131	18,623	148,343
Total	¥329,332	¥189,841	$1,512,195

Our brokerage commission revenue decreased by 44.8% from ¥241,962 million for the year ended March 31, 2000 to ¥133,541 million for the year ended March 31, 2001. The trading value, including sales and purchases on a gross basis, on customers' account on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange decreased by 14.7% for the year ended March 31, 2001 compared with the year ended March 31, 2000, while our market share decreased from 14.7% to 11.8% in that period. The decrease in brokerage commissions was also a result of the reduction in our brokerage commission schedules in connection with the deregulation of stock brokerage commissions which began in October 1999.

Our revenues from commissions for distributions and redemption of investment trust certificates decreased by 51.8% from ¥78,239 million for the year ended March 31, 2000 to ¥37,677 million for the year ended March 31, 2001. The total volume of investment trust certificates distributed by us increased by 0.9% from ¥22.3 trillion for the year ended March 31, 2000 to ¥22.5 trillion for the year ended March 31, 2001. Although the aggregated value of bond investment trust certificates we distributed increased, the aggregated value of stock investment trust certificates distributed by us decreased under the stagnant Japanese stock market.

Other commission revenues increased from ¥9,131 million for the year ended March 31, 2000 to ¥18,623 million for the year ended March 31, 2001. This is primarily because we consolidated Nomura Babcock & Brown Co., Ltd., a company that provides advice on lease finance transactions. Nomura Babcock & Brown's leasing commission revenue was included in our other commission revenue for the year ended March 31, 2001. The consolidation of the financial results of Nomura Babcock & Brown added ¥5,807 million to our other commission revenue for the year ended March 31, 2001.

Fees from Investment Banking. The following table gives a breakdown of our fees from investment banking for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Underwriting and distribution fees, commissions and discounts	¥79,381	¥71,509	$569,611
M&A and other financial advisory fees	12,229	11,493	91,549
Other	2,034	4,158	33,121
Total	¥93,644	¥87,160	$694,281

Our underwriting and distribution fees, commissions and discounts decreased by 9.9% from ¥79,381 million for the year ended March 31, 2000 to ¥71,509 million for the year ended March 31, 2001. In the year ended March 31, 2001, the volume of initial public offerings in Japan increased and the volume of euroyen bonds issues also increased. However, the volume of public stock offerings by listed and over-the-counter registered companies decreased.

Our M&A and other financial advisory fees decreased by 6.0% from ¥12,229 million for the year ended March 31, 2000 to ¥11,493 million for the year ended March 31, 2001.

Other fees increased from ¥2,034 million for the year ended March 31, 2000 to ¥4,158 million for the year ended March 31, 2001 mainly due to increase in structuring fees.

Asset Management and Portfolio Service Fees. The following table gives a breakdown of our asset management and portfolio service fees for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Asset management fees	¥54,449	¥135,121	$1,076,318
Custodial service fees	9,350	9,761	77,752
Total	¥63,799	¥144,882	$1,154,070

Our asset management fees increased by 148.2% from ¥54,449 million for the year ended March 31, 2000 to ¥135,121 million for the year ended March 31, 2001. The increase in our asset management fees reflected the consolidation of Nomura Asset Management and the continued popularity of investment trusts. Our distribution of investment trust certificates, especially bond investment trust certificates, increased during the year ended March 31, 2001 compared with the year ended March 31, 2000. As a result, the aggregate market value of investment trust certificates held by us in safe custody for our customers increased from ¥13.1 trillion as of March 31, 2000 to ¥15.6 trillion as of March 31, 2001 of which ¥14.0 trillion was under management by Nomura Asset Management. The consolidation of the financial results of Nomura Asset Management added ¥54.8 billion to our asset management fees for the year ended March 31, 2001. As of March 31, 2001, the aggregate market value of investment trusts under management by Nomura Asset Management was ¥16.1 trillion. Also as of March 31, 2001, the aggregate market value of assets with respect to which Nomura Asset Management provided investment advisory services was ¥4.9 trillion.

Our revenue associated with custodial service fees increased from ¥9,350 million for the year ended March 31, 2000 to ¥9,761 million for the year ended March 31, 2001. These changes generally reflected changes in the size of the assets under our custody for customers and changes in the number of accounts.

Net Gain on Trading. The following table gives a breakdown of our net gain on trading for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Equity trading	¥153,990	¥259,800	$2,069,460
Fixed income trading	62,661	27,250	217,062
Other	36,677	20,939	166,792
Total	¥253,328	¥307,989	$2,453,314

Our net gain on equity trading increased by 68.7% from ¥153,990 million for the year ended March 31, 2000 to ¥259,800 million for the year ended March 31, 2001. In the year ended March 31, 2001, despite generally unfavorable market conditions, our equity trading was particularly high due in part to increased orders in basket trading by customers in connection with the reorganization of stocks included in the Nikkei Stock Average and an increase of large block orders relating to customers' restructuring of their balance sheets (including liquidation of cross-shareholdings held by Japanese corporations).

Our net gain on fixed income trading decreased by 56.5% from ¥62,661 million for the year ended March 31, 2000 to ¥27,250 million for the year ended March 31, 2001. In the year ended March 31, 2001, the Japanese bond market was generally stagnant, with a widening of the credit spread and increasing bond investor concerns about settlement risk relating to the introduction of real-time gross settlement for the settlement of funds and Japanese government securities at the Bank of Japan in January 2001. Following the introduction of this system, funds and Japanese government securities are transferred and settled at the Bank of Japan on a delivery-versus-payment basis for each transaction. Previously, the Bank of Japan used a designated-time net settlement system where each participant's net position, *i.e.*, the sum of the value of all the payments it had received at a particular point in time less the sum of the value of payments it had made, was calculated and settled. Thus, in designated-time net settlement, each payment is interrelated with other payments settled at the same settlement time through the netting process. Under the old system, settlements at the Bank of Japan occurred three times a day. Prior to the introduction of the real-time gross settlement system at the Bank of Japan, bond investors were generally concerned about increased chances of settlement failures due to the increase in the number of settlements that would need to be made each day. Since the new system was introduced, we believe that these concerns have abated as the settlement failures have not become more frequent as bond investors previously feared.

Our net gain on trading in other transactions decreased from ¥36,677 million for the year ended March 31, 2000 to ¥20,939 million for the year ended March 31, 2001.

Net Interest and Dividends. The following table shows our interest and dividend revenues and interest expenses for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Interest and dividend revenues	¥419,742	¥518,941	$4,133,670
Interest expenses	437,131	553,643	4,410,092
Net interest and dividend expenses	¥(17,389)	¥(34,702)	$ (276,422)

Our net interest and dividend expenses increased from ¥17,389 million for the year ended March 31, 2000 to ¥34,702 million for the year ended March 31, 2001, mainly due to an increase in our securities inventory in trading assets, especially equity securities which do not bear interest revenue, while funding expenses increased.

Profit (Loss) on Investments in Equity Securities. The following table gives a breakdown of our profit (loss) on investments for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Net unrealized gain (loss) on operating investments	¥66,901	¥(87,390)	$(696,113)
Net realized gain (loss) on disposition of operating investments	23,938	(11,578)	(92,225)
Total	¥90,839	¥(98,968)	$(788,338)

For the year ended March 31, 2000, we recorded profit on investments in equity securities in the amount of ¥90,839 million. For the year ended March 31, 2001, we recorded loss on investments in equity securities in the amount of ¥98,968 million. These amounts reflected the effect of unrealized gains or losses on operating investments for these periods. The aggregate market value of our operating investment portfolio fluctuates widely from period to period in response to market upturns and downturns because a substantial portion of our operating investments consists of securities of public companies in Japan. Net unrealized gain on operating investments in the amount of ¥66,901 million for the year ended March 31, 2000 reflects the recovery of the Japanese stock market during the year. Net unrealized loss on operating investments in the amount of ¥87,390 million for the year ended March 31, 2001 reflects the generally falling stock prices in the Japanese stock market during that period. We recorded net realized gain on disposition of operating investments, in the amounts of ¥23,938 million in the year ended March 31, 2000 and net realized loss of ¥11,578 million in the year ended March 31, 2001.

PFG entities product sales. Our PFG entities product sales increased from ¥56,476 million for the year ended March 31, 2000 to ¥117,523 million for the year ended March 31, 2001 mainly due to the acquisition in October 2000 of First Quench Retailing Limited by Thresher Wines Capital Limited.

PFG entities rental income. Our PFG entities rental income decreased from ¥144,005 million for the year ended March 31, 2000 to ¥103,339 million for the year ended March 31, 2001. The decrease was attributable in part to a decrease of ¥24,835 million, which arose in the consumer electronics rentals business primarily as the result of the disposal of the U.K. business of Carmelite Capital Limited, a PFG entity. Rental income from tenanted pub operators also fell year on year, by ¥3,758 million as a direct result of the disposal of leased public houses to third parties.

Other Revenues. Our other revenues increased from ¥48,616 million for the year ended March 31, 2000 to ¥98,591 million for the year ended March 31, 2001. The increase was attributable in part to the gain of ¥32,351 million on the sale of the U.K. business of Carmelite Capital Limited.

Non-Interest Expenses

The following table gives a breakdown of our non-interest expenses for the periods indicated:

	Year Ended March 31,		
	2000	2001	
	(yen amounts in millions; dollar amounts in thousands)		
Compensation and benefits	¥286,268	¥305,190	$2,431,018
Commissions and floor brokerage	21,342	26,393	210,236
Information processing and communications	54,961	70,998	565,541
Occupancy and related depreciation	71,191	65,319	520,304
Business development expenses	20,418	29,940	238,490
PFG entities cost of goods sold	37,408	84,004	669,141
PFG entities expenses associated with rental income	51,706	43,760	348,574
Other	147,136	133,879	1,066,425
Total	¥690,430	¥759,483	$6,049,729

Our non-interest expenses increased by 10.0% from ¥690,430 million for the year ended March 31, 2000 to ¥759,483 million for the year ended March 31, 2001. One of the reasons for the increase is the consolidation of Nomura Asset Management. The non-interest expenses of Nomura Asset Management included in our consolidated non-interest expenses for the year ended March 31, 2001 were ¥38,747 million. Non-interest expenses increased due to increases in PFG entities cost of goods sold, consistent with the increase in PFG entities product sales.

Our compensation and benefits expenses increased by 6.6% from ¥286,268 million for the year ended March 31, 2000 to ¥305,190 million for the year ended March 31, 2001. The main reason for the increase was the impact of the consolidation of Nomura Asset Management (¥11,454 million) and increase in PFG entities (¥4,371 million). Our commissions and floor brokerage also increased by 23.7% from ¥21,342 million for the year ended March 31, 2000 to ¥26,393 million for the year ended March 31, 2001, reflecting the consolidation of Nomura Asset Management. Our information processing and communications expenses increased by 29.2% from ¥54,961 million to ¥70,998 million, due mainly to an increase in investment in information technology-related equipment and assets to expand our on-line services. Business development expenses increased by 46.6% from ¥20,418 million to ¥29,940 million, due mainly to increase in advertising expenses in an effort to expand customers' assets held by us in safe custody in retail activities. PFG entities cost of goods sold increased by 124.6% from ¥37,408 million to ¥84,004 million, due mainly to the acquisition of First Quench Retailing Ltd by Thresher Wines Capital Limited in October 2000. PFG entities expenses associated with rental decreased by 15.4% from ¥51,706 million to ¥43,760 million, due mainly to the disposal of the U.K. business of Carmelite Capital Limited.

Income Tax Expense

Our income tax expense for the year ended March 31, 2000 was ¥168,671 million, representing an effective tax rate of 45.3%. Our income tax expense for the year ended March 31, 2001 was ¥98,762 million, representing an effective tax rate of 63.2%.

We are subject to a number of different taxes in Japan which, in the aggregate, represented normal statutory tax rates of approximately 42% for the year ended March 31, 2000 and for the year ended March 31, 2001. Our foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income is affected by a number of items, including various tax credits, certain expenses not allowable for income tax purposes and different tax rates applicable to foreign subsidiaries.

Our net deferred tax assets decreased from ¥102,018 million as of March 31, 2000 to ¥87,006 million as of March 31, 2001, due mainly to net income for the year ended March 31, 2001.

Results by Business Segment

The following table gives our business segment information with respect to the years ended March 31, 2000 and 2001. You should read the following segment information in conjunction with Item 4 of this registration statement and Note 17 to our consolidated financial statements included in this registration statement.

	Domestic Retail	Global Wholesale	Asset Management
		(in millions)	
Year ended March 31, 2000:			
Net revenues	¥380,585	¥401,459	¥ 2,586
Non-interest expenses	194,345	198,117	2,751
Income (loss) before income taxes	186,240	203,342	(165)
Year ended March 31, 2001:			
Net revenues	¥266,429	¥462,805	¥60,047
Non-interest expenses	215,638	210,062	39,537
Income before income taxes	50,791	252,743	20,510

As discussed in "Our Business Strategy" under Item 4.B of this registration statement, we operate securities businesses, which consist of Domestic Retail and Global Wholesale, and asset management businesses as our core businesses.

In Domestic Retail, we provide portfolio advisory-based services mainly to individual customers in Japan. These services include brokerage in stocks, bonds and other securities, and distribution of investment trust certificates. We also receive operational fees from asset management companies in connection with the administration services of investment trust certificates which we distribute. We focus on increasing customers' assets held by us for safe custody. By increasing these assets, we enhance our opportunity to provide services to our customers and generate revenue. In Domestic Retail, net revenue decreased by 30.0% from ¥380,585 million for the year ended March 31, 2000 to ¥266,429 million for the year ended March 31, 2001. Asset management and portfolio service fees increased during the year ended March 31, 2001 compared with the year ended March 31, 2000, mainly due to the consolidation of Nomura Asset Management. We actively promote bond investment trusts to attract cash inflows from postal savings and bank deposits. As a result, the amount of retail customers' investment trusts held by us for safe custody increased by 25.5% from ¥9,843 billion as of March 31, 2000 to ¥12,352 billion as of March 31, 2001. However, reflecting the stagnant stock market in Japan, stock brokerage commissions and distribution commissions for stock investment trust certificates decreased. Non-interest expenses in Domestic Retail increased by 11.0% from ¥194,345 million for the year ended March 31, 2000 to ¥215,638 million for the year ended March 31, 2001. This increase was mainly due to an increase in advertising expenses in an effort to expand customers' assets held by us in safe custody in Domestic Retail activities. As a result, income before income taxes in Domestic Retail decreased by 72.7% from ¥186,240 million for the year ended March 31, 2000 to ¥50,791 million for the year ended March 31, 2001.

In Global Wholesale, we provide sales and trading and investment banking services to global institutional customers. In our sales and trading activities we facilitate customer transactions and trade for our own account by market-making and trading fixed income and equity securities. We also provide a broad range of investment banking services, including underwriting and financial advisory services. Also, we conduct proprietary transactions, including arbitrage and principal finance transactions. Investments in the PFG entities are treated as private equity positions for business segment information purposes. In Global Wholesale, net revenue increased by 15.3% from ¥401,459 million for the year ended March 31, 2000 to ¥462,805 million for the year ended March 31, 2001. Although the Japanese stock market was stagnant in the year ended March 31, 2001, our equity trading activities were high, mainly due to increased orders in basket trading by customers in connection with the reorganization of stocks included in the Nikkei Stock Average and an increase of large block orders relating to customers' restructuring of their balance sheets including liquidation of cross-shareholdings held by Japanese corporations. In our investment banking activities, bond underwriting, and principal finance business were active in the year ended March 31, 2001 compared with the year ended March 31, 2000. Non-interest expenses in Global Wholesale increased by 6.0% from ¥198,117 million for the year ended March 31, 2000 to ¥210,062 million for the year ended March 31, 2001. This increase was mainly due to an increase in performance-linked compensation overseas. As a result, income before income taxes in Global Wholesale increased by 24.3% from ¥203,342 million for the year ended March 31, 2000 to ¥252,743 million for the year ended March 31, 2001.

In Asset Management businesses, principally through Nomura Asset Management, we develop and manage investment trusts, which Nomura and other financial institutions distribute, and earn management fees for the portfolio management of investment trusts. We also provide investment advisory services for pension funds and other institutional customers. In Asset Management businesses, net revenue increased largely from ¥2,586 million for the year ended March 31, 2000 to ¥60,047 million for the year ended March 31, 2001. Income before income taxes for the year ended March 31, 2001 was ¥20,510 million as compared to ¥165 million of loss before income taxes for the year ended March 31, 2000. We acquired a majority ownership interest in Nomura Asset Management on March 31, 2000, and consolidated the results of Nomura Asset Management in our consolidated statements of operations from the year ended March 31, 2001. The net asset value of investment trusts under management by Nomura Asset Management was ¥16,138 billion as of March 31, 2001 and the total market value of pension and other assets for which Nomura Asset Management provided investment advice as of the same date was ¥4,904 billion.

Summary of Regional Contributions

For a summary of our net revenue, income before income taxes and identifiable assets by geographic region, see Note 17 to our consolidated financial statements included in this registration statement.

Regulatory Capital Requirements

Many of our business activities are subject to statutory capital requirements, including those of Japan, the United Kingdom, the United States and certain other countries in which we operate.

In Japan, we are subject to the capital adequacy rule of the Financial Services Agency. This rule requires the maintenance of a capital adequacy ratio of not less than 120%. The calculation of a capital adequacy ratio is described in "Regulatory Capital Rules — *Japan*" under Item 4.B of this registration statement. As of March 31, 2001, we had a capital adequacy ratio of 317.2%, compared to 430.4%, as of March 31, 2000.

Some of our subsidiaries are subject to various regulatory requirements that may limit cash dividends and advances to the Japanese parent company and that may establish minimum capital requirements. These subsidiaries are in compliance with all applicable regulatory capital adequacy requirements.

Translation Exposure

A significant portion of our business is conducted in currencies other than yen — most significantly, U.S. dollars, British pounds and Euros. In foreign countries where we operate, our business is conducted in the currencies of those countries. We prepare financial statements of our foreign operations in their functional currencies prior to consolidation into our financial statements. Translation exposure is the risk arising from the effect of fluctuations in exchange rates on the net assets of our foreign subsidiaries. Translation exposure is not recognized in our statements of operations unless and until we dispose of, or liquidate, the relevant foreign subsidiary, which historically has not occurred, and which we do not expect to occur, frequently.

Accounting Developments

In June 2000, the Financial Accounting Standards Board issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". SFAS No. 138 is effective concurrently with SFAS No. 137 that deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. These statements require that an entity recognize all derivatives as either assets or liabilities in the balance sheets and measure those instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on its intended use and the resulting designation. Nomura adopted these statements on April 1, 2001, but the effect of such adoption was not significant.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 supersedes APB Opinion No. 16, "Business Combinations". The most significant changes made by SFAS No. 141 are (1) requiring that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (2) establishing specific criteria for the recognition of intangible assets separately from goodwill, and (3) requiring unallocated negative goodwill to be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS No. 142 supersedes APB Opinion No. 17, "Intangible Assets". SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and the provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001. The most significant changes made by SFAS No. 142 are: (1) goodwill and indefinite life intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years. The application of SFAS No. 142 will require Nomura to write off unamortized negative goodwill that is associated with prior business combinations of ¥103,792 million at March 31, 2002 and recognize as an effect of a change in accounting principles. Nomura is currently assessing the impact of the adoption of both SFAS No. 141 and No. 142 on goodwill.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement requires accounting for obligations associated with the retirement of tangible long-lived assets and the associated assets retirement costs. Nomura is required to adopt this statement on April 1, 2003 and it is currently assessing its effect.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB Opinion No. 51, "Consolidated Financial Statements", to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. Nomura is currently assessing the effect of adoption of SFAS No. 144.

Recent Developments

We prepare and publish unaudited interim financial information. We recently published unaudited interim financial information for the six months ended September 30, 2001. This information, which has been prepared in accordance with Japanese GAAP, is included in this registration statement beginning on page A-5. We did not prepare interim financial information in accordance with U.S. GAAP. We believe that, if such information had been prepared, it would show a net loss for the six months ended September 30, 2001 on a U.S. GAAP basis. Accordingly, the amounts we have publicly reported and discuss below for the six months ended September 30, 2001 do not reflect the same accounting principles as those that appear elsewhere in this registration statement.

Because of the differences in amounts and presentation, you should not read our unaudited interim financial information for the six months ended September 30, 2001 presented in this registration statement in conjunction with, or compare it to, our results for the years ended March 31, 2001 and 2000 appearing elsewhere in this registration statement. However, because we have published these interim results in Japan, we are including them in this registration statement to give you the most recent financial information we have published.

To facilitate your understanding of our interim financial information presented in this registration statement, we have provided the reconciliation of U.S. GAAP net income and shareholders' equity as of and for the year ended March 31, 2001 to Japanese GAAP beginning on page A-2.

The following table shows selected consolidated financial information for the periods indicated. These data have been derived from our unaudited interim financial information prepared in accordance with Japanese GAAP which is included in this registration statement beginning on page A-5.

	Year Ended March 31, 2001	Six Months Ended September 30, 2000	Six Months Ended September 30, 2001
		(in million)	
Operating revenue:			
Commissions	¥ 426,230	¥239,114	¥165,984
Net gain on trading	345,189	193,406	84,044
Net gain on other inventories	10	3	6
Interest and dividend income	527,968	227,383	300,386
	1,299,399	659,908	550,422
Interest expense	512,697	212,582	271,170
Net operating revenue	786,702	447,326	279,251
Selling, general and administrative expenses	512,318	246,770	242,032
Operating income	274,383	200,554	37,218
Income before income taxes	322,699	212,902	18,833
Net income	181,666	117,952	11,332

For the six months ended September 30, 2001, our net operating revenue declined 37.6% compared to the six months ended September 30, 2000 to ¥279,251 million, and selling, general and administrative expenses declined by 1.9% to ¥242,032 million. As a result, operating income declined by 81.4% to ¥37,218 million, and net income fell 90.4% to ¥11,332 million.

Commission Revenues

Brokerage Commissions. Brokerage commissions for the six months ended September 30, 2001 declined by 38.3% compared to the six months ended September 30, 2000 to ¥49,928 million, as a result of stagnation in the Japanese equity market since mid-May 2001. In particular, the impact of the terrorist attack in the United States on September 11, 2001 led to further market deterioration with the Nikkei Stock Average dipping below the ¥10,000 mark and the Tokyo Stock Price Index falling below the 1,000 level.

Underwriting Commissions. Despite the increase in *Samurai* bond transactions, underwriting commissions for the six months ended September 30, 2001 declined by 29.7% compared to the six months ended September 30, 2000 to ¥29,364 million due to a decrease in initial public stock offerings and public stock offering deals which is in turn due to a sluggish Japanese equity market.

Distribution Commissions. Total distribution commissions for the six months ended September 30, 2001 decreased by 52.3% compared to the six months ended September 30, 2000 to ¥12,617 million because of a decrease in the distribution volume of stock investment trusts and because of the introduction of fee waivers for clients who roll-over their interest in the medium-term Japanese government bond investment trusts to certain stock investment trusts.

Other Commissions. As a result of the redemption of the medium-term Japanese government bond investment trusts in September 2001, the outstanding balance of investment trusts under our custody as of September 30, 2001 was ¥14.6 trillion, a decrease of ¥1.1 trillion from the amount as of September 30, 2000, leading to a reduction in asset management fees. Consequently, total other commissions for the six months ended September 30, 2001 amounted to ¥74,073 million, a decline of 17.7% compared to the six months ended September 30, 2000.

Net Interest and Dividend Income

Interest and dividend income for the six months ended September 30, 2001 amounted to ¥300,386 million. Interest expenses for the six months ended September 30, 2001 were ¥271,170 million, resulting in net interest and dividend income of ¥29,216 million.

Net Gain on Trading

We have been emphasizing customer-driven businesses and integrating our wholesale activities on a global basis. Our net gain on fixed income and other trading for the six months ended September 30, 2001 increased by 78.6% compared to the six months ended September 30, 2000 to ¥33,561 million due mainly to increased trading volume, especially in medium term notes and foreign currency bonds. However, the net gain on equity trading for the six months ended September 30, 2001 fell 71.1% compared to the six months ended September 30, 2000 to ¥50,483 million, due to a bearish Japanese stock market and the decline in volatility of overseas equity markets. As a results, the total net gain on trading for the six months ended September 30, 2001 declined by 56.5% compared to the six months ended September 30, 2000 to ¥84,044 million.

Selling, General and Administrative Expenses

During the six months ended September 30, 2001, we carefully controlled variable expenses, which led to a decrease in compensation and benefits. As a result, selling, general and administrative expenses for the six months ended September 30, 2001 decreased by 1.9% compared to the six months ended September 30, 2000 to ¥242,032 million.

Special Profits/Losses

Total special profits for the six months ended September 30, 2001 amounted to ¥23,574 million, mainly consisting of a ¥16,788 million reversal of the reserve for the multi-employer pension plan and a ¥6,518 million gain on sales of investment securities. Special losses for the six months ended September 30, 2001 totaled ¥57,655 million, comprising ¥52,256 million in loss on devaluation of investment in affiliates and ¥2,637 million in loss on sales of investment securities.

Investment Securities

Net unrealized gain on investments, a component of shareholders' equity, decreased by approximately ¥50 billion as of September 30, 2001 compared to March 31, 2001. Under U.S. GAAP, this decline in value would have resulted in a ¥50 billion charge in the income statement for the six months ended September 30, 2001.

Our Acquisition of Shares of Nomura Asset Management

Background

The Antimonopoly Law of Japan generally restricts the ability of securities companies to own shares of another Japanese company to 5% of that company's outstanding equity capital unless the Fair Trade Commission of Japan approves ownership above 5% or one of the statutorily provided exceptions applies. As a result, our ownership of Nomura Asset Management was limited to 5% of its issued common stock until December 1997, when, as discussed below, there was a change in the Fair Trade Commission's policy on the granting of its approval for ownership above 5%. Most of the other shareholders of Nomura Asset Management were financial institutions and other companies not affiliated with us, although some of them were our non-consolidated affiliates. As of February 2000, prior to our first round of share purchases described below, there were 97 shareholders of Nomura Asset Management other than Nomura.

In December 1997, the Fair Trade Commission revised its guidelines on the Antimonopoly Law. Under the revised guidelines, the Commission stated that it would allow a securities company to own 100% of an asset management company. Also, previously in 1996, the Ministry of Finance had removed its administrative guidance that had required the same corporate group to limit its ownership of an asset management company to 30% of the company's outstanding equity capital. In light of these developments, and in line with our strategy to improve coordination between the activities of Nomura Asset Management with our activities within our securities businesses, in early 2000 we decided to start the process to turn Nomura Asset Management into Nomura's wholly-owned subsidiary.

Structure and Terms of Share Purchases

We have implemented this process in separate stages. First, we aimed to turn Nomura Asset Management into a consolidated subsidiary of Nomura by seeking to acquire a sufficient number of shares for that purpose, and subsequently we sought to increase our ownership interest in Nomura Asset Management further, reaching as close to 100% ownership as possible.

We conducted three rounds of share purchases. In each round, we effected identical parallel transactions by approaching shareholders of Nomura Asset Management separately, but making them an offer to purchase their shares at the same price for each round and, if they accepted the offer, entering into separate share purchase contracts with them. There were no bidding procedures involved. As Nomura Asset Management is a non-public Japanese company, the tender offer rules under Japan's securities laws did not apply to these share purchases. Also, in each round, there was no individual negotiation. Each shareholder to which we made our offer had discretion either to sell us all or some of its Nomura Asset Management shares, or to reject our offer, for whatever reasons it may have had. In fact, in each round, each shareholder that accepted our offer sold us all its shares in that round, although we did not impose any condition to that effect.

There were no stated or unstated rights granted by us to any of the parties in these share purchase transactions, nor were there any obligations incurred by us, other than what was recognized in the business combination transaction between Nomura and Nomura Asset Management.

Valuation of Nomura Asset Management Shares

In each round, we determined the purchase price based on a valuation method known as the "similar business sector method". This valuation method is based on the comparable value of listed stocks in the same industry. This valuation method is stipulated by the Japanese Inheritance Tax Valuation Circular and applies to the inheritance tax treatment of valuation of stocks of non-listed Japanese companies. It also applies to the corporate tax treatment of such valuation and is commonly used in corporate transactions in Japan involving shares of non-listed Japanese companies. Under this valuation method, the value of a subject unlisted Japanese company is evaluated by comparing the per share values of dividend, profits and net asset of that company with the corresponding average per share values of listed companies engaged in the same or similar business. On a regular basis, the Japanese tax authorities compute and publish the average price, dividend, profits and net asset in each sector, which information is used for the purpose of calculations under this valuation method. The Japanese tax authorities determine the industry classifications as well as the companies included in each industry classification. The Japanese tax authorities do not disclose company-specific information regarding companies included in each industry classification. As this valuation method is widely accepted and commonly used to determine the purchase price in transactions in shares of a non-listed Japanese company, both sellers and purchasers in Japan involved in such transactions typically accept that price.

Our purchase price under this method was substantially below the fair value of the net assets acquired, resulting in negative goodwill, as described below, which we are amortizing into income over 10 years. Note 3 to our consolidated financial statements on pages F-16 and F-17 of this registration statement describes the assets that were acquired and the liabilities that were assumed.

Factors Working against Any Proposal to Liquidate Nomura Asset Management

While, as mentioned above, each shareholder that accepted our offer to purchase its Nomura Asset Management shares decided to do so for its own reasons, we believe that the parties that sold us their shares generally operated under Japanese legal and business custom-related constraints that made it more likely than not that they would opt for considering our offer rather than pursuing a liquidation or other strategy to realize the fair value of their shareholdings in Nomura Asset Management. Taken together, the inconsistency of a liquidation proposal with Japan's business culture, the practical procedural difficulty of liquidation and the long time period required to carry out liquidation made it unlikely that the non-Nomura shareholders would seek Nomura Asset Management's liquidation in response to our offer to purchase their Nomura Asset Management shares at the price we indicated. First, a shareholder's engaging in the substantial effort with many other shareholders to propose liquidation in response to an offer to purchase their shares, such as the one we made for Nomura Asset Management shares, is considered a very aggressive and hostile business tactic in Japan. Second, under the Commercial Code of Japan, a liquidation of Nomura Asset Management initiated by shareholders requires shareholders owning at least 3% of the outstanding voting shares to request the convening of a shareholders' meeting, and a resolution approving liquidation must be adopted by the affirmative vote of two-thirds or more of the voting shares voted at a shareholders' meeting attended by holders holding at least a majority of the company's issued voting shares. In a company with many shareholders, this procedure is generally difficult to implement. Also, under the Commercial Code, shareholders owning 10% or more of the outstanding voting shares may demand a Japanese court to dissolve the company under very limited circumstances, such as where the company is suffering or is threatened with irreparable injury due to a deadlock in the management of the company's affairs. This procedure would have been even more difficult to carry out in Nomura Asset Management's case. Third, the liquidation proposal and approval procedure generally takes a substantial amount of time. In Nomura Asset Management's case, this would not have been an attractive option to many of the non-Nomura shareholders.

Share Purchase Transactions

In the first round, which we undertook in February 2000 with the immediate aim of acquiring a sufficient number of shares to turn Nomura Asset Management into a consolidated subsidiary of Nomura, we decided to make our offer to purchase shares for cash from those shareholders that each owned 1% or more of the issued Nomura Asset Management shares, plus two more shareholders that each owned less than 1% but which we thought would accept our offer. We made this offer to 27 of the then 97 shareholders of Nomura Asset Management, other than Nomura. The price we offered in the first round was ¥9,000 per share. Twenty-two of the 27 offerees accepted our offer, and our purchase of their Nomura Asset Management shares occurred on March 31, 2000. As a result, we increased our ownership interest in Nomura Asset Management from 5.0% to 73.8%, and Nomura Asset Management became a consolidated subsidiary of Nomura starting in the year ended March 31, 2001.

In July 2000, as part of our effort to acquire the minority shares of Nomura Asset Management, we decided to make another round of share purchases and contacted each of the then 75 minority shareholders with an offer to purchase their Nomura Asset Management shares for cash at ¥13,000 per share. Twenty-nine of those 75 shareholders accepted our offer, and our purchase of their Nomura Asset Management shares occurred by the end of December 2000. As a result, we increased our ownership interest in Nomura Asset Management from 73.8% to 91.8%.

In August 2001, we again separately contacted each of the then 46 minority shareholders with an offer to buy their Nomura Asset Management shares for cash at ¥23,000 per share. Forty-one of those 46 shareholders accepted our offer, and our purchase of their Nomura Asset Management shares occurred by the end of September 2001. As a result, we increased our ownership interest in Nomura Asset Management from 91.8% to 95.6%.

Compulsory Share Exchange

As there were still minority shares remaining following the third round of share purchases, we decided in October 2001 to conduct a compulsory share exchange with respect to these minority shares of Nomura Asset Management. This is a process under Japan's Commercial Code by which these minority shares will be compulsorily exchanged for Nomura's new shares at the exchange ratio approved at Nomura Asset Management's shareholders' meeting and by our Board of Directors. Under the Commercial Code, because the number of Nomura's shares to be issued in exchange for the Nomura Asset Management shares do not exceed 5% of the outstanding shares of Nomura, the approval of our shareholders is not required. The compulsory share exchange, which has been approved at Nomura Asset Management's shareholders' meeting on November 26, 2001 and also by our Board of Directors, will become effective on December 28, 2001 and will result in Nomura's owning all of Nomura Asset Management's shares.

Accounting Treatment of the Share Purchase Transactions and Share Exchange

Note 3 to our consolidated financial statements included in this registration statement summarizes the accounting treatment of Nomura's acquisitions of Nomura Asset Management shares in the first two rounds of share purchases. As discussed in that note, we recorded negative goodwill in the amounts of ¥105,767 million with respect to the first round and ¥23,974 million with respect to the second round. The negative goodwill we recorded in connection with the first two rounds of share purchases is being amortized into income over 10 years on a straight-line basis from the year ended March 31, 2001.

The accounting treatment of Nomura's acquisitions of Nomura Asset Management shares in the third round of share purchases and in connection with the compulsory share exchange is the same as that of the acquisitions of such shares in the first two rounds as summarized in Note 3 to our consolidated financial statements included in this registration statement. We recorded ¥3,322 million of negative goodwill with respect to the third round. The negative goodwill we recorded in connection with the third round of share purchases and will record in connection with the share exchange will be amortized into income over 10 years on a straight-line basis from the year ending March 31, 2002.

Recent Decline in the Fair Value of Our Investment in JAFCO

As of the date of this registration statement, our affiliates that are accounted for under the equity method in our U.S. GAAP consolidated financial statements include two listed companies for which a quoted market price is available. As of September 30, 2001, JAFCO comprised over 98% of the aggregate carrying amount of our investments in the two listed companies. JAFCO manages various venture capital funds and provides private equity-related investment services to portfolio companies. JAFCO's business of investing in and enhancing the equity value of non-listed companies has close relation to our securities businesses. As one of JAFCO's founding shareholders, we have kept our shareholding in JAFCO for business relationship purposes. As of September 30, 2001, we held 21.1% of JAFCO's outstanding common stock.

The aggregate carrying amount of the JAFCO shares we held in our U.S. GAAP consolidated balance sheet as of March 31, 2001 was ¥166,346 million, while the aggregate market value of these shares was ¥131,567 million.

Recently, there has been volatility in the share price of JAFCO. During the second half of the year ended March 31, 2001, the share price ranged from ¥8,750 per share to ¥16,300 per share, and on that day, the closing share price was ¥12,900. In early May 2001, the price increased to ¥15,910. However, since May 2001, the share price of JAFCO has been following a generally declining trend. On September 30, 2001, the latest closing share price was ¥6,550 per share. As of September 30, 2001, the fair value of our investment in JAFCO was approximately ¥90 billion less than the carrying value. On a Japanese GAAP basis, net income of JAFCO for the six months ended September 30, 2001 amounted to ¥1.2 billion, compared to ¥10.3 billion for the six months ended September 30, 2000, reflecting the recent overall decline in market conditions in Japan which led to a decrease in revenues relating to JAFCO-backed initial public offerings.

Under Japanese GAAP, we recorded a ¥52 billion impairment charge on our investment in JAFCO for the six months ended September 30, 2001. Under U.S. GAAP, based on the guidance in APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock", we would determine if the loss in the value of the investment was other than temporary. Using this guidance, we would have recorded a charge of ¥90 billion for the six months ended September 30, 2001. This represents the difference between the carrying value and the quoted market price of common shares in JAFCO as of September 28, 2001 at ¥6,550 per share. This charge exceeds the amount recorded under Japanese GAAP by ¥38 billion.

B. Liquidity and Capital Resources.

Liquidity and capital resources within the PFG entities are managed independently, except for funding provided from Nomura and its other subsidiaries, consistent with our view of these investments as private equity operation as described in "Our Securities Businesses — *Global Wholesale*" under Item 4.B of this registration statement. Accordingly the discussion in this item is presented separately with respect to the PFG entities and Nomura and its other subsidiaries, unless otherwise noted.

Liquidity and Capital Resources (Other Than the PFG Entities)

Many of our business activities are capital-intensive. Capital is required to finance, among other things, our securities inventory, securities borrowings, underwriting activities and investments in fixed assets. We seek to maintain sufficient capital and funding sources in order to meet these requirements. In addition, we are subject to net capital requirements in Japan, the United Kingdom, the United States and certain other countries in which we operate. We believe that we currently have access to sufficient capital to meet our needs and requirements. In the future, we may expand or contract our capital base to address the changing needs of our business activities.

A substantial portion of our assets is highly liquid, consisting of cash and time deposits, marketable securities, and short-term receivables arising principally from securities transactions.

In addition to maintaining a highly liquid balance sheet and a significant amount of long-term liabilities to assure liquidity during adverse conditions, we maintain readily accessible cash sources in excess of our aggregate amount of outstanding short-term unsecured funding. These cash sources are intended to ensure that we can replace unsecured short-term obligations that are scheduled to mature, or which are redeemed prior to scheduled maturity. Readily accessible cash sources are as follows:

- cash and deposits;
- cash equivalents, and an inventory of highly liquid unencumbered assets, such as Japanese government bonds, U.S. Treasury securities and Bank of Japan discount bills; and
- committed credit facilities with various European, American and Asian banks.

As of March 31, 2001, we had available to us ¥864.5 billion of cash and cash equivalents, ¥578.1 billion of highly liquid unencumbered assets, and ¥905.2 billion of committed bank lines totaling ¥2,347.8 billion. This total well exceeded our total unsecured short-term borrowings of ¥1,555.5 billion as of March 31, 2001 including ¥403.5 billion in principal amount of commercial paper. We believe we maintain an adequate amount of cash, in excess of cash needed for our trading, underwriting and other business activities and for the payment of our general and administrative expenses, to meet liquidity contingencies. In addition, we maintain good business relationships with several Japanese banks, which we believe enable us, as is customary in Japan, to obtain short-term borrowings even in the absence of commitment lines.

We maintain an active program to enhance our liquidity focusing on the following three specific sources of liquidity:

- First, we have expanded our financing capability by utilizing committed financing facilities to ensure a more resilient form of financing during stress periods. We have various committed financing facilities with a number of international financial institutions, with which we can access liquidity as needed. We can also use trading assets in repurchase agreements and securities lending transactions to obtain additional liquidity.

- Second, over the past few years we have increased our issuance of long-term debt in order to lengthen the overall maturity profile of our liabilities. The issuance of long-term debt has reduced our reliance on short-term funding sources and enabled us to match funding of fixed assets and long-term trading assets. Even though we prepaid ¥260 billion of subordinated debt in the year ended March 31, 2001, as of March 31, 2001, our ratio of long-term debt to total unsecured debt was 46.6%. We use swaps and other financial derivative contracts to hedge our foreign currency and interest rate risks associated with the issuance of long-term debt.

- Third, we continue to diversify our short-term funding sources through the establishment of global short-term credit facilities which attract a wide array of investors and lenders. We use commercial paper, committed and uncommitted bank facilities, medium-term note programs, securities lending and repurchase agreements to provide a diverse mix of financing tools. We maintain close relationships with a variety of major international banks, financial institutions and corporations as ready sources for short-term funding.

We monitor and review our contingency financing plans on both a regional and global basis. We have substantial financial resources and an effective contingency plan to ensure sufficient liquidity to any of our entities whenever required.

Liquidity and Capital Resources (the PFG Entities)

In connection with PFG's acquisitions in the year ended March 31, 2001, we provided ¥126.9 billion of financing and third party lenders provided ¥89.9 billion. As of March 31, 2001, fixed assets and goodwill comprised 72% of PFG total assets. Total assets increased ¥546.1 billion in the year ended March 31, 2001 primarily because of businesses in which PFG entities acquired a controlling financial interest during the year. PFG's operations are financed by operating cash flows and by temporary borrowings under its bank credit lines. As of March 31, 2001, PFG entities had available ¥84.0 billion of cash, ¥26.5 billion of short-term investments and ¥77.6 billion of bank credit lines totaling ¥188.1 billion. This total compares to short-term borrowings of ¥30.5 billion. As of March 31, 2001, PFG's total borrowings were ¥869.2 billion. All borrowings are on a non-recourse basis and a significant portion of PFG's assets and related cash flows are pledged as collateral.

Cash Flows

Cash Flows (Other Than the PFG Entities)

Our cash flows are principally associated with operating and financing activities. At any given moment, we maintain long or short positions in different types of securities and other products. The composition of our long or short positions changes constantly. Decisions as to from which sources — operating or financing activities — the cash needed to finance long positions should be provided, and to which purposes — operating or financing activities — any net cash generated by short positions should be applied, are also made from time to time, based on the assessment of interest rate, stock price and foreign currency movements and various other factors.

On the basis of these decisions, cash used to increase securities inventory is generally provided by increases in securities sold under agreements to repurchase, securities loans, deposits received and other payables, bank and other loans, or by issuance of bonds and notes. Cash provided by increases in securities sold but not yet purchased is generally used to increase securities purchased under agreements to resell and securities borrowed. If there is net cash inflow from these activities, the excess cash is generally used to increase time deposits, and if there is net cash outflow, the cash shortfall is generally covered by cash generated from financing activities.

Our investing activities consist mainly of payments for purchases of securities for investment purposes and non-trading debt securities purchased for purposes of asset and liability management. Cash shortfall resulting from these investing activities is generally covered by cash generated from financing activities. If there is net cash inflow from these activities, the excess cash is generally used to increase time deposits or decrease bank and other loans.

Cash Flows (the PFG Entities)

Cash flows from operating activities of the PFG entities consist of cash received for products sold and rentals less cash paid to run internal operations and pay external suppliers. Cash flows from investing activities consist of cash received and paid upon the sale and acquisition of businesses and fixed assets. Cash flows from financing activities consist of proceeds and repayments of debt financing.

Cash Flows in the Year Ended March 31, 2001

Cash as of March 31, 2001, amounted to ¥503.7 billion, representing a decrease of ¥19.3 billion during the year ended March 31, 2001. Net cash provided by operating activities for this period amounted to ¥366.2 billion primarily due to a decrease in trading assets and an increase in payables under repurchase agreements and securities loaned transactions. During the same period, there was net cash outflow of ¥271.4 billion for investing activities, mainly due to acquisitions of companies in our PFG operation and increase in non-trading debt securities. There was also net cash outflow of ¥101.4 billion for financial activities, primarily due to decrease in bank and other loans.

For information on the level of borrowings and maturity profile of borrowings, see Note 8 to our consolidated financial statements included in this registration statement.

C. Research and Development, Patents and Licenses, etc.

Not applicable.

D. Trend Information.

The information required by this item is set forth in Item 5.A of this registration statement.

Item 6. Directors and Senior Management and Employees.

A. Directors and Senior Management.

Directors, Executive Officers and Statutory Auditors

The following table provides information about Nomura's Directors, Executive Officers and Statutory Auditors as of the date of this registration statement. As of that date, none of them beneficially owned 1% or more of our issued and outstanding shares.

Name	Position	Date of Birth	Month in Which Current Term Expires
Junichi Ujiie	President and Chief Executive Officer and Representative Director	October 12, 1945	June 2002
Toshiaki Ito	Executive Vice President and Representative Director	August 31, 1948	June 2002
Nobuyuki Koga	Executive Vice President, Chief Operating Officer and Representative Director	August 22, 1950	June 2003
Akira Kiyokawa	Director	February 17, 1942	June 2003
Toshio Ando	Director	September 5, 1949	June 2003
Hiroshi Toda	Director	September 12, 1951	June 2003
Kazutoshi Inano	Director	September 4, 1953	June 2003
Kenichi Watanabe	Director	October 28, 1952	June 2002
Masanori Itatani	Director	October 13, 1953	June 2002
Hitoshi Tada	Director	June 29, 1955	June 2003
Masaharu Shibata	Director	February 21, 1937	June 2003
Hideaki Kubori	Director	August 29, 1944	June 2003
Hironobu Goto	Statutory Auditor	July 23, 1946	June 2003
Munetsugu Wakamatsu	Statutory Auditor	May 13, 1950	June 2003
Fumihide Nomura	Statutory Auditor	April 13, 1934	June 2003
Haruo Tsuji	Statutory Auditor	December 6, 1932	June 2004

Junichi Ujiie has served as President and Chief Executive Officer of Nomura since 1997. He became a Director in 1990 and Managing Director in 1995. He joined Nomura in 1975 and has served as the President of Nomura Bank (Switzerland) Ltd., General Manager of International Planning Department and Corporate Planning Department and the President of Nomura Securities International. He is also the President and Chief Executive Officer, and a member of the board of directors of New Nomura Securities.

Toshiaki Ito has served as the Executive Vice President of Nomura since 2000. He became a Director in 1990, the Managing Director in 1995 and Executive Managing Director in 1997. He joined Nomura in 1971 and has served as a branch manager at three separate branches and General Manager of the Secretariat. He is also a member of the board of directors of New Nomura Securities.

Nobuyuki Koga has served as the Executive Vice President of Nomura since 2000 and also as Chief Operating Officer of Nomura since October 1, 2001. He became a Director in 1995 and Managing Director in 1999. He joined Nomura in 1974 and has served as the General Manager of Corporate Planning Department, Corporate Finance & Services Department I, Personnel Department and Employee Relations Department. He is also a member of the board of directors of New Nomura Securities.

Akira Kiyokawa has served as a Director of Nomura since October 1, 2001. He joined Nomura in 1964 and served as a member of the board of directors from 1985 to 1993. He became a Director in 1985, the Managing Director in 1988, and the Executive Managing Director in 1993. He served as the President of Nomura Trust & Banking from 1993 to 1999. He has served as the President and director of Nomura Asset Management since 1999.

Toshio Ando has served as a member of the Board of Directors of Nomura since 1995. He became a Director in 1995 and Managing Director in 1999 and the Executive Managing Director in 2000. He joined Nomura in 1974 and has served as a branch manager at two separate branches and General Manager of Corporate Communications Department. He is also a member of the board of directors of New Nomura Securities.

Hiroshi Toda has served as a member of the Board of Directors of Nomura since 1997. He became a Director in 1997. He joined Nomura in 1975 and has served as the President of Nomura Bank (Switzerland) and General Manager of Fixed Income Department and Debt Market Department. He is also a member of the board of directors of New Nomura Securities.

Kazutoshi Inano has served as a member of the Board of Directors of Nomura since 1997. He became a Director in 1997 and the Executive Managing Director in 2000. He joined Nomura in 1976 and has served as a branch manager of Toyama Branch, General Manager of Retail Strategy Department, Personnel Department and Employee Relations Department. He is also a member of the board of directors of New Nomura Securities.

Kenichi Watanabe has served as a member of the Board of Directors of Nomura since 1998. He became a Director in 1998 and the Managing Director in 2000. He joined Nomura in 1975 and has served as the General Manager of International Planning & Administrations Department, Controller's Department II, and Controller's Department. He is also a member of the board of directors of New Nomura Securities.

Masanori Itatani has served as a Director of Nomura since 1998 and currently is in charge of General Affairs Department. He joined Nomura in 1976 and served as the General Manager of Corporate Planning Department from 1994 to 1998. He is also a member of the board of directors of New Nomura Securities.

Hitoshi Tada has served as a Director of Nomura since 1999 and currently is in charge of Ethics & Discipline Department. He joined Nomura in 1978 and has served as a branch manager at two separate branches and General Manager of Ethics & Discipline Department and Business Conduct Advisory Department. He is also a member of the board of directors of New Nomura Securities.

Masaharu Shibata has served as a Director of Nomura since October 1, 2001. He joined NGK Insulators, Ltd. in 1959 and has been a member of the board of directors of NGK Insulators since 1983, and has been its President and Chief Executive Officer since 1994.

Toshiaki Kubori has served as a Director of Nomura since October 1, 2001. He is a registered attorney at law and has been the Chairman of Hibiya Park Law Office since 1998. He has served as the President of Daini Tokyo Bar Association since April 1, 2001.

Hironobu Goto has served as a Statutory Auditor of Nomura since 2000. He joined Nomura in 1970 and served as the General Manager of Personnel Department. He served as the Director from 1989 to 1994, the Managing Director from 1994 to 1996, the Advisor in 1997, the Executive Managing Director from 1997 to 2000 and the Executive Vice President in 2000. He served as the President of Nichiei Securities Co., Ltd. from 1996 to 1997.

Munetsugu Wakamatsu has served as a Statutory Auditor of Nomura since 2000. He joined Nomura in 1975 and served as the General Manager of Employee Relations Department and Legal Department. He served as the Director from 1997 to 2000.

Fumihide Nomura has served as a Statutory Auditor of Nomura since 1982. He joined Nomura in 1957 and served as the President of Bangkok Nomura International Securities Limited. He served as the Director from 1976 to 1979 and the Managing Director from 1979 to 1982. He is also a Statutory Auditor of New Nomura Securities.

Haruo Tsuji has served as a Statutory Auditor of Nomura since June 28, 2001. He joined Hayakawa Electronics Industry Company, Limited, currently Sharp Corporation, in 1955 and served as the President and Corporate Executive Officer of that company from 1986 to 1998 and the Corporate Advisor from 1998 to the present.

Nomura's Board of Directors has the authority to determine the fundamental policy for the administration of our affairs and supervise the execution by the Directors of their duties. Nomura's Articles of Incorporation provide for not more than 45 Directors. Directors are elected at a general meeting of shareholders, and the normal term of office of Directors is two years, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent us. From among its members, the Board of Directors may also elect a Chairman, a Vice Chairman, a President and Chief Executive Officer and one or more Executive Vice Presidents, Executive Managing Directors, Managing Directors and Counselors. Our Officers serve at the discretion of the Board of Directors.

Statutory Auditors and Independent Certified Accountants

Nomura's Articles of Incorporation provide for not more than six Statutory Auditors. Statutory Auditors, of whom at least one must be from outside Nomura, are elected at a general meeting of shareholders, and the normal term of office of a Statutory Auditor is three years, although they may serve any number of consecutive terms. The Statutory Auditors form the Board of Statutory Auditors. Statutory Auditors are under a statutory duty to review the administration of our affairs by the Directors, to examine our financial statements and business reports to be submitted by the Board of Directors to the general meetings of shareholders and to report their opinions thereon to the shareholders. They are entitled to attend meetings of the Board of Directors and to express their opinions, but they are not entitled to vote. Statutory Auditors also have a statutory duty to provide their report to the Board of Statutory Auditors, which must submit its auditing report to the Representative Directors. The Board of Statutory Auditors also determines matters relating to the duties of the Statutory Auditors, such as auditors' policy and methods of investigation of our affairs.

Under Japanese law, in addition to the Statutory Auditors, we must appoint independent certified public accountants, who have the statutory duties of examining the financial statements to be submitted by the Board of Directors to the general meetings of shareholders, reporting thereon to the Board of Statutory Auditors and the Representative Directors, and examining the financial statements to be filed with the Minister of Finance of Japan.

B. Compensation.

The aggregate compensation, including bonuses, paid by Nomura to its Directors and Statutory Auditors as a group during the year ended March 31, 2001 was ¥2,189 million. In accordance with customary Japanese business practices, a retiring Director or Statutory Auditor receives a lump-sum retirement payment, which is subject to the approval of the general meeting of shareholders. In the year ended March 31, 2001, retirement payments in the aggregate amount of ¥472 million were made.

In July 2000, we introduced a stock option plan under which Nomura's Directors and Statutory Auditors, as well as 178 of our employees in Japan, have been granted options in the form of share subscription warrants. These warrants are exercisable between February 26, 2001 and August 23, 2004. The current exercise price is ¥2,305 per share. Subject to adjustments, a total of about 663.8 thousand shares will be issuable upon full exercise of all the warrants granted to the Directors and Statutory Auditors.

C. Board Practices.

The information required by this item is set forth in Item 6.A of this registration statement.

D. Employees.

The information required by this item is set forth in Item 4.B of this registration statement.

E. Share Ownership.

The information required by this item is set forth in Item 6.A of this registration statement.

Item 7. Major Shareholders and Related Party Transactions.

A. Major Shareholders.

As of March 31, 2001, to our knowledge, no person beneficially held, directly or indirectly, more than 5% of Nomura's then outstanding common stock. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2001, there were 257 record shareholders of Nomura with addresses in the United States, and those U.S. holders held 176,139,593 shares of Nomura's common stock, representing 9.0% of Nomura's then outstanding common stock.

B. Related Party Transactions.

Nomura Land and Building Co., Ltd.

Nomura Land and Building, which Nomura held 5.0% directly and 19.9% indirectly through Nomura Asset Management as of March 31, 2001, owns a substantial portion of Nomura's leased space in Japan. Other major shareholders of Nomura Land and Building are Nomura Welfare Cooperative Association, holding 23.5%, Nomura Research Institute, holding 14.9%, and Obayashi Corporation, holding 14.8%.

For the years ended March 31, 2000 and 2001, Nomura paid ¥26,501 million and ¥29,778 million in rent, and as of March 31, 2001, Nomura had ¥75,285 million of lease deposits with Nomura Land and Building. Nomura had, as of March 31, 2001, outstanding loans to Nomura Land and Building of ¥162,610 million. These loans mainly consist of long-term loans amounting to ¥132,050 million as of March 31, 2001. These interest rates of the long-term loans vary from 1.4% per annum to 2.45% per annum. The loans were extended between September 1997 and January 1999 and the repayment dates are between June 2002 and April 2003.

For the six months ended September 30, 2001, Nomura paid ¥12,968 million in rent, and as of September 30, 2001, Nomura had ¥64,877 million of lease deposits with Nomura Land and Building. Nomura had, as of September 30, 2001, outstanding loans to Nomura Land and Building of ¥137,050 million. These loans mainly consist of long-term loans amounting to ¥132,050 million as of September 30, 2001. These interest rates of the long-term loans vary from 2.4% per annum to 2.45% per annum. The long-term loans were extended between December 1998 and January 1999 and the repayment dates are between November 2002 and April 2003.

Nomura Research Institute, Ltd.

Nomura Research Institute, which Nomura held 5.0% directly and 20.2% indirectly through Nomura Asset Management as of March 31, 2001, undertakes domestic and overseas economic research and also develops and maintains computer networks. One of the major customers of Nomura Research Institute is Nomura. Nomura Land and Building is another major shareholder of Nomura Research Institute, holding 49.9% of its outstanding common stock.

For the year ended March 31, 2001, Nomura purchased ¥25,616 million of software and computer equipment and paid Nomura Research Institute ¥22,654 million for other services.

For the six months ended September 30, 2001, Nomura purchased ¥11,914 million of software and computer equipment and paid Nomura Research Institute ¥12,372 million for other services. As of September 30, 2001, Nomura had ¥4,000 million of lease deposits with Nomura Research Institute.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information.

A. Consolidated Statements and Other Financial Information

Financial Statements

The information required by this item is set forth in our consolidated financial statements included in this registration statement.

Legal or Arbitration Proceedings

The information on legal or arbitration proceedings required by this item is set forth in Item 4.B of this registration statement.

Dividend Policy

The information on dividend policy required by this item is set forth in Item 10.F of this registration statement.

B. Significant Changes

Except as disclosed herein, there have been no significant changes since March 31, 2001.

Item 9. The Offer and Listing.

A. Offer and Listing Details.

We have applied to have our ADSs listed on the New York Stock Exchange. Each ADS currently represents one share of our common stock. Currently, no public market exists for our ADSs.

See Item 9.C of this registration statement for information on the stock exchanges on which our common stock is listed.

The following table sets forth, for the periods indicated, the reported high and low sale prices and the average daily trading volume of our common stock on the Tokyo Stock Exchange, the closing highs and lows of the Nikkei Stock Average and the closing highs and lows of the Tokyo Stock Price Index, or TOPIX:

Calendar Year	Price Per Share High	Price Per Share Low	Average Daily Trading Volume (thousand shares)	Nikkei Stock Average High	Nikkei Stock Average Low	TOPIX High	TOPIX Low
1996	¥2,400	¥1,700	2,095	¥22,666.80	¥19,161.71	1,722.13	1,448.45
1997	1,780	1,100	4,200	20,681.07	14,775.22	1,560.28	1,130.00
1998	1,810	805	3,447	17,264.34	12,879.97	1,300.30	980.11
1999	1,958	883	4,708	18,934.34	13,232.74	1,722.20	1,048.33
First Quarter	1,445	883	6,105	16,378.78	13,232.74	1,269.76	1,048.33
Second Quarter	1,443	1,187	4,119	17,782.79	15,972.68	1,425.64	1,292.07
Third Quarter	1,816	1,417	4,997	18,532.58	16,821.06	1,535.23	1,420.64
Fourth Quarter	1,958	1,581	3,625	18,934.34	17,254.17	1,722.20	1,460.23
2000	3,510	1,785	5,749	20,833.21	13,423.21	1,754.78	1,255.16
First Quarter	3,510	1,785	8,571	20,706.65	18,168.27	1,754.78	1,558.15
Second Quarter	3,420	2,030	5,244	20,833.21	16,008.14	1,732.45	1,504.93
Third Quarter	2,760	1,952	4,614	17,614.66	15,626.96	1,613.89	1,439.43
Fourth Quarter	2,650	1,930	4,632	16,149.08	13,423.21	1,512.20	1,255.16
2001							
First Quarter	2,490	1,650	6,025	14,032.42	11,819.70	1,337.63	1,161.97
Second Quarter	2,890	2,200	6,150	14,529.41	12,574.26	1,440.97	1,254.19
Third Quarter	2,425	1,451	6,618	12,817.41	9,504.41	1,293.42	990.80
Fourth Quarter (through December 7)	1,910	1,541	5,748	11,064.30	9,924.23	1,107.83	1,016.48
2001							
April	2,640	2,240	6,718	13,973.03	12,620.27	1,366.46	1,263.65
May	2,890	2,355	6,184	14,529.41	13,262.14	1,440.97	1,310.81
June	2,560	2,200	5,574	13,430.22	12,574.26	1,318.09	1,254.19
July	2,425	1,856	5,854	12,817.41	11,579.27	1,293.42	1,163.76
August	2,320	2,000	6,065	12,399.20	10,713.51	1,235.26	1,103.67
September	2,100	1,451	8,132	10,772.59	9,504.41	1,100.13	990.80
October	1,910	1,541	5,933	10,880.10	9,924.23	1,107.83	1,031.17
November	1,860	1,567	5,667	11,064.30	10,030.56	1,088.77	1,016.48
December (through December 7)	1,787	1,620	5,275	10,857.28	10,370.62	1,058.03	1,028.50

There is currently no market for our common stock in the United States.

B. Plan of Distribution.

Not applicable.

C. Markets.

In Japan, our common stock has been listed since 1961 on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange. Overseas, our common stock has been listed on Euronext Amsterdam Stock Market N.V. (previously the Amsterdam Stock Exchange) in the form of Continental Depositary Receipts since 1973, the Luxembourg Stock Exchange in the form of European Depositary Receipts since 1981 and the Singapore Stock Exchange since 1994. Compared to the principal market for the common stock on the Tokyo Stock Exchange, trading volume in these other markets has been minimal.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information.

A. Share Capital.

The information required by this item is set forth in Item 10.B of this registration statement.

B. Memorandum and Articles of Association.

Objects and Purposes in Nomura's Articles of Incorporation

Article 2 of our Articles of Incorporation, which are attached as an exhibit to this registration statement, states our objects and purposes.

Provisions Regarding Our Directors

There is no provision in our Articles of Incorporation as to a Director's power to vote on a proposal, arrangement or contract in which the Director is materially interested, but, under the Commercial Code of Japan, a director is required to refrain from voting on such matters at meetings of the board of directors.

The Commercial Code provides that compensation for directors is determined at a general meeting of shareholders of a company. Within the upper limit approved by the shareholders' meeting, the board of directors will determine the amount of compensation for each director. The board of directors may, by its resolution, leave such decision to the discretion of the company's president.

The Commercial Code provides that the incurrence by a company of a significant loan from a third party should be approved by the company's board of directors. Our Regulations of the Board of Directors have adopted this policy.

There is no mandatory retirement age for our Directors under the Commercial Code or our Articles of Incorporation.

There is no requirement concerning the number of shares an individual must hold in order to qualify him or her as a Director of Nomura under the Commercial Code or our Articles of Incorporation.

Holding of Our Shares by Foreign Investors

Other than the Japanese unit share system that is described in "Rights of Our Shareholders — *Japanese Unit Share System*" below, there are no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights on our shares imposed by the laws of Japan or our Articles of Incorporation or our other constituent documents.

Rights of Our Shareholders

Set forth below is information relating to our common stock, including brief summaries of the relevant provisions of our Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Commercial Code of Japan and related legislation.

General

Our authorized share capital is 6,000,000,000 shares, of which 1,962,977,841 shares were issued and outstanding as of March 31, 2001. Under the Commercial Code, shares must be registered and are transferable by delivery of share certificates. In order to assert shareholders' rights against us, a shareholder must have its name and address registered on our register of shareholders, in accordance with our Share Handling Regulations.

A holder of shares may choose, at its discretion, to participate in the central clearing system for share certificates under the Law Concerning Central Clearing of Share Certificates and Other Securities of Japan. Participating shareholders must deposit certificates representing all of the shares to be included in this clearing system with the Japan Securities Depository Center. If a holder is not a participating institution in the Securities Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Securities Center. All shares deposited with the Securities Center will be registered in the name of the Securities Center on our register of shareholders. Each participating shareholder will in turn be registered on our register of beneficial shareholders and be treated in the same way as shareholders registered on our register of shareholders. For the purpose of transferring deposited shares, delivery of share certificates is not required. Entry of the share transfer in the books maintained by the Securities Center for participating institutions, or in the book maintained by a participating institution for its customers, has the same effect as delivery of share certificates. The registered beneficial owners may exercise the rights attached to the shares, such as voting rights, and will receive dividends (if any) and notices to shareholders directly from us. The shares held by a person as a registered shareholder and those held by the same person as a registered beneficial owner are aggregated for these purposes. Beneficial owners may at any time withdraw their shares from deposit and receive share certificates, subject to the limitations caused by the Japanese unit share system described below.

The registered beneficial holder of deposited shares underlying the ADSs is the depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights.

Dividends

Under our Articles of Incorporation, our financial accounts will be closed on March 31 of each year and annual dividends, if any, will be paid to shareholders of record as of that date. The Commercial Code permits a joint stock corporation to distribute profits by way of interim dividends if the articles of incorporation of a company so provide. Our Articles of Incorporation do not permit us to make interim dividends. For information as to Japanese taxes on dividends, see "Japanese Taxation" under Item 10.E. of this registration statement.

Under our Articles of Incorporation, we are not obligated to pay any dividends that are left unclaimed for a period of three years after the date on which they first became payable.

Stock Splits

The Commercial Code permits us, by resolution of our Board of Directors, to make stock splits, regardless of the value of net assets (as appearing in our latest non-consolidated balance sheet) per share. Under the Commercial Code, when we issue new shares in the future, the entire amount of issue price of those new shares is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of the issue price as additional capital. By resolution of our Board of Directors, we may make a stock split within an amount of stated capital or by transferring the whole or any part of additional paid-in capital and legal reserve to stated capital.

Under the Commercial Code, by resolution of our Board of Directors, we may increase the authorized shares up to the number reflecting the rate of stock splits and amend our Articles of Incorporation by resolution of our Board of Directors to this effect without the approval of a shareholders' meeting. For example, if each share became three shares by way of a stock split, we may increase the authorized shares from the current 6,000,000,000 shares to 18,000,000,000 shares.

Japanese Unit Share System

Our Articles of Incorporation provide that 1,000 shares of common stock constitute one "unit." The Commercial Code of Japan permits us, by resolution of our Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system, and amend our Articles of Incorporation to this effect without the approval of a shareholders' meeting.

Transferability of Shares Representing Less Than One Unit. We may not issue share certificates for a number of shares not constituting an integral number of units, except in limited circumstances. Because the transfer of shares normally requires delivery of the share certificates for the shares being transferred, shares constituting a fraction of a unit and for which no share certificates are issued may not be transferable. Because transfer of ADRs does not require a change in the ownership of the underlying shares, holders of ADRs evidencing ADSs that constitute less than one unit of shares are not affected by these restrictions in their ability to transfer the ADRs. However, because transfers of less than one unit of the underlying shares are normally prohibited under the unit share system, the deposit agreement provides that the right of ADR holders to surrender their ADRs and withdraw the underlying shares for sale in Japan may only be exercised as to whole units.

Right of a Holder of Shares Representing Less Than One Unit to Require Us to Purchase Its Shares. A holder of shares representing less than one unit may at any time require us to purchase its shares. These shares will be purchased at (a) the closing price of the shares reported by the Tokyo Stock Exchange on the day when the request to purchase is made or (b) if no sale takes place on the Tokyo Stock Exchange on that day, then the price at which sale of shares is effected on such stock exchange immediately thereafter. In such case, we will request payment of an amount equal to the brokerage commission applicable to the shares purchased pursuant to our Share Handling Regulations. However, because holders of ADSs representing less than one unit are not able to withdraw the underlying shares from deposit, these holders will not be able to exercise this right as a practical matter.

Voting Rights of a Holder of Shares Representing Less Than One Unit. A holder of shares representing less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares representing less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

A holder of shares representing less than one unit does not have any rights relating to voting, such as the right to participate in a demand for the resignation of a director, the right to participate in a demand for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose an agenda item to be addressed at a general meeting of shareholders. In addition, a holder of shares constituting less than one unit does not have the right to require us to issue share certificates for those shares.

However, a holder of shares constituting less than one unit has all other rights of a shareholder in respect of those shares, including the following rights:

- to receive annual dividends
- to receive shares and/or cash by way of retirement, consolidation, subdivision, conversion, exchange or transfer of shares, company split or merger,
- to be allotted rights to subscribe for new shares and other securities when such rights are granted to shareholders,
- to participate in any distribution of surplus assets upon liquidation,
- to institute a representative action by shareholders, and
- to demand that a director suspend illegal and certain other acts.

Ordinary General Meeting of Shareholders

We normally hold our ordinary general meeting of shareholders in June of each year in Chuo-ku, Tokyo or in a neighboring area. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice. Under the Commercial Code, notice of any shareholders' meeting must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his resident proxy or mailing address in Japan in accordance with our Share Handling Regulations, at least two weeks prior to the date of the meeting.

Voting Rights

A shareholder is generally entitled to one vote per one unit of shares as described in this paragraph and under "*Japanese Unit Share System*" above. In general, under the Commercial Code, a resolution can be adopted at a general meeting of shareholders by a majority of the shares having voting rights represented at the meeting. The Commercial Code and our Articles of Incorporation require a quorum for the election of directors and statutory auditors of not less than one-third of the total number of outstanding shares having voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. A corporate shareholder whose outstanding shares are in turn more than one-quarter directly or indirectly owned by us does not have voting rights. Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights.

The Commercial Code provides that a quorum of the majority of outstanding shares with voting rights must be present at a shareholders' meeting to approve any material corporate actions such as:

- a reduction of stated capital,
- amendment of the articles of incorporation (except amendments which the board of directors are authorized to make under the Commercial Code as described in *"Stock Splits"* and *"Japanese Unit Share System"* above),
- the removal of a director or statutory auditor,
- establishment of a 100% parent-subsidiary relationship by way of share exchange or share transfer,
- a dissolution, merger or consolidation,
- a corporate separation,
- the transfer of the whole or an important part of our business,
- the taking over of the whole of the business of any other corporation, and
- any issuance of new shares at a "specially favorable" price (or any issuance of convertible bonds or debentures with "specially favorable" conversion conditions or of bonds or debentures with warrants or rights to subscribe for new shares with "specially favorable" conditions) to persons other than shareholders.

At least two-thirds of the outstanding shares having voting rights present at the meeting must approve these actions.

The voting rights of holders of ADSs are exercised by the depositary based on instructions from those holders. With respect to voting by holders of ADSs, see "Rights of Holders of ADSs — *Voting Rights*" below.

Subscription Rights

Holders of shares have no preemptive rights under our Articles of Incorporation. Under the Commercial Code, the board of directors may, however, determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, such rights must be given on uniform terms to all shareholders as of a specified record date by at least two weeks' prior public notice to shareholders of the record date. Public or individual notice must be given to each of these shareholders at least two weeks prior to the date of expiration of the subscription rights.

Rights to subscribe for new shares may be transferable or nontransferable by the board of directors and may be made at or substantially below the market price of shares. Accordingly, rights offerings can result in substantial dilution or can result in rights holders not being able to realize the economic value of those rights.

Liquidation Rights

In the event of liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the number of shares they own.

Liability to Further Calls or Assessments

All of our currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

Transfer Agent

The Toyo Trust and Banking Company, Limited is the transfer agent for our shares. Toyo Trust's office is located at 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005 Japan. Toyo Trust maintains our register of shareholders and records transfers of record ownership upon presentation of share certificates.

Record Date

The close of business on March 31 is the record date for our year-end dividends, if paid. A holder of shares constituting one or more whole units who is registered as a holder on our register of shareholders at the close of business as of March 31 is also entitled to exercise shareholders' voting rights at the ordinary general meeting of shareholders with respect to the fiscal year ending on March 31. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' public notice.

The shares generally trade ex-dividend or ex-rights in the Japanese stock exchanges on the third business day before a record date (or if the record date is not a business day, the fourth business day prior thereto), for the purpose of dividends or rights offerings.

Repurchase by Us of Shares

General

Under the Commercial Code, we may acquire our shares for any purposes subject to the authorization of shareholders at an ordinary general shareholders meeting. This acquisition is subject to the condition that the aggregate amount of the purchase price must not exceed the amount of the retained earnings available for annual dividend payments less the sum of any amount paid or to be paid by way of appropriation of related earnings and any transfer of retained earnings to stated capital.

In the case of shares listed on a Japanese stock exchange or traded in the over-the-counter market, acquisition shall be made through the market or by way of tender offer by the close of the following ordinary general meeting, unless acquisition of the shares from a specified person is authorized by the approval of two-thirds of outstanding shares having voting rights present at the shareholders' meeting at which a quorum of the majority of outstanding shares having voting rights must be present.

In addition, we may acquire our shares by means of repurchase of any number of shares constituting less than one unit upon the request of the holder of those shares, as described under "*Japanese Unit Share System*" above.

Special Law

The Law for Special Exceptions to the Commercial Code Concerning Procedures of Cancellation of Shares authorized a company whose shares are listed on a Japanese stock exchange or traded on the over-the-counter market to acquire and cancel its shares by a resolution of the board of directors if that company's articles of incorporation provide that shares may be purchased for the purpose of cancellation. Under this law, a company may acquire its shares using its retained earnings subject to, among other things, the following restrictions:

- the number of shares to be acquired must not exceed 10% of total issued shares, and
- the aggregate amount of the purchase price must not exceed one-half of the amount available for any interim dividend payment less the aggregate amount of any interim dividend payment.

The Law for Special Exceptions to the Japanese Commercial Code Concerning Procedures of Cancellation of Shares has been abolished from October 1, 2001. However, a company articles of incorporation of which provide the purchase for the purpose of cancellation may purchase its shares by resolution of the board of directors until the end of the ordinary general meeting of shareholders for the fiscal year ending immediately after October 1, 2001.

Our Articles of Incorporation authorize us to acquire up to 190,000,000 shares by resolution of the Board of Directors for the purpose of cancelling the same with retained earnings.

Rights of Holders of ADSs

American Depositary Receipts

The Bank of New York will issue the ADRs. Each ADS will represent ownership interests in shares. The shares (or the right to receive shares) will be deposited by us with The Bank of Tokyo-Mitsubishi, Ltd., the custodian in Tokyo, Japan. Each ADS will also represent such securities, cash or other property deposited with The Bank of New York but not distributed to ADS holders. The Bank of New York's corporate trust office is located at 101 Barclay Street, New York, NY 10286.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADR holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because The Bank of New York will actually hold the shares underlying your ADRs, you must rely on it to exercise the rights of a shareholder. The obligations of The Bank of New York are set out in an agreement among us, The Bank of New York and you, as an ADR holder. The agreement and the ADRs are generally governed by New York law.

The following is a summary of the agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire agreement and the ADR. Directions on how to obtain copies of these are provided in Item 10.H of this registration statement.

Share Dividends and Other Distributions

The Bank of New York has agreed to pay to you the cash dividends or any of other distributions it or the custodians receives on shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The Bank of New York will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any approval from the Japanese government is needed and cannot be obtained, the agreement allows The Bank of New York to distribute the Japanese yen only to those ADR holders to whom it is possible to do so. It will hold the Japanese yen it cannot convert for the account of the ADR holders who have not been paid. It will not invest the Japanese yen and it will not be liable for any interest.

Before making a distribution, any withholding taxes that must be paid under Japanese law will be deducted. See "Japanese Taxation" under Item 10.E of this registration statement. The Bank of New York will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when The Bank of New York cannot convert the Japanese yen currency, you may lose some or all of the value of the distribution.*

Shares. The Bank of New York may distribute new ADSs representing any shares we may distribute as a dividend or free distribution, if we furnish it promptly with satisfactory evidence that it is legal to do so. The Bank of New York will only distribute whole ADSs. It will sell shares which would require it to use a fractional ADS and distribute the net proceeds in the same way as it does with cash. If The Bank of New York does not distribute additional ADSs, each ADS will also represent the new shares.

Rights to Receive Additional Shares. If we offer holders of its ordinary shares any rights to subscribe for additional shares or any other rights, The Bank of New York may make these rights available to you. We must first instruct The Bank of New York to do so and furnish it with satisfactory evidence that it is legal to do so. If we do not furnish this evidence and/or give these instructions, and The Bank of New York decides it is practical to sell the rights, The Bank of New York will sell the rights and distribute the proceeds, in the same way as it does cash. The Bank of New York may allow rights that are not distributed or sold to lapse. In that case, you will receive no value from them.

If The Bank of New York makes rights available to you, upon instructions from you, it will exercise the rights and purchase the shares on your behalf. The Bank of New York will then deposit the shares on your behalf. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict the sale, deposit, cancellation and transfer of the ADSs issued after exercise of rights. For example, you may not be able to trade the ADSs freely in the United States. In this case, The Bank of New York may issue the ADSs under a separate restricted deposit agreement which will contain the same provisions as the agreement, except for the changes needed to put the restrictions in place.

Other Distributions. The Bank of New York will send to you anything else we distribute on deposited securities by any means it thinks legal, fair and practical. If it cannot make the distribution in that way, The Bank of New York has a choice. It may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash or it may decide to hold what we distributed, in which case the outstanding ADSs will also represent the newly distributed property.

The Bank of New York is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADRs, shares, rights or anything else to ADR holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

The Bank of New York will issue ADRs if you or your brokers deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will register the appropriate number of ADSs in the names you request and will deliver the ADRs at its office to the person you request.

You may turn in your ADRs at The Bank of New York's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, The Bank of New York will deliver (1) the underlying shares to an account designated by you and (2) any other deposited securities underlying the ADR at the office of the custodian. Or, at your request, risk and expense, The Bank of New York will deliver the deposited securities at its office.

Voting Rights

You may instruct The Bank of New York to vote the shares underlying your ADRs but only if we ask The Bank of New York to ask for your instructions. Otherwise, you will not be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.

If we ask for your instructions, The Bank of New York will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you, on a certain date, may instruct The Bank of New York to vote the shares or other deposited securities underlying your ADSs as you direct. For instructions to be valid, The Bank of New York must receive them on or before the date specified. The Bank of New York will try, as far as practical, subject to Japanese law and the provisions of our Articles of Incorporation, to vote or to have its agents vote the shares or other deposited securities as you instruct. However, if The Bank of New York does not receive your voting instructions, it will give a proxy to vote your shares to a designated representative of Nomura.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct The Bank of New York to vote your shares. In addition, The Bank of New York and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

Fees and Expenses

ADR holders must pay:	*For:*
$5.00 (or less) per 100 ADSs	Each issuance of an ADR, including as a result of a distribution of shares or rights or other property Each cancellation of an ADR, including if the agreement terminates
$.02 (or less) per ADS	Any cash payment
Registration or Transfer Fees	Transfer and registration of shares on the share register of a custodian from your name to the name of The Bank of New York or its agent when you deposit or withdraw shares
Expenses of The Bank of New York	Conversion of Japanese yen to U.S. dollars Cable, telex and facsimile transmission expenses Servicing of shares or deposited securities
$.02 (or less) per ADS per calendar year	Depositary services; provided that this fee will not be charged if a fee of $.02 was charged in the same calendar year for a cash distribution
Taxes and other governmental charges The Bank of New York or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADRs or on the deposited securities underlying your ADRs. The Bank of New York may refuse to transfer your ADRs or allow you to withdraw the deposited securities underlying your ADRs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities underlying your ADRs to pay any taxes owed and you will remain liable for any deficiency. If it sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any proceeds, or send to you any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If Nomura:	*Then:*
Reclassifies, splits up or consolidates any of the deposited securities Distributes securities on the shares that are not distributed to you Recapitalizes, reorganizes, merges, liquidate, sells all or substantially all of its assets, or take any similar action	The cash, shares or other securities received by The Bank of New York will become deposited securities. Each ADR will automatically represent its equal share of the new deposited securities. The Bank of New York may, and will if Nomura asks it to, distribute some or all of the cash, shares or other securities it received. It may also issue new ADRs or ask you to surrender your outstanding ADRs in exchange for new ADRs, identifying the new deposited securities.

Amendment and Termination

We may agree with The Bank of New York to amend the deposit agreement and the ADRs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges or registration fees, cable, telex or facsimile transmission costs or other such expenses, or prejudices an important right of ADR holders, the amendment will only become effective 30 days after The Bank of New York notifies you of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADR, to agree to the amendment and to be bound by the ADRs and the agreement as amended.

The Bank of New York will terminate the agreement if we ask it to do so. The Bank of New York may also terminate the agreement if The Bank of New York has told us that it would like to resign and we have not appointed a new depositary bank within 90 days. In both cases, The Bank of New York must notify you at least 90 days before termination.

After termination, The Bank of New York and its agents will be required to do only the following under the deposit agreement: (1) advise you that the agreement is terminated, and (2) collect distributions on the deposited securities and deliver shares and other deposited securities upon cancellation of ADRs. After termination, The Bank of New York will, if practical, sell any remaining deposited securities by public or private sale. After that, The Bank of New York will hold the proceeds of the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADR holders that have not surrendered their ADRs. It will not invest the money and will have no liability for interest. The Bank of New York's only obligations will be to account for the proceeds of the sale and other cash. After termination, our only obligation will be with respect to indemnification and to pay certain amounts to The Bank of New York.

Limitations on Obligations and Liability to ADR Holders

The agreement expressly limits our liabilities and obligations of The Bank of New York. We and The Bank of New York:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either is prevented or delayed by law or circumstances beyond their control from performing its obligations under the agreement;
- are not liable if either exercises discretion permitted under the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADRs or the agreement on your behalf or on behalf of any other party; and
- may rely upon any documents they believe in good faith to be genuine and to have been signed or presented by the proper party.

In the agreement, we and The Bank of New York agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before The Bank of New York will issue or register transfer of an ADR, make a distribution on an ADR, or withdrawal of shares, The Bank of New York may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and

- compliance with regulations it may establish, from time to time, consistent with the agreement, including presentation of transfer documents.

The Bank of New York may refuse to deliver, transfer or register transfers of ADRs generally when the books of The Bank of New York are closed, or at any time if The Bank of New York or we think it advisable to do so.

You have the right to cancel your ADRs and withdraw the underlying shares at any time except:

- when temporary delays arise because (1) We or The Bank of New York has closed its transfer books; (2) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on the shares;
- when you or other ADR holders seeking to withdraw shares owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADRs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the agreement.

Pre-Release of ADRs

In certain circumstances, subject to the provisions of the deposit agreement, The Bank of New York may issue ADRs before deposit of the underlying shares. This is called a pre-release of ADR. The Bank of New York may also deliver shares upon cancellation of pre-released ADRs, even if the ADRs are canceled before the pre-release transaction has been closed out. A pre-release is closed out as soon as the underlying shares are delivered to The Bank of New York. The Bank of New York may receive ADRs instead of shares to close out a pre-release. The Bank of New York may pre-release ADRs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made must represent to The Bank of New York in writing that it or its customer owns the shares to be deposited; (2) the pre-release must be fully collateralized with cash or other collateral that The Bank of New York considers appropriate; and (3) The Bank of New York must be able to close out the pre-release on not more than five business days' notice. In addition, The Bank of New York will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although The Bank of New York may disregard the limit from time to time, if it thinks it is appropriate to do so.

C. Material Contracts.

We are not a party to any material contract.

D. Exchange Controls.

Acquisition or Disposition of Shares or ADSs

Under the Foreign Exchange and Foreign Trade Law, all aspects of regulations on foreign exchange and foreign trade transactions are, with minor exceptions relating to inward direct investments (which are not generally applicable to our shares), only subject to post transaction reporting requirements. Non-residents of Japan (including foreign corporations not resident in Japan) who acquire or dispose of shares of common stock or ADSs are generally not required to submit such post transaction reports. However, the Minister of Finance has the power to impose a licensing requirement for transactions in limited circumstances.

Dividends and Proceeds of Sale

Under the Foreign Exchange and Foreign Trade Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which our ADSs will be issued, the depositary is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holder of ADSs. See "Rights of Holders of ADSs — *Share Dividends and Other Distributions*" under Item 10.B of this registration statement.

Report of Substantial Shareholdings

The Securities and Exchange Law of Japan requires any person who has become a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market to file with the relevant Local Finance Bureau, within five business days, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in the above shareholding. Copies of any reports must also be furnished to the company and to all Japanese stock exchanges on which the company's shares are listed or, in the case of shares traded on the over-the-counter market, the Securities Dealers Association of Japan. For this purpose, shares issuable to a 5% or greater shareholder upon conversion of convertible securities or exercise of share subscription warrants are taken into account in determining both the number of shares held by that holder and the company's total issued share capital.

E. Taxation.

This section describes the material United States federal income and Japanese tax consequences of owning shares or ADSs. It applies to you only if you acquire your shares or ADSs in an offering and you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction, or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the laws of Japan all as currently in effect, as well as on the Income Tax Convention Between the United States of America and Japan (the "Treaty"). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of The Bank of New York and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

You are a U.S. holder if you are a beneficial owner of shares or ADSs and you are:

- a citizen or resident of the United States,
- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or

- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust, or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

You should consult your own tax advisor regarding the United States federal, state and local and the Japanese and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADSs, and ADSs for shares, generally will not be subject to United States federal income or to Japanese tax.

United States Federal Income Taxation

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, you must include in your gross income the gross amount of any dividend paid by us out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes). You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is ordinary income that you must include in income when you, in the case of shares, or the depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable against your United States federal income tax liability.

Dividends will be income from sources outside the United States, but generally will be "passive income" or "financial services income", which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

A transfer of retained earnings or legal reserve to stated capital is treated as a dividend payment for Japanese tax purposes subject to withholding tax. In addition, if we purchase our shares for the purpose of cancellation with retained earnings and we cancel the shares after March 31, 2002 selling shareholders will be deemed to have received a dividend payment. If we purchase the shares pursuant to a tender offer non-selling shareholders will be deemed to have received a dividend whether we purchase the shares by tender offer or otherwise. Such a transfer or dividends is not generally a taxable event for United States federal income tax purposes (though a selling U.S. shareholder would be subject to U.S. federal income tax on capital gains realized on a sale of shares to us, as described below) and therefore would not give rise to foreign source income, and you would not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such distribution unless you can apply the credit (subject to limitations) against U.S. tax due or other foreign source income in the appropriate category for foreign tax credit purposes.

Distributions of additional shares or ADSs or rights to you with respect to shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax. Your basis in the new shares or ADSs or rights received will be determined by allocating your basis in the shares or ADSs you held at the time of the distribution between the new shares or ADSs or rights and the shares or ADSs you held at the time of the distribution based on their relative fair market value on the date of the distribution. However, the basis of rights you receive will generally be zero if (i) at the time of the distribution the fair market value of the rights is less than 15% of the fair market value of the shares or ADSs you held at the time of the distribution and you do not elect to allocate a portion of the basis in the shares or ADS you held at the time of the distribution according to the method described in the previous sentence or (ii) the rights are not exercised and therefore expire.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a noncorporate U.S. holder is generally taxed at a maximum rate of 20% where the property is held more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

PFIC Rules

We do not expect our shares and ADSs to be treated as stock of a PFIC for United States federal income tax purposes for 2001, but this conclusion is a factual determination that is made annually and thus may be subject to change. Furthermore, this conclusion is based on the availability of limited exceptions from the definition of passive income for certain income derived by securities dealers. Certain of these exceptions are set forth in legislation that is due to expire in 2001. Although extension of these legislative provisions is under active consideration by Congress, as of the date of this registration statement, it is not certain that these provisions will in fact be extended. If these legislative provisions were not extended, there would be a substantially increased risk that our shares and ADSs could be treated as stock of a PFIC in future years.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or shares:

- at least 75% of our gross income for the taxable year is passive income or,
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your shares or ADSs, and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in

respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,
- the amount allocated to the taxable year in which you realized the gain or excess distribution and any taxable year prior to the first year in which we were a PFIC will be taxed as ordinary income,
- the amount allocated to each other year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If you own shares or ADSs in a PFIC that are regularly traded on a qualified exchange, they will be treated as marketable stock, and you may elect to mark your shares or ADSs to market. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts. We urge you to speak to your tax advisor regarding the availability and advisability of this election.

If you own shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service Form 8621.

Japanese Taxation

The following is a summary of the principal Japanese tax consequences to owners of our shares who are non-resident individuals or non-Japanese corporations without a permanent establishment in Japan to which the relevant income is attributable. The changes are subject to changes in the applicable Japanese laws or double taxation conventions occurring after that date. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor. Potential investors should satisfy themselves as to

- the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,
- the laws of the jurisdiction of which they are resident, and
- any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by us. Stock splits, subject as set out below, are not subject to Japanese income or corporation tax. A transfer of retained earnings or legal reserve (but, in general, not additional paid-in capital) to stated capital on non-consolidated basis is treated for Japanese tax purposes as a dividend payment to shareholders but is, in general, not subject to Japanese income or corporation tax.

If we purchase shares by way of a tender offer for the purpose of cancellation with retained earnings and so cancel such shares, the selling shareholders (both individuals and corporations) are in general deemed to have received a dividend in an amount equal to the selling price less the aggregate of the stated capital and the additional paid-in capital attributable to the shares so sold on non-consolidated basis;

provided, however, that if such cancellation is made on or before March 31, 2002, no such dividend is deemed to have been received by any selling shareholders who are individuals but gains realized by such sales are in general subject to Japanese income tax. In addition, when shares acquired by us (whether by way of a tender offer or otherwise) for the purpose of cancellation with retained earnings are canceled by us, the shareholders (both individuals and corporations) whose shares were not canceled are deemed to have received a dividend in an amount equal to the amount of the stated capital attributable to the canceled shares (if such amount exceeds the amount of retained earnings used for the cancellation, the amount of such retained earnings) and calculated in proportion to each shareholder's remaining shares, except that if such cancellation is made on or before March 31, 2002, no income tax is payable with respect to such portion deemed as a dividend. However, corporate shareholders have an option for such amount to be treated as dividend received for the purpose of corporation tax.

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends on the shares paid by us to non-resident shareholders is 20%. Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio inventors, with, among others, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. Non-resident shareholders who are entitled to a reduced rate of Japanese withholding tax on payment of dividends on the shares by us are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before payment of dividends. A standing proxy for non-resident shareholders may provide such application service. See "Rights of Our Shareholders" under Item 10.B of this registration statement. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority.

Gains derived from the sale of shares outside Japan, or from the sale of shares within Japan by a non-resident shareholder, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares as a legatee, heir or donee, even if the individual is not a Japanese resident.

F. Dividends and Paying Agents.

We have paid annual cash dividends on our common stock in respect of each fiscal year since the year ended September 30, 1966. The annual dividend is recommended by our Board of Directors and approved by our shareholders at the ordinary general meeting of shareholders customarily held in June of each year. Following approval at the meeting, dividends are distributed to holders of record as of March 31.

Under our Articles of Incorporation, we may not declare or pay interim dividends.

The following table sets forth the dividends paid to holders of our common stock with respect to each of our fiscal years indicated. Yen per share dividend amounts are translated solely for the convenience of the reader into U.S. dollars at the noon buying rate for Japanese yen announced by the Federal Reserve Bank of New York on the date of our shareholders' meeting at which the relevant dividend payment was approved.

Year Ended March 31,	Dividends Per Share	
1997	¥10.00	$0.09
1998	10.00	0.07
1999	10.00	0.08
2000	15.00	0.14
2001	17.50	0.14

The payment and the amount of any future dividends will primarily depend upon our assessment of the following factors:

- the existence, or lack, of opportunities to increase our return on equity by investing our capital, instead of paying it out by way of cash dividends; and
- the general interest of some of our shareholders in receiving stable cash dividend payments.

Some of our bond agreements for convertible yen bonds contain certain covenants that restrict our ability to declare or pay dividends on our common stock. Under the terms of the agreements for the convertible bonds due 2002 issued by Nomura, the cumulative amount of cash dividends may not exceed ¥27,500 million plus the aggregate amount of recurring profit after income taxes (as defined in the indentures) of Nomura, beginning with the fiscal year ended March 31, 1986. Such limitation of cash dividends will be waived if Nomura provides collateral which is accepted by the trustees.

Dividends paid to shareholders outside Japan on shares of common stock or ADSs are generally subject to a Japanese withholding tax at the maximum rate of 20%. Reduced rates for withholding apply to shareholders in some countries which have income tax treaties with Japan. U.S. holders are generally subject to a maximum withholding rate of 15%.

G. Statement by Experts.

The financial statements as of March 31, 2000 and 2001 and for each of the years then ended included in this registration statement have been so included in reliance on the report of PricewaterhouseCoopers, independent accountants, given the authority of said firm as experts in auditing and accounting. See also Item 1.C of and Exhibit 10.1 to this registration statement.

H. Documents on Display.

We have filed with the Securities and Exchange Commission this registration statement on Form 20-F under the Securities Exchange Act of 1934 with respect to the shares and ADSs, and a registration statement on Form F-6 under the Securities Act of 1933 with respect to the ADSs.

You may review a copy of the registration statements without charge at the Securities and Exchange Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Securities and Exchange Commission's regional office located at 500 West Madison Street, Suite 1400, Chicago, Illinois 80661. You may also get copies of all or any portion of the registration statements from the public reference room, the regional offices or by calling the Securities and Exchange Commission at 1-800-SEC-0330 or by writing the Securities and Exchange Commission upon payment of a prescribed fee.

Upon effectiveness of this registration statement, we will be subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, we will file annual reports on Form 20-F within six months of our fiscal year-end and other reports and information on Form 6-K with the Securities and Exchange Commission. These other reports will include quarterly reports that are not required by the Securities and Exchange Commission but which we will furnish to the Securities and Exchange Commission on a voluntary basis, although we could discontinue this practice at any time. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission and at the Securities and Exchange Commission regional offices listed above. You can also obtain copies of such material from the public reference room, the regional offices or by calling or writing the Securities and Exchange Commission upon payment of a prescribed fee. As a foreign private issuer, we are exempt from the rules under the Securities Exchange Act of 1934 prescribing the furnishing and content of proxy statements to shareholders.

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Risk Management

Our business is subject to various risks. These risks include market, credit, event, liquidity, operational and legal risks. The process of managing those risks is an integral part of management's responsibilities. Financial innovation in global business activities can lead to complex interactions among risks. We recognize the importance of identifying, evaluating, monitoring and managing our risk profile.

We manage market, credit, event and liquidity risks using a global risk management structure described below. We manage operational and legal risks primarily on a regional basis.

Global Risk Management Structure

We have an independent global risk management unit headquartered in Tokyo to support risk management which takes place at each level of our business. The global risk management unit also monitors and manages market, credit, event and liquidity risks with regard to our trading and investment portfolios on a worldwide basis.

Our current global management structure, which was established in October 1998 following the turmoil in world financial markets, places primary risk control responsibility with the head of Global Wholesale together with each head of global business lines. This structure enhances the coordination of our global business while satisfying the regional-based requirements of each legal entity. Concurrently, the global risk management organization monitors, controls and supports our global business lines. The global risk manager who is based in Tokyo is the overall controller for global risk management, and coordinates the efforts of the regional risk managers.

The Executive Management Committee in New Nomura Securities is responsible for establishing global risk policies and procedures, and monitoring and managing the various risks that we face in our day-to-day business activities. This committee is made up of senior executives, including members of our board of directors. Executive Vice President of New Nomura Securities heads this committee.

Our Strategic Management Committee determines our strategic direction and allocates resources and capital to each of our businesses. This committee reviews our business plans, budgets and risk-adjusted performance to ensure proper diversification of risks and revenues. This committee is made up of senior executives, including members of our board of directors. Our President and Chief Executive Officer heads this committee.

The Strategic Management Committee sets the overall risk limit that applies across all of our trading and investment portfolios for our global business. The global risk manager monitors the extent of risk exposure at each of our trading groups relative to the in-house risk limit assigned to that group and reports it to senior management daily. In addition, each of our regional operations employs its own position limits and stop-loss limits, which may be stricter than the in-house risk limit.

Our global risk management unit headquartered in Tokyo provides risk information to the Strategic Management Committee and quantifies risk and performance for each of our businesses.

The role of our global risk manager in Tokyo is to monitor risk, ensure compliance with risk limits and recommend action to management as market conditions and our portfolio changes. To this end, daily reports on the monitoring and management of our worldwide risks are produced by the global risk management unit. Reports from the global risk manager enable our senior management to identify and control risk across the entire organization.

Our global risk management structure meets the risk management requirements of our major regulatory and reporting bodies. Regional risk managers located in Europe, the United States and Asia outside Japan, and in Tokyo, report on a daily basis to both regional management and risk management headquarters. In addition, consolidated risk information is reported to the global business heads and to our senior management in Tokyo on a daily basis.

We have made a significant commitment to the development of appropriate risk management systems and procedures. In April 2000, we introduced a new global risk management system that enhances our risk management infrastructure. This system enables us to calculate risk number including VaR based upon our position and sensitivity data sets provided from our regional risk management. The system, which senior management and other key managers access, integrates global market data, and counterparty, position and other risk information worldwide. This enables us to achieve more efficient risk monitoring and more effective risk control.

We have implemented standardized methodologies for all our global operations. With this standardized framework, we can evaluate and compare the risk-adjusted profitability of our existing businesses in a consistent manner. Senior management can use this information to enhance our performance by diversifying revenues and controlling exposures.

Our global risk management unit employs an in-house risk limit, which we have developed as a tool to comprehensively measure our market, credit, event and liquidity risks. We group our traders based on the type of trading strategy they use and the type of financial instrument in which they trade, and we assign to each group a specific in-house risk limit. The traders may execute their transactions until the aggregate risk value associated with the positions they have built reaches the assigned in-house risk limit.

Types of Risks Managed

The six principal categories of risk that we face in our daily business operations are market, credit, event, liquidity, operational and legal risks.

Market Risk

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. We are exposed to this type of risk primarily in connection with our trading activities. Effective monitoring and management of this risk requires an ability to analyze a complex and constantly changing capital market environment worldwide and to highlight any problematic trends quickly.

VaR. The statistical technique known as Value-at-Risk, or VaR, is one of the tools we use to assess market risk exposure of our trading portfolio. VaR is the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level.

For our VaR, which we report below, we use a one-day time horizon and a 99% confidence level. This means that, statistically, there is one day out of every 100 days on which the actual trading loss exceeds the VaR.

VaR Methodology, Assumptions and Limitations. We make a number of assumptions and approximations in connection with the modeling of the risk characteristics of our trading positions. Different assumptions, approximations or a combination of them could result in a materially different VaR. We believe that the assumptions and approximations we use are reasonable.

We use a historical simulation approach to estimate VaR using a 99% confidence level and a one-day time horizon for our trading portfolio. Market risks that are incorporated in the VaR model include equity prices, interest rates, foreign exchange rates, and associated volatilities and correlations. The historical data to calculate volatilities and correlations are weighted to give greater importance to more recent observations. Given its reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden changes in market environments. An inherent limitation of VaR is that past changes in market risk factors, even when weighted toward more recent observations, may not produce accurate predictions of future market risk. Also, VaR using a one-day time horizon may not capture the market risk of positions that cannot be liquidated or hedged within one day.

There are other limitations of VaR. For example, our VaR computation assumes normal distribution for the returns on trading portfolios, while non-linear risk exposures on options would likely produce a non-normal distribution for the returns on those portfolios. Different distributional assumptions could produce a materially different VaR.

The following table shows our VaR as of each of the dates indicated for substantially all of our trading positions:

	As of												
	March 31, 2000	**April 28, 2000**	**May 31, 2000**	**June 30, 2000**	**July 31, 2000**	**August 31, 2000**	**Sept. 29, 2000**	**Oct. 31, 2000**	**Nov. 30, 2000**	**Dec. 29, 2000**	**January 31, 2001**	**February 28, 2001**	**March 30, 2001**
	(dollar amounts in millions)												
Equity	$ 15.7	$29.2	$24.1	$27.0	$27.1	$35.3	$23.8	$21.9	$19.9	$19.9	$27.8	$31.2	$24.3
Interest rate	14.0	12.6	14.3	20.4	17.4	18.8	16.7	17.3	16.8	16.8	19.3	19.1	21.7
Foreign exchange	1.3	1.3	1.2	2.9	0.8	1.1	1.3	1.5	1.2	1.9	3.3	1.3	2.1
Subtotal	31.0	43.1	39.6	50.3	45.3	55.2	41.8	40.7	37.9	38.6	50.4	51.6	48.1
Less: diversification benefit	9.1	12.8	10.7	15.5	14.3	15.2	13.1	13.7	12.6	11.3	16.4	16.0	16.1
Value at Risk	$ 21.9	$30.3	$28.9	$34.8	$31.0	$40.0	$28.7	$27.0	$25.3	$27.3	$34.0	$35.6	$32.0

Value at Risk		
(maximum)	$114.6	
(average)	32.8	(from April 1, 2000 to March 30, 2001)
(minimum)	22.0	

As at the end of March 2001, overall VaR increased compared to the end of March 2000. One of main reasons for the increase was an expansion of equity trading activities. We have experienced heavy involvement in basket type trading in the Japanese equity market because of an increase in the demand to restructure Japanese equity portfolios. Our VaR may increase when we receive a large basket order reflecting equity market risk, but normally we can reduce such risk in a very short period by disposing of those positions in the market. A maximum VaR $114.6 reflects one such large basket order.

Non-trading Risk. A major market risk in our non-trading portfolio relates to operating equity investments held for relationship purposes which we hold on a long-term basis. Our non-trading portfolio is exposed mainly to volatilities in the Japanese stock market. One method that can estimate the market risk in the portfolio is to analyze market sensitivity based on changes in the Tokyo Stock Price Index, or TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

We used regression analysis between fluctuation in TOPIX and the market value of our operating equity investments held for relationship purposes for the past 90 days. Our simulation indicates that, for each 10% change in TOPIX, the market value of our operating equity investments held for relationship purposes can be expected to change by ¥28,845 million as of March 31, 2000 and ¥21,110 million as of March 30, 2001. The difference in simulated numbers between March 31, 2000 and March 30, 2001 is mainly due to the decrease of our operating equity investments held for relationship purposes. On March 31, 2000, TOPIX closed at 1,705.94 points and on March 30, 2001, TOPIX closed at 1,277.27 points. This simulation analyzes data for our entire operating equity investments held for relationship purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

Credit Risk

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. We also use credit derivatives to reduce our exposure or hedge our credit risk with respect to issuers. Our regional credit officers monitor on a daily basis all credit risk and limits, and communicate credit information and concerns to our global risk management headquarters in Tokyo.

We measure our credit risk to derivatives transaction counterparties as the sum of actual current exposure evaluated daily at its fair value, plus potential exposure until maturity of such transactions. All derivative credit lines are centrally controlled through our global risk management unit in Tokyo.

We enter into International Swaps and Derivatives Association, Inc. master agreements or equivalent agreements called master netting agreements with many of our derivative counterparties as soon as possible. Master netting agreements provide protection to reduce our risks of counterparty default and, in some cases, offset our consolidated balance sheet exposure with the same counterparty which provides a more meaningful presentation of our balance sheet credit exposure.

In addition, to reduce default risk, we require collateral, principally cash or highly liquid bonds, including U.S. government securities and Japanese government securities when necessary.

The credit quality of Nomura's trading-related derivatives at March 31, 2001 is summarized in the table below, showing the fair value of the related assets by counterparty credit rating. The actual credit ratings are determined by Nomura's internally determined public rating agency equivalents.

Counterparty Credit Ratings for Replacement Cost (Net of Collateral) of Trading Derivatives in Gain Positions

	Millions of Yen									Translation into Thousands of U.S. Dollars
	Years to Maturity									
Credit Rating(1)	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	Collateral Obtained	Replacement Cost	Replacement Cost
							(a)	(b)	(a)-(b)	
AAA	¥ 1,160	¥ 7,989	¥ 6,834	¥ 1,744	¥ 3,327	¥ (4,978)	¥ 16,076	—	¥ 16,076	$ 128,055
AA	87,938	21,307	35,394	21,577	54,858	(71,083)	149,991	22,697	127,294	1,013,972
A	39,004	21,622	23,755	20,863	58,195	(44,622)	118,817	11,930	106,887	851,418
BBB	31,233	17,379	3,638	1,357	8,911	(90)	62,428	3,515	58,913	469,277
BB	1,162	942	138	45	—	—	2,287	1,342	945	7,527
Other(2)	14,124	2,664	—	—	—	—	16,788	188	16,600	132,229
Sub-total	174,621	71,903	69,759	45,586	125,291	(120,773)	366,387	39,672	326,715	2,602,478
Listed	17,009	1,063	26	—	—	(1,112)	16,986	—	16,986	135,303
Total	¥191,630	¥72,966	¥69,785	¥45,586	¥125,291	¥(121,885)	¥383,373	¥39,672	¥343,701	$2,737,781

Notes:

(1) This item represents netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category.

(2) "Other" does not necessarily indicate that the counterparties' credit is below investment grade.

Event Risk

Event risk refers to the potential loss in value that we may suffer through unpredictable events that cause large unexpected market price moves. Event risk can be caused by changes in political or economic factors. For example, our global risk management unit collects information on current developments in the political and economic situations in the emerging countries in which we conduct business and report them to our senior management on a weekly basis. We also monitor event risk associated with the possible failure of expected M&A and other corporate transactions with respect to which we have made strategic investments in parties involved in these transactions.

Through our Principal Finance & Corporate Finance group activities, we have significant exposure to private equity assets. Under our risk management framework, we do not view PFG entities on a consolidated basis. We treat them as private equity investments.

By their nature these assets are less liquid than other trading assets and as a result valuation is more uncertain. In addition our exposure is in some cases more concentrated than is the case for other trading assets. They also exhibit a high degree of asset specific risk. Given these characteristics, market risk approach which is derived from day-to-day movement of market variables cannot capture the risk of private equity and therefore we believe it is appropriate to characterize private equity risk as event risk.

We have developed modeling techniques to help us quantify the scale of our private equity risk and to allow us to calibrate these risks to the same confidence level that we apply to other trading activities. These techniques allow us to reflect the high levels of specific risk attaching to private equity and the highly skewed returns associated with early stage corporate finance.

Liquidity Risk

Liquidity risk refers to the additional risk that we face when we have large positions which cannot be disposed of in the course of normal market trading turnover. The longer we are exposed to these large positions, the greater the risk we face from fluctuations in the market price and other volatile market conditions. Funding risk is discussed in "Liquidity and Capital Resources" under Item 5.B of this registration statement above.

Operational Risk

Operational risk refers to the potential cost associated with failure in the application of our policies, operating systems or management control procedures, including problems associated with the introduction of new products and models. The maintenance of strong operational controls using highly trained administrative personnel and the latest technology is essential for reducing this type of risk. Such risk may be especially acute in certain emerging markets, and for new products during periods of heavy trading volume. We manage our operational risk primarily at the level of our regional operations.

Legal Risk

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements, and potential loss from the inability to recover payments due from a counterparty owing to the non-enforceability of a contract. Professional expertise in the applicable regulatory environment where we conduct business, and an ability to develop cross-border products and services that meet divergent and often conflicting requirements of various regulatory regimes, are essential for managing this type of risk. We manage our legal risk primarily at the level of our regional operations. For our Japanese operations, Compliance Committee in New Nomura Securities, which consists of President and Chief Executive Officer and nine other Directors of New Nomura Securities as well as three outside lawyers, promulgates our internal corporate regulations and monitors and supervises major internal compliance matters. As part of our efforts to address legal risks for our global business, global legal and compliance conferences are held regularly to discuss issues relating to cross-border business.

Item 12. Description of Securities Other Than Equity Securities.

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

Item 15. [Reserved]

Item 16. [Reserved]

PART III

Item 17. Financial Statements.

In lieu of responding to this item, we have responded to Item 18 of this registration statement.

Item 18. Financial Statements.

The information required by this item is set forth in our consolidated financial statements included in this registration statement.

Item 19. Exhibits.

Exhibit Number		Description
1.1	—	Articles of Incorporation of the registrant (with English translation)
1.2	—	Share Handling Regulations of the registrant (with English translation)
1.3	—	Regulations of the Board of Directors of the registrant (with English translation)
1.4	—	Regulations of the Board of Statutory Auditors of the registrant (with English translation)
1.5	—	Corporate Separation Agreement, dated May 17, 2001, between the registrant and Nomura Securities Spin-off Preparation Company, Limited (with English translation)
2.1	—	Specimen common stock certificates of the registrant
2.2	—	Form of Deposit Agreement among the registrant, The Bank of New York as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14178) filed on December 10, 2001)
8.1	—	Subsidiaries of the registrant
10.1	—	Consent of PricewaterhouseCoopers with respect to the financial statements included in this registration statement

NOMURA HOLDINGS, INC.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
and Shareholders of
Nomura Holdings, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity, comprehensive income and cash flows present fairly, in all material respects, the financial position of Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) and its subsidiaries (the "Company") as of March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers
Tokyo, Japan

October 31, 2001

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Payables, borrowings and deposits:			
Payables to customers	¥ 310,563	¥ 449,219	$ 3,578,294
Payables to other than customers	411,035	363,658	2,896,750
Payables under repurchase agreements and securities loaned transactions	5,151,644	7,448,220	59,329,457
Short-term borrowings	1,146,030	1,151,823	9,174,948
Time and other deposits received	382,842	471,405	3,755,018
	7,402,114	9,884,325	78,734,467
Trading liabilities:			
Securities sold but not yet purchased	2,741,752	2,430,037	19,356,675
Derivative contracts	326,959	427,279	3,403,529
	3,068,711	2,857,316	22,760,204
Other:			
Accrued income taxes	13,371	43,753	348,518
Accrued pension and severance costs	46,850	44,053	350,908
Other accrued liabilities	496,220	521,751	4,156,054
	556,441	609,557	4,855,480
Long-term borrowings	1,625,369	1,489,184	11,862,227
Non-recourse PFG entities loans and bonds	547,257	869,214	6,923,801
	13,199,892	15,709,596	125,136,179
Shareholders' equity:			
Common stock, ¥50 par value —			
Authorized — 6,000,000,000 shares			
Issued March 31, 2001 — 1,962,977,841 shares		182,797	1,456,086
March 31, 2000 — 1,962,977,247 shares	182,796		
Additional paid-in capital	147,714	146,133	1,164,035
Retained earnings	1,154,599	1,177,660	9,380,755
Accumulated other comprehensive income:			
Minimum pension liability adjustment	(4,073)	(19,083)	(152,007)
Cumulative translation adjustments	(59,716)	(51,021)	(406,412)
	(63,789)	(70,104)	(558,419)
	1,421,320	1,436,486	11,442,457
Less — Common stock held in treasury, at cost —			
March 31, 2001 — 26,334 shares		(58)	(462)
March 31, 2000 — 3,099,017 shares	(10,344)		
	1,410,976	1,436,428	11,441,995
Commitments and contingencies (Note 16)			
	¥14,610,868	¥17,146,024	$136,578,174

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Yen		Translation into U.S. dollars
Per share of common stock:			
Net income — Basic	¥ 103.71	¥ 29.25	$ 0.23
— Diluted	¥ 103.17	¥ 29.25	$ 0.23

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Common Stock			
Balance at beginning of year	¥ 182,796	¥ 182,796	$ 1,456,078
Conversion of convertible bonds	—	1	8
Balance at end of year	¥ 182,796	¥ 182,797	$ 1,456,086
Additional paid-in capital			
Balance at beginning of year	¥ 147,714	¥ 147,714	$ 1,176,629
Loss on sales of treasury stock	—	(1,691)	(13,470)
Common stock warrants	—	109	868
Conversion of convertible bonds	—	1	8
Balance at end of year	¥ 147,714	¥ 146,133	$ 1,164,035
Retained earnings			
Balance at beginning of year	¥ 980,448	¥ 1,154,599	$ 9,197,061
Cash dividends	(29,398)	(34,349)	(273,610)
Net income	203,549	57,410	457,304
Balance at end of year	¥ 1,154,599	¥ 1,177,660	$ 9,380,755
Accumulated comprehensive income			
Minimum pension liability adjustment			
Balance at beginning of year	¥ (15,806)	¥ (4,073)	$ (32,444)
Net change during the year	11,733	(15,010)	(119,563)
Balance at end of year	¥ (4,073)	¥ (19,083)	$ (152,007)
Cumulative translation adjustments			
Balance at beginning of year	¥ (36,747)	¥ (59,716)	$ (475,673)
Net change during the year	(22,969)	8,695	69,261
Balance at end of year	¥ (59,716)	¥ (51,021)	$ (406,412)
Common stock held in treasury			
Balance at beginning of year	¥ (38)	¥ (10,344)	$ (82,396)
Acquisition	(10,050)	—	—
Sale of common stock	—	10,050	80,054
Other net change in treasury stock	(256)	236	1,880
Balance at end of year	¥ (10,344)	¥ (58)	$ (462)
Number of shares issued			
Balance at beginning of year	1,962,977,247	1,962,977,247	
Conversion of convertible bonds	—	594	
Balance at end of year	1,962,977,247	1,962,977,841	

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Net income	¥203,549	¥ 57,410	$ 457,304
Other comprehensive (loss) income:			
Change in cumulative translation adjustments	(22,969)	8,695	69,261
Minimum pension liability adjustment:			
Minimum pension liability gain (loss) arising during the period	20,229	(25,879)	(206,141)
Deferred income taxes	(8,496)	10,869	86,578
Total	11,733	(15,010)	(119,563)
Total other comprehensive loss	(11,236)	(6,315)	(50,302)
Comprehensive income	¥192,313	¥ 51,095	$ 407,002

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Cash flows from operating activities:			
Net income	¥ 203,549	¥ 57,410	$ 457,304
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	64,908	52,982	422,033
(Profit) loss on investments in equity securities	(90,839)	98,968	788,338
Loss (gain) on sales of fixed assets	22,472	(15,027)	(119,699)
Loss on devaluation of fixed assets	17,454	25,232	200,988
Amortization of goodwill (negative goodwill)	3,842	(5,696)	(45,372)
Provision for allowance for doubtful accounts	3,418	15,412	122,766
Reversal of provision for financial assistance to NFC	—	(16,200)	(129,043)
Deferred income tax expense	155,805	45,069	359,001
Net change in assets			
Time deposits	61,270	(41,666)	(331,894)
Segregated deposits and other	(333,448)	297,859	2,372,622
Loans and receivables, net of allowance	699,155	(1,577,472)	(12,565,493)
Receivables under resale agreements and securities borrowed transactions	(962,819)	(861,628)	(6,863,374)
Trading assets	(225,255)	915,146	7,289,677
Other assets	369,567	(84,637)	(674,183)
Net change in liabilities			
Time and other deposits received and other payables	515,655	1,800	14,338
Payables under repurchase agreements and securities loaned transactions	1,019,718	1,605,528	12,788,976
Financial assistance for NFC	(272,800)	(59,000)	(469,970)
Trading liabilities	(345,190)	(172,483)	(1,373,929)
Accrued income taxes	1,290	19,936	158,802
Other accrued liabilities	(307,784)	64,704	515,405
Total adjustments	396,419	308,827	2,459,989
Net cash provided by operating activities	599,968	366,237	2,917,293
Cash flows from investing activities:			
Payments for purchases of office buildings, equipment and installations	(49,779)	(78,414)	(624,614)
Proceeds from sales of office buildings, equipment and installations	53,877	47,558	378,828
Payments for purchases of investments	(69,223)	(3,192)	(25,426)
Proceeds from sales of investments	54,599	85,931	684,491
Acquisitions, net of cash acquired	(102,213)	(107,398)	(855,488)
Increase in non-trading debt securities	(167,675)	(147,119)	(1,171,889)
Increase in other investments and other assets	(45,685)	(68,769)	(547,786)
Net cash used in investing activities	(326,099)	(271,403)	(2,161,884)
Cash flows from financing activities:			
Increase in long-term borrowings	510,811	650,098	5,178,413
Decrease in long-term borrowings	(396,729)	(473,195)	(3,769,277)
Decrease in short-term borrowings	(166,839)	(248,901)	(1,982,643)
Payments of cash dividends	(19,629)	(29,398)	(234,172)
Net cash used in financing activities	(72,386)	(101,396)	(807,679)
Effect of exchange rate changes on cash and cash equivalents	(19,901)	(12,732)	(101,418)
Net increase (decrease) in cash and cash equivalents	181,582	(19,294)	(153,688)
Cash and cash equivalents at beginning of the year	341,388	522,970	4,165,764
Cash and cash equivalents at end of the year	¥ 522,970	¥ 503,676	$ 4,012,076
Supplemental information on cash flows:			
Cash paid during the year for—			
Interest	¥ 345,166	¥ 508,752	$ 4,052,509
Income tax (refunded) payments, net	¥ (3,531)	¥ 21,943	$ 174,789
Non cash financing activities—			
Conversion of convertible bonds into common stock and additional paid-in capital	¥ —	¥ 1	$ 8

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

1. Summary of accounting policies:

Description of business—

Nomura Holdings, Inc. (formerly The Nomura Securities Co., Ltd.) (the "Company") was created on October 1, 2001, via a corporation separation, where the General Meeting of Shareholders on June 28, 2001 approved the adoption of a holding company structure. This was effected through The Nomura Securities Co., Ltd. changing its name to Nomura Holdings, Inc. and becoming a holding company. At the same time, its wholly-owned subsidiary, Nomura Securities Spin-off Preparation Company, Limited changed its name to Nomura Securities Co., Ltd. and started its operation as a registered security company. The consolidated financial statements have been presented on this basis.

The Company and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government customers on a global basis. Such services include equity and fixed income brokerage, trading, underwriting, distribution and clearance; trading of foreign exchange and futures contracts and other derivatives in a broad range of asset categories, rates and indices; investment banking, real estate, project finance, private equity finance and other corporate finance advisory activities; international merchant banking and other principal investment activities; and asset management, private banking, trust and custody services.

Basis of presentation—

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries, as well as the investee companies ("PFG entities") of the Principal Finance Group ("PFG") (collectively, the Company, its majority-owned subsidiaries and PFG entities are referred to as "Nomura"). The Company consolidates PFG entities because it has a controlling financial interest in the PFG entities. The Company's principal subsidiaries include Nomura Holding America Inc. and Nomura International plc. All material intercompany transactions and accounts have been eliminated on consolidation. Investments in 20 to 50 percent owned companies, which are not consolidated, are carried at cost plus equity in such investees' undistributed earnings since acquisition and are reported in *Investments in and advances to affiliated companies.*

Estimates—

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of accounts denominated in foreign currencies and of foreign currency financial statements—

The financial statements of the Company's subsidiaries outside Japan are measured using the functional currency. Generally, all assets and liabilities of foreign subsidiaries are translated into Japanese yen at exchange rates in effect at the respective period ends; all revenue and expenses are translated at the average exchange rates for the respective periods and the resulting translation adjustments are accumulated and reported as *Cumulative translation adjustments* in shareholders' equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the respective period ends and the resulting translation gains or losses are currently credited or charged to income.

Fee revenue—

Commissions charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. Fees from investment banking include 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 related services are performed. Asset management fees are accrued as earned. In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements" which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The consolidated financial statements have been presented on a basis that is consistent with the provisions of SAB 101 for all periods presented. There was no adjustment resulting from the adoption of SAB No. 101.

PFG entities revenue—

Product sales revenue, representing sales of beer, wine and spirits, and consumer electronics, is recognized upon the exchange of merchandise with customers or upon delivery of beer to pubs. Rental income under operating leases for tenanted pubs and residential properties is recognized over the lease term generally on a straight-line basis. Rental income under operating leases for consumer electronics is recognized as earned under the terms of rental agreements, generally on a straight-line basis.

Securities inventory, non-trading debt securities and securities sold but not yet purchased—

Trading assets owned and trading liabilities sold but not yet purchased, including contractual commitments arising pursuant to derivatives transactions, are recorded on the consolidated balance sheets on a trade date basis at market or fair value with the related gains and losses recorded in *Net gain on trading* in the consolidated statements of operations. Fair value is generally based on quoted market prices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement in current market conditions. 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. Valuation pricing models consider time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to the administrative costs of servicing future cash flows and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process.

Securities inventory and securities sold but not yet purchased include options on securities purchased and written, respectively.

Non-trading debt securities are recorded at market or fair value together with the related hedges and the related gains and losses are recorded in *Revenue—Other* in the consolidated statements of operations.

Nomura engages in Gensaki transactions which originate in the Japanese financial market. Gensaki transactions involve the selling of commercial paper, certificates of deposit, Japanese government bonds and various other debt securities to an institution wishing to make a short-term investment, with Nomura agreeing to reacquire them from the institution on a specified date at a specified price. The repurchase price reflects the current interest rates in the money markets and any interest derived from the securities. There are no margin requirements for Gensaki transactions nor is there any right of security substitution. As such, Gensaki transactions are recorded as sales in the consolidated financial statements; therefore, the related securities and obligations to repurchase are not reflected in the accompanying consolidated balance sheets. See Note 4.

Securities financing transactions—

Repurchase and reverse repurchase transactions ("Repo transactions") principally involve the buying or selling of Government and Government agency securities under agreements with customers to resell or repurchase these securities to or from those customers. The subsidiaries take possession of securities purchased under Repo agreements, value the securities on a daily basis and obtain additional collateral if the value of the securities is not sufficient to protect them in the event of default by the customer. Repo transactions are accounted for as collateralized financing transactions and are recorded on the consolidated balance sheets at the amount at which the securities will be repurchased or resold, as appropriate.

Repo transactions are presented on the accompanying consolidated balance sheets net-by-counterparty, where net presentation is consistent with Financial Accounting Standards Board Interpretation ("FIN") No. 41, "Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements".

Securities borrowed and securities loaned are accounted for as financing transactions. Securities borrowed and securities loaned that are cash collateralized are recorded on the accompanying consolidated balance sheets as the amount of cash collateral advanced or received. Securities borrowed transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities loaned transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.

On March 31, 2001, Nomura adopted Statement of Financial Accounting Standards ("SFAS") No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" as to disclosure requirements and collateral recognition. On the consolidated balance sheet, all Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities are classified as *Securities pledged as collateral* in accordance with SFAS No. 140.

Derivatives—

Trading

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, in its trading activities and in the management of its interest rate, market price and currency exposures.

These derivative financial instruments used in trading activities are valued at market or estimated fair value with the related gains and losses recorded in *Net gain on trading.* Unrealized gains and losses arising from Nomura's dealings in over-the-counter derivative financial instruments are presented in the accompanying consolidated balance sheets on a net-by-counterparty basis where net presentation is consistent with FIN No. 39, "Offsetting of Amounts Related to Certain Contracts".

Asset and liability management

In addition to its trading activities, Nomura, as an end user, uses derivative financial instruments to manage its interest rate and currency exposures or to modify the interest rate characteristics of certain non-trading assets and liabilities.

These derivative financial instruments are linked to specific assets or specific liabilities and are designated as hedges as they are effective in reducing the risk associated with the exposure being hedged, and they are highly correlated with changes in the market or fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Derivatives that do not meet these criteria are carried at market or fair value and with changes in value included currently in earnings.

The derivatives used for asset and liability management purposes or designated as hedges are accounted for under the accrual method as discussed below.

The accrual of interest receivable or interest payable associated with swaps used to manage interest rate exposures is included in interest income or interest expense. If the related assets or liabilities are sold or otherwise disposed of, then deferred gains or losses on the derivative contracts are recognized as an adjustment to the gain or loss on disposition of the related assets or liabilities. Gains or losses from the early termination of derivatives are generally deferred and recognized over the life of underlying hedged assets and liabilities. In the event that a hedging instrument does not longer qualify as a hedge, the instrument is accounted for on the same basis as derivative financial instruments used in trading activities and the market or fair value of the derivative financial instruments is to be recognized in earnings immediately. Changes in the market or fair value of such derivative financial instruments would then be accounted for on a derivative used in trading activities as discussed above.

Allowance for loan losses—

Loans receivable consist primarily of loans receivable from customers and from other than customers. Loans receivable from customers consist of commercial loans and margin transaction loans. Loans receivable from other than customers mainly represent loans receivable from institutional counterparties in the money markets used for short-term financing.

Allowances for loan losses on loans for margin transactions and loans receivable from other than customers are provided for based primarily on historical loss experience.

Allowances for loan losses on commercial loans reflect management's best estimate of probable losses. The evaluation includes an assessment of the ability of borrowers to pay by considering various factors such as changes in the nature of the loan, volume of the loan, deterioration of pledged collateral, delinquencies and current financial situation of the borrower.

Office buildings, land, equipment and facilities—

Office buildings, land, equipment and, facilities which consist mainly of installations and software are stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged currently to income.

Depreciation is generally computed by the declining-balance method and at rates based on estimated useful lives of the each asset according to general class, type of construction and use. Amortization is generally computed by the straight-line method over the estimated useful lives. The estimated useful lives are generally as follows:

Office buildings	15 to 50 years
Equipment and installations	3 to 6 years
Software	5 years

Depreciation and amortization was included in *Information processing and communications* in the amount of ¥16,592 million and ¥18,742 million ($149,291 thousand), and was included in *Occupancy and related depreciation* in the amount of ¥4,743 million and ¥5,836 million ($46,487 thousand) for the years ended March 31, 2000 and 2001, respectively.

PFG entities land, buildings, equipment and furniture and fixtures—

Land, buildings, equipment and furniture and fixtures are stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged to income as incurred.

Depreciation starts when assets are placed in service, or upon installation for equipment rented in merchandise operations. Depreciation is computed to residual value using the straight-line method over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings	25 to 50 years
Equipment and furniture and fixtures	3 to 20 years

Depreciation and amortization was included in *Occupancy and related depreciation* in the amount of ¥3,986 million and ¥1,719 million ($13,693 thousand), and was included in *PFG entities' expenses associated with rental income* in the amount of ¥39,587 million and ¥26,685 million ($212,562 thousand) for the years ended March 31, 2000 and 2001, respectively.

Investments in equity securities—

Nomura's investments in equity securities include marketable and non-marketable equity securities which have been acquired for Nomura's operating purposes. Nomura makes such operating investments and holds them for the long-term in order to promote existing and potential business relationships. In doing so, Nomura is following customary business practices in Japan which, through cross-shareholdings, provide a way for companies to manage their shareholder relationships. Such investments consist mainly of equity securities of various financial institutions such as Japanese commercial banks, regional banks and insurance companies. In accordance with accounting principles generally accepted in the United States of America for broker-dealers, investments in equity securities are recorded at market or fair value and unrealized gains and losses are recognized currently in income.

Investments in equity securities are comprised of listed equity securities and unlisted equity securities in the amounts of ¥259,499 million and ¥46,225 million at March 31, 2000 and ¥230,495 million ($1,836,028 thousand) and ¥42,266 million ($336,674 thousand) at March 31, 2001, respectively.

Long-lived assets—

As required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated undiscounted cash flow is less than the carrying amount of the assets, a loss is recognized based on the market or fair value.

Nomura recorded a non-cash impairment loss of ¥17,454 million and ¥25,232 million ($200,988 thousand) substantially related to a write-down of fixed assets and other assets for the years ended March 31, 2000 and 2001, respectively. These losses are included in *Non-interest expenses — Other* in the statements of operations.

These charges were made as a result of Nomura's updated analysis to determine if there was impairment of long-lived assets and certain assets, which identified a significant decrease in the market or fair value of the assets. The revised carrying values of these assets were based on the market or fair value of the assets.

Income taxes—

In accordance with SFAS No. 109, "Accounting for Income Taxes," deferred tax assets and liabilities are recorded for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of the assets and liabilities based upon enacted tax laws and rates. Nomura recognizes deferred tax assets to the extent it is believed more likely than not that a benefit will be realized. A valuation allowance is provided, as deemed appropriate, for tax benefits available to Nomura but when it is more likely than not that a tax benefit will not be realized.

Lump-sum severance indemnities and pension plans—

Pension and severance expenses are determined in accordance with the provisions of SFAS No. 87, "Employers' Accounting for Pensions." Directors of the Company are not covered by the plans. Benefits paid to them are charged to income upon shareholders' approval.

Stock-based compensation—

Normura accounts for its stock-based compensation plan in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees." Under APB No. 25, Nomura recognizes the expense related to stock-based compensation plans based on the excess, if any, of the market value of the stock at the date of award granted over the exercise price of the award.

Net income per share—

The computation of basic net income per share is based on the average number of shares outstanding during the period. Diluted net income per share reflects the potential dilutive effect of convertible bonds.

Statement of cash flows—

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposits with banks.

Goodwill and negative goodwill—

Goodwill is recognized as the excess of acquisition cost over acquired net assets at their fair value. Goodwill is included in *other assets* and amortized over 10 to 20 years on a straight-line basis.

Negative goodwill, which is recognized as the excess of acquired net assets at their market or fair value over the acquisition cost, is included in *Other accrued liabilities* on the accompanying balance sheets, and amortized over periods of 10 years on a straight-line basis.

The amortization of goodwill and negative goodwill is included in *Non-interest expenses — Other*.

New accounting pronouncements—

In June 2000, the Financial Accounting Standards Board issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". SFAS No. 138 is effective concurrently with SFAS No. 137 that deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. These statements require that an entity recognize all derivatives as either assets or liabilities in the balance sheets and measure those instruments at fair value. The accounting for changes in the fair value of a derivative instrument depends on its intended use and the resulting designation. Nomura adopted these statements on April 1, 2001 and their effect of adoption was not significant.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 supersedes APB No. 16, "Business Combinations". The most significant changes made by SFAS No. 141 are (1) requiring that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, (2) establishing specific criteria for the recognition of intangible assets separately from goodwill, and (3) requiring unallocated negative goodwill to be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS No. 142 supersedes APB No. 17, "Intangible Assets". SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition and the provisions of SFAS No. 142 will be effective for fiscal years beginning after December 15, 2001. The most significant changes made by SFAS No. 142 are: (1) goodwill and indefinite life intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, (3) intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years. The application of SFAS No. 142 will require Nomura to write off unamortized negative goodwill that is associated with prior business combinations of ¥103,792 million ($826,767 thousand) at March 31, 2002 and recognize as an effect of a change in accounting principles. Nomura is currently assessing the impact of the adoption of both SFAS No. 141 and No. 142 on goodwill.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". This statement requires accounting for obligations associated with the retirement of tangible long-lived assets and the associated assets retirement costs. Nomura is required to adopt this statement on April 1, 2003 and it is currently assessing its effect.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business (as previously defined in that Opinion). This Statement also amends ARB No. 51, "Consolidated Financial Statements", to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The provisions of this Statement generally are to be applied prospectively. Nomura is currently assessing the effect of the adoption of SFAS No. 144.

2. U.S. dollar amounts:

The U.S. dollar amounts are included solely for convenience and have been translated at the rate of ¥125.54 = US$1, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 30, 2001. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

3. Business combinations:

The Company directly held only 5.0% of the outstanding share capital of Nomura Asset Management Co., Ltd. (NAM), which provides investment management services and manages mutual funds.

In March 2000, the Company acquired an additional 68.8% equity interest in NAM from financial institutions and affiliated companies for cash of ¥31,908 million. The acquisition has been accounted for by the purchase method of accounting effective March 31, 2000 and assets acquired and liabilities assumed have been recorded at estimated fair values. However, since the acquisition cost was determined by the valuation method stipulated by the Japanese Inheritance Tax Regulation, which is based on the concept of estimating the per share value by comparing the subject companies, there was an excess over cost which should reduce proportionately the values assigned to non-current assets except long-term investments in marketable securities in determining their fair values and there was the remainder of the excess over cost even after the allocation reduces the value of the non-current assets. There were no stated or unstated rights granted by Nomura to any of the parties in the NAM share purchase transaction, nor were there any obligations incurred by Nomura, other than what was recognized in that NAM business combination transaction.

The excess of acquired net assets at their estimated fair value over acquisition cost in the amount of ¥105,767 million has been recorded as negative goodwill, which was included in *Other accrued liabilities* and is being amortized into income over 10 years on a straight-line basis from the year ended March 31, 2001.

In addition, during the first half of the year ended March 31, 2001, the Company acquired an additional 17.9% of equity interest in NAM from financial institutions for a cash of ¥11,872 million ($94,567 thousand) and recorded the excess of acquired net assets at their estimated fair value over acquisition cost in the amount of ¥23,974 million ($190,967 thousand) as additional negative goodwill.

The unamortized balances of negative goodwill are ¥105,767 million and ¥116,766 million ($930,110 thousand) at March 31, 2000 and 2001, respectively, and accumulated amortization is ¥12,974 million ($103,346 thousand) at March 31, 2001.

At the time of the acquisition of the 68.8% interest, the fair value of the assets acquired and liabilities assumed for NAM is presented below:

	Millions of yen
	March 31, 2000
Assets:	
Cash and cash equivalents	¥ 5,767
Receivables from other than customers	23,825
Office buildings, land, equipment and facilities	14,092
Investments in equity securities	88,436
Investments in affiliates	91,422
Other assets	73,327
Total assets	296,869
Liabilities:	
Payable to other than customers	10,256
Accrued income taxes	8,400
Accrued pension and severance costs	4,602
Other accrued liabilities	73,333
Total liabilities	96,591
Net assets	200,278
Minority interest	(52,410)
Nomura's portion of net assets	147,868
Acquisition cost (including original 5% equity investments of ¥1,397 million)	(33,305)
Negative goodwill before offset	114,563
Offset against non-current assets	(8,796)
Negative goodwill as reported	¥105,767

The following methods were used to estimate the fair value for each category of asset and liability in the allocation of the NAM purchase prices before offsetting negative goodwill.

The carrying values of cash and cash equivalents which included short-term maturity instruments, was considered as the fair value. Fair value of receivables of a short-term nature was determined based on the gross receivable less any allowance for doubtful accounts. Collection costs were not considered material and has not been deducted in the determination of the fair value on the above estimation. Office buildings, land, equipment and facilities were valued at the original acquisition cost (less impairment losses recognized and the related accumulated depreciation), which, management believes, would not be different from the fair value of those assets. Equity securities and investments in affiliates accounted for under the equity method that are listed companies were valued based on those quoted market prices. Equity securities in non-listed companies were valued based on management's estimate of the fair value. Investments in unlisted affiliates accounted for under the equity method were based on the Company's portion of the underlying fair value of the assets acquired and liabilities assumed. Other assets, mainly consisting of money market fund, lease deposits and similar monetary assets, were valued at the original acquisition cost less impairment losses recognized, which management believes, approximates fair value. The carrying value of payables to other than customers, accrued income taxes and accrued expenses were used as the fair value as they approximate the fair value for these short-term liabilities. Pension liabilities were determined based on the difference between the fair value of the plan assets and the fair value of the projected benefit obligation. Deferred taxes were based on the difference between the assigned values and the tax bases of the assets and liabilities.

During the two years ended March 31, 2001, PFG acquired seven businesses (collectively, the "Acquired Entities") in separate transactions accounted for as purchase business combinations. These acquisitions were not significant individually. Aggregate cash consideration paid for the Acquired Entities was ¥196,736 million ($1,567,118 thousand) and the excess of acquisition cost over acquired net assets at their fair value in the amount of ¥72,690 million ($579,019 thousand) has been recorded as goodwill, which was included in *Other assets*. The unamortized balances of goodwill are ¥50,694 million and ¥102,583 million ($817,134 thousand) at March 2000 and 2001, respectively, and accumulated amortization is ¥10,594 million ($84,387 thousand) at March 31, 2001.

The following summarized unaudited pro forma financial information assumes all the acquisitions described above had occurred at the beginning of the year ended March 31, 2000:

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Total revenues	¥1,933,484	¥1,598,367	$12,731,934
Net income	245,367	36,023	286,944

	Yen		U.S. dollars
	Year ended March 31		
	2000	2001	2001
Net income — basic per share	¥125.02	¥18.35	$0.15
— diluted per share	124.31	18.35	0.15

4. Financial instruments:

Nomura enters into transactions of financial instruments including cash instruments and derivatives primarily for trading purposes and, where needed, non-trading activities.

Risk management—

Nomura is subject to various risks. These risks include market, credit, event, liquidity, operational and legal risks. The process of managing those risks is an integral part of management's responsibilities. Financial innovation in global business activities can lead to complex interactions among risks. Nomura recognizes the importance of identifying, evaluating, monitoring, and managing its risk profile.

Market Risk

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. Nomura is exposed to this type of risk primarily in connection with its trading activities. Effective monitoring and management of this risk requires an ability to analyze a complex and constantly changing capital market environment worldwide and to highlight any problematic trends quickly.

Credit Risk

Credit risk refers to the potential loss in the value of a transaction because a counterparty or issuer fails to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. Nomura also uses credit derivatives to reduce its exposure or hedge its credit risk with respect to issuers. The regional credit officers monitor on a daily basis all credit risk and limits, and communicate credit information and concerns to Nomura's global risk management headquarters in Tokyo.

Nomura measures its credit risk to derivative transaction counterparties as the sum of actual current exposure evaluated daily at its fair value, plus potential exposure until maturity of such transactions. All derivative credit lines are centrally controlled through Nomura's global risk management unit in Tokyo.

Although Nomura's activities and services are broadly diversified, a substantial portion of Nomura's on-balance sheet and off-balance sheet financial instruments portfolio, which involve credit exposure, is executed with or on behalf of other domestic and foreign financial institutions, particularly in securities trading and brokerage, derivatives and banking activities. Allocation of credit exposures to geographic areas is generally in line with that of assets on the balance sheet described in Note 17.

At March 31, 2001, Nomura's significant single concentrations of credit risk were with the Japanese Government and U.S. Government and its agencies. These concentrations generally arise from taking trading securities positions. Government and government agency bonds (which are mainly sovereign to Japan and the United States of America) represented 8.1% and 8.4% of Nomura's total assets as of March 31, 2000 and 2001, respectively.

Event Risk

Event risk refers to the potential loss in value that Nomura may suffer through unpredictable events that cause large unexpected market price moves. Event risk can be caused by changes in political or economic factors. For example, Nomura's global risk management unit collects information on current developments in the political and economic situations in the emerging countries in which Nomura conducts business and reports them to senior management on a weekly basis. Nomura also monitors event risk associated with the possible failure of expected M&A and other corporate transactions with respect to which Nomura has made strategic investments in parties involved in these transactions.

Liquidity Risk

Liquidity risk refers to the additional risk that Nomura faces when Nomura has large positions which cannot be disposed of in the course of normal market trading turnover. The longer Nomura is exposed to these large positions, the greater the risk Nomura faces from fluctuations in the market price and other volatile market conditions.

Operational Risk

Operational risk refers to the potential cost associated with failure in the application of Nomura's policies, operating systems or management control procedures, including problems associated with the introduction of new products and models. The maintenance of strong operational controls using highly trained administrative personnel and the latest technology is essential for reducing this type of risk. Such risk may be especially acute in certain emerging markets, and for new products during periods of heavy trading volume. Nomura manages its operational risk primarily at the level of its regional operations.

Legal Risk

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements, and potential loss from the inability to recover payments due from a counterparty owing to the non-enforceability of a contract. Professional expertise in the applicable regulatory environment where Nomura conducts business, and an ability to develop cross-border products and services that meet divergent and often conflicting requirements of various regulatory regimes, are essential for managing this type of risk. Nomura manages its legal risk primarily at the level of its regional operations. For Japanese operations, the Compliance Committee in Tokyo, which consists of the President and Chief Executive Officer and nine other Directors as well as three outside lawyers, promulgates Nomura's internal corporate regulations and monitors and supervises major internal compliance matters. As part of its efforts to address legal risks for global business, global legal and compliance conferences are held regularly to discuss issues relating to cross-border business.

Trading activities—

Nomura's trading activities consist primarily of securities brokerage, trading, and underwriting; derivatives dealing and brokerage; and securities financing transactions. Trading assets and trading liabilities consist of cash instruments (such as securities) and derivative instruments used for trading purposes or for hedging other trading inventory.

Securities inventory and securities sold but not yet purchased

Securities inventory and securities sold but not yet purchased at March 31, 2000 and 2001 consist of trading securities at market or fair value classified as follows:

	Millions of yen			
	March 31			
	2000		2001	
	Securities inventory	Securities sold but not yet purchased	Securities inventory	Securities sold but not yet purchased
Stocks	¥1,017,799	¥ 865,438	¥ 471,767	¥ 478,876
Government and government agency bonds	1,183,855	1,675,157	1,441,526	1,825,540
Bank and corporation bonds	1,221,384	69,390	900,404	73,545
Commercial paper and certificates of deposit	2,623	6,999	2,467	1,000
Options and warrants	86,030	124,764	44,653	50,508
Mortgage and mortgage-backed securities	505,359	4	372,900	568
Beneficiary certificates and other	47,740	—	47,942	—
	¥4,064,790	¥2,741,752	¥3,281,659	¥2,430,037

	Translation into thousands of U.S. dollars	
	March 31, 2001	
	Securities inventory	Securities sold but not yet purchased
Stocks	$ 3,757,902	$ 3,814,529
Government and government agency bonds	11,482,603	14,541,501
Bank and corporation bonds	7,172,248	585,829
Commercial paper and certificates of deposit	19,651	7,966
Options and warrants	355,688	402,326
Mortgage and mortgage-backed securities	2,970,368	4,524
Beneficiary certificates and other	381,886	—
	$26,140,346	$19,356,675

Securities financing transactions

Nomura enters into secured borrowing and lending transactions mainly to meet customers' needs and finance trading inventory positions. The balance of receivables and payables under resale and repurchase agreements and securities borrowed and loaned transactions at March 31, 2000 and 2001 are as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Receivables under:			
Resale agreements	¥ 943,840	¥2,604,319	$20,744,934
Securities borrowed transactions	3,705,523	3,391,679	27,016,720
Total	¥4,649,363	¥5,995,998	$47,761,654
Payables under:			
Repurchase agreements	¥2,342,068	¥3,598,849	$28,666,951
Securities loaned transactions	2,809,576	3,849,371	30,662,506
Total	¥5,151,644	¥7,448,220	$59,329,457

Under these agreements and transactions, Nomura either receives or provides collateral, including Japanese Government and agencies, mortgage backed, bank and corporate debt securities, non-Japanese government securities and equities.

In many cases, Nomura is permitted to sell or repledge these securities held as collateral and use the securities to secure repurchase agreements, enter into securities lending transactions or deliver to counterparties to cover short positions. The related balances at March 31, 2001 are as follows:

	Billions of Yen	Translation into millions of U.S. dollars
	March 31	
	2001	2001
The fair value of securities received as collateral where Nomura is permitted to sell or repledge the securities	¥8,320	$66,274
The portion of the above that has been sold (included in *Securities sold but not yet purchased* on the consolidated balance sheets) or repledged	6,394	50,932

Nomura pledges firm-owned securities to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party are classified as *Securities pledged as collateral* on the consolidated balance sheet at March 31, 2000 and 2001, respectively.

The securities owned by Nomura 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 as at March 31, 2001 are summarized in the table below:

	Millions of Yen March 31 2001	Translation into thousands of U.S. dollars March 31 2001
Trading assets:		
Stocks	¥ 16,068	$ 127,991
Government and government agency bonds	685,044	5,456,779
Bank and corporation bonds	523,255	4,168,034
Mortgage and mortgage-backed securities	359,567	2,864,163
Total	¥1,583,934	$12,616,967
Investments:		
Investments in equity securities	¥ 25,837	$ 205,807
Non-trading debt securities	307,960	2,453,083
	¥ 333,797	$ 2,658,890

In the normal course of business, Nomura enters into Gensaki transactions which involve selling securities to customers and repurchasing them from the customers on a specific future date at a specific price. As the Gensaki transactions are recorded as sales, the related securities and repurchase obligations are not reflected on the accompanying consolidated balance sheets. As of March 31, 2000 and 2001, securities sold under Gensaki agreements but not yet reacquired amounted to ¥1,272,416 million and ¥1,183,303 million ($9,425,705 thousand), respectively. The contractual repurchase value of the above Gensaki transactions at March 31, 2000 and 2001 approximated the market value of the securities at those dates.

In Japan, there is a market in which participants lend and borrow debt securities without collateral to/from financial institutions under agreements known as lending and borrowing debt securities contract. Under these agreements, Nomura lends and borrows debt securities without collateral. At March 31, 2000 and 2001, the aggregate contractual amounts of borrowing debt securities without collateral were ¥928,600 million and ¥725,700 million ($5,780,628 thousand), respectively. There were no lending securities without collateral at March 31, 2000 and 2001.

Nomura seeks to minimize the market and credit risks associated with its customer securities activities through various control policies and procedures, including continuous monitoring of market and customer exposures, hedging strategies, and requiring collateral or additional margin or reduced positions when necessary.

Derivatives for trading purpose

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet customer needs, for its trading activities, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities, etc. 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. These instruments involve, to varying degrees, off-balance sheet market and credit risk under which default by the counterparty and future changes in interest rates, foreign currency exchange rates or the market values of the securities underlying the instruments may ultimately result in cash settlements in excess of the amounts recognized on the consolidated balance sheets.

Nomura enters into various derivative financial instruments transactions including futures, forwards, swap and option contracts involving securities, foreign currency, interest rate and other money market instruments as part of its normal trading activities and for market risk management of certain non-trading assets and liabilities. The Company has an indirectly wholly-owned subsidiary in the United States of America, Nomura Derivative Products Inc. ("NDPI"), which engages in swap business. Counterparties to transactions executed with NDPI rely solely on the credit worthiness of NDPI and have no claims against the assets of any other Nomura group entities.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are customer oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging customers' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives in order to assist its customers 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 customers with securities and other capital markets products at competitive prices.

Forward and futures contracts are commitments to either purchase or sell securities, foreign currency or money 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, forward contracts and involve the exchange of two currencies at a rate agreed to 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 conducted through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts are 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 swap transactions. Entering into swap agreements may involve the risk of credit loss in the event of the counterparties' default.

To the extent these derivative financial instruments are hedging offsetting financial instruments or securities positions of Nomura, the overall off-balance sheet 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. Credit risk associated with these financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce default risk, Nomura requires collateral, principally government securities, for certain derivative transactions. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral.

The amounts presented in the table below represent the gross notional, or contract amounts of derivative financial instruments for trading purposes at March 31, 2000 and 2001 held or issued by Nomura. The notional or contract amounts of derivatives presented below are indicative only of the volume of these transactions and do not represent the amounts potentially at risk and the extent to which positions may relate to or offset one another. In many cases, the amounts potentially subject to market and credit risks are substantially smaller than the gross notional or contract amounts. Default risk is limited to the current cost of replacing derivative contracts in a loss position.

	Billions of yen		Translation into millions of U.S. dollars
	March 31		
	2000	2001	2001
Futures and forward contracts:			
Securities and interest rate	¥12,191	¥ 8,652	$68,918
Foreign exchange	3,508	3,660	29,154
Securities, interest rate and foreign currency options:			
Written	4,837	7,431	59,192
Purchased	4,068	10,133	80,715
Swap agreements:			
Interest rate and other	41,276	54,685	435,598
Currency	1,810	3,760	29,951

The table below discloses the fair values at March 31, 2000 and 2001 of derivative financial instruments for trading purposes held or issued by Nomura, as well as the average fair values during the years then ended.

	Millions of yen			
	2000		2001	
	March 31 Fair value	Average balance	March 31 Fair value	Average balance
Assets:				
Foreign exchange forwards	¥ 45,099	¥ 75,721	¥ 49,150	¥ 43,308
FRA(1) and other OTC(2) forwards	5,829	10,455	8,937	8,602
Swap agreements	213,445	266,130	214,287	200,731
Options other than securities options—purchased	36,219	36,232	71,162	41,662
Sub-total	300,592	388,538	343,536	294,303
Securities options—purchased	44,172	56,166	39,837	38,126
Total	¥344,764	¥444,704	¥383,373	¥332,429
Liabilities:				
Foreign exchange forwards	¥ 29,973	¥ 71,884	¥ 61,735	¥ 55,163
FRA and other OTC forwards	10,384	6,195	12,851	6,093
Swap agreements	259,525	329,380	300,444	238,682
Options other than securities options—written	27,077	31,766	52,249	31,579
Sub-total	326,959	439,225	427,279	331,517
Securities options—written	78,058	59,500	45,416	50,280
Total	¥405,017	¥498,725	¥472,695	¥381,797

(1) "FRA" is Forward Rate Agreements.

(2) "OTC" is Over The Counter.

	Translation into thousands of U.S. dollars	
	2001	
	March 31	
	Fair value	Average balance
Assets:		
Foreign exchange forwards	$ 391,509	$ 344,974
FRA and other OTC forwards	71,188	68,520
Swap agreements	1,706,922	1,598,941
Options other than securities options—purchased	566,847	331,862
Sub-total	2,736,466	2,344,297
Securities options—purchased	317,326	303,696
Total	$3,053,792	$2,647,993
Liabilities:		
Foreign exchange forwards	$ 491,756	$ 439,406
FRA and other OTC forwards	102,366	48,534
Swap agreements	2,393,213	1,901,243
Options other than securities options—written	416,194	251,545
Sub-total	3,403,529	2,640,728
Securities options—written	361,765	400,510
Total	$3,765,294	$3,041,238

Net gain on trading

While trading activities are primarily generated by client order flow, Nomura also takes proprietary positions in interest rates, debt and equity instruments. Revenues from trading include realized and unrealized gains and losses arising from trading as principal. Revenues also include realized and unrealized gains and losses on debt and equity securities and derivatives utilized in arbitrage strategies for Nomura's own account. Nomura manages its trading business by product groupings. The following table of net trading gains by business unit has been prepared in order to present Nomura's net trading gains and losses in a format which reflects the manner in which Nomura manages its businesses.

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Equity trading-including units trading primarily in stocks, convertible bonds, stock subscription warrants, and related derivatives	¥153,990	¥259,800	$2,069,460
Fixed income trading-including units trading primarily in government bonds, corporate debt securities, and related derivatives	62,661	27,250	217,062
Other-including units engaged primarily in foreign exchange operations in connection with Nomura's securities business	36,677	20,939	166,792
	¥253,328	¥307,989	$2,453,314

Non-trading activities—

Nomura's non-trading activities consist primarily of investments in equity securities for Nomura's operating purposes and derivatives for purposes other than trading. Non-trading assets and non-trading liabilities consist of non-trading debt securities, loans receivable from customers and other assets as well as long-term borrowings.

Derivatives utilized for non-trading purposes

Nomura's principal objective in utilizing derivatives for purposes other than trading is market risk management for certain non-trading assets and liabilities such as non-trading debt securities, loans receivable from customers and other assets as well as bonds and notes issued. The operations of Nomura are subject to the risk of interest rate and currency rate fluctuations to the extent that there is a difference between the amounts of Nomura's interest-bearing and/or foreign currency assets and liabilities which mature or reprice in specified periods. To manage its exposures to market rate movements, Nomura uses derivative financial instruments.

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 and/or floating rate interest payments on its debt obligations to floating rate payments. The maturity structure of the swaps correspond with the maturity of the debt obligations being hedged. Nomura also uses interest rate swaps to modify the interest rate characteristics of certain assets including loans receivable from customers.

The amounts presented in the table below represent the gross notional or contract amounts of non-trading derivative financial instruments at March 31, 2000 and 2001 held or issued by Nomura.

	Billions of yen		Translation into millions of U.S. dollars
	March 31		
	2000	2001	2001
Swap agreements:			
Interest rate and currently	¥321	¥293	$2,334

Estimated fair value of financial instruments—

Nomura's financial instruments are recorded using several methods, including historical cost, amortized cost or market or fair value. Specific accounting policies for significant financial instruments are discussed in Note 1.

The fair values of Nomura's financial instruments are derived using market prices, where available. Because no quoted market prices exist for a significant portion of Nomura's financial instruments, the fair values of such instruments have been estimated using various valuation techniques that are influenced by numerous subjective assumptions such as discount rates of future cash flows. It should be noted that different assumptions or estimation methodologies could significantly affect these estimates. Such estimates, therefore, may not be necessarily indicative of the net realizable or liquidation value of these instruments. In addition, the estimated fair values presented are calculated based on market conditions at a specific point in time and may not be reflective of future fair values.

Financial instruments recorded at market or fair value, or at carrying amounts that approximate fair value include securities financing transactions except for certain assets and liabilities. The following table presents financial instruments with carrying value that differ from their fair values.

Summarized below are estimated fair values of financial instruments at March 31, 2000 and 2001.

	Billions of Yen					
	2000			2001		
March 31	Carrying value	Fair value	Appreciation (Depreciation)	Carrying value	Fair value	Appreciation (Depreciation)
Financial assets:						
Loans receivables from customers and others	¥1,485	¥1,487	¥ 2	¥ 885	¥ 885	¥ 0
Financial liabilities:						
Time and other deposits received	383	384	(1)	471	471	—
Long-term borrowings	1,625	1,613	12	1,489	1,513	(24)
Other financial instruments	242	242	(0)	286	280	6

	Translation into millions of U.S. dollars		
	2001		
March 31	Carrying value	Fair value	Appreciation (Depreciation)
Financial assets:			
Loans receivables from customers and others	$ 7,050	$ 7,050	$ 0
Financial liabilities:			
Time and other deposits received	3,752	3,752	—
Long-term borrowings	11,861	11,672	(189)
Other financial instruments	2,278	2,328	50

Loans receivable from customers and others

The carrying value of loans receivable is net of an allowance for possible credit losses. The estimated fair values of loans are determined based on loan characteristics. The fair value of fixed rate loans was estimated by discounting estimated cash flows. The discount rates are based on the current market rates for the applicable maturity. Where quoted market prices are available, such market prices were utilized as estimated fair values. For Nomura's floating rate loans receivable, carrying value approximates fair value.

Long-term borrowings

For certain bonds and notes issued by Nomura, Nomura enters into interest rate and currency swap contracts designated as hedges. Fair values of the bonds and notes and related hedge instruments were estimated using quoted market prices where available or by discounting future cash flows.

All other financial instruments

All other financial instruments include short-term financial assets and liabilities, as well as other assets and other accrued liabilities including the on-balance sheet value of various derivative contracts.

Short-term financial assets and liabilities carried at amounts which approximate fair value include: cash and cash deposits, receivables from customers and others, securities purchased under agreements to resell, loans, time and other deposits received, payables to customers and others and securities sold under agreements to repurchase. These financial instruments mature principally within one year and bear interest at rates which approximate market.

Other financial assets and liabilities consist of financial instruments, for which the carrying values are reasonable estimates of fair values.

The on-balance sheet values of derivative financial instruments, including forwards, swap contracts and options (other than securities options), for trading purposes, are included in derivative contracts. The on-balance sheet values of derivatives for non-trading purposes are included in other assets and other accrued liabilities as appropriate. The fair values of these financial instruments are determined using market prices or pricing models which consider the time value and volatility of the underlying financial instruments.

The difference between the fair values and carrying values of these financial instruments indicated above primarily relates to forward foreign exchange contracts and interest rate swaps used for asset and liability management for non-trading assets and liabilities.

With regard to commitments to extend credit, standby letters of credit and financial guarantees written, the fair values are not material.

5. Earnings per share:

The reconciliation of the numbers and the amounts used in the basic and diluted net income per share computations is as follows:

	Number of shares Year ended March 31	
	2000	2001
Weighted average number of shares on which basic net income per share is calculated	1,962,650,763	1,962,936,726
Effect of dilutive securities:		
Convertible bonds	15,754,832	—
Number of shares on which diluted net income per share is calculated	1,978,405,595	1,962,936,726

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Net income applicable to common stock	¥203,549	¥57,410	$457,304
Effect of dilutive convertible bonds	559	—	—
Net income on which diluted net income per share is calculated	¥204,108	¥57,410	$457,304

	Yen		Translation into U.S. dollars
	Year ended March 31		
	2000	2001	2001
Net income per share:			
Basic	¥103.71	¥29.25	$0.23
Diluted	¥103.17	¥29.25	$0.23

The following convertible bonds and warrants were not included in the diluted net income per share calculation because such items would have been antidilutive:

	Number of Shares
	Year ended March 31, 2001
Convertible bonds	9,022,170
Warrants	311

6. Receivables from and payables to customers and other:

Loans receivable from customers consist of loans for margin transactions and commercial loans. The former, which amounts to ¥596,789 million and ¥137,431 million ($1,094,719 thousand) at March 31, 2000 and 2001, respectively, is collateralized by customers' securities and is also secured by customers' deposits of securities. Commercial loans, which amount to ¥183,469 million and ¥144,993 million ($1,154,955 thousand) at March 31, 2000 and 2001, respectively, are provided by the lending operations of subsidiaries.

Receivables from and payables to customers include amounts due to cash transactions. Payable to customers also includes deposits received from customers amounting to ¥178,511 million and ¥137,229 million ($1,093,110 thousand) at March 31, 2000 and 2001, respectively.

Loans receivable from other than customers mainly consist of loans receivable from institutional counterparties in the money markets used for short-term financing.

Changes in the allowance for doubtful accounts for the years ended March 31, 2000 and 2001 are shown below:

	Millions of yen		Translation into thousands of U.S. dollars
	Year Ended March 31		
	2000	2001	2001
Balance at beginning of period	¥(26,706)	¥(15,181)	$(120,925)
Additions:			
Charged to costs and expenses	(3,418)	(15,412)	(122,766)
Charged to other accounts	644	(544)	(4,333)
Deductions	14,299	4,608	36,705
Balance at end of period	¥(15,181)	¥(26,529)	$(211,319)

7. PFG entities — land, buildings, equipment and furniture and fixtures:

Land, buildings, equipment and furniture and fixtures of PFG entities at March 31, 2000 and 2001 are comprised of the following:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Buildings	¥ 254,834	¥614,662	$4,896,145
Equipment	154,563	83,952	668,727
Furniture and fixtures	48,492	42,319	337,096
Land	110,786	170,368	1,357,081
	568,675	911,301	7,259,049
Accumulated depreciation	(135,621)	(75,447)	(600,980)
Balance at end of period	¥ 433,054	¥835,854	$6,658,069

8. Borrowings:

Non-PFG entities

Borrowings of Nomura excluding PFG entities at March 31, 2000 and 2001 are shown below:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Short-term borrowings:			
Bank loans	¥ 467,551	¥ 483,948	$ 3,854,930
Loans from financial institutions other than banks	117,887	108,891	867,381
Commercial paper	473,837	355,430	2,831,210
Current portion of long-term borrowings	86,755	203,554	1,621,427
Total	¥1,146,030	¥1,151,823	$ 9,174,948

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Long-term borrowings:			
Long-term bank loans	¥ 521,329	¥ 271,226	$ 2,160,475
Funding balances of bonds and notes issued			
Fixed-rate obligations:	322,114	451,511	3,596,551
Japanese yen denominated(1)	289,737	416,199	3,315,270
Non-Japanese yen denominated	32,377	35,312	281,281
Variable-rate obligations:	6,711	42,077	335,168
Japanese yen denominated	—	34,200	272,423
Non-Japanese yen denominated	6,711	7,877	62,745
Medium-term notes:	746,596	789,154	6,286,076
Japanese yen denominated	553,964	573,400	4,567,468
Non-Japanese yen denominated	192,632	215,754	1,718,608
	1,075,421	1,282,742	10,217,795
Trading balances of bonds issued	115,374	138,770	1,105,385
	1,712,124	1,692,738	13,483,655
Less-Portion due within one year	86,755	203,554	1,621,428
Total	¥1,625,369	¥1,489,184	$11,862,227

(1) Convertible bonds and warrants included in "Fixed-rate obligations: Japanese yen denominated" are as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
1.9% convertible at ¥3,360.40 per share — due 2002	¥ 7,982	¥ 7,980	$ 63,565
1.4% convertible at ¥4,308.60 per share — due 2003	28,641	28,641	228,142
1.01% warrant at ¥2,305.00 per share — due 2005	—	2,631	20,957

At March 31, 2001, fixed-rate obligations are due between 2002 and 2011 at interest rates ranging from 0.215% to 8.625%. Variable-rate obligations, which are generally based on LIBOR, are due between 2004 and 2016 at interest rates ranging from 1.555% to 5.395%. Medium-term notes are due between 2002 and 2031 at interest rates ranging from 0.0% to 36.2%.

The bond agreements for convertible yen bonds issued by the Company stipulate, among other things, the following:

(1) Under the terms of the agreements for the 1.9% bonds, the cumulative amount of cash dividends may not exceed ¥27,500 million ($219,054 thousand) plus the aggregate amount of recurring profit after income taxes (as defined in the indentures) of the Company, beginning with the fiscal year ended March 31, 1986. Such limitation of cash dividends will be waived if the Company provides collateral which is accepted by the trustees.

(2) At the option of the Company, the bonds are redeemable in whole or in part at specified prices or they may be repurchased.

Certain borrowing agreements of subsidiaries contain provisions whereby the borrowings are redeemable at the option of the holder at specified dates prior to maturity.

Nomura enters into swap agreements to manage its exposure to interest rate and currency risks. Principally, bonds and notes issued by subsidiaries are effectively converted to LIBOR-based floating rate obligations by such swap agreements.

The effective weighted-average interest rates of borrowings, which include the effect of hedges, at March 31, 2000 and 2001 were as follows:

	March 31	
	2000	**2001**
Short-term borrowings	1.60%	1.91%
Long-term borrowings	1.97%	2.61%
Fixed-rate obligations	1.71%	2.37%
Variable-rate obligations	6.46%	5.39%
Medium-term notes	2.64%	2.96%

Trading balances

These balances represent bonds and notes issued by special purpose entities. These bonds and notes were not issued for the purpose of Nomura's funding but for trading purposes for Nomura to gain profits from distribution of such bonds and notes to investors. Such bonds and notes are secured on or referenced to certain assets held by the special purpose entities, and the interest rates and/or redemption values or maturity have been linked to the performance of these referenced assets.

The aggregate annual maturities of long-term borrowings as of March 31, 2001 are as follows:

Year ending March 31	**Millions of yen**	**Translation into thousands of U.S. dollars**
2002	¥ 203,554	$ 1,621,428
2003	221,098	1,761,176
2004	289,169	2,303,401
2005	142,663	1,136,395
2006	166,075	1,322,885
2007 and thereafter	670,179	5,338,370
	¥1,692,738	$13,483,655

Borrowing facilities

At March 31, 2000 and 2001, Nomura excluding PFG entities had unused committed lines of credit amounting to ¥454,339 million and ¥906,166 million ($7,218,146 thousand), respectively.

Non-recourse PFG entities loans and bonds

The PFG entities have ¥869,214 million ($6,923,801 thousand) of borrowings at March 31, 2001. Each entity manages its own financing needs and all debt is non-recourse to Nomura other than PFG entities.

Borrowings of PFG entities at March 31, 2000 and 2001 are shown below:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Bank and other loans	¥106,127	¥335,138	$2,669,571
Loans from financial institutions other than banks	—	17,013	135,519
Bonds and other long-term borrowings	441,130	517,063	4,118,711
Total	¥547,257	¥869,214	$6,923,801

The weighted-average interest rates on PFG entities' short-term borrowings, which include bank and other loans, were 8.2% and 7.0% at March 31, 2000 and 2001, respectively. At March 31, 2000 and 2001, the weighted average interest rate on PFG entities' long-term borrowings were 8.3% and 7.2%, respectively.

Certain loans and bonds related to PFG are subject to covenants in respect of debt service covered and minimum net worth.

At March 31, 2000 and 2001, PFG entities have unused committed lines of credit amounting to ¥53,161 million and ¥77,570 million ($617,891 thousand), respectively.

Presented below is a schedule of maturities of long-term borrowings as of March 31, 2001:

Year ending March 31	Millions of yen	Translation into thousands of U.S. dollars
2002	¥ 37,555	$ 299,148
2003	86,874	692,002
2004	58,972	469,747
2005	11,537	91,899
2006	43,773	348,678
2007 and thereafter	630,503	5,022,327
	¥869,214	$6,923,801

9. Assets pledged:

In the normal course of business, certain of Nomura's assets are pledged to collateralize borrowing transactions, securities financing transactions, derivative transactions and other purposes. At March 31, 2000 and 2001, carrying value of assets pledged, except for securities financing transactions that are disclosed in Note 4, and assets pledged by PFG entities, are as follows.

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Trading securities	¥ 47,988	¥ 47,409	$ 377,641
Non-trading debt securities	92,388	14,209	113,183
Investments in equities securities	—	7,342	58,483
Land and buildings	—	8,742	69,635
	¥140,376	¥ 77,702	$ 618,942

Assets in the above table were mainly pledged to financial institutions for loan payable and derivative transactions.

In addition, Nomura repledged ¥103,340 million and ¥186,084 million ($1,482,269 thousand) of securities borrowed at March 31, 2000 and 2001 as collateral for bank loans and other loans.

PFG entities have pledged their assets of ¥528,873 million and ¥952,996 million($7,591,174 thousand) at March 31, 2000 and 2001 as collateral for bank loans and other long-term borrowings.

10. Lump-sum severance indemnities, pension plans and postretirement health care plans:

Employees of the Company and most subsidiaries in Japan ("the Japanese entities") who terminate employment are entitled, under most circumstances, to lump-sum severance indemnities and pension payments, as described below.

The unfunded retirement plans generally employ a multi-variable formula based upon position in the Japanese entities and years of service and provide lump-sum severance indemnities for employees with at least two years of service. The minimum payment is an amount based on voluntary separation. In addition to the minimum payment, employees receive additional benefits upon reaching retirement age, death or for other defined reasons. The amount of lump-sum severance indemnities under the unfunded retirement plans is subject to certain reductions based on benefits payable under the pension plan described below.

In addition to the unfunded retirement plans, the Japanese entities have non-contributory defined benefit pension plans which provide for annuity payables subsequent to retirement or lump-sum payments at the time of retirement for employees who terminate employment at or after the age of 53 with more than 20 years of service. The annuity is payable commencing at the age of 60. Lump-sum payments are also provided to employees who are not entitled to annuity payments. The annuity or lump-sum payments are determined by reference to eligible compensation at the time of severance, years of service and other factors.

PFG entities operate a number of defined benefit and defined contribution plans throughout the world which are financed according to local practice. The majority of PFG entities' defined benefit pension benefits are provided for its employees and former employees in the UK, Norway, Sweden and Germany. In addition, retirement indemnities are provided for employees in France. Pension benefits provided for other overseas participants are, in general, either government-provided or defined contribution.

The following tables present a reconciliation of the status of the Japanese entities' unfunded retirement plans and defined benefit pension plans and the PFG entities, defined benefit pension plans, and the amounts recorded in the consolidated balance sheets at March 31, 2000 and 2001:

Japanese plans—

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Change in projected benefit obligation:			
Benefit obligation at beginning of year	¥(149,951)	¥(162,654)	$(1,295,635)
Service cost	(6,756)	(8,176)	(65,127)
Interest cost	(4,499)	(4,229)	(33,686)
Actuarial gains and losses	3,586	(10,222)	(81,424)
Acquisition and other	(10,606)	(532)	(4,238)
Benefits paid	5,572	7,154	56,986
Benefit obligation at end of year	(162,654)	(178,659)	(1,423,124)
Change in plan assets:			
Fair value of plan assets at beginning of year	76,437	98,731	786,451
Actual return on plan assets	16,155	(11,013)	(87,725)
Employer contribution	4,422	34,112	271,722
Acquisition and other	5,853	—	—
Benefits paid	(4,136)	(4,801)	(38,243)
Fair value of plan assets at end of year	98,731	117,029	932,205
Funded status	(63,923)	(61,630)	(490,919)
Unrecognized net assets at transition	(1,689)	(1,265)	(10,077)
Unrecognized net actuarial loss	31,967	57,166	455,361
Unrecognized prior service cost	1,901	1,545	12,307
Net accrued pension liabilities	(31,744)	(4,184)	(33,328)
Intangible asset	(4,940)	(3,825)	(30,468)
Minimum pension liability adjustment	(10,166)	(36,044)	(287,112)
Accrued pension/severance costs recognized in the consolidated balance sheets	¥ (46,850)	¥ (44,053)	$ (350,908)

PFG entities' plans—

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Change in projected benefit obligation:			
Benefit obligation at beginning of year	¥(144,618)	¥(126,555)	$(1,008,085)
Business combinations	—	(16,155)	(128,684)
Spin-offs	219	—	—
Service cost	(1,631)	(1,686)	(13,430)
Interest cost	(7,494)	(7,755)	(61,773)
Employee contributions	(384)	(495)	(3,943)
Curtailment gain	180	174	1,386
Actuarial gains and losses	1,977	3,901	31,074
Benefit payments	6,322	6,918	55,106
Foreign exchange rate change	18,874	(7,253)	(57,775)
Benefit obligation at end of year	(126,555)	(148,906)	(1,186,124)
Change in plan assets:			
Fair value of plan assets at beginning of year	201,248	183,763	1,463,781
Business combinations	—	11,799	93,986
Spin-offs	(136)	—	—
Actual return on plan assets	15,224	1,571	12,514
Employer contributions	62	367	2,923
Employee contributions	384	495	3,943
Benefit payments	(6,322)	(6,918)	(55,106)
Foreign exchange rate change	(26,697)	9,321	74,247
Fair value of plan assets at end of year	183,763	200,398	1,596,288
Funded status	57,208	51,492	410,164
Unrecognized net actuarial gain	(7,573)	(3,066)	(24,422)
Prepaid pension costs recognized in the consolidated balance sheets	¥ 49,635	¥ 48,426	$ 385,742

The provisions of SFAS No. 87 require the recognition of an additional minimum liability for each defined benefit plan for which the accumulated benefit obligation exceeds the plan assets. This liability has been recorded as accrued pension and severance costs with an offsetting intangible asset. Because the asset recognized may not exceed the amount of unrecognized prior service cost and transition obligation, the amount of the intangible asset recognized in excess of the amount of unrecognized prior service cost and transition obligation, net of tax benefits, is reported as a separate reduction of shareholders' equity at March 31, 2000 and 2001, respectively.

The aggregate benefit obligation for those plans where the accumulated benefit obligation exceeded the fair value of plan assets at March 31, 2000 and 2001 was as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Accumulated benefit obligation	¥144,507	¥160,739	$1,280,381

Assets of the plans are administered by several independent financial institutions and are invested principally in fixed income and equity securities. The Japanese entities' policy is to fund amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members.

The weighted-average assumptions at the latest actuarial valuation date used in determining the present values of the projected benefit obligation as of that date and net periodic pension and service costs for the following fiscal years were as follows:

Japanese plans—

	Year ended March 31	
	2000	2001
Discount rate	2.6%	2.4%
Rate of increase in compensation levels	4.3%	4.1%
Long-term return on plan assets	2.3%	4.2%

PFG entities' plans—

	Year ended March 31	
	2000	2001
Discount rate	6.3%	6.0%
Rate of increase in compensation levels	5.0%	4.4%
Long-term return on plan assets	5.5%	5.4%
Pension increase	3.0%	2.5%

The net pension and severance costs of the benefit plans for the two years ended March 31, 2001 included the following components:

Japanese plans—

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Service cost	¥ 6,756	¥ 8,176	$ 65,127
Interest cost	4,499	4,229	33,686
Expected return on plan assets	(1,364)	(5,026)	(40,035)
Amortization of net transition assets	(424)	(424)	(3,377)
Amortization of net actuarial losses	2,036	1,061	8,451
Amortization of prior service cost	356	356	2,836
Net periodic pension and severance costs	¥11,859	¥ 8,372	$ 66,688

PFG entities' plans—

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Service cost	¥ 1,631	¥ 1,686	$ 13,430
Interest cost	7,494	7,755	61,773
Expected return on plan assets	(9,131)	(9,952)	(79,273)
Amortization of net actuarial gain	—	(8)	(64)
Net periodic pension costs	¥ (6)	¥ (519)	$ (4,134)
Curtailment/settlement gain	¥ (180)	¥ (174)	$ (1,386)

The 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 benefit obligation or the fair value of plan assets are amortized over the average remaining service period of active participants.

Substantially all employees of the Company and most subsidiaries in Japan are also covered under an industry-wide multi-employer non-contributory welfare pension plan which is administered by the Japan Securities Dealers Employees' Pension Fund ("JSDE Fund") in coordination with the contributory governmental welfare pension plan. The non-contributory portion of the multi-employer contributory welfare pension plan is funded as an additional portion of the contributory governmental welfare pension plan in conformity with the funding requirements of applicable Japanese governmental regulations. Additionally, the Company and certain subsidiaries provide certain health care benefits to both active and retired employees through its Nomura Securities Health Insurance Society ("NSHIS"), and these benefits are currently funded and provided through NSHIS. The Company and certain subsidiaries sponsor certain health care benefits to retired employees ("Special Plan") and these retirees are permitted to continue participation in this 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 administered together with NSHIS and the funded status of this Special Plan is not computed separately since the plan is jointly administered by NSHIS and the national government and, therefore, it is a multi-employer post-retirement plan. Therefore, although the Company and certain subsidiaries contribute some portion of cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not provide any provision for the future cost. As a multi-employer plan, the net postretirement benefit cost for the year is equivalent to the required contribution for the period. Amounts charged to pension cost and contributed to these plans were approximately ¥5,721 million and ¥6,570 million ($52,334 thousand) for the years ended March 31, 2000 and 2001, respectively.

Substantially all overseas subsidiaries, excluding PFG entities, have various local defined contribution pension plans or defined benefit plans covering certain employees. The contributions to the defined contribution pension plans, which are charged to income, are ¥1,364 million and ¥2,086 million ($16,616 thousand) for the year ended March 31, 2000 and 2001, respectively. The contribution to the defined benefit pension plans is not material.

11. Stock-based compensation plan:

In August 2000, Nomura adopted a Stock Option Plan ("Stock Option Plan"). Upon the issuance of unsecured bonds with detachable warrants, Nomura has purchased all 2,631 detachable warrants for the Stock Option Plan and delivered 2,619 warrants to directors, statutory auditors and certain employees. The exercise price per share is ¥2,305 and, with exercising a warrant, the common stocks of the Company, the number of which is calculated as ¥1 million divided by the exercise price, can be subscribed. The warrants vest after 6 months from the grant date and are exercisable up to four years from the date of grant.

The warrant activity for the year ended March 31, 2001 is summarized below:

	Number of shares under warrants
Outstanding and exercisable at beginning of year	—
Granted	1,136,225
Repurchased	(2,603)
Outstanding and exercisable at end of year	1,133,622

The remaining life of the warrants as of March 31, 2001 is 3.4 years and the compensation expense for the year ended March 31, 2001 is ¥109 million ($868 thousand).

SFAS No. 123 "Accounting for Stock-Based Compensation", which prescribes the recognition of stock-based compensation expense based on the fair value of the warrants on the grant date, allows companies to continue applying APB No. 25, if certain pro forma disclosures are made assuming hypothetical fair value method application. Had stock-based compensation expense for the Stock Option Plan been recognized pursuant to SFAS No. 123, Nomura's net income and net income per share for the year ended March 31, 2001 would be impacted as shown in the following tables:

	Millions of yen	Translation into thousands of U.S. dollars
Net income:		
As reported	¥57,410	$457,304
Pro forma	56,636	451,139

	Yen	Translation into U.S. dollars
Basic earnings per share:		
As reported	¥29.25	$0.23
Pro forma	28.85	0.23
Diluted earnings per share:		
As reported	¥29.25	$0.23
Pro forma	28.85	0.23

The fair value of warrants granted during the year ended March 31, 2001 was ¥777 ($6.20) per share at the grant date. The fair value of warrants granted on the date of grant was determined using a Black-Scholes option-pricing model with the following assumptions:

Expected dividend yield	0.63%
Expected volatility	45.70%
Risk-free interest rate	1.11%
Expected lives	4 years

12. Income taxes:

The components of income tax expense reflected in the consolidated statements of operations are as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Current:			
Domestic	¥ 1,829	¥39,983	$318,488
Foreign	11,037	13,710	109,208
Total current	12,866	53,693	427,696
Deferred:			
Domestic	148,545	36,021	286,928
Foreign	7,260	9,048	72,073
Total deferred	155,805	45,069	359,001
Total	¥168,671	¥98,762	$786,697

The Company and subsidiaries in Japan is subject to a normal effective statutory tax rate of approximately 42% for the year ended March 31, 2000 and 2001, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income is affected by a number of items, including various tax credits, certain expenses not allowable for income tax purposes and different tax rates applicable to foreign subsidiaries.

A reconciliation of the effective income tax rate reflected in the consolidated statements of operations to the normal effective statutory tax rate is as follows:

	Year ended March 31	
	2000	2001
Normal effective statutory tax rate	42.0%	42.0%
Impact of:		
Change in valuation allowance	1.3	19.4
Non-deductible expenses	3.5	8.2
Dividends from foreign subsidiaries	0.9	0.1
Amortization of goodwill	—	(3.5)
Non-taxable revenue	(0.8)	(2.4)
Loss on sale/devaluation of investment in affiliates	(2.7)	(0.4)
Lower tax rate applicable to income of foreign subsidiaries	(1.1)	2.7
Others	2.2	(2.9)
Effective tax rate	45.3%	63.2%

The net deferred tax assets of ¥102,018 million and ¥87,006 million ($693,054 thousand) included in the consolidated balance sheets at March 31, 2000 and 2001, respectively, represent the total of the temporary difference in components of those tax jurisdictions with net deductible amounts in future years. The net deferred tax liabilities of ¥42,716 million and ¥65,034 million ($518,034 thousand) included in *Other accrued liabilities* in the consolidated balance sheets at March 31, 2000 and 2001, respectively, represent the total amount of the temporary difference in components of those tax jurisdictions with net taxable amounts in future years.

Details of deferred tax assets and liabilities are as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Deferred tax assets			
Depreciation and amortization	¥ 42,935	¥ 83,714	$ 666,831
Valuation of securities and derivatives	10,933	31,546	251,282
Accrued expenses and provisions	58,226	13,819	110,077
Operating losses	194,245	138,568	1,103,776
Accrued severance and pension costs	13,999	25,536	203,409
Capital loss carry forward	—	15,664	124,773
Others	7,357	35,891	285,893
Gross deferred tax assets	327,695	344,738	2,746,041
Less — Valuation allowance	(62,684)	(176,837)	(1,408,611)
Total deferred tax assets	265,011	167,901	1,337,430
Deferred tax liabilities			
Valuation of securities and derivatives	171,689	104,243	830,356
Accrued severance and pension costs	19,895	18,686	148,845
Undistributed earnings of foreign subsidiaries	6,041	5,994	47,746
Others	8,084	17,006	135,463
Total deferred tax liabilities	205,709	145,929	1,162,410
Net deferred tax assets	¥ 59,302	¥ 21,972	$ 175,020

The valuation allowance mainly relates to deferred tax assets of the consolidated subsidiaries with the operating loss carryforwards for tax purposes. Based on the cumulative and continuing losses of these subsidiaries management of the Company believes that it is more likely than not that these deferred tax assets will not be realized. Changes in the valuation allowance for deferred tax assets for the years ended March 31, 2000 and 2001 are shown below:

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Balance at beginning of period	¥34,271	¥ 62,684	$ 499,315
Additions	28,413	114,153	909,296
Balance at end of period	¥62,684	¥176,837	$1,408,611

At March 31, 2001, no deferred income taxes have been provided on undistributed earnings of foreign subsidiaries not expected to be remitted in the foreseeable future totaling ¥81,467 million ($648,933 thousands).

Nomura has net operating loss carryforwards, for income tax purposes, of ¥403,870 million ($3,217,062 thousand) resulting from operations primarily in Japan and the U.S. These losses, except for the amount of ¥186,398 million ($1,484,770 thousand) which can be carried forward indefinitely, expire as follows: 2002 through 2005 — ¥6,650 million ($52,971 thousand), 2006 and thereafter — ¥210,822 million

($1,679,321 thousand). Nomura believes that it is more likely than not that these loss carryforwards, less valuation allowance, will be realized.

13. Common stock, legal reserve and retained earnings:

In accordance with the provisions of the Japanese Commercial Code, conversions of convertible debt into common stock are accounted for by crediting more than one-half of the conversion proceeds to the common stock account and the remainder to the additional paid-in capital account.

The balance of retained earnings at March 31, 2000 and 2001 includes statutory legal reserves required under the Japanese Commercial Code and Japanese Securities and Exchange Law that restricts as to the payments of dividends under the Commercial Code to shareholders as of March 31, 2001. At March 31, 2001, ¥1,108,045 million of statutory retained earnings of the Company is not subject to this restriction, which was based on the amount recorded in the Company's statutory books of account maintained in accordance with accounting principles and practices prevailing in Japan. The adjustments incorporated in the accompanying consolidated financial statements but not recorded in the statutory books of account as explained in Note 1 have no effect on the determination of retained earnings restricted for dividends under the Commercial Code.

Retained earnings includes accumulated deficit of ¥3,868 million and ¥13,340 million ($106,261 thousand) at March 31, 2000 and 2001, respectively, relating to equity in accumulated deficit, net of undistributed earnings, of companies accounted for by the equity method.

The appropriation of retained earnings with respect to the year ended March 31, 2001, which has been incorporated in the accompanying consolidated financial statements, was approved at the general shareholders' meeting held on June 28, 2001 and have been recorded in the statutory books of account in accordance with the Commercial Code after shareholders' approval.

14. Regulatory requirements and dividend limitation:

Under the Securities and Exchange Law, securities companies in Japan are subject to the capital adequacy rules of the Financial Services Agency. This rule requires the maintenance of a capital adequacy ratio, which are 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 include shareholders' equity, net unrealized gains and losses on securities held, reserves and subordinated debts) less illiquid assets. The business risks are divided into three categories, (1) market risks, (2) counterparty risks, and (3) basic risks. Under this rule, there are no restrictions to the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. At March 31, 2000 and 2001, the Company's capital adequacy ratio exceeded 120%, respectively.

The Company is required to segregate cash deposited by customers on security transactions under the Japanese Securities and Exchange Law. Segregated cash of ¥305,000 million was included in *Deposits with stock exchanges and other segregated cash* on the accompanying consolidated balance sheet at March 31, 2000. At March 31, 2001, the company segregated bonds with a market value of ¥178,351 million ($1,420,671 thousand) as a substitute for cash. Such bonds were included in *Securities inventory* on the accompanying consolidated balance sheet.

A subsidiary in the United States of America is registered as a broker-dealer with SEC and is subject to the SEC's Uniform Net Capital Rule, which requires net capital, as defined under the alternative method, of not less than the greater of 2% of aggregate debit items arising from customers transactions, or 4% of funds required to be segregated for customers' regulated commodity accounts. At March 31, 2000 and 2001, the subsidiary's U.S. Government and agencies' securities with a market value of ¥25,283 million and ¥37,258 million ($296,782 thousand), respectively, were segregated for regulatory purposes.

Such U.S. Government and agencies' securities were included in *Securities inventory* in the amount of ¥7,925 million and ¥3,805 million ($30,309 thousand) and *Securities purchased under agreements to resell* in the amounts of ¥17,358 million and ¥33,453 million ($266,473 thousand), respectively, on the accompanying consolidated balance sheets. A subsidiary in the United Kingdom, a registered broker-dealer, is subject to the capital requirements of the Securities and Futures Authority of the United Kingdom. Certain other subsidiaries, including banking subsidiaries, are subject to various regulatory requirements that may limit cash dividends and advances to Nomura and that establish minimum capital requirements. At March 31, 2000 and 2001, these subsidiaries were in compliance with all applicable regulatory capital adequacy requirements.

15. Investments in and transactions with affiliated companies:

Entities comprising a significant portion of Nomura's investments in affiliated companies or giving significant impact on Nomura's financial condition and results of operations include JAFCO Co., Ltd, Nomura Research Institute, Ltd., Nomura Land and Building Co., Ltd. and Nomura Finance Co., Ltd.

JAFCO Co., Ltd. ("JAFCO")—

JAFCO, which is the listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies. Prior to the fiscal year ended March 31, 2000, the Company had directly held 3.6% of the outstanding share capital of JAFCO. In February 2000, the Company acquired an additional 3.9% equity interest in JAFCO for ¥67,399 million ($536,873 thousand) at quoted price. In March 2000, the Company indirectly acquired an additional 4.8% equity interest in JAFCO through acquiring Nomura Asset Management Co., Ltd, ("NAM"), see Note 3. In February 2001, the Company further acquired an additional 8.9% equity interest in JAFCO for ¥54,395 million ($433,288 thousand) at quoted price. As a result of these acquisitions, Nomura holds 21.1% of the outstanding share capital since March 31, 2001 and adopted the equity method to the investment in JAFCO in the consolidated financial statements for the year ended March 31, 2000 and 2001. The unamortized balances of excess of the cost of the investments in affiliated company over JAFCO's equity in the net assets at the dates of acquisition amount to ¥105,415 million and ¥136,937 million ($1,090,784 thousand), respectively at March 31, 2000 and 2001, and are being amortized over 10 years.

Nomura Research Institute, Ltd ("NRI")—

NRI undertakes domestic and overseas economic research and also develops and maintains computer network. One of the major customers of NRI is Nomura. Prior to the fiscal year ended March 31, 2000, the Company had directly held 5.0% of the outstanding share capital of NRI. In March 2000, the Company indirectly acquired an additional 20.2% equity interest in NRI through acquiring NAM, see Note 3. As a result, Nomura holds 25.2% of the outstanding share capital since March 31, 2000 and adopted the equity method to the investment in NRI in the consolidated financial statements for the years ended March 31, 2000 and 2001. The unamortized balances of excess of the cost of the investments in affiliated company over NRI's equity in the net assets at the dates of acquisition amount to ¥12,888 million at March 31, 2000, and are being amortized over 10 years.

Nomura Land and Building Co., Ltd. ("NLB")—

NLB owns a substantial portion of Nomura's leased office space in Japan. The lease transactions with Nomura are disclosed in Note 16. Prior to the fiscal year ended March 31, 2000, the Company had directly held 5.0% of the outstanding share capital of NLB. In March 2000, the Company indirectly acquired an additional 19.9% equity interest in NLB through acquiring NAM, see Note 3. As a result, Nomura holds 24.9% of the outstanding share capital since March 31, 2000 and adopted the equity method to the investment in NLB in the consolidated financial statements for the years ended March 31, 2000 and 2001. The excess of the cost of the investments in affiliated company over NLB's equity in the net assets at the dates of acquisition is immaterial.

Nomura Finance Co., Ltd ("NFC")—

The Company and NAM, a consolidated subsidiary, have held 14.8% of the outstanding share capital of NFC. NFC's primary business is that of providing various types of collateralized loans to individuals and companies. The Company uses the equity method of accounting for NFC, because the Company considered that it had the ability to exercise influence over operation of NFC.

In March 1999, Nomura announced its decision to provide financial assistance to NFC in its decisive restructuring plan and to solve NFC's non-performing loan problem. In connection with such financial assistance, Nomura recorded a special provision of ¥348,000 million for financial assistance to NFC, in the consolidated financial statements for the year ended March 31, 1999. Under the plan, the financial assistance was undertaken in the form of cash transfer, of ¥272,800 million and ¥59,000 million ($469,970 thousand) for the years ended March 31, 2000 and 2001, respectively. Nomura recognized through the recording of the provision its participation in the losses of NFC, at the time such loss occurred.

On December 4, 2000, the Company and NAM sold the shares of NFC to LSF Nikkei Holding, Ltd. As a consequence of this transfer transaction, Nomura recognized the gain on sale of NFC share of ¥3,452 million ($27,497 thousand), and reversed the remained provision for financial assistance of ¥16,200 million ($129,043 thousand), which are included in *Non-interest expenses — Other* in the statement of operations for the year ended March 31, 2001.

Changes in the provision for financial assistance to NFC for the years ended March 31, 2000 and 2001, which are included in *Other liabilities*, are shown below:

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Balance at beginning of the period	¥(348,000)	¥(75,200)	$(599,012)
Disbursements for financial assistance	272,800	59,000	469,970
Reversal of provision	—	16,200	129,042
Balance at the end of period	¥(75,200)	¥—	$—

A summary of balances and transactions with the affiliated companies except for the lease transactions with NLB, which are disclosed in Note 16, is presented below:

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Investments in affiliated companies	¥217,369	¥240,989	$1,919,619
Advances to affiliated companies	166,131	162,829	1,297,029
Time and other deposits received	27,098	20,379	162,331
Revenues	4,958	4,217	33,591
Non-interest expenses	21,511	23,323	185,781
Purchase of software and tangible assets	20,008	34,527	275,028
Sales of tangible assets	18,973	—	—

Advances to affiliated companies mainly consist of loans to NLB, which amount to ¥165,610 million and ¥162,610 million ($1,295,284 thousand), respectively, at March 31, 2000 and 2001. The interest rates of the long-term loans vary from 1.40% to 2.45%, and the repayment dates will be between 2002 and 2003.

On March 31, 2001, the Company cancelled its leasehold agreement of training center building used by Nomura and incidental facilities. A penalty payment of ¥6,875 million ($54,763 thousand) was paid to NLB and charged to income for the year ended March 31, 2001.

As described in Note 3, in March 2000, the Company acquired the 68.8% share of NAM from financial institutions and affiliated companies. The Company purchased the 14.9% and 10.6% equity interest in NAM for cash of ¥6,918 million, and ¥4,891 million from NRI and NLB, respectively. The purchase price was determined by the valuation method stipulated by the Japanese Inheritance Tax Regulation as well as the price determined with financial institutions.

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available are as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Carrying amount	¥133,736	¥169,841	$1,352,884
Market value	138,119	133,190	1,060,937

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2000 and 2001 were ¥343 million and ¥277 million ($2,206 thousand), respectively.

16. Commitments and contingencies:

Credit commitments—

Nomura enters into, in the normal course of its subsidiaries' banking/financing activities, contractual commitments to extend credit, standby letters of credit, underwriting commitments and issuance of financial guarantees, which generally have a fixed expiration date.

Contractual amounts of these commitments at March 31, 2000 and 2001 were as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Commitments to extend credit and note issuance facility	¥223,568	¥212,270	$1,674,924
Standby letters of credit and financial guarantees	17,889	40,138	319,723

The contractual notional amounts of these commitments represent Nomura's maximum exposure to credit losses, should the contracts be fully drawn upon, the customers default and the value of any existing collateral become worthless. The total contractual amount of these credit commitments may not represent future cash requirements since commitments may expire without being drawn. The credit risk associated with these commitments varies depending on the customers' creditworthiness and the values of collateral held. Nomura evaluates each customer'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 management's credit evaluation of the counterparty.

In connection with investment banking activities, Nomura has entered into an agreement with a customer under which Nomura has committed to underwrite notes that may be issued by the customer. The outstanding commitment under this agreement is included in commitments to extend credit and note issuance facility at March 31, 2001 in the table above.

PFG entities—

A PFG entity has a contingent liability estimated at ¥896 million and ¥1,966 million ($15,660 thousand) at March 31, 2000 and 2001, respectively, to provide for the cost of water and sewerage treatment for certain properties, where the current provider of these services may be contractually relieved from this obligation in the future.

Leases—

Leases as lessee

Nomura leases its office space and certain employees' residential facilities under cancelable lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities under noncancelable lease agreements. Rental expenses for each of the two years ended March 31, 2000 and 2001 were ¥51,476 million and ¥46,081 million ($367,062 thousand), respectively. A substantial portion of such rentals was paid to NLB, an affiliated company.

Lease deposits and rentals paid to NLB were as follows:

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Lease deposits	¥70,831	¥75,285	$599,689
Rentals paid during the period	¥26,501	¥29,778	$237,199

Presented below is a schedule of minimum future rentals under operating leases with initial or remaining terms exceeding one year:

Year ending March 31	Millions of yen 2001	Translation into thousands of U.S. dollars 2001
2002	¥ 8,012	$ 63,820
2003	6,998	55,743
2004	5,110	40,704
2005	4,436	35,335
2006	4,106	32,707
2007 and there after	33,306	265,302
Total minimum lease payments	61,968	493,611
Sub lease income	3,822	30,444
Net minimum lease payments	¥58,146	$463,167

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utility, and tax increases.

Leases as lessor

Assets under noncancelable operating leases as a lessor are as follows:

	Millions of yen	Translation into thousands of U.S. dollars
	March 31	
	2001	2001
Land	¥109,169	$ 869,595
Buildings	499,940	3,982,316
Equipment	92,301	735,232
	701,410	5,587,143
Less: accumulated depreciation	(66,135)	(526,804)
Net tangible assets under operating leases	¥635,275	$5,060,339

Presented below is a schedule of rentals receivable under operating leases:

	Millions of yen	Translation into thousands of U.S. dollars
	March 31	
	2001	2001
2002	¥ 68,067	$ 542,194
2003	62,371	496,822
2004	58,585	466,664
2005	55,382	441,150
2006	51,956	413,860
2007 and thereafter	331,623	2,641,572
Total lease receivables	¥627,984	$5,002,262

Litigation—

In the normal course of its business, Nomura is involved in lawsuits and other legal proceedings and, as a result of such activities, is subject to ongoing legal risk. The management of Nomura believes that the ultimate resolution of such litigation will not be material to the financial statements.

17. Segment Information:

Operating Segments—

Nomura operates Securities businesses, which consist of Domestic Retail and Global Wholesale, and Asset Management businesses as its core businesses. Nomura structures its business segments based upon the nature of products and services as well as main customers base and also the management structure. Nomura reports its operating results in three business segments: Domestic Retail, Global Wholesale and Asset Management.

The accounting policies of segment information materially follow accounting principles generally accepted in the United States of America ("U.S. GAAP"), except as described below, and adjusted as follows.

- The impact of unrealized gains/losses on long-term investments in equity securities held for relationship purposes, which under U.S. GAAP is included in net income, is excluded from segment information.
- Investments in the PFG entities are treated as private equity positions for management reporting purposes, as management only view these entities as investments held for ultimate sale and the realization of a capital gain. They are not viewed as operating subsidiaries. Any changes in the management's estimate of fair value of these investments are shown in the non-interest revenue line under Global Wholesale. Under U.S. GAAP, these investments are not shown at fair value, but are consolidated at historical cost. The impact of consolidating the PFG entities including the elimination impact under U.S. GAAP is excluded from the segment information and described in the reconciling items.

Revenues and expenses directly associated with each business segment are included in determining their operating results. Revenues and expenses that are not directly attributable to a particular segment are allocated to each business segment or included in "Other" based upon Nomura's allocation methodologies as used by the management to assess segments' performance.

Business segments' results for the years ended March 31, 2000 and 2001 are shown in the following table. Business segments' information on total assets is not disclosed, because management does not utilize information on total assets for its operating decisions and therefore, it is not reported to the management.

	Millions of yen				
	Domestic Retail	Global Wholesale	Asset Management	Other (Inc. elimination)	Total
Year ended March 31, 2000					
Non-interest revenue	¥ 375,276	¥ 404,947	¥ 2,154	¥ (2,468)	¥ 779,909
Net interest revenue	5,309	(3,488)	432	28,048	30,301
Net Revenue	380,585	401,459	2,586	25,580	810,210
Non-interest expenses	(194,345)	(198,117)	(2,751)	(108,795)	(504,008)
Income (loss) before income taxes	¥ 186,240	¥ 203,342	¥ (165)	¥ (83,215)	¥ 306,202
Year ended March 31, 2001					
Non-interest revenue	¥ 260,193	¥ 487,644	¥ 58,237	¥ (5,036)	¥ 801,038
Net interest revenue	6,236	(24,839)	1,810	21,510	4,717
Net Revenue	266,429	462,805	60,047	16,474	805,755
Non-interest expenses	(215,638)	(210,062)	(39,537)	(76,929)	(542,166)
Income (loss) before income taxes	¥ 50,791	¥ 252,743	¥ 20,510	¥ (60,455)	¥ 263,589
	Translation into thousands of U.S. dollars				
Year ended March 31, 2001					
Non-interest revenue	$ 2,072,591	$ 3,884,371	$ 463,892	$ (40,115)	$ 6,380,739
Net interest revenue	49,673	(197,857)	14,418	171,340	37,574
Net Revenue	2,122,264	3,686,514	478,310	131,225	6,418,313
Non-interest expenses	(1,717,684)	(1,673,267)	(314,935)	(612,785)	(4,318,671)
Income (loss) before income taxes	$ 404,580	$ 2,013,247	$ 163,375	$(481,560)	$ 2,099,642

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in the "Other" column.

The following table presents the major components of income/(loss) before income taxes in "Other".

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Gain/(loss) on investment securities	¥ 23,794	¥ (4,404)	$ (35,080)
Equity in earnings (losses) of affiliate	2,043	(21,635)	(172,336)
Amortization of goodwill	—	13,040	103,872
Loss on sales of tangible assets	(28,246)	(272)	(2,167)
Other losses arising from long-lived assets and cancellation of occupancy agreements	(17,454)	(25,232)	(200,988)
Corporate items	(53,917)	(30,643)	(244,090)
Others	(9,435)	8,691	69,229
Total	¥(83,215)	¥(60,455)	$(481,560)

The table below presents reconciliation of the combined segment information included in the preceding table to Nomura's reported net revenue and income before income taxes in the consolidated statements of operations.

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Income before income taxes	¥ 306,202	¥263,589	$2,099,642
Unrealized gain/(loss) on investments in equity securities held for relationship purpose	66,901	(87,390)	(696,113)
Consolidation of the PFG entities	(883)	(20,027)	(159,527)
Consolidated income before income taxes	¥ 372,220	¥156,172	$1,244,002
Net Revenue	¥ 810,210	¥805,755	$6,418,313
Unrealized gain/(loss) on investments in equity securities held for relationship purpose	66,901	(87,390)	(696,113)
Consolidation of the PFG entities	185,539	197,290	1,571,531
Consolidated net revenue	¥1,062,650	¥915,655	$7,293,731

Geographic Information—

In general, Nomura's identifiable assets, revenues and expenses are 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 globalization 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 between years, have been made in presenting the following geographic data.

The table below presents a geographic allocation of net revenue and income (loss) before taxes from operations by geographic areas, and long-lived assets associated with Nomura's operation. Net revenue in "Americas" and "Europe" substantially represents Nomura's operation in the United States and the United Kingdom, respectively.

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Net revenue:			
Americas	¥ 64,178	¥ 61,357	$ 488,745
Europe	291,803	295,540	2,354,150
Asia and Oceania	13,111	9,649	76,860
Sub-total	369,092	366,546	2,919,755
Japan	693,558	549,109	4,373,976
Consolidated	¥1,062,650	¥915,655	$7,293,731

	Millions of yen		Translation into thousands of U.S. dollars
	Year ended March 31		
	2000	2001	2001
Income (loss) before income taxes:			
Americas	¥ 10,060	¥ 4,084	$ 32,532
Europe	17,436	(12,757)	(101,617)
Asia and Oceania	(5,931)	(11,045)	(87,980)
Sub-total	21,565	(19,718)	(157,065)
Japan	350,655	175,890	1,401,067
Consolidated	¥372,220	¥156,172	$1,244,002

	Millions of yen		Translation into thousands of U.S. dollars
	March 31		
	2000	2001	2001
Long-lived Assets:			
Americas	¥ 9,578	¥ 9,961	$ 79,345
Europe	471,929	876,194	6,979,401
Asia and Oceania	1,940	2,022	16,106
Sub-total	483,447	888,177	7,074,852
Japan	99,478	114,508	912,124
Consolidated	¥582,925	¥1,002,685	$7,986,976

There is no revenue derived from transactions with a single major external customer for the years ended March 31, 2000 and 2001.

18. Subsequent events:

As described in Note 10, substantially all employees of the Company and most subsidiaries in Japan are covered under an industry-wide multi-employer non-contributory welfare pension plan which is administered by JSDE Fund in coordination with the contributory governmental welfare pension plan. Nomura applied JSDE Fund to voluntarily withdraw from JSDE Fund and the meeting of representatives of JSDE Fund approved it on July 16, 2001. The Minister of Health, Labor and Welfare authorized the approval on August 1, 2001 and the Company and most of its domestic subsidiaries withdrew from JSDE Fund at the end of August 2001. Pursuant to the regulations of JSDE Fund, a special withdrawal charge of approximately ¥19 billion ($151 million) was paid by the Company and most of its domestic subsidiaries and charged to income in September 2001.

In the aftermath of the terrorist attack on September 11, 2001, a subsidiary's office in the World Financial Center has been inaccessible. Nomura has completed reoccupying its office to other place. While these operations have been temporarily relocated to other premises, Nomura intends to reoccupy the World Financial Center offices. Nomura's management is in the process of evaluating the impact of this event on Nomura's financial position and operations, including the preparation of insurance recovery claims, for the year ending March 31, 2002.

On July 11, 2001, PFG acquired a controlling financial interest in the Le Meridian Group of hotels from Compass Group for ¥389 billion ($3,099 million). The amount was paid in cash with debt financing of ¥40 billion ($321 million) provided by Nomura and the balance provided by a syndicate of investors and third party banks.

Subsequent to March 31, 2001, the valuation of Nomura's investment in JAFCO (a listed company in Japan, which manages various venture capital funds and provides private equity-related investment services to portfolio companies) has declined significantly. During this period, the Japanese and global capital markets have slowed, limiting opportunities for financing activities and equity capital raisings through initial public offering. At September 30, 2001, the fair value of Nomura's investment in JAFCO was approximately ¥90 billion ($717 million) less than the carrying value.

NOMURA HOLDINGS, INC.

UNAUDITED INTERIM FINANCIAL INFORMATION
For the Six-Month Periods Ended September 30, 2001 and 2000

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NOMURA HOLDINGS, INC.

UNAUDITED INTERIM FINANCIAL INFORMATION
For the Six-Month Periods Ended September 30, 2001 and 2000

(A) Introduction

We prepare and publish interim consolidated financial statements in Japan. We recently published interim consolidated financial information for the six months ended September 30, 2001. These financial statements appear below. We prepared our interim consolidated financial information on the same basis of accounting as the consolidated financial statements we included in our 2001 Annual Securities Report that we filed with the Ministry of Finance. We did not prepare our interim consolidated financial information in accordance with U.S. GAAP. Accordingly, the amounts we have reported in Japan for these interim periods and that we discuss below do not reflect the same accounting principles as those that appear elsewhere in this document.

Because of the differences in amounts and presentation, you should not read our interim financial information in conjunction with, or compare it to, our results for the years ended March 31, 2000 and 2001 appearing elsewhere in this document. However, because we have published these interim results in Japan, we are including them in this document to give you the most recent financial information we have published.

(B) Reconciliation of U.S. GAAP net income and shareholders' equity as of and for the year ended March 31, 2001 to corresponding amounts included in Nomura's 2001 Annual Securities Report based on Japanese GAAP

To facilitate your understanding of the interim financial information we present below, the following table shows the difference between

- our net income and shareholders' equity as we report them elsewhere in this document (as of and for the year ended March 31, 2001) in accordance with U.S. GAAP; and
- our net income and shareholders' equity as of and for the year ended March 31, 2001 in accordance with Japanese GAAP.

We also describe in the paragraphs following the table the significant differences in accounting principles we identify in this table.

The following table reconciles our net income and shareholders' equity as of and for the year ended March 31, 2001, as described below:

	Net income for the year ended March 31, 2001	Shareholders' equity as of March 31, 2001
	(In millions of yen)	
Amounts reported in the consolidated financial statements under U.S. GAAP	¥ 57,410	¥1,436,428
(a) Valuation of investments in equity securities and non-trading debt securities	91,650	(549)
(b) Retirement and severance benefit	(1,712)	1,065
(c) Recognition of provision for multi-employer pension plan	—	(35,681)
(d) Consolidation of the PFG entities	20,027	121,796
(e) Business combinations — evaluation of assets and liabilities of acquired subsidiary and difference of amortization period	57,860	63,259
(f) Investments in affiliates	21,778	8,401
(g) Appropriations of retained earnings	640	34,949
(h) Loss on sale of treasury stock	(1,691)	—
(i) Hedge accounting	(3,007)	(6,623)
(j) Leveraged leases	46	(8,889)
(k) Valuation of marketable equity securities	(18,479)	—
(l) Other	(2,751)	(3,771)
Total Japanese GAAP adjustments	164,361	173,957
Tax effect of above Japanese GAAP adjustments	(40,105)	32,023
Amounts determined in conformity with Japanese GAAP	¥181,666	¥1,642,408

The following paragraphs describe the significant differences between

- the U.S. GAAP amounts as of and for the year ended March 31, 2001; and
- the Japanese GAAP amounts as of and for the year ended March 31, 2001.

(a) Valuation of investments in equity securities and non-trading debt securities

Under U.S. GAAP, investments in equity securities and non-trading debt securities are reported at fair value with unrealized gains and losses included in income.

Under Japanese GAAP, investments in equity securities and non-trading debt securities are reported at fair value and the related net unrealized gains or losses, net of applicable income taxes, are reported in a separate component of shareholders' equity. If the decline in fair value of such investments below its respective cost is considered to be other than temporary, the decline is recorded as a loss on investments by a charge to current earnings.

(b) Retirement and severance benefit

Under U.S. GAAP, pension cost is provided in accordance with SFAS No. 87 "Employers' Accounting for Pensions".

Under Japanese GAAP, similar accounting treatment is required, however, certain treatment is different from U.S. GAAP. Under U.S. GAAP, additional minimum pension liabilities are provided when the accumulated benefit obligation exceeds the fair value of plan assets, while such treatment is not provided under Japanese GAAP. Under U.S. GAAP, gain or loss resulting from experience different from that assumed or from a change in an actuarial assumption is amortized over the remaining service period of employees when such balance at beginning of year exceeds the "Corridor" which is defined as a 10% of larger of projected benefit obligation or fair value of plan assets, while such gain or loss is amortized regardless of the Corridor under Japanese GAAP.

(c) Recognition of provision for multi-employer pension plan

Under U.S. GAAP, Nomura has not accrued any provision for multi-employer pension plan which is industry-wide multi-employer non-contributory welfare pension plan administered by Japan Securities Dealers Employees' Pension Fund ("JSDE Fund") in coordination with the contributory government welfare pension plan. The accrual of a provision would not meet the requirements of SFAS No. 5 "Accounting for Contingencies" with regard to JSDE Fund.

Under Japanese GAAP, on March 31, 2000, Nomura recognized provision for JSDE Fund based on the prescription of Japanese Commercial Code which allows a company to recognize provisions for the certain specific expenses.

(d) Consolidation of the PFG entities

Principal Finance Group is engaged in principal finance business in which Nomura identify and purchase assets from which Nomura believe it can realize better value based on improved cash flows.

Under U.S. GAAP, certain operating companies in which PFG made investments are consolidated since Nomura has controlling financial interests in the underlying investments.

Under Japanese GAAP, Nomura has not consolidated those operating companies since those investments are treated as venture capital investments.

(e) Business combinations — evaluation of assets and liabilities of acquired subsidiary and difference of amortization period

Under U.S. GAAP, the assets and liabilities of Nomura Asset Management Co., Ltd. (NAM) are evaluated at fair value. The excess of fair value of acquired company over the purchase price is allocated to reduce proportionately the value assigned to noncurrent assets except for long-term investments in marketable securities. Under U.S. GAAP, the excess of acquired net equity over cost recognized in connection with the acquisition of NAM is amortized over ten years from the fiscal year beginning April 1, 2000.

Under Japanese GAAP, the assets and liabilities of NAM are evaluated at fair value with certain adjustments based on the policies in conformity with Japanese accounting standards. The excess of fair value of acquired company over the purchase price is allocated to reduce the value assigned to noncurrent assets including long-term investments in marketable securities. Under Japanese GAAP, the excess of acquired net equity over cost recognized in connection with the acquisition of NAM is amortized over three years from the fiscal year beginning April 1, 2000.

(f) Investments in affiliates

Due to certain adjustments described in this section, the net asset value of affiliate companies is different between U.S. GAAP and Japanese GAAP when Nomura recognizes equity earnings. In addition to this difference, under U.S. GAAP, tax effects of accounting for equity investments are recognized while such effects are not recognized under Japanese GAAP.

(g) Appropriations of retained earnings

Under U.S. GAAP, appropriations of retained earnings are reflected and recorded in the consolidated financial statements for the period to which they relate. Also, under U.S. GAAP, bonuses to directors are charged to income.

Under Japanese GAAP, a company may select accounting method for appropriations of retained earnings to reflect and record those in the consolidated financial statements for the period to which they relate or for the subsequent period when shareholders' approval has been obtained. Nomura applies the latter method and record appropriations of retained earnings in the consolidated financial statements in the accounting period when shareholders' approval has been obtained. Also, under Japanese GAAP, bonuses to directors are recorded as appropriations of retained earnings.

(h) Loss on sale of treasury stock

Under U.S. GAAP, loss on sale of treasury stock is charged to additional paid-in capital.

Under Japanese GAAP, loss on sale of treasury stock is charged to income.

(i) Hedge accounting

Under U.S. GAAP, derivative contracts that have been designated as hedges to specific assets or specific liabilities are accounted for on an accrual basis.

Under Japanese GAAP, derivative contracts that have been entered into for hedging purpose to specific assets or groups of similar assets or specific liabilities or group of similar liabilities are valued at fair value and unrealized gains or losses are deferred on the balance sheet.

(j) Leveraged leases

Under U.S. GAAP, leveraged leases are accounted in accordance with SFAS No. 13 "Accounting for Leases", and fixed income and expenses are recognized for each year over the period of the leveraged leases.

Under Japanese GAAP, depreciation expenses arising from leased assets are recognized on a declining balance method and income and expenses are not averaged during the period of leveraged leases.

(k) Valuation of marketable equity securities

Under U.S. GAAP, marketable equity securities are recorded at market or fair value. Fair value is generally based on quoted market price or dealer quotation or an estimation by management of the amounts expected to be realized upon settlement in current market conditions.

Under Japanese GAAP, up to the fiscal year ended March 31, 2000, marketable equity securities were recorded at quoted market price. For the fiscal year beginning April 1, 2000, marketable equity securities have been recorded in accordance with U.S. GAAP policy outlined above. As a result, there is no difference to shareholders' equity in the accompanying reconciliation.

(C) Interim Consolidated Financial information under Japanese GAAP

The following interim consolidated financial information for the six-month period ended September 30, 2001 are those we have recently released publicly in Japan. We prepared these interim consolidated financial statements on the same basis of accounting as the consolidated financial statements included in our 2001 Annual Securities Report based on Japanese GAAP. Accordingly, the amounts we have reported in Japan for these interim period and that we present below do not reflect the same accounting principles as those that appear elsewhere in this document.

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	September 30, 2001
	(Millions of yen)
ASSETS	
Current assets	15,676,392
Cash and time deposits	474,274
Deposits with exchanges and other segregated cash	112,694
Trading assets:	8,686,820
Trading securities	7,950,838
Derivative contracts	735,981
Net receivables arising from pre-settlement date trades	47,655
Margin account assets:	180,569
Loans to consumers on margin transactions	111,512
Cash collateral to securities finance companies	69,057
Loans with securities as collateral	4,775,210
Cash collateral for securities borrowed	4,471,065
Loans in gensaki transactions	304,145
Receivables from customers and others	87,497
Short-term loans receivable	442,340
Short-term securities	230,733
Deferred tax assets	41,367
Other current assets	599,215
Allowance for doubtful accounts	(1,986)
Fixed assets	1,105,285
Tangible fixed assets	105,571
Intangible assets	62,945
Investments and other	936,768
Investment securities	434,878
Long-term loans receivable	209,067
Deferred tax assets	109,521
Other fixed assets	195,703
Allowance for doubtful accounts	(12,402)
Total assets	16,781,678
LIABILITIES	
Current liabilities	13,650,826
Trading liabilities:	2,412,582
Trading securities	1,569,878
Derivative contracts	842,704
Margin account liabilities:	17,741
Borrowing from securities finance companies	5,722
Customer margin sale proceeds	12,019
Borrowings with securities as collateral	8,309,029
Cash collateral for securities loaned	7,524,485
Borrowings in gensaki transactions	784,544
Payables to customers and others	366,742
Guarantee deposits received	113,125
Short-term borrowings	1,319,847
Commercial paper	405,486
Bonds and notes due within one year	160,952
Accrued income taxes	28,730
Deferred tax liabilities	1,566
Accrued bonuses	45,608
Other current liabilities	469,412
Long-term liabilities	1,529,107
Bonds and notes	1,188,234
Long-term borrowings	195,339
Deferred tax liabilities	1,511
Reserve for retirement benefits	40,211
Goodwill	40,475
Other long-term liabilities	63,335
Statutory reserves	2,144
Reserve for securities transactions	2,143
Reserve for financial futures transactions	0
Total liabilities	15,182,078
Minority interest	10,015
Shareholders' equity	
Common stock	182,799
Additional paid-in capital	105,567
Retained earnings	1,270,603
Net unrealized gain on investments	46,331
Cumulative translation adjustments	(15,703)
Treasury stock held by the Company	(15)
Total shareholders' equity	1,589,584
Liabilities, minority interest and shareholders' equity	16,781,678

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2001	September 30, 2000
	(Millions of yen)	
ASSETS		
Current assets	19,271,215	17,581,244
Cash and time deposits	629,540	653,197
Deposits with exchanges and other segregated cash	45,304	40,106
Receivables	100,131	72,948
Short-term loans receivable	625,777	869,118
Trading assets:	7,486,606	6,585,990
Trading securities	6,715,035	6,210,622
Option contracts	120,426	60,825
Derivative contracts	651,144	314,542
Margin accounts:	253,237	342,314
Loans to customers on margin transactions	137,431	292,552
Cash collateral to securities finance companies	115,806	49,761
Gensaki transactions	432,572	52,245
Cash collateral for securities borrowed	5,880,191	4,902,150
Securities held as collateral	2,983,462	3,373,604
Short-term securities	465,726	464,659
Deferred tax assets	41,943	71,329
Other current assets	341,626	235,692
Allowance for doubtful accounts	(14,906)	(82,113)
Fixed assets	1,257,920	1,302,960
Tangible fixed assets	106,473	102,681
Intangible fixed assets	57,409	49,780
Investments and other	1,094,037	1,150,498
Investment securities	608,725	678,420
Long-term loans receivable	224,743	216,834
Deferred tax assets	68,126	48,547
Other fixed assets	199,062	209,232
Allowance for doubtful accounts	(6,619)	(2,536)
Total assets	20,529,135	18,884,204
LIABILITIES		
Current liabilities	17,325,229	15,505,581
Short-term borrowings	1,060,838	884,775
Commercial paper	403,473	430,829
Bonds and notes due within one year	196,969	133,530
Payables	230,371	191,193
Net payables arising from pre-settlement date trades	259,811	310,779
Trading liabilities:	3,163,726	2,906,472
Trading securities	2,295,851	2,445,496
Option contracts	97,665	68,303
Derivative contracts	770,209	392,671
Margin accounts:	14,850	19,087
Borrowing from securities finance companies	2,904	7,138
Customer margin sale proceeds	11,945	11,948
Gensaki transactions	1,183,303	993,224
Cash collateral for securities loaned	7,374,833	5,847,073
Securities borrowed	2,693,485	2,984,423
Guarantee deposits received	118,007	112,682
Guarantee securities received	289,977	389,181
Accrued income taxes	41,259	22,358
Deferred tax liabilities	32	26
Accrued bonuses	87,720	46,389
Other current liabilities	206,568	233,554
Long-term liabilities	1,541,673	1,752,776
Bonds and notes	1,085,772	1,094,378
Long-term borrowings	271,726	451,134
Deferred tax liabilities	1,573	33,538
Reserve for retirement benefits	39,164	36,018
Reserve for multi-employer pension plan	37,586	37,586
Goodwill	51,412	61,788
Other long-term liabilities	54,438	38,331
Statutory reserves	1,872	1,685
Reserve for securities transactions	1,871	1,684
Reserve for financial futures transactions	0	0
Total liabilities	18,868,774	17,260,043
Minority interest	17,951	21,817
Shareholders' equity		
Common stock	182,796	182,796
Additional paid-in capital	105,563	105,563
Retained earnings	1,294,198	1,230,467
Net unrealized gain on investments	75,592	137,293
Cumulative translation adjustments	(15,684)	(53,668)
Treasury stock held by the Company	(58)	(109)
Total shareholders' equity	1,642,408	1,602,344
Liabilities, minority interest and shareholders' equity	20,529,135	18,884,204

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Six Months Ended September 30, 2001
	(Millions of yen)
Operating revenue	550,422
Commissions	165,984
Net gain on trading	84,044
Net gain on other inventories	6
Interest and dividend income	300,386
Interest expenses	271,170
Net operating income	279,251
Selling, general and administrative expenses	242,032
Transaction-related expenses	37,770
Compensation and benefits	122,427
Rental and maintenance	31,529
Data processing and office supplies	19,944
Depreciation and amortization	13,966
Taxes, other than income taxes	3,781
Other	12,613
Operating income	37,218
Non-operating income	22,628
Amortization of goodwill	13,236
Other	9,392
Non-operating expenses	6,932
Equity in earnings — net loss	2,133
Other	4,799
Ordinary income	52,914
Special profits	23,574
Special losses	57,655
Income before income taxes	18,833
Income taxes — current	24,276
Income taxes — deferred	(17,650)
Minority interest	(875)
Net income	11,332

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended March 31, 2001	Six Months Ended September 30, 2000
	(Millions of yen)	
Operating revenue	1,299,399	659,908
Commissions	426,230	239,114
Net gain on trading	345,189	193,406
Net gain on other inventories	10	3
Interest and dividend income	527,968	227,383
Operating expenses	1,025,015	459,353
Selling, general and administrative expenses	512,318	246,770
Transaction-related expenses	83,300	41,752
Compensation and benefits	268,377	129,503
Rental and maintenance	63,767	30,464
Data processing and office supplies	35,649	16,356
Depreciation and amortization	24,874	11,597
Taxes, other than income taxes	8,251	3,734
Other	28,097	13,361
Interest expenses	512,697	212,582
Operating income	274,383	200,554
Non-operating income	34,135	20,627
Equity in earnings — net profit	651	4,665
Amortization of goodwill	25,760	12,407
Other	7,723	3,553
Non-operating expenses	6,434	1,991
Loss on sales of treasury stock held by a subsidiary	1,690	—
Other	4,743	1,991
Ordinary income	302,084	219,190
Special profits	65,538	6,264
Special losses	44,923	12,552
Income before income taxes	322,699	212,902
Income taxes — current	48,033	20,702
Income taxes — deferred	90,834	74,263
Minority interest	(2,164)	15
Net income	181,666	117,952

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Six Months Ended September 30, 2001	Year Ended March 31, 2001	Six Months Ended September 30, 2000
		(Millions of yen)	
Retained earnings at beginning of period	1,294,198	1,142,419	1,142,419
Decrease in retained earnings	34,926	29,887	29,904
Cash dividends	34,351	29,398	29,398
Directors' bonuses	574	489	506
Net income	11,332	181,666	117,952
Retained earnings at end of period	1,270,603	1,294,198	1,230,467

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended September 30, 2001
	(Millions of yen)
Cash flows form operating activities:	
Income before income taxes	18,833
Depreciation expenses	13,966
Gain on sales of investment securities	(6,518)
Reversal of reserve for multi-employer pension plan	(16,788)
Loss on devaluation of investments in an affiliate	52,256
Loss on devaluation of investment securities	4,408
Adjustments of other special profit/loss items	723
Equity in earnings	2,133
Amortization of goodwill	(13,236)
Adjustments of other non-operating income/expenses	(2,287)
Interest and dividend income	(288,560)
Interest expenses	258,186
Increases/decreases of assets	
Time deposits	94,439
Loans and other receivables, net of allowance for doubtful accounts	90,672
Margin account assets	72,667
Loans with securities as collateral	1,430,832
Trading assets	(1,268,070)
Short-term securities	271,709
Other	(265,714)
Increases/decreases of liabilities	
Deposits received and payables	(127,840)
Borrowings with securities as collateral	2,890
Margin account liabilities	(82,502)
Trading liabilities	(728,269)
Other	191,804
Sub-total	(294,263)
Interest and dividends received	269,606
Interest paid	(250,210)
Net payment of income taxes	(35,579)
Net cash provided by operating activities	(310,446)
Cash flows from investing activities:	
Purchase of tangible fixed assets	(5,919)
Proceeds from sales of tangible fixed assets	181
Purchase of intangible fixed assets	(14,664)
Purchase of investment securities	(23,156)
Proceeds from sales of investment securities	55,929
Investments in affiliates	25,727
Net cash used in investing activities	38,097
Cash flows from financing activities:	
Decrease in long-term borrowings	(50,150)
Decreases in short-term borrowings, net	246,128
Proceeds from issuance of bonds and notes	215,483
Payments for redemption of bonds and notes	(167,115)
Payments of cash dividends	(34,351)
Net cash used in financing activities	209,995
Effect of exchange rate changes on cash and cash equivalents	5,251
Net (decrease) increase of cash and cash equivalents	(57,102)
Cash and cash equivalents at beginning of year	376,329
Cash and cash equivalents at end of year	319,227

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2001	Six Months Ended September 30, 2000
	(Millions of yen)	
Cash flows from operating activities:		
Income before income taxes	322,699	212,902
Depreciation expenses	24,874	11,597
Gain on sale of investment securities	(58,267)	(6,021)
Loss on devaluation of investment securities	17,562	6,075
Loss on sale of tangible fixed assets	18,246	6,148
Adjustments of other special profit/loss items	1,844	84
Equity in earnings	(651)	(4,665)
Amortization of goodwill	(25,760)	(12,407)
Adjustments of other non-operating income/expenses	(1,288)	(1,562)
Interest and dividend income	(492,667)	(206,538)
Interest expenses	489,151	201,674
Increases/decreases of assets		
Time deposits	(60,802)	(79,014)
Loans and other receivables, net of allowance for doubtful accounts	301,044	260,544
Gensaki transactions	(348,896)	31,430
Margin accounts	349,904	260,827
Cash collateral for securities borrowed	(752,173)	(313,338)
Trading assets	(1,366,746)	(880,490)
Short-term securities	(122,973)	(222,467)
Other	423,448	123,013
Increases/decreases of liabilities		
Deposits received and payables	15,710	22,030
Gensaki transactions	(89,113)	(279,191)
Margin accounts	(39,693)	(35,456)
Cash collateral for securities loaned	1,533,761	744,110
Trading liabilities	70,694	(20,749)
Other	(99,503)	(49,918)
Sub-total	110,405	(231,383)
Interest and dividends received	472,640	207,681
Interest paid	(468,295)	(203,179)
Net payment of income taxes	(18,933)	(10,700)
Net cash provided by operating activities	95,817	(237,581)
Cash flows from investing activities:		
Purchase of tangible fixed assets	(23,668)	(7,286)
Proceeds from sales of tangible fixed assets	4,115	3,592
Purchase of intangible fixed assets	(25,813)	(11,416)
Purchase of investment securities	(171,171)	(53,355)
Proceeds from sales of investment securities	198,197	141,282
Purchase of stocks to acquire new subsidiaries and affiliates and proceeds from sales of stock of a subsidiary	(7,743)	(3,014)
Investments in affiliates	1,871	45,954
Net cash used in investing activities	(24,213)	115,757

NOMURA HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31, 2001	Six Months Ended September 30, 2000
	(Millions of yen)	
Cash flows from financing activities:		
Increase in long-term borrowings	128,104	72,276
Decrease in long-term borrowings	(291,914)	(188,876)
Decreases in short-term borrowings, net	(216,792)	(262,209)
Proceeds from issuance of bonds and notes	408,374	306,310
Payments for redemption of bonds and notes	(198,685)	(102,622)
Payments of cash dividends	(29,398)	(29,398)
Net cash in financing activities	(200,311)	(204,520)
Effect of exchange rate changes on cash and cash equivalents	(21,904)	(1,912)
Net (decrease) increase of cash and cash equivalents	(150,612)	(328,257)
Cash and cash equivalents at beginning of year	526,942	526,942
Cash and cash equivalents at end of year	376,329	198,684

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the six months ended September 30, 2001 were prepared in accordance with "Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Annual Consolidated Financial Statements" (Ministry of Finance Ordinance No. 24, 1999) and the Cabinet Office Ordinance Regarding Securities Companies (Prime Minister's Office Ordinance and the Ministry of Finance Ordinance, No. 32, 1998) and the "Uniform Accounting Standards of Securities Companies" (Japan Securities Dealers Association, November 14, 1974) based on articles No. 50 and 69 of "Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Annual Consolidated Financial Statements" (Ministry of Finance Ordinance No. 24, 1999).

Basis of Accounting and Presentation

1. Scope of Consolidation

Consolidated subsidiaries: companies
Major consolidated subsidiaries:

Nomura Holding America, Inc.
Nomura Canada, Inc.
Nomura Corporate Research and Asset Management, Inc.
Nomura International plc
Nomura Bank (Deutschland)GmbH
Nomura Italy S.I.M.p.A.
Nomura Bank International plc
Nomura Europe Finance N.V.
Nomura Investment Banking (Middle East) E.C.
Nomura Singapore Limited
P.T. Nomura Indonesia
Nomura Asset Management Co., Ltd.
Nomura Corporate Advisors Co., Ltd.
Nomura Fundnet Securities Co., Ltd.
Nomura Business Service Co., Ltd.
Nomura Securities International, Inc.
Nomura Global Financial Products, Inc.
Nomura Europe Holdings plc
Nomura Bank (Switzerland) Ltd.
Banque Nomura France
Nomura Bank Luxembourg S.A.
Nomura global Funding plc
Nomura Asia Holding N.V.
Nomura International (Hong Kong) Limited
Nomura Australia Limited
Nomura Advisory Services (Malaysia) Sdn. Bhd.
Nomura Babcock & Brown, Co., Ltd.
Nomura Investor Relations Co., Ltd.
Nomura Trust and Banking Co., Ltd.

new subsidiaries were established or acquired and liquidated during the six months ended September 30, 2001.

Nomura Babcock & Brown, Co. Ltd. ("NBB"), which operates in the leasing business, owns a group of subsidiaries. Of these, subsidiaries operate principally as anonymous associations. As assets, liabilities, profits and losses do not substantially belong to NBB, they are precluded from the scope of consolidation in accordance with Article 5 of the "Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Annual Consolidated Financial Statements" issued by the Ministry of Finance.

2. Application of The Equity Method of Accounting for Investments in Common Stock

Affiliates accounted for under the equity method: companies

Major affiliates:

Capital Nomura Securities Public Co., Ltd.
Nomura Land Buildings Co., Ltd.
JAFCO Co., Ltd.
Nomura Research Institute Co., Ltd.
Nomura IBJ Investment Services Co., Ltd.

affiliates subject to the application of the equity method in prior years were excluded from the scope of the equity method for liquidation and other reasons during the six months ended September 30, 2001.

The equity method is not applied to the subsidiaries and affiliates of Nomura Babcock & Brown, Co. Ltd. ("NBB") as the effect on current year income and retained earning is not material individually or as a group.

Goodwill in relation to the equity method application, if material, is amortized on a straight line over a period up to 20 years, and amortized goodwill is recognized as income for each year.

3. Significant Accounting Policies

(1) Basis and Methods of Valuation for Financial Instruments — For Trading Purposes Securities, derivative contracts and other financial instruments classified as trading assets and liabilities are accounted for based on the mark-to-market method.

(2) Basis and Methods of Valuation for Financial Instruments — For Non-Trading Purposes Securities held for non-trading purposes are accounted for as follows:

A. Debt Held to Maturity	Recorded at amortized cost
B. Other Securities	
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 "Shareholders' Equity" on the consolidated balance sheet
Securities without market value	Recorded at cost using the moving average method or amortized cost

(3) Depreciation and Amortization

A. Depreciation of Tangible Fixed Assets. Tangible fixed assets are depreciated primarily on the declining-balance method.

B. Amortization of Intangible Fixed Assets. Intangible fixed assets are amortized primarily on the straight-line method.

(4) Provisions

A. Allowance for Doubtful Accounts. To provide mainly for loan losses, the Company made provisions for doubtful accounts based on an estimate of the uncollectible amount calculated by using its historical loss ratio or a reasonable estimate based on financial evaluation of individual borrowers.

B. Accrued Bonuses. To provide for employee bonus payments, an estimated accrual is recorded in accordance with prescribed calculation methods.

C. Reserve for Retirement Benefits

To provide for the payment of lump-sum retirement benefits and funding the qualified retirement pension plan in the future, the estimated future obligations less the fair value of current pension assets are recorded as a reserve for employee retirement benefits.

(5) Translation of Accounts 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 statements of income.

Assets and liabilities, principally, of overseas subsidiaries are translated into Japanese yen with exchange rates as of the balance sheet date while revenues and expenses translated with average exchange rates, and translation differences are reflected in "Minority Interest" and "Shareholders' Equity" of the consolidated balance sheet.

(6) Leasing Transactions

Financing leases other than those for which the ownership of the leased property is deemed as transfer to the lessee are accounted for primarily as ordinary rental transactions.

(7) Hedging Activities

Mark-to-market profits and losses on hedging instruments are principally deferred as assets or liabilities until the profits or losses on underlying hedged assets or liabilities are recognized.

(8) Accounting for Consumption Taxes

Consumption taxes are accounted for based on the tax exclusion method.

4. Business Combinations

Newly acquired subsidiaries are recorded using the purchase method of accounting.

5. Amortization of Goodwill

Goodwill is either amortized within twenty years in equal amounts or expensed when incurred, depending on materiality.

6. Appropriation of retained earnings

The consolidated statement of retained earnings for the six months ended September 30, 2001 reflects the appropriation of earnings made during the period.

7. Consolidated statements of cash flows

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand and demand deposits.

NOTES TO CONSOLIDATED BALANCE SHEETS

1. Financial Guarantees

	September 30, 2001	March 31, 2001 (Millions of yen)	September 30, 2000
Financial guarantees outstanding	37,665	40,138	29,852
Commitments to extend credit	165,151		

In accordance with Report No. 61 of the Audit Committee of the Japanese Institute of Certified Public Accountants, financial guarantee contracts in substance are included above.

2. Subordinated Borrowings, Bonds and Notes

	September 30, 2001	March 31, 2001 (Millions of yen)	September 30, 2000
Short-term borrowings	110,000	110,000	—
Long-term borrowings	80,000	130,000	340,000
Bonds and notes	60,000	60,000	—

3. Net Unrealized Gain on Investments

As the mark-to-market method applies to "other securities", "other securities", primarily included in "Investment Securities", are recorded at market value on the consolidated balance sheet. The differences between market values and the carrying amounts, net of deferred income taxes, are recorded in "Shareholders' Equity" as "Net Unrealized Gain on Investments," in accordance with the "Regulations Concerning the Terminology, Forms and Preparation Methods of Semi-Annual Consolidated Financial Statements" issued by the Ministry of Finance.

4. Principal changes in the presentation of the consolidated balance sheet at September 30, 2001 brought about by the amendment of the "Uniform Accounting Standards of Securities Companies"

(A) In accordance with the "Securities and Exchange low, No. 47, Paragraph 3", segregated cash from customers, included in "Cash and time deposits" in prior years, is included in "Deposits with exchanges and other segregated cash" in assets.

(B) Securities borrowed and securities received as collateral, recorded as "Securities held as collateral" in assets and "Securities borrowed" or "Guarantee securities received" in liabilities, are no longer mentioned on the balance sheet.

(C) "Option contracts" and "Derivative contracts", shown separately in prior years, are combined as "Derivative contracts" in both assets and liabilities.

(D) "Margin accounts", appeared both in assets and liabilities in prior years, are renamed to "Margin assets" in assets and "Margin liabilities" in liabilities. Also, "Borrowing from securities finance companies", appeared in liabilities, is renamed to"Borrowings from margin contracts".

(E) "Gensaki transactions", appeared in assets, is renamed to "Loans in gensaki transactions", and together with "Cash collateral for securities borrowed", it is shown as components of a new larger account "Loans with securities collateral" in assets.

(F) "Gensaki transactions" in liabilities in prior years is renamed to "Borrowings in gensaki transactions", and is shown as components of a new lager account "Borrowings with securities as collateral" as well as "Cash collateral for securities loaned"

NOTES TO CONSOLIDATED STATEMENTS OF INCOME

1. Break-down of Special Profits and Special Losses

	Six Months Ended September 30, 2001	Year Ended March 31, 2001	Six Months Ended September 30, 2000
		(Millions of yen)	
Special profits			
Reversal of reserve for multi-employer pension plan	16,788	—	—
Gain on sale of investment securities	6,518	58,267	6,021
Reversal of allowance for doubtful accounts	267	7,270	242
Reversal of reserve for financial futures transactions	0	0	0
Special losses			
Loss on devaluation of investment in affiliates	52,256	—	—
Loss on sale of investment securities	2,637	1,901	3,039
Loss on devaluation of investment securities	1,770	15,660	3,035
Expense related to the adoption of holding company structure	718	—	—
Reserve for securities transactions	272	514	327
Loss on sale of fixed assets	—	271	31
Loss on devaluation of fixed assets	—	17,974	6,117
Loss on facility closures	—	8,600	—

2. Principal changes in the presentation of the consolidated statement of income for the six months ended September 30, 2001 brought about by the amendment of the "Uniform Accounting Standards of Securities Companies"

(1) "Operating revenue" less "Interest expenses" is captioned as "Net operating revenue".

(2) Income and expenses in relation to investment securities held for non-trading purposes in the broker-dealer and related business, primarily dividends received, were recorded in "Interest and dividend income" or "Interest expense" in prior years. Such income and expenses were recorded as "Non-operating revenue" in the consolidated statement of income for the six months ended September 30, 2001.

NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The closing balances of cash and cash equivalents and the account disclosed in the consolidated balance sheet are summarized as follows:

1. Balance of cash and cash equivalents presented in the consolidated balance sheets

	Six Months Ended September 30, 2001	Year Ended March 31, 2001	Six Months Ended September 30, 2000
		(Millions of yen)	
Cash and demand deposits (on the consolidated balance sheets)	474,274	629,540	653,197
Time deposits	(155,046)	(252,191)	(247,751)
Segregated funds for customers in trust	—	(1,020)	(206,761)
Cash and cash equivalents at the end of period	319,227	376,329	198,684

2. Principal changes in the presentation of the consolidated statement of cash flows for the six months ended September 30, 2001 brought about by the amendment of the "Uniform Accounting Standards of Securities Companies"

(A) "Margin accounts" appearing in the section of "Cash flows from operating activities" in prior years have been renamed "Margin account assets" and "Margin account liabilities."

(B) "Gensaki transactions" appearing in the "Cash flows from operating activities" section in prior years have been renamed "Loans with securities as collateral" or "Borrowings with securities as collateral."

Segment Information

(Six Months Ended September 30, 2001)

1. Segment information by type of business

Nomura Group is engaged in global business activities focusing on securities businesses such as: 1) principal securities trading; 2) brokerage for customer transactions in securities; 3) underwriting and distribution of securities; and 4) subscriptions and offerings of securities on an agent basis; 5) private placement of securities; 6) asset management operation. These business activities are accompanied by other financial services and generate revenues in combination, as Nomura Group operates in the investment and financial services business.

2. Segment information by geographical area

Net operating revenue, selling, general and administrative expenses and operating income (loss) by geographical area are as follows:

	Japan	Americas	Europe	Asia/Oceania	Total	Elimination	Consolidated
				(Millions of yen)			
Net operating revenue							
Net operating revenue from customers	237,793	16,835	20,865	3,756	279,251	—	279,251
Inter-segment revenue	3,734	(5,952)	9,480	2,397	9,660	(9,660)	—
Total	241,528	10,883	30,345	6,154	288,911	(9,660)	279,251
Selling, general and administrative expenses	170,612	28,105	42,574	11,226	252,519	(10,486)	242,032
Operating income (loss)	70,915	(17,222)	(12,229)	(5,071)	36,392	826	37,218

3. Overseas net operating revenue

Net operating revenues from the Company and consolidated subsidiaries from countries and areas other than Japan less inter-company revenue among consolidated companies are as follows:

	Americas	Europe	Asia/Oceania	Total
		(Millions of yen)		
1. Overseas net operating revenue	19,157	22,708	3,926	45,792
2. Consolidated net operating revenue				279,251
3. Percentage of overseas net operating revenue against consolidated net operating revenue	6.9%	8.1%	1.4%	16.4%

(Note 1) Major countries and areas that belong to each region

Americas	United States and Canada
Europe	United Kingdom, Luxembourg, Switzerland, Germany and the Netherlands
Asia and Oceania	Hong Kong, Singapore and Australia

(Note 2) In accordance with the amendment of the "Uniform Accounting Standards of Securities Companies", "Net operating revenue" and "Selling, general and administrative expenses" are used as classifications in segment information.

(Year Ended March 31, 2001/Six Months Ended September 30, 2000)

1. Segment information by type of business

Nomura Group is engaged in global business activities focusing on securities businesses such as: 1) principal securities trading; 2) brokerage for customer transactions in securities; 3) underwriting and distribution of securities; and 4) subscriptions and offerings of securities on an agent basis; 5) private placement of securities; 6) asset management operation. These business activities are accompanied by other financial services and generate revenues in combination, as Nomura Group operates in the investment and financial services business.

2. Segment information by geographical area

Operating revenue, operating expenses and operating income and assets by geographical area are as follows:

Year Ended March 31, 2001	Japan	Americas	Europe	Asia/Oceania	Total	Elimination	Consolidated
				(Millions of yen)			
I. Operating revenue							
Operating revenue from customers	653,773	369,052	264,013	12,560	1,299,399	—	1,299,399
Inter-segment revenue	5,724	7,299	29,544	7,774	50,342	(50,342)	—
Total	659,497	376,351	293,557	20,334	1,349,741	(50,342)	1,299,399
Operating expenses	390,342	389,801	268,212	27,568	1,075,924	(50,908)	1,025,015
Operating income (loss)	269,154	(13,449)	25,345	(7,233)	273,817	566	274,383
II. Assets	12,449,594	5,344,677	4,662,613	175,589	22,632,475	(2,103,340)	20,529,135

Six Months Ended September 30, 2000	Japan	Americas	Europe	Asia/Oceania	Total	Elimination	Consolidated
				(Millions of yen)			
Operating revenue							
Operating revenue from customers	368,262	140,427	144,087	7,131	659,908	—	659,908
Inter-segment revenue	3,246	2,367	14,837	3,887	24,337	(24,337)	—
Total	371,508	142,794	158,924	11,018	684,246	(24,337)	659,908
Operating expenses	189,503	148,608	132,628	12,638	483,379	(24,025)	459,353
Operating income (loss)	182,004	(5,813)	26,295	(1,620)	200,866	(311)	200,554

3. Overseas operating revenue

Operating revenues from the Company and consolidated subsidiaries from countries and areas other than Japan less inter-company revenue among consolidated companies are as follows:

Year Ended March 31, 2001	Americas	Europe	Asia/Oceania	Total
		(Millions of yen)		
I. Overseas operating revenue	373,052	266,419	12,617	652,088
II. Consolidated operating revenue				1,299,399
III. Percentage of overseas operating revenue against consolidated operating revenue	28.7%	20.5%	1.0%	50.2%

Six Months Ended September 30, 2000	Americas	Europe	Asia/Oceania	Total
		(Millions of yen)		
I. Overseas operating revenue	142,748	143,974	7,040	293,763
II. Consolidated operating revenue				659,908
III. Percentage of overseas operating revenue against consolidated operating revenue	21.6%	21.8%	1.1%	44.5%

(Note) Major countries and areas that belong to each region

Americas	United States and Canada
Europe	United Kingdom, Luxembourg, Switzerland, Germany and the Netherlands
Asia and Oceania	Hong Kong, Singapore and Australia

Supplementary Information

1. Commission Revenues

	Six Months Ended September 30, 2001 (A)	Year Ended March 31, 2001 (B)	Comparison A/(B*1/2) (%)
	(Millions of yen)		
Brokerage Commissions	49,928	133,540	74.8%
(Stocks)	49,087	126,886	75.8
(Bonds)	892	2,773	64.4
Underwriting Commissions	29,364	71,324	82.3
(Stocks)	12,349	45,645	54.1
(Bonds)	16,747	25,101	133.4
Distribution Commissions	12,617	37,860	66.6
Other Commissions	74,073	183,504	80.7
Total	165,984	426,230	77.9

2. Net Gain/Loss on Trading

	Six Months Ended September 30, 2001 (A)	Year Ended March 31, 2001 (B)	Comparison A/(B*1/2) (%)
	(Millions of yen)		
Equity	50,483	319,028	31.6%
Fixed income, foreign exchange and other	33,561	26,160	256.6
(Fixed income)	22,758	14,925	305.0
(Foreign exchange and other)	10,802	11,234	192.3
Total	84,044	345,189	48.7

3. Quarterly Results of Operations

	First Quarter Ended June 30, 2001	Second Quarter Ended September 30, 2001	Six Months Ended September 30, 2001
		(Millions of yen)	
Operating revenue	297,836	252,585	550,422
Commissions	83,852	82,131	165,984
Net gain on trading	45,775	38,269	84,044
Net gain on other inventories	3	3	6
Interest and dividend income	168,205	132,180	300,386
Interest expenses	154,204	116,965	271,170
Net operating revenue	143,632	135,619	279,251
Selling, general and administrative expenses	118,720	123,312	242,032
Transaction-related expenses	17,597	20,172	37,770
Compensation and benefits	62,550	59,877	122,427
Rental and maintenance	16,045	15,484	31,529
Data processing and office supplies	9,637	10,306	19,944
Depreciation and amortization	6,972	6,994	13,966
Taxes, other than income taxes	1,807	1,974	3,781
Other	4,110	8,502	12,613
Operating income	24,911	12,307	37,218

	First Quarter Ended June 30, 2001	Second Quarter Ended September 30, 2001	Six Months Ended September 30, 2001
		(Millions of yen)	
Non-operating income	15,266	7,362	22,628
Amortization of goodwill	6,426	6,809	13,236
Other	8,839	552	9,392
Non-operating expenses	3,491	3,441	6,932
Equity in earnings — net loss	1,779	354	2,133
Other	1,711	3,087	4,799
Ordinary income	36,686	16,227	52,914
Special profits	5,182	18,392	23,574
Special losses	3,555	54,099	57,655
Income before income taxes	38,313	(19,479)	18,833
Income taxes — deferred	14,222	10,054	24,276
Income taxes — current	4,683	(22,333)	(17,650)
Minority interest	(453)	(421)	(875)
Net income (loss)	18,953	(7,621)	11,332

Results of operations for the "First Quarter" or three months ended June 30, 2001 were restated to conform to the amended "Uniform Accounting Standards of Securities Companies."

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this registration statement on its behalf.

NOMURA HOLDINGS, INC.

By /s/ JUNICHI UJIIE

Name: Junichi Ujiie
Title: President and Chief Executive Officer
and Representative Director

Date: December 13, 2001

INDEX OF EXHIBITS

Exhibit Number		Description
1.1	—	Articles of Incorporation of the registrant (with English translation)
1.2	—	Share Handling Regulations of the registrant (with English translation)
1.3	—	Regulations of the Board of Directors of the registrant (with English translation)
1.4	—	Regulations of the Board of Statutory Auditors of the registrant (with English translation)
1.5	—	Corporate Separation Agreement, dated May 17, 2001, between the registrant and Nomura Securities Spin-off Preparation Company, Limited (with English translation)
2.1	—	Specimen common stock certificates of the registrant
2.2	—	Form of Deposit Agreement among the registrant, The Bank of New York as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14178) filed on December 10, 2001)
8.1	—	Subsidiaries of the registrant
10.1	—	Consent of PricewaterhouseCoopers with respect to the financial statements included in this registration statement