

**UNITED STATES
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 March 31, 2015
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
OR
 SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome
Chuo-ku, Tokyo 103-8645
Japan

Japan
(Jurisdiction of incorporation or organization)

(Address of principal executive offices)

Takumi Kitamura, 81-3-5255-1000, 81-3-6746-7850
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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.

As of March 31, 2015, 3,598,865,213 shares of Common Stock were outstanding, including 36,793,618 shares represented by 36,793,618 American Depositary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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As used in this annual report, references to the “Company”, “Nomura”, the “Nomura Group”, “we”, “us” and “our” are to Nomura Holdings, Inc. and, except as the context otherwise requires, its consolidated subsidiaries. As part of certain line items in Nomura’s financial statements and information included in this annual report, references to “NHI” are to Nomura Holdings, Inc.

As used in this annual report, “yen” or “¥” means the lawful currency of Japan, and “dollar” or “\$” means the lawful currency of the United States of America (“U.S.”).

As used in this annual report, “ADS” means an American Depositary Share, currently representing one share of the Company’s common stock, and “ADR” means an American Depositary Receipt evidencing one or more ADSs. See “Rights of ADR Holders” under Item 10.B of this annual report.

As used in this annual report, except as the context otherwise requires, the “Companies Act” means the Companies Act of Japan and the “FSA” means the Financial Services Agency of Japan.

Amounts shown in this annual report have been rounded to the nearest indicated digit unless otherwise specified. In tables and graphs with rounded figures, sums may not add up due to rounding.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table shows selected financial information as of and for the years ended March 31, 2011, 2012, 2013, 2014 and 2015 which is derived from our consolidated financial statements included in this annual report. These financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”). Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

The selected consolidated financial information set forth below should be read in conjunction with Item 5. “Operating and Financial Review and Prospects” in this annual report and our consolidated financial statements and notes thereto included in this annual report.

	Millions of yen, except per share data and percentages				
	Year ended March 31				
	2011	2012	2013	2014	2015
Statement of income data:					
Revenue	¥ 1,385,492	¥ 1,851,760	¥ 2,079,943	¥ 1,831,844	¥ 1,930,588
Interest expense	254,794	315,901	266,312	274,774	326,412
Net revenue	1,130,698	1,535,859	1,813,631	1,557,070	1,604,176
Non-interest expenses	1,037,443	1,450,902	1,575,901	1,195,456	1,257,417
Income before income taxes	93,255	84,957	237,730	361,614	346,759
Income tax expense	61,330	58,903	132,039	145,165	120,780
Net income	¥ 31,925	¥ 26,054	¥ 105,691	¥ 216,449	¥ 225,979
Less: Net income (loss) attributable to noncontrolling interests	3,264	14,471	(1,543)	2,858	1,194
Net income attributable to Nomura Holdings, Inc. (“NHI”) shareholders	¥ 28,661	¥ 11,583	¥ 107,234	¥ 213,591	¥ 224,785
Balance sheet data (period end):					
Total assets	¥36,692,990	¥35,697,312	¥37,942,439	¥43,520,314	¥41,783,236
Total NHI shareholders’ equity	2,082,754	2,107,241	2,294,371	2,513,680	2,707,774
Total equity	2,091,636	2,389,137	2,318,983	2,553,213	2,744,946
Common stock	594,493	594,493	594,493	594,493	594,493
Per share data:					
Net income attributable to NHI shareholders—basic	¥ 7.90	¥ 3.18	¥ 29.04	¥ 57.57	¥ 61.66
Net income attributable to NHI shareholders—diluted	7.86	3.14	28.37	55.81	60.03
Total NHI shareholders’ equity ⁽¹⁾	578.40	575.20	618.27	676.15	752.40
Cash dividends ⁽¹⁾	8.00	6.00	8.00	17.00	19.00
Cash dividends in USD ⁽²⁾	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.17	\$ 0.16
Weighted average number of shares outstanding (in thousands) ⁽³⁾	3,627,799	3,643,481	3,692,796	3,709,831	3,645,515
Return on equity⁽⁴⁾:	1.4%	0.6%	4.9%	8.9%	8.6%

Notes:

- (1) Calculated using the number of shares outstanding at year end.
- (2) Calculated using the Japanese Yen - U.S. Dollar exchange rate of the respective fiscal year end date, 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.
- (3) The number shown is used to calculate basic earnings per share.
- (4) Calculated as net income attributable to NHI shareholders divided by total NHI shareholders’ equity.

Foreign Exchange

Fluctuations in exchange rates between the Japanese Yen and U.S. Dollar will affect the U.S. Dollar equivalent of the Japanese Yen price of our shares and ADSs and the U.S. Dollar amounts received on conversion of cash dividends. The following table provides the noon buying rates for Japanese Yen in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York, expressed in Japanese Yen per \$1.00.

<u>Year ended March 31</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>Year end</u>
2011	¥ 94.68	¥ 78.74	¥ 85.00	¥ 82.76
2012	85.26	75.72	78.86	82.41
2013	96.16	77.41	83.26	94.16
2014	105.25	92.96	100.46	102.98
2015	121.50	101.26	110.78	119.96
<u>Calendar year 2015</u>	<u>High</u>	<u>Low</u>		
January	¥120.20	¥116.78		
February	120.38	117.33		
March	121.50	119.01		
April	120.36	118.80		
May	124.18	119.09		
June (through June 19)	125.58	122.70		

(1) Average rate represents the average of rates available on the last business day of each month during the year.

The noon buying rate for Japanese Yen on June 19, 2015 was \$1.00 = ¥122.70

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Risk Factors

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

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

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

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

In addition and as described later, not only purely economic factors but also future wars, acts of terrorism, economic or political sanctions, pandemics, forecasts of geopolitical risks and geopolitical events which have actually occurred, natural disasters or other similar events could have an effect on the financial markets and economies of each country.

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

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

Our electronic trading business revenues may decline

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

We may incur significant losses from our trading and investment activities

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

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

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

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect our profitability by changing the business. Assuming a one-notch and two-notch downgrade of our credit ratings on March 31, 2015, absent other changes, we estimate that the aggregate fair value of assets that will be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥15.2 billion and ¥39.4 billion, respectively.

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

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

Extended market declines can reduce liquidity and lead to material losses

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

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase other risks that we face

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

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

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

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

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

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

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

Liquidity, or having ready access to cash, is essential to our business. We define liquidity risk as the risk of losses arising from difficulty in securing the necessary funding or from incurring a significantly higher cost of funding than normal levels due to deterioration in the Nomura group's creditworthiness or deterioration in market conditions. In addition to maintaining a readily available cash position, we seek to secure ample liquidity through repurchase and securities lending transactions, access to long-term debt, issuance of mid/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 unsecured or secured funding

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

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

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

We may be unable to sell assets

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

Lowering of our credit ratings could impact our funding

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

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

Event risk refers to potential losses we may suffer through unpredictable events that cause large unexpected market price movements. These include not only significant events such as the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, the global financial and credit crisis in the autumn of 2008, the Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year and the political crisis in Ukraine which began in late 2013, but also more specifically the following types of events that could cause losses in our trading and investment assets:

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

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

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

Credit risk may also arise from:

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

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

There has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks and other broad-based financial services firms have established or acquired broker-dealers or have consolidated with other financial institutions. Recently, these other securities companies and commercial banks develop their business linkage and have the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group, which may enhance their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking and other financial services revenues in an effort to gain market share. In addition, alliances regardless of the existing groups are seen. These financial groups will further enhance their synergies between commercial banks and securities companies, and eventually improve their profitability. Our market shares may decrease if these large consolidated firms expand their businesses.

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

We continue to believe there are significant opportunities in the international markets, but there is also significant competition associated with such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Under such competitive environment, as a means to bolster our international operations, we acquired certain Lehman Brothers operations in Europe, the Middle East and Asia in 2008 and we have invested significant management resources to maintain and develop our operations in these regions and the U.S. After the acquisition, however, the global economy started to slow down, and both regulation and supervision have tightened around the world. In light of this challenging business environment, we have endeavored to reallocate our management resources to optimize our global operations and thereby improve our profitability. However, failure to realize the full benefits of these efforts may adversely affect our global businesses, financial condition and results of operations.

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

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

Our exposure to legal liability is significant

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

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

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

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

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

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

In particular, various reforms to financial regulatory frameworks, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) in the U.S. and various proposals to strengthen financial regulation in the European Union and the United Kingdom (“U.K.”), have been put in place. The exact details of the implementation of these proposals and its impact on us will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards. See Item 4.B “*Regulation*” within this annual report for more information about such regulations.

Changes in regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Implementation of new regulations or strengthening of existing regulations, including the Basel III measures announced by the Basel Committee on Banking Supervision (“Basel Committee”) have been determined or are under consideration by international organizations such as the G-20, Financial Stability Board (“FSB”), International Organization of Securities Commissions (“IOSCO”) and Basel Committee, or governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate. These changes in regulations, if they are applied to us, may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the FSB and the Basel Committee annually update the list of global systemically important banks (“G-SIBs”) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G-20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks (“D-SIBs”), and in October 2012, the Basel Committee developed and published a set of principles on the

assessment methodology and higher loss absorbency requirements for D-SIBs. In addition, the FSB and IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (“NBNI G-SIFIs”), for public consultation. The costs and impact on us as described above may further increase if we are identified as a G-SIB, a D-SIB or a NBNI G-SIFI in the future.

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

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

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

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

In August 2012, Nomura Securities Co., Ltd. (“NSC”), the Company’s subsidiary, received a business improvement order from the FSA with respect to flaws recognized in connection with the management of entity-related information for public stock offerings. In response to the order, NSC, as of December 2012, has implemented and completed a series of improvement measures and is working to enhance and strengthen its information management structure to prevent similar incidents from occurring in the future.

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

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

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

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

We are a global financial institution providing a wide range of products and services to a diverse group of clients, including individuals, corporations, other financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Conflicts of interests can occur when

our services to a particular client conflict or compete, or are perceived to conflict or compete, with our own interests. In addition, where non-public information is not appropriately restricted or shared within the firm, with regard to the many transactions within the Nomura Group, conflicts of interest can also occur where a group company transaction and/or a transaction with another client conflicts or competes with, or is perceived to conflict or compete with, a transaction with a particular client. While we have extensive internal procedures and controls designed to identify and address conflicts of interest, a failure, or a perceived failure, to identify, disclose and appropriately address conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, conflicts of interest could give rise to regulatory actions or litigation.

Our business is subject to various operational risks

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

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

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

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

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

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

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

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

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

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

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

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

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

We may face an outflow of clients' assets due to losses of cash reserve funds or bonds we offered

We offer many types of products to meet various needs of our clients with different risk profiles. Cash reserve funds, such as money management funds and money reserve funds are categorized as low-risk products. Such cash reserve funds may fall below par value as a result of losses caused by the rise of interest rates or the withdrawals or defaults on bonds contained in the portfolio. In addition, debt securities that we offer may default or experience delays in their obligation to pay interest and/or principal. Such losses in the products we offer may result in the loss of client confidence and lead to an outflow of client assets from our custody.

Because of daily price range limitations under Japanese stock exchange rules, you may not be able to sell your shares of the Company's common stock at a particular price on any particular trading day, or at all

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. For the purpose of protecting investors from excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

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

The Company's Articles of Incorporation, as permitted under the Companies Act, provide that 100 shares of the Company's stock constitute one "unit." The Companies Act imposes significant restrictions and limitations on holdings of shares that constitute less than a whole unit. Holders of shares constituting less than one unit do not have the right to vote or any other rights relating to voting. Under the unit share system, any holders of shares constituting less than a unit may at any time request the Company to purchase their shares. Also, holders of shares constituting less than a unit may request the Company to sell them such number of shares that the Company may have as may be necessary to raise such holder's share ownership to a whole unit. Shares constituting less than a unit are transferable under the Companies Act, but may not be traded on any Japanese stock exchange.

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 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 you the dividends and distributions collected from the Company. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine the Company's accounting books or records or exercise appraisal rights except through the depositary.

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions

The Companies Act and the Company's Articles of Incorporation and Regulations of the Board of Directors govern the Company's corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and executive officers' fiduciary duties and shareholders' rights may be different from those that would apply to a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of other jurisdictions, including jurisdictions within the U.S. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in another jurisdiction.

The Company's shareholders of record on a record date may not receive the dividend they anticipate

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. The Company's dividend payout practice is no exception. The Company ultimately determines whether the Company will make any dividend

payment to shareholders of record as of a record date and such determination is made only after such record date. For the foregoing reasons, the Company's shareholders of record as of a record date may not receive the dividends they anticipate. Furthermore, the Company does not announce any dividend forecasts.

It may not be possible for investors to effect service of process within the U.S. upon the Company or the Company's directors or executive officers, or to enforce against the Company or those persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S.

The Company is a limited liability, joint-stock corporation incorporated under the laws of Japan. Most of the Company's directors and executive officers reside in Japan. Many of the Company's assets and the assets of these persons are located in Japan and elsewhere outside the U.S. It may not be possible, therefore, for U.S. investors to effect service of process within the U.S. upon the Company or these persons or to enforce against the Company or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S. The Company believes that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of U.S. court judgments, of liabilities predicated solely upon the federal securities laws of the U.S.

Special Note Regarding Forward-looking Statements

This annual report 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 may cause our actual results, performance, achievements or financial position to differ materially from any future results, performance, achievements or financial position expressed or implied by any forward-looking statement contained in this annual report. Such risks, uncertainties and other factors are set forth in this Item 3.D and elsewhere in this annual report.

Item 4. Information on the Company

A. History and Development of the Company.

The Company (previously known as The Nomura Securities Co., Ltd.) was incorporated in Japan on December 25, 1925 under the Commercial Code of Japan 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. The Company was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York. 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 resumption of the investment trust business 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 trust in the 1980s, and the growth of the corporate bond and initial public offering markets in the 1990s.

Our expansion overseas accelerated in 1967, when the Company acquired a controlling interest in Nomura International (Hong Kong) Limited for the purpose of conducting broker-dealer activities in the Hong Kong

capital markets. Subsequently, we established a number of other overseas subsidiaries, including Nomura Securities International, Inc. in the U.S. in 1969 as a broker-dealer and Nomura International Limited, now Nomura International plc, in the U.K. in 1981, which acts as an underwriter and a broker, as well as other overseas affiliates, branches and representative offices.

On October 1, 2001, we adopted a holding company structure. In connection with this reorganization, the Company changed its name from “The Nomura Securities Co., Ltd.” to “Nomura Holdings, Inc.” The Company continues to be listed on the Tokyo Stock Exchange and other stock exchanges on which it was previously listed. A wholly-owned subsidiary of the Company assumed the Company’s securities businesses and was named “Nomura Securities Co., Ltd.”

The Company has proactively engaged in establishing a governance framework to ensure transparency in the Company’s management. Among other endeavors, when the Company adopted a holding company structure and was listed on the New York Stock Exchange (“NYSE”) in 2001, the Company installed Outside Directors. In addition, in June 2003, the Company further strengthened and increased the transparency of the Company’s oversight functions by adopting the Company with Three Committees (previously known as the Committee System), a system in which management oversight and business execution functions are clearly separated.

In 2008, to pave the way for future growth, the Company acquired and integrated the operations of Lehman Brothers in Asia Pacific, Europe and the Middle East.

The address of the Company’s registered office is 9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo 103-8645, Japan, telephone number: +81-3-5255-1000.

B. Business Overview.

Overview

We are one of the leading financial services groups in Japan and have global operations. We operate offices in countries and regions worldwide including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region (“Hong Kong”) through our subsidiaries.

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

Our business consists of our Retail, Asset Management and Wholesale divisions which are described in further detail below. See also Note 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

Corporate Goals and Principles

The Nomura Group’s management vision is to enhance its corporate value by deepening society’s trust in the Company and increasing satisfaction of stakeholders, including that of shareholders and clients.

As “Asia’s global investment bank”, Nomura will provide high value-added solutions to clients globally, and recognizing its wider social responsibility, Nomura will continue to contribute to the economic growth and development of society.

To enhance its corporate value, Nomura places significance on earnings per share (“EPS”) and will seek to maintain sustained improvement of management’s target.

Our Business Divisions

Retail

In Retail, we conduct business activities by delivering a wide range of financial products and high quality investment services mainly for individuals and corporations in Japan primarily through a network of nationwide branches of Nomura Securities Co., Ltd. (“NSC”). The total number of local branches, including our head office, was 159 as of the end of March 2015. We offer investment consultation services to meet the medium- to long-term needs of our clients. The aggregate market value of our client assets increased ¥17.8 trillion to ¥109.5 trillion as of the end of March 2015 from ¥91.7 trillion a year ago. We discuss retail client assets in “*Retail Client Assets*” under Item 5.A of this annual report.

We continue to focus on delivering top-quality solutions including our broad range of products and services through face-to-face meetings, online and call center channels, so that Nomura Group can sustainably be a trusted partner to our clients.

Asset Management

We conduct our asset management business, which consists of the development and management of investment trusts and investment advisory services, primarily through NAM. NAM is the largest asset management company in Japan in terms of assets under management in investment trusts as of March 31, 2015. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create business opportunities. In order to make these opportunities available, NAM manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through NSC as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank Co., Ltd. Investment trusts are also offered in defined contribution pension plans. We also provide investment advisory services to public pension funds, private pension funds, governments and their agencies, central banks and institutional investors globally.

Wholesale

Our Wholesale Division consists of Global Markets, Investment Banking and certain other non-Retail operations, providing our corporate and institutional clients with timely, high value-added services tailored to their needs.

Global Markets

Global Markets provides research, sales, trading, and market-making of fixed income and equity-related products.

Our global fixed income offerings include, among other products, government securities, interest rate derivatives, investment-grade and high-yield corporate bonds, credit derivatives, G-10 and emerging markets foreign exchange, asset-backed securities and mortgage-related products, in over-the-counter (“OTC”) and listed markets. We are also primary dealers in the Japanese government securities market as well as in the Asian, European and U.S. markets. These product offerings are underpinned by our global structuring function which tailors ideas and trading strategies for our institutional and corporate client base.

Our global equity-related products include equity securities, ETFs, convertible securities, listed futures & options and OTC equity derivatives. In addition, we offer execution services based on cutting-edge electronic trading technology to help clients navigate through the complex market structure and achieve best execution. Nomura is also a member of various exchanges around the world, with leading positions on the London and Tokyo stock exchanges.

These product offerings are underpinned by our global structuring function which provides tailored ideas and trading strategies for our institutional and corporate clients as well as our retail franchise.

Investment Banking

We offer a broad range of investment banking services to a diverse range of corporations, financial institutions, sovereigns, financial sponsors and others. We aim to develop and fortify solid relationships with these clients on a long-term basis by providing them with our extensive resources for each bespoke solution.

Underwriting. We underwrite offerings of a wide range of securities and other financial instruments, which include various types of stocks, convertible and exchangeable securities, investment grade debt, sovereign and emerging market debt, high yield debt, structured securities and other securities in Asia, Europe, U.S. and other major financial markets. We also arrange private placements and engage in other capital raising activities.

Financial Advisory & Solutions Services. We provide financial advisory services on business transactions including mergers and acquisitions, divestitures, spin-offs, capital structuring, corporate defense activities, leveraged buyouts and risk solutions. Our involvement in initial public offerings (“IPOs”), reorganizations and other corporate restructurings related to industry consolidation enhances our opportunities to offer clients other advisory and investment banking services.

We capitalize on the linkages between our Retail, Asset Management and Wholesale Divisions to offer various financial instruments such as equity securities, debt securities, investment trusts and variable annuity insurance products, for the short, medium, and long-term, with different risk levels. We seek to provide proprietary Nomura expertise to clients through various media such as our investment reports and internet-based trading services.

Our Research Activities

We have an extensive network of intellectual capital with key research offices in Tokyo, Hong Kong and other major markets in the Asia-Pacific region, as well as in London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our analysts collaborate closely across regions and disciplines to track changes and spot future trends in politics, economics, foreign exchange, interest rates, equities, credit and as well as provide quantitative analysis.

Our Information Technology

We believe that information technology is one of the key success factors for our overall business and intend to develop and maintain a solid technology platform to ensure that the Nomura Group is able to fulfill the various needs of our clients. Accordingly, we will continue to invest, enhance and adapt a technology platform to ensure it remains suitable for each business segment.

In our Retail Division, we have already implemented a new core system and related systems have also been enhanced. We are also continuously working on improving our internet-based and smartphone platforms.

In our Wholesale Division, we have enhanced our technology platform to provide better risk management and also to increase trading capabilities through platforms allowing direct market access and algorithmic trading. In order to improve support of Wholesale operations, we will continue to increase utilization of our offshore service entities in India.

In our corporate functions in Japan, which support both our Retail and Wholesale Divisions, we implemented new settlement and accounting systems while decommissioning our legacy system in order to improve IT efficiency.

Our recent focus is cyber security. In order to prevent potential damage as well as take immediate actions in case a security threat occurs, we are strengthening measures in four areas, which are system implementation, trainings and drills, organizational emergency plans and information sharing with external institutions. In March 2015, we established a global team specializing in cyber security measures called the Computer Security Incident Response Team (“CSIRT”).

Competition

The financial services industry is intensely competitive and we expect it to continue remain so. We compete globally with other brokers and dealers, investment banking firms, commercial banks, investment advisors and other financial services firms. We also face competition on regional, product and niche bases from local and specialist firms. A number of factors determine our competitive position against other firms, including:

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

Our competitive position is also affected by the overall condition of the global financial markets, which are influenced by factors such as:

- the monetary and fiscal policies of national governments and international economic organizations, and
- economic developments both within and between Japan, the U.S., Europe and other major industrialized and developing countries and regions.

In Japan, we compete with other Japanese and non-Japanese securities companies and other financial institutions. Competition has become more intense due to deregulation in the Japanese financial industry since the late 1990s and the increased presence of global securities companies and other financial institutions. In particular, major global firms have increased their presence in securities underwriting, corporate advisory services (particularly, mergers and acquisitions (“M&A”) advisory) and secondary securities sales and trading.

There has also been substantial consolidation and convergence among financial institutions, both within Japan and globally and this trend accelerated further in recent years as the credit crisis caused mergers and acquisitions and asset acquisitions in the industry. The growing presence and scale of financial groups which encompass commercial banking, securities brokerage, investment banking and other financial services has led to increased competition. Through their broadened offerings, these firms are able to create good client relationships and leverage their existing client base in the brokerage and investment banking business as well.

In addition to the breadth of their products and services, these firms have the ability to pursue greater market share in investment banking and securities products by reducing margins and relying on their commercial banking, asset management, insurance and other financial services activities. This has resulted in pricing pressure in our investment banking and trading businesses and could result in pricing pressure in other areas of our businesses. We have also competed, and expect to compete, with other financial institutions which commit capital to businesses or transactions for market share in investment banking activities. In particular, corporate clients may seek loans or commitments in connection with investment banking mandates and other assignments.

Moreover, the trend toward consolidation and convergence has significantly increased the capital base and geographic reach of some of our competitors, hastening the globalization of the securities and financial services markets. To accommodate this trend, we will have to compete successfully with financial institutions that are large and well-capitalized, and that may have a stronger local presence and longer operating history outside Japan.

Regulation

Japan

Regulation of the Securities Industry and Securities Companies. Pursuant to the FIEA, the Prime Minister of Japan has the authority to supervise and regulate the securities industry and securities companies, and delegates its authority to the Commissioner of the FSA. The Company, as a holding company of a securities company, as well as its subsidiaries including NSC and Nomura Financial Products & Services, Inc. (“NFPS”) are subject to such supervision and regulation by the FSA. The Commissioner of the FSA delegates certain authority to the Director General of Local Finance Bureaus to inspect local securities companies and branches. Furthermore, the Securities and Exchange Surveillance Commission, an external agency of the FSA which is independent from the Agency’s other bureaus, is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder the fair trading of securities, including inspection of securities companies. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of the securities industry.

To enhance investor protection, each Japanese securities company is required to segregate client assets and to hold membership in an Investor Protection Fund approved by the government under the FIEA. The Investor Protection Fund is funded through assessments on its securities company members. In the event of failure of a securities company that is a member of the fund, the Investor Protection Fund provides protection of up to ¥10 million per client. The Investor Protection Fund covers claims related to securities deposited by clients with the failed securities company and certain other client claims.

Regulation of Other Financial Services. Securities companies are not permitted to conduct banking or other financial services directly, except for those which are registered as money lenders and engaged in money lending business under the Money Lending Business Act or which hold permission to act as bank agents and conduct banking agency activities under the Banking Law. Among the subsidiaries of the Company in Japan, NSC is a securities company that is also registered as a money lender and holds permission to act as a bank agent. Another subsidiary of the Company, The Nomura Trust & Banking holds a banking license and trust business license.

Financial Instruments and Exchange Act. The FIEA widely regulates financial products and services in Japan under the defined terms “financial instruments” and “financial instruments trading business”. It regulates most aspects of securities transactions and the securities industry, including public offerings, private placements and secondary trading of securities, on-going disclosure by securities issuers, tender offers for securities, organization and operation of securities exchanges and self-regulatory associations, and registration of securities companies. In addition, to enhance fairness and transparency in the financial markets and to protect investors, the FIEA provides for, among other things, penalties for misrepresentations in disclosure documents and unfair trading, strict reporting obligations for large shareholders and corporate information disclosure systems, including annual and quarterly report systems, submission of confirmation certificates concerning the descriptions in securities reports, and internal controls over financial reporting.

The FIEA also provides for corporate group regulations on securities companies the size of which exceeds specified parameters (*Tokubetsu Kinyu Shouhin Torihiki Gyosha*, “Special Financial Instruments Firm”) and on certain parent companies designated by the Prime Minister (*Shitei Oyagaisha*, “Designated Parent Companies”) and their subsidiaries (together, the “Designated Parent Company Group”). The FIEA aims to regulate and strengthen business management systems, compliance systems and risk management systems to ensure the protection of investors. The FIEA and its related guidelines also provide reporting requirements to the FSA on the Designated Parent Company Group’s business and capital adequacy ratios, enhanced public disclosures as well as restrictions on compensation all of which are designed to reduce excessive risk-taking by executives and employees of a Designated Parent Company Group. We were designated as the Designated Parent Company of NSC in April 2011 and were designated as the Designated Parent Company of NFPS in December 2013. As the Designated Parent Company and the final parent company within a corporate group (*Saishu Shitei Oyagaisha*, “a Final Designated Parent Company”), we are subject to these requirements. A violation of the FIEA may result in

various administrative sanctions, including the revocation of registration or license, the suspension of business or an order to discharge any director or executive officer who has failed to comply with the FIEA.

Regulatory Changes. A bill to amend the FIEA was submitted to the Diet of Japan on March 9, 2012 and was passed on September 6, 2012. A part of the amendment, based on the declaration reached at the G-20 Pittsburgh Summit in September 2009 to enhance transparency of the settlement of over-the-counter (“OTC”) derivative transactions, requires Financial Instruments Business Operators (*Kinyu Shouhin Torihiki Gyousha* in Japanese) to trade certain OTC derivative contracts through an electronic trading platform and to report such OTC derivative contracts to repositories. The amendment is scheduled to become effective on September 1, 2015.

On April 16, 2013, another bill was submitted to the Diet of Japan to amend the FIEA and the Deposit Insurance Act and was passed on June 12, 2013. A part of the amendment includes establishing “Orderly Resolution Regime for Financial Institutions” to prevent a financial crisis that may spread across financial markets and may seriously impact the real economy. Under the Orderly Resolution Regime, the Financial Crisis Response Council, chaired by the Prime Minister, will take measures such as providing liquidity to ensure the performance of obligations for critical market transactions where it is considered necessary to prevent severe market disruption. Such measures will be funded by the financial industry, except in special cases where the government will provide financial support. The amendment became effective on March 6, 2014.

Overseas

Our overseas offices and subsidiaries are also subject to various laws, rules and regulations applicable in the countries where they conduct their operations, including, but not limited to, those promulgated and enforced by the U.S. Securities and Exchange Commission (“SEC”), the Commodity Futures Trading Commission (“CFTC”), the U.S. Treasury, the Financial Stability Oversight Council, the New York Stock Exchange and the Financial Industry Regulatory Authority (a private organization with quasi-governmental authority and a regulator for all securities companies doing business in the U.S.) in the U.S.; and by the Prudential Regulation Authority (“U.K. PRA”), the Financial Conduct Authority (“U.K. FCA”) and the London Stock Exchange in the U.K. We are also subject to international money laundering and related regulations in various countries. For example, the USA PATRIOT Act of 2001 contains measures to prevent, detect and prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations and creating crimes and penalties. The Foreign Account Tax Compliance Act (“FATCA”) which was enacted in 2010 requires foreign financial institutions (“FFIs”) to report to the U.S. Internal Revenue Service information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. As a result, Nomura will be subject to certain reporting requirements consistent with a mutual agreement between Japanese governmental authorities and the U.S. Treasury Department. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could materially and adversely affect us.

Regulatory Changes. In response to the financial markets crisis, governments and regulatory authorities in various jurisdictions have made and continue to make numerous proposals to reform the regulatory framework for, or impose a tax or levy upon, the financial services industry to enhance its resilience against future crises, contribute to the relevant economy generally or for other purposes. In July 2010, the U.S. enacted the Dodd-Frank Act which is now the subject of a multi-agency rulemaking process. The rulemakings include, (i) create a tighter regulatory framework for OTC derivatives to promote transparency and impose conduct rules in that marketplace; (ii) establish a process for designating nonbank financial firms as Systemically Important Financial Institutions (“SIFIs”), subject to increased (and sometimes new) prudential oversight including early remediation, capital standards, resolution authority and new regulatory fees; (iii) prohibit material conflicts of interest between firms that package and sell asset-backed securities (“ABS”) and firms that invest in ABS; (iv) establish risk

retention requirements for ABS; and (v) a number of executive compensation mandates, including rules to curtail incentive compensation that promotes excessive risk taking. The new regulatory framework for OTC derivatives includes mandates for clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, reporting and recordkeeping, and internal and external business conduct rules. Some U.S. derivatives rules may be applied extraterritorially and therefore impact some non-U.S. Nomura entities.

Other aspects of the Dodd-Frank Act and related rulemakings include provisions that (i) prohibit deposit-taking banks and their affiliates from engaging in proprietary trading and limit their ability to make investments in hedge funds and private equity funds (the so-called “Volcker Rule”); (ii) empower regulators to liquidate failing nonbank financial companies that are systemically important; (iii) provide for new systemic risk oversight and increased capital requirements for both bank and non-bank SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) new regulations regarding the role of credit rating agencies, investment advisors and others. To facilitate the transition to the requirements of the Dodd-Frank Act, the Commodity Futures Trading Commission issued an exemptive order in July 2013 (“Exemptive Order”) that granted market participants temporary conditional relief from certain provisions of the Commodity Exchange Act, as amended by the Dodd-Frank Act. As the Exemptive Order expired on December 21, 2013 some U.S. derivatives rules are now being applied extraterritorially and are now therefore impacting some non-U.S. Nomura entities. In addition, Title VII of the Dodd-Frank Act gives the SEC regulatory authority over “security-based swaps” which are defined under the act as swaps based on a single security or loan or a narrow-based group or index of securities. Security-based swaps are included within the definition of “security” under the U.S. Securities and Exchange Act of 1934 and the U.S. Securities Act of 1933. On May 1, 2013, the SEC proposed rules and interpretive guidance addressing cross-border security-based swap activities. On June 25, 2014, the SEC finalized some (but not all) of the cross-border rules, namely key foundational definitions and registration calculations that will become operative once the SEC sets a timeframe for the security-based swap dealer registration process to begin. Additionally, on April 29, 2015, the SEC proposed rules that would apply certain Dodd-Frank Act requirements to security-based swaps of a non-U.S. person connected with its security-based swap dealing activity that it arranges, negotiates or executes using its personnel or personnel of its agent located in the United States. Once final, these rules will also be applied extraterritorially and impact some non-U.S. Nomura entities. The exact details of the Dodd-Frank Act implementation and ultimate impact on Nomura’s operations will depend on the form and substance of the final regulations adopted by various governmental agencies and oversight boards. In addition to the rulemakings required by the Dodd-Frank Act, the SEC is considering other rulemakings that will impact Nomura’s U.S. entities. While these rules have not been formally proposed, they have been publicly reported in the U.S. Office of Management and Budget’s (“OMB”) “Current Regulatory Plan and Unified Agenda of Regulatory and Deregulatory Actions.” The SEC’s Division of Trading and Markets is considering recommending that the SEC propose an amendment to its net capital rule that would prohibit a broker-dealer that carries customer accounts from having a ratio of total assets to regulatory capital in excess of a certain level. The Division of Trading and Markets is also considering a number of changes to equity market structure rules.

On July 19, 2011, the Financial Stability Board published a consultative document to establish a global framework to improve authorities’ capacity to resolve failing SIFIs without systemic disruption and exposing taxpayers to the risk of loss. The proposed measures require Global SIFIs (“G-SIFIs”) to prepare and maintain recovery and resolution plans (“RRPs”) by December 2012. In light of such a global framework, the U.K. Financial Services Authority (“U.K. FSA”) (which has now been replaced by the U.K. PRA and FCA) published a consultation paper on August 9, 2011 containing its proposals for RRP. The consultation paper covered a requirement for banks and large investment firms in the U.K. (including G-SIFIs) to prepare and maintain RRP. In a separate discussion paper, the U.K. FSA explores matters relevant to resolving financial services firms, including the resolution of trading books, enhancing the resolution toolkit and bail-ins. In May 2012, the U.K. FSA published a feedback statement setting out its approach to ensure firms develop appropriate recovery plans and resolution packs and a further update was issued by the U.K. FSA in February 2013. In December 2013, the U.K. PRA published a policy statement setting out final rules which require banks, building societies and U.K. PRA-regulated investment firms to produce recovery plans (identification of options to

recover financial strength in stress situations) and resolution packs (information to support resolution planning by the authorities). These rules were amended in January 2015 as part of the U.K. implementation of the EU Bank Recovery and Resolution Directive (“BRRD”), which entered into force on June 12, 2014. The BRRD also aims to implement Financial Stability Board recommendations on recovery and resolution regimes for financial institutions and for U.K. purposes it will partially supersede the existing U.K. regime. The BRRD applies to banks and investment firms operating in EU member states, including EU branches and subsidiaries of third country firms. It includes requirements for the preparation of RRP by institutions and regulators. It also creates various powers for EU regulators to intervene to resolve institutions at risk of failure, including the ability to sell or transfer all or part of an institution (similar to existing U.K. regulatory powers) and the introduction of a debt write down or bail-in tool. Specific provision is also made to facilitate cross-border crisis management and the recognition of third country recovery and resolution action in relation to third country banking and investment groups. As part of the bail-in rules, firms will be required to maintain capital resources sufficient to meet the stipulated minimum requirement for eligible liabilities (“MREL”). The MREL requirement will likely overlap with the global capital standards on total loss absorbing capacity (“TLAC”) for Global Systemically Important Banks (“G-SIBS”), which are currently under development by the Financial Stability Board and which are likely to result in enhanced minimum capital and leverage standards for banks within scope.

There are a number of regulatory developments that impact capital requirements for U.K. regulated entities. Most significant of these is Basel III, as adopted into EU law through the fourth Capital Requirements Directive and Capital Requirements Regulation (together, “CRD IV”), which came into force on January 1, 2014. The aim of CRD IV is to strengthen the resilience of the EU banking sector so it is better placed to absorb economic shocks while ensuring that banks continue to finance economic activity and growth. CRD IV sets out requirements for minimum capital requirements for banks and investment firms and also introduced new capital and liquidity buffers.

The new framework also modifies treatment of bank exposures to central counterparties, resulting in increased capital charges (though still preferential relative to bilateral exposures), as well as qualifying conditions that must be met by central counterparties before institutions may benefit from the preferential treatment. CRD IV introduces the concept of the leverage ratio, although further legislation is required to implement a binding requirement. The directive introduces corporate governance requirements with a more rigorous supervision of risks by directors as well as management or supervisory boards. The rules concern the composition of boards, their functioning and their role in risk oversight and strategy in order to improve the effectiveness of risk oversight by boards. The regulation requires firms to make increased Pillar 3 disclosures about their corporate governance arrangements. CRD IV also sets out requirements in relation to remuneration policies including limitations on the basic salary to bonus ratio (can be raised to a maximum of 1:2 with the approval of shareholders) for certain staff.

On October 20, 2011, the European Commission published draft legislation for the Directive on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council. The legislation has been split into two parts: the Markets in Financial Instruments Directive (“MiFID”) and the Markets in Financial Instruments Regulation (“MiFIR”). On May 13, 2014, the Council of the European Union announced that it had adopted MiFID II and MiFIR. The majority of the new rules will come into force in January 2017. The legislation seeks to introduce wide-reaching changes to markets, including the extension of market transparency rules into non-equities and potentially reducing the size of the OTC derivative market by mandating the clearing of such transactions through central clearing counterparties and exchanges. The new framework introduces a market structure which seeks to close certain loopholes and ensures that trading, wherever appropriate, takes place on regulated platforms. It introduces rules on high frequency trading and aims to improve the transparency and oversight of financial markets. The revised MiFID also aims to strengthen the protection of investors by introducing more robust organisational and conduct requirements and by strengthening the role of management bodies. The new framework also increases the role and supervisory powers of regulators and establishes powers to prohibit or restrict the marketing and distribution of certain products in well-defined

circumstances. A harmonised regime for granting access to EU professional markets for firms from third countries, based on an equivalence assessment of third country jurisdictions by the Commission, is introduced.

In May 2014, the European Securities and Markets Authority (“ESMA”) launched the consultation process for the implementation of the revised MiFID II and MiFIR by publishing a consultation paper and a discussion paper. MiFID II/MiFIR contains over 100 requirements for ESMA to draft regulatory technical standards (“RTS”) and implementing technical standards (“ITS”) and to provide technical advice to the European Commission to allow it to adopt delegated acts. The main issues covered in the papers are divided into those addressing the structure, transparency and regulation of financial markets, and those aimed at strengthening investor protection. The consultation paper requests comments on the technical advice that ESMA is required to deliver to the European Commission by December 2014 and the discussion paper will provide the basis for a further consultation paper on the draft RTS and ITS which is expected to be issued in late 2014/early 2015. At the U.K. level, the U.K. FCA has also published various commentary on MiFID II, including a Discussion Paper published in March 2015, which discusses the FCA’s approach to those areas of MiFID II for which the U.K. has discretion in relation to implementation.

The European Market Infrastructure Regulation (“EMIR”) introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR was adopted on July 4, 2012 and entered into force on August 16, 2012. EMIR applies to any entity established in the European Union that is a legal counterparty to a derivative contract, even when trading with non-EU firms. It may also have extraterritorial impact in certain circumstances. Many of the EMIR requirements have entered into force throughout 2013 and 2014, although some elements have yet to be implemented. When fully implemented, EMIR will require entities that enter into any form of derivative contract to: report every derivative contract that they enter to a trade repository; implement new risk management standards, including operational processes and margining, for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. Nomura is in the process of implementing the various EMIR requirements across work streams in accordance with their respective compliance dates.

On October 20, 2011, the European Commission published draft legislation for the review of the Market Abuse Directive (“MAD II”). The dossier has been split into two parts: the Market Abuse Directive (criminal sanctions for market abuse, which the U.K. has not opted into as it will maintain its existing criminal sanctions regime) and the Market Abuse Regulation. In June 2014 the Market Abuse Regulation and Market Abuse Directive were published in the EU Official Journal. The Market Abuse Regulation shall enter into application in July 2016. Member States have two years to transpose the Market Abuse Directive on criminal sanctions for market abuse into their national law. The new rules on market abuse update and strengthen the existing framework to ensure greater market integrity and investor protection, replacing the existing Market Abuse Directive. The Market Abuse Directive requires all Member States to provide for harmonised criminal offences of insider dealing and market manipulation, and to impose maximum criminal penalties of not less than 4 and 2 years imprisonment, respectively, for the most serious market abuse offences.

In February 2013, the European Commission published draft legislation for the review of the current EU anti-money laundering rules, in the form of proposals for the Fourth Money Laundering Directive (“MLD4”). Political agreement was reached by EU authorities on MLD4 in May 2015 and it is expected to enter into force during the next few months and to be implemented by EU Member States in 2017. MLD4 aims to update and strengthen the current EU anti-money laundering regime, including by implementing the standards published by the Financial Action Task Force in 2012. MLD4 also shifts the focus of regulatory requirements further towards a risk-based approach, which will require increasingly robust policies and procedures within regulated firms in order to assess and monitor risk effectively. The scope of the anti-money laundering regime is also extended in certain respects and the approach to classifying third country firms will in the future be focused on “blacklisting” of non-equivalent jurisdictions (in contrast with the current focus on positive equivalence).

The Alternative Investment Fund Managers Directive (“AIFMD”) entered into force on July 1, 2011. The AIFMD was required to be implemented by EU member states by July 22, 2013 (subject to a one year transitional period). The AIFMD and its related implementing legislation establishes a detailed framework for the management and marketing of alternative investment funds (or “AIFs”) within the EEA. As the concept of an “AIF” is broadly defined, the AIFMD captures the majority of non-UCITs funds, including hedge funds, private equity, debt and real estate funds.

Under the AIFMD regime, fund managers operating within the EEA are subject to extensive organizational requirements, including mandatory authorization by an EEA regulator, substantial ongoing compliance, conduct of business and disclosure requirements and the obligation to appoint an independent depositary with responsibility for an AIF’s assets. A separate regulatory regime applies to depositaries, which must also be authorized for this purpose. Additional restrictions and disclosure obligations apply to managers of private equity firms which acquire material holdings in EEA companies. Non-EEA fund managers seeking to target EEA investors are also subject, at a minimum, to a sub-set of the compliance requirements for EEA managers, focusing mainly on disclosure. It is open to each Member State to introduce additional restrictions for third country managers and some jurisdictions remain very restrictive in this respect. The possibility of a passporting regime for third country managers is, however, provided for in the AIFMD and is currently under consideration at the EU level, although further legislation would be required to introduce this. The AIFMD has material impact for Nomura insofar as it manages and markets investment funds within the EEA (which now attracts an enhanced compliance burden). Nomura also acts as depositary of an AIF and is accordingly subject to separate compliance requirements and liability provisions in this capacity.

On April 1, 2013, the U.K. Financial Services Act 2012 was formally enacted (after having received Royal Assent on December 19, 2012). The implementation of the U.K. Financial Services Act 2012 has resulted in the U.K. FSA being replaced by a “twin peaks” approach through the U.K. PRA and U.K. FCA. The U.K. PRA was formed as a subsidiary of the Bank of England and is responsible for the prudential supervision of a number of banks and deposit takers, plus certain large investment firms and insurers. It has a single objective to “promote the safety and soundness of regulated firms.” The U.K. FCA was formed as a separate entity and is responsible for the prudential supervision of firms not supervised by the U.K. PRA and for market conduct matters for all authorized firms. The U.K. FCA has a single strategic objective of “making markets work well.” Nomura’s main operating subsidiaries in the U.K. (Nomura International plc and Nomura Bank International plc) are regulated by both the U.K. PRA and U.K. FCA.

The U.K. FCA and U.K. PRA currently maintain a regulatory regime for the individual approval and accountability of certain senior management and other significant personnel carrying out “controlled functions” within banks and investment firms. In July 2014, the U.K. FCA and U.K. PRA consulted on proposals for a new “Senior Managers Regime” for senior managers and a related “Certification Regime” for a wider population of employees whose performance has the potential to pose harm to a firm or its customers. The new individual accountability standards in this area have been developed by the FCA in response to recommendations made by the Parliamentary Committee on Banking Standards in this area and are expected to enter into force from March 2016 onwards. When implemented these new standards will significantly increase regulatory accountability for senior managers. The rules will also require firms to demarcate responsibilities more precisely, implement new systems and controls for certification and share with the U.K. PRA/U.K.FCA detailed information on their governance structures.

Over the past 2-3 years the U.K. FCA (and its predecessor the U.K. FSA) has worked towards introducing a number of changes to the U.K. regulatory regime for the protection of client assets (“CASS”). These requirements are relevant for Nomura’s U.K. entities where they hold client money and other assets on behalf of their clients (other than in the course of deposit-taking activity). The reforms made to the CASS regime have been driven in large part by concerns of the U.K. FSA/FCA regarding the shortcomings of the previous rules that were highlighted in the U.K. case law surrounding the collapse of Lehman Brothers International (Europe). The U.K. FCA commenced its review of the CASS regime in 2012 and published final rules in 2014, the last of which

came into force on June 1, 2015. The reforms aim to improve the speed and efficiency with which client assets may be distributed following the insolvency of the holding firm and to minimize negative market impact. This has resulted in extensive changes to the rules, designed to strengthen the legal and operational requirements of holding firms for effective segregation of client money and to enhance controls over institutions with which client money is deposited and third parties to whom client money is transferred. The conditions attached to exclusions from the client money rules have also been clarified and enhanced. In addition, various changes have also been made to the rules to give effect to EMIR requirements regarding client money held in the course of derivatives clearing activity. The net effect of these various changes is generally to increase the operational and compliance burden on firms that hold client money and assets. Nomura has made arrangements to implement the changes and to review existing client arrangements where appropriate.

A number of reforms are also either pending or anticipated at the EU and/or U.K. level, which may have a material impact on Nomura and on EU markets generally. At the EU level, these include the Bank Structure Regulation, Securities Financing Transactions Regulation (which are currently being debated by EU authorities) and the Capital Markets Union initiative (together with the related review of the Prospectus Directive and the EU securitization framework. At the U.K. level, the Fair and Effective Markets Review recently completed by the U.K. authorities may also have a material impact on Nomura and on U.K. markets.

Regulatory Capital Rules

Japan

The FIEA requires that all Financial Instruments Firms (Category I) (“Financial Instruments Firms I”), a category that includes NSC and NFPS, ensure that their capital adequacy ratios do not fall below 120% on a non-consolidated basis. The FIEA also requires Financial Instruments Firms I to file monthly reports regarding their capital adequacy ratios with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, and also to disclose their capital adequacy ratios to the public on a quarterly basis. In addition, if the capital adequacy ratio of a Financial Instruments Firm I falls below 140%, it must file a daily report with the authorities. The FIEA provides for actions which the Prime Minister, through the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, may take if any Financial Instruments Firm I fails to meet the capital adequacy requirement. More specifically, if the capital adequacy ratio of any Financial Instruments Firms I falls below 120%, the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau may order the Financial Instruments Firm I to change its business conduct, to deposit its property in trust, or may issue any other supervisory order that such authorities deem necessary and appropriate to protect the interests of the general public or investors. If the capital adequacy ratio of a Financial Instruments Firm I falls below 100%, the authorities may take further action, including the issuance of orders to temporarily suspend its business and the revocation of its registration as a Financial Instruments Firm I under the FIEA.

Under the FIEA and regulations thereunder, the “capital adequacy ratio” means the ratio of adjusted capital to a quantified total of business risks. Adjusted capital is defined as net worth less illiquid assets. Net worth mainly consists of stated capital, additional paid-in capital, retained earnings, reserves for securities transactions, certain allowances for doubtful current accounts, net unrealized gains/losses in the market value of investment securities, and subordinated debt. Illiquid assets generally include non-current assets, certain deposits and advances and prepaid expenses. Business risks are divided into three categories: (i) market risks (i.e., risks of asset value changes due to decline in market values and other reasons), (ii) counterparty risks (i.e., risks of delinquency of counterparties and other reasons) and (iii) basic risks (i.e., risks in carrying out daily business activities, such as administrative problems with securities transactions and clerical mistakes), each quantified in the manner specified in a rule promulgated under the FIEA.

The FSA reviewed the FIEA and regulations thereunder in line with Basel 2.5 framework and the revised regulations for Basel 2.5 were implemented at the end of December 2011. Market risks increased significantly as a result of the Basel 2.5 rule implementation.

We closely monitor the capital adequacy ratio of NSC and NFPS 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 all appropriate requirements. We believe that we will continue to be in compliance with all applicable capital adequacy requirements for the foreseeable future.

As discussed above, the FSA amended the FIEA and introduced new rules on consolidated regulation and supervision of securities companies on a consolidated basis on April 1, 2011 to improve the stability and transparency of Japan's financial system and ensure the protection of investors. Following introduction of these rules, NSC was designated as a Special Financial Instruments Firm, following which we have been designated as a Final Designated Parent Company. As such, we are required to calculate consolidated regulatory capital adequacy ratio according to the FSA's "Establishment of standards on sufficiency of capital stock of a final designated parent company and its subsidiary entities, etc. compared to the assets held thereby" (2010 FSA Regulatory Notice No. 130; "Capital Adequacy Notice on Final Designated Parent Company"). Accordingly, since our designation as a Final Designated Parent Company in April 2011, we now calculate our Basel rule-based consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company.

The FSA also amended the FIEA to include reporting on consolidated regulatory capital for the Final Designated Parent Companies, effective April 1, 2011. We are subject to this reporting requirements as well as the capital adequacy requirements described above.

The Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 and Basel III, and we have calculated a Basel III-based consolidated capital adequacy ratio since the end of March 2013. Basel 2.5 includes significant changes in the method of calculating market risk and Basel III includes redefinition of capital items for the purpose of requiring higher levels of capital and expansion of the scope of credit risk-weighted assets calculation.

If our capital ratios fall to the minimum level required by the FSA, our business activities may be impacted. However, these ratios are currently at well capitalized levels. We have met all capital adequacy requirements to which we are subject and have consistently operated in excess of the FSA's capital adequacy requirements. Subject to future developments in regulatory capital regulations and standards, there has been no significant change in our capital ratios which management believes would have material impact on our operations.

The Basel Committee has issued a series of announcements regarding a broader program to strengthen the regulatory capital framework in light of weaknesses revealed by the financial crises, as described in "*Consolidated Regulatory Capital Requirements*" under Item 5.B of this annual report. The Capital Adequacy Notice on Final Designated Parent Company is expected to incorporate the series of rules and standards in line with the schedule proposed by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board ("FSB") and the Basel Committee announced the list of global systemically important banks ("G-SIBs") and the additional requirements to the G-SIBs including the recovery and resolution plan. The FSB also announced the group of G-SIBs will be updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIB. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important banks ("D-SIBs") and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. Furthermore, the FSB and the IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation, as described in "*Consolidated Regulatory Capital Requirements*" under Item 5.B of this annual report.

Overseas

In the U.S., Nomura Securities International, Inc. (“NSI”) is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commission merchant with the Commodity Futures Trading Commission (“CFTC”). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority (“FINRA”) and the Chicago Mercantile Exchange Group as its designated self-regulatory organization. NSI is subject to the SEC’s Uniform Net Capital Rule (“Rule 15c3-1”) and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. (“NGFP”) is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC (“ILLC”) is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2014 and 2015, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc (“NEHS”) is regulated on a consolidated basis by the Prudential Regulation Authority in the U.K., which imposes minimum capital adequacy requirements on NEHS. Nomura International plc (“NIP”), the most significant of NEHS’ subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the Prudential Regulation Authority in the U.K. Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the Prudential Regulation Authority in the U.K. on a standalone basis. As of March 31, 2014 and 2015, NEHS, NIP and NBI were in compliance with relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Singapore Ltd (“NSL”) are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing in securities and futures contracts, and advising on securities, futures contracts and corporate finance. With effect from April 22, 2013, NIHK assumed from its fellow subsidiary, Nomura Securities (Hong Kong) Ltd, the roles of exchange participant and options trading exchange participant on the Stock Exchange of Hong Kong Ltd., futures commission merchant at the Hong Kong Futures Exchange Ltd. and clearing participant on the Hong Kong Securities Clearing Co. Ltd., the SEHK Options Clearing House Ltd. and HKFE Clearing Corporation Ltd. NIHK has a branch located in Taiwan which is also regulated by its local regulators. Activities of NIHK including its branch are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit (“ACU”) license governed by the Monetary Authority of Singapore (“MAS”). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. The regulations require NSL to maintain a minimum capital of SGD15 million. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. As of March 31, 2014 and 2015, NIHK and NSL were in compliance with relevant regulatory capital related requirements.

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

Management Challenges and Strategies

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

In order to achieve our management objectives, we are placing top priority on ensuring that profits are recorded by all business segments in all regions. We are committed to improving our corporate value further through the enhancement of Retail Division by means of business model transformation as well as through increased profitability of our overseas operations based upon further collaboration between Global Markets and Investment Banking.

As Asia's global investment bank, we will continue to take appropriate measures toward phased introduction of Basel regulations (global standards on capital requirements and liquidity) as well as forthcoming changes in the operating environment. With regulations related to the market, such as derivatives transactions, slated to come into effect primarily in the west, we will ensure a flexible response by staying attentive to the impact of the overall regulatory framework on the financial market and the competitive landscape.

The challenges and strategies in each division are as follows:

- **Retail Division**

In Retail Division, with our enhanced consulting-based business, we are aiming to increase client satisfaction by listening to clients plans, understanding and meeting their diversified demands and needs. We continue to focus on delivering top-quality solutions including our broad range of products and services through face-to-face meetings, online and call center channels, so that Nomura Group can sustainably be a trusted partner to our clients.

- **Asset Management Division**

In our investment trust business, we will provide clients with a diverse range of investment opportunities to meet investors' various needs. In our investment advisory business, we will provide value-added investment services to our domestic and international institutional clients. We intend to increase assets under management and expand our client base for these two core businesses. As a distinctive investment manager based in Asia with the ability to provide a broad range of products and services, we aim to gain the strong trust of investors worldwide by making continuous efforts to improve investment performance.

- **Wholesale Division**

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

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

In the Wholesale Division, cooperation across business areas and regions is becoming more important to provide quality services which meet the needs of our clients. Positioning the Asia Pacific region as our strategic base, we plan to execute a number of business initiatives to broaden our footprint in anticipation of medium to long term global economic growth.

Risk Management and Compliance, etc.

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

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

The improvement measures announced on June 29, 2012 regarding the recommendations of administrative penalties imposed on our subsidiary, Nomura Securities Co. Ltd. in 2012 in connection with public stock offerings have been fully implemented. By thoroughly implementing the improvement measures and making them function effectively, we aim to prevent recurrence and to regain trust; we will further enhance and reinforce our internal control system, starting with prevention of improprieties in the provision of information to customers and the recommendation of trading as a matter of course, and have each and every one of our executive officers and employees uphold ethics as a professional engaged in the capital markets, while keeping the memory of the incident from fading.

Through the efforts described above, we are working to achieve our management targets and to maximize corporate value by strengthening the earnings power of the entire Group. We will advance collaboration across regions and among the three divisions, and devote our efforts to the stability of financial and capital markets and to our further expansion and development as a Group.

C. Organizational Structure.

The following table lists the Company and its significant subsidiaries and their respective countries of incorporation. Indentation indicates the principal parent of each subsidiary. Proportions of ownership interest include indirect ownership.

Name	Country	Ownership Interest (%)
Nomura Holdings, Inc.	Japan	—
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Financial Partners Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Facilities, Inc.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Nomura Private Equity Capital Co., Ltd.	Japan	100
Nomura Agri Planning & Advisory Co., Ltd.	Japan	100
Nomura Land and Building Co., Ltd.	Japan	100
The Asahi Fire & Marine Insurance Co., Ltd.	Japan	52
Nomura Financial Products & Services, Inc.	Japan	100
Nomura Holding America Inc.	U.S.	100
Nomura Securities International, Inc.	U.S.	100
Nomura Corporate Research and Asset Management Inc.	U.S.	100
Nomura Derivative Products Inc.	U.S.	100
Nomura America Mortgage Finance, LLC	U.S.	100
Nomura Global Financial Products, Inc.	U.S.	100
NHI Acquisition Holding, Inc.	U.S.	100
Instinet Incorporated	U.S.	100
Nomura Europe Holdings plc	U.K.	100
Nomura International plc	U.K.	100
Nomura Bank International plc	U.K.	100
Banque Nomura France	France	100
Nomura Bank (Luxembourg) S.A.	Luxemburg	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Investment Banking (Middle East) B.S.C. (c)	Bahrain	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Capital Markets Limited	U.K.	100
Nomura European Investment Limited	U.K.	100
Nomura Asia Holding N.V.	The Netherlands	100
Nomura International (Hong Kong) Limited	Hong Kong	100
Nomura Singapore Limited	Singapore	100
Nomura Australia Limited	Australia	100
P.T. Nomura Indonesia	Indonesia	96
Nomura Asia Investment (India Powai) Pte. Ltd.	Singapore	100
Nomura Services India Private Limited	India	100
Nomura Financial Advisory and Securities (India) Private Limited	India	100
Nomura Asia Investment (Fixed Income) Pte. Ltd.	Singapore	100
Nomura Asia Investment (Singapore) Pte. Ltd.	Singapore	100
Capital Nomura Securities Public Co., Ltd.	Thailand	86

D. Property, Plants and Equipment.

Our Properties

As of March 31, 2015, our principal head office is located in Tokyo, Japan and occupies 991,561 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 125,217 square feet, our Nagoya branch office, which occupies 82,914 square feet, and the head office of NAM in Tokyo, which occupies 157,231 square feet.

As of March 31, 2015, our major offices outside Japan are the head offices of NIP located in London, which occupies 458,626 square feet, the New York head office of Nomura Securities International, Inc., which occupies 187,864 square feet, and the offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 146,389 square feet. We lease most of our overseas office space.

As of March 31, 2015, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 476,271 square feet.

As of March 31, 2015, the aggregate book value of the land and buildings we owned, including capital leases was ¥196 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥46 billion.

Item 4A. Unresolved Staff Comments

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2015 and which remain unresolved as of the date of the filing of this annual report with the Commission.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

You should read the following discussion of our operating and financial review and prospects together with Item 3.A “Selected Financial Data” of this annual report and our consolidated financial statements included elsewhere in this annual report.

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 “Risk Factors” and elsewhere in this annual report.

Business Environment

Japan

The Japanese economy was strongly affected in the first half of the fiscal year ended March 31, 2015, by the increase in the consumption tax rate implemented in April 2014. Japan’s real gross domestic product (“GDP”) contracted sharply between April and June 2014 at an annualized rate of 6.4% (according to Cabinet Office figures announced on March 9, 2015) in reaction to increased demand ahead in the increase in the consumption tax rate. Between July and September 2014, real GDP contracted for a second consecutive quarter, at an annualized rate of 2.6%, despite expectations of recovery. Although support came from public investment as part of the Japanese government’s economic stimulus policy, private sector demand in the form of consumer spending and capital investment declined more than anticipated. In October 2014, in response to these economic

developments, the Bank of Japan decided to implement additional monetary easing to preempt the risk of a delay in the turnaround of the deflation mindset. In addition, the Japanese government deferred the timing of further increase in consumption tax rate to 10% from October 2015 to April 2017 and adopted new economic stimulus measures in the FY14 supplementary budget. Meanwhile, Japan's exports, after persistent weakness, increased year-on-year between July and September 2014 supported by expansion in overseas economies. Driven by external demand, Japan's real GDP returned to positive growth between October and December 2014, at an annualized rate of 1.5%.

In terms of corporate earnings, profits continued to rise in sectors with high sensitivity to foreign currency exchange rate movements supported by economic recovery overseas and the depreciation of the Japanese Yen under Abenomics, but fell in sectors exposed to rapid declines in resource prices and a reactive decline in demand following the increase in the consumption tax rate. Overall, profits appear to have risen for a third consecutive year. Profits rose markedly in the automotive, electronics and precision instruments sectors, and other sectors where earnings are sensitive to foreign currency rate movements, and in the utilities sector, which benefited from declines in crude oil prices and rate hikes by some electric power companies. Sectors that made large negative contributions to overall profits were retail, which felt the impact of a reactive decline in demand following the increase in the consumption tax rate, trading companies, which recognized asset impairment charges in response to steep falls in resource prices, and the chemical sector, where companies' inventory valuation losses expanded sharply owing to steep declines in crude oil prices. As of April 20, 2015, we estimate that recurring profits at major companies (those in the Russell/Nomura Large Cap Index) increased by 6% year-on-year compared with the fiscal year ended March 31, 2014, with growth declining from 37% in the prior fiscal year.

The stock market made solid gains until September 2014, due to the positive market expectations of public pension fund investment policy reforms and the return in consumer purchases after the downturn in the wake of consumption tax hike. The market fell sharply in October amid growing concerns over an end to quantitative easing in the U.S. and the spread of Ebola, but recovered at the end of the month in the wake of the Bank of Japan's decision to implement additional monetary easing measures and the announcement by the Government Pension Investment Fund ("GPIF") that it would raise the proportion of its investments allocated to Japanese equities. The market made further gains from February 2015 amid expectations of rising wages in Japan and of shareholder returns at Japanese companies, supported by quantitative easing by the European Central Bank ("ECB"). The Tokyo Stock Price Index ("TOPIX") advanced 28.3% over the course of the fiscal year, from 1,202.89 at the end of March 2014 to 1,543.11 at the end of March 2015. The Nikkei Stock Average rose 29.5% over the fiscal year, from 14,827.83 at the end of March 2014 to 19,206.99 at the end of March 2015.

The Japanese government debt securities market saw significant volatility after reaching a record high. The yield on newly issued 10-year Japanese government debt securities started at around 0.6% in April 2014, then steadily declined owing to economic slowing following the increase in the consumption tax rate and the impact of monetary easing by the Bank of Japan, before the pace of decline picked up speed after additional monetary easing measures were unexpectedly announced on October 31. Short- and medium-term Japanese government debt securities were at one point trading at negative yields. The yield on newly issued 10-year Japanese government debt securities reached a record low of 0.195% on January 19, 2015, amid growing expectations of additional monetary easing by the Bank of Japan and declining inflationary expectations prompted by sharp declines in crude oil prices from October. The Japanese government debt securities market subsequently rebounded sharply as inflationary expectations returned due to an upturn in crude oil prices and diminishing expectations of additional monetary easing by the Bank of Japan. However, the yield on newly issued 10-year Japanese government debt securities fell again to 0.405% in March 2015 as European interest rates declined in the wake of the ECB's monetary easing that began on March 9, 2015.

In the foreign exchange markets, the value of the Japanese Yen against the U.S. Dollar was influenced by developments in the U.S. economy, additional monetary easing by the Bank of Japan, and the shift in public pension fund reallocations, and against the Euro on expectations of monetary easing by the ECB. The Japanese

Yen had been trading at the ¥103 level versus the U.S. Dollar and the ¥142 level versus the Euro at the start of the year ended March 31, 2015. At the start of the fiscal year, the foreign exchange markets were significantly affected by easing of the impact of Abenomics and, in North America, monetary policy and the economic impact of an unusually cold winter. The U.S. Dollar traded around the ¥102 level until September 2014. From September, the U.S. Dollar appreciated rapidly to reach almost ¥110 in tandem with growing expectations of higher U.S. interest rates. The U.S. Dollar appreciated sharply to the ¥120 level after the announcement by the Bank of Japan of additional monetary easing and by the GPIF of changes to its basic portfolio on October 31, 2014. From January 2015, the U.S. Dollar traded around the ¥120 level as expectations of rising interest rates retreated owing partly to an unusually cold winter in the U.S. Meanwhile, the Euro weakened against the Japanese Yen against a backdrop of political and economic confrontation between the EU and Russia over the crisis in Ukraine. The ECB introduced negative interest rates and adopted other economic stimulus measures in September 2014, following which the Japanese Yen reached the ¥135 level against the Euro in the middle of October 2014. Between October and December 2014, the Euro rose to nearly to the ¥150 level as the Japanese Yen depreciated sharply. However, market expectations of monetary easing by the ECB quickly gained ground from December 2014 amid growing deflationary risks in the Eurozone chiefly because of rapid declines in crude oil prices. After January 2015, the Euro depreciated sharply to the high end of the ¥120 level against the backdrop of the introduction of monetary easing and the uncertain outlook of the situation in Greece.

Overseas

The global economy saw gradual improvement in the fiscal year ended March 31, 2015. In the U.S., the Federal Reserve Board (“FRB”) began looking for an opportunity to raise interest rates in October 2014 after ending its QE3 asset purchase program against a backdrop of economic recovery. Whereas between October and December 2014, the Japanese economy pulled out of the quarter-on-quarter contraction that had followed in the wake of the increase in the consumption tax rate and Eurozone conditions improved to enable sustained economic growth. In emerging Asian economies apart from China, steady economic growth continued. For the global economy, however, destabilizing factors remained due to slowing economic growth in China, and in Europe, economic sanctions against Russia over the Ukraine situation and deadlock in the Greek fiscal crisis. Meanwhile, geopolitical disruption in the Middle East and North Africa became a factor as crude oil prices, after remaining high in the first half of the fiscal year ended March 31, 2015, declined sharply in the second half of the fiscal year partly as the result of Saudi Arabia abandoning its policy of maintaining high prices. The decline in crude oil prices impacted the economies of net oil exporting countries while benefiting the economies of net oil importing countries.

In the U.S., the FRB started to scale back its asset purchases under QE3 from early 2014, ending purchases at the end of October 2014, but there was no major reaction in financial markets. On the fiscal policy front, 2014 saw no major disruption, unlike 2013, which was marked by tax increases, spending cuts, and a government shutdown. U.S. real GDP growth in year 2014 was 2.4% year-on-year, close to the 2.2% in 2013, as sharp slowing between January and March 2014 owing to an unusually cold winter and other factors was followed by recovery between April and June 2014. The sharp appreciation of the U.S. Dollar from September 2014 to March 2015 put downward pressure on corporate earnings and exports. The steep decline in crude oil prices from October 2014, meanwhile, led to a marked slowing in oil extraction. The U.S. stock market made solid gains throughout 2014, but saw striking volatility from around October 2014 amid concerns over economic slowing overseas, steep declines in crude oil prices, U.S. Dollar appreciation, and the approach of interest-rate hikes by the FRB, with the pace of gains slowing notably upon entering 2015. The Dow Jones Industrial Average rose from 16,457.66 at the end of March 2014 to 17,776.12 at the end of March 2015, a gain of 8.0%. The yield on 10-year U.S. Treasuries was around 2.7% at the end of March 2014, but fell to around 1.9% at the end of March 2015 after sustaining declines under pressure from falling overseas interest rates and crude oil prices.

In Europe, Eurozone real GDP expanded 0.9% year-on-year in 2014, growing for the first time since 2011. Growth was supported by a boost in consumer spending as disposable incomes rose with declines in crude oil prices and shrinking fiscal deficits in some countries, diminishing their negative economic impact. Amid a

downtrend in Eurozone inflation rates partly because of declining crude oil prices, the ECB, concerned about the emerging risks of deflation, lowered its deposit facility interest rate (used for national central bank overnight deposits) to minus 0.1% in June 2014, taking further measures to lower rates in September 2014. In addition, the ECB announced monetary easing steps in January 2015 and began purchases of government debt securities in March 2015. As a result of the ECB's monetary easing measures, the yield on German 10-year government debt securities fell to a new record low of 0.1% in March. European stock markets became liquidity driven, with the benchmark German stock index ("DAX") reaching a record high and rising 25.2% over the year until the end of March 2015.

In Asia, China's real GDP lost momentum, with growth slowing to 7.4% in 2014 down from 7.7% in 2013. Between January 2015 and March 2015, growth was 7.0% year-on-year, quickly moving into alignment with the government's full-year target. The country's real estate market, about which there had been concerns of overheating, entered a correction phase in the second half of 2014, and there was a clear slowing in fixed asset investment, which had driven the Chinese economy over many years. In this environment, the government, seeking to prevent further economic deterioration while also pushing ahead with structural reform, began monetary easing in November 2014, and in February 2015, it decided to expand infrastructure investment. The stock market gained momentum from mid-2014 supported by a succession of initial public offerings against a backdrop of regulatory easing, with the Shanghai Stock Exchange Composite Index rising 84.3% over the year to the end of March 2015. Asian emerging economies other than China gradually firmed, supporting sustained stable growth. With global trade expanding only slowly, however, many Asian countries saw the need to implement structural changes to economies that have become export focused. In India, the Narendra Modi government, which assumed office in May 2014, has been tackling structural reforms and fiscal consolidation, while in Indonesia, the Joko Widodo administration, which assumed office in October 2014, has been moving to expand infrastructure and reform subsidy programs. In Thailand, the military took power in May 2014 but the political stability that ensued helped to halt economic deterioration.

Executive Summary

During the fiscal year ended March 31, 2015, the global economy saw gradual improvement. In the U.S., amid an environment where monetary easing was reduced and phased out, corporate earnings increased, due to higher consumer spending and an improved labor market. In Europe, as a result of a number of monetary easing policies by the ECB, positive economic growth was achieved in 2014. Emerging economies in Asia, other than China, also sustained stable growth. Overall, these positive factors have contributed towards generating more activity in global equity markets, resulting in global equity indices surpassing levels at the start of the year.

In Japan, consumer spending and public investment were stagnant in the first half of the year as a result of the increase in consumption tax rates implemented in April 2014. Nonetheless, Japan's real GDP increased during the quarter ended December 2014 in comparison to the previous quarter. This was driven by the unexpected decision by the Bank of Japan in October 2014 to implement further monetary easing policies, improved global business conditions, and an increase in expectations toward domestic economy as a result of continuing depreciation of the Japanese Yen and a fall in crude oil prices. The TOPIX advanced from 1,202.89 points at the end of March 2014 to 1,543.11 points at the end of March 2015. The Nikkei Stock Average rose from 14,827.83 at the end of March 2014 to 19,206.99 at the end of March 2015. The U.S. Dollar-Japanese Yen exchange rate at the end of March 2014 was approximately at the ¥103 level and continued to be relatively flat until the middle of the fiscal year. However, the Japanese Yen averaged around the ¥120 level during the second half of the year, after reaching at one time a low of ¥121. Yields on Japanese government debt securities also steadily declined during the year with the yield on newly issued 10-year Japanese government debt securities being around 0.6% in April 2014 and reaching a record low of 0.195% in January 2015.

From a regulatory perspective, the Financial Services Agency of Japan announced various widespread regulatory reforms in March 2015, including the implementation of the Basel III Leverage Ratio capital requirement for financial institutions. These reforms, which Nomura will be monitoring closely, will be implemented in phases and are intended to tighten the supervision of domestic and foreign financial institutions.

Amid this environment and under the basic philosophy of placing our clients at the heart of everything we do, we strove to provide clients with high value-added products and services, and made efforts to expand revenues. Our Retail Division conducted consulting-based sales activities. Our Asset Management Division worked to increase assets under management and improve investment performance. Our Wholesale Division made efforts to expand its revenue base through cross-regional and cross-business collaboration.

As a result of these efforts, we recognized net revenue of ¥1,604.2 billion for the year ended March 31, 2015, a 3.0% increase from the previous fiscal year. Non-interest expenses increased 5.2% to ¥1,257.4 billion, income before income taxes was ¥346.8 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥224.8 billion, the second highest level (after the record high recognized during the fiscal year ended March 31, 2006) since we adopted U.S. GAAP in the year ended March 31, 2002. Return on equity (“ROE”) was 8.6%. EPS⁽¹⁾ for the year ended March 31, 2015 was ¥60.03, an increase from ¥55.81 for the year ended March 31, 2014.

We have decided to pay a dividend of ¥13 per share to shareholders of record as of March 31, 2015. As a result, the total annual dividend was ¥19 per share.

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

In our Retail Division, net revenue for the year ended March 31, 2015 decreased by 6.9% from the previous fiscal year to ¥476.5 billion, primarily due to decreasing commissions from the distribution of investment trusts and brokerage services. Non-interest expenses decreased by 1.6% to ¥314.7 billion. As a result, income before income taxes decreased by 15.7% to ¥161.8 billion. We continue to make progress on services and products through offering investment advice to best meet diversified client needs. As a result, sales of investment trusts and discretionary investment contracts increased due to our efforts in expanding the asset under management. Total Retail client assets under management increased to a new record high of ¥109.5 trillion from ¥91.7 trillion at the end of the previous fiscal year.

In our Asset Management Division, net revenue for the year ended March 31, 2015 increased by 14.8% from the previous fiscal year to ¥92.4 billion. Non-interest expenses increased by 12.9% to ¥60.3 billion. As a result, income before income taxes increased by 18.4% to ¥32.1 billion. In our investment trust business, assets under management increased because of an influx of funds mostly for stock investment trusts and the improved market environment. We provided new funds in response to customer demands and increased asset size of existing funds. In particular, funds focused on infrastructure-related companies and global high dividend stocks, and funds specializing in fund wraps contributed to the increase in assets under management. We also provided unique Exchange Traded Funds (“ETFs”), which track the performance of the JPX400 Nikkei index and Nikkei 225 leveraged index, in addition to traditional ETFs. As a result, assets under management increased by ¥8.5 trillion from the end of the previous fiscal year to ¥39.3 trillion as of March 31, 2015.

In our Wholesale Division, net revenue for the year ended March 31, 2015 increased by 3.2% from the previous fiscal year to ¥789.9 billion. The first half of the year saw solid results overall. The second half of the year began with slower performance, particularly in the U.S. and Europe, which was due to a challenging trading environment especially in October, with a sharp decline in yields and a jump in volatility; however, net revenue significantly improved during the fourth quarter. Regionally, Japan and Asia showed the largest contributions for the fiscal year. Non-interest expenses rose by 8.3% to ¥707.7 billion, impacted by a weak Japanese Yen and partially offset by cost reduction and efficiency measures. Income before income taxes decreased by 26.5% to ¥82.2 billion.

Results of Operations

Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen, except percentages		
	Year ended March 31		
	2013	2014	2015
Non-interest revenues:			
Commissions	¥ 358,210	¥ 473,121	¥ 453,401
Fees from investment banking	62,353	91,301	95,083
Asset management and portfolio service fees	141,888	168,683	203,387
Net gain on trading	367,979	476,356	531,337
Gain on private equity investments	8,053	11,392	5,502
Gain on investments in equity securities	38,686	15,156	29,410
Other	708,767	179,485	175,702
Total Non-interest revenues	1,685,936	1,415,494	1,493,822
Net interest revenue	127,695	141,576	110,354
Net revenue	1,813,631	1,557,070	1,604,176
Non-interest expenses	1,575,901	1,195,456	1,257,417
Income before income taxes	237,730	361,614	346,759
Income tax expense	132,039	145,165	120,780
Net income	¥ 105,691	¥ 216,449	¥ 225,979
Less: Net income (loss) attributable to noncontrolling interests	(1,543)	2,858	1,194
Net income attributable to NHI shareholders	¥ 107,234	¥ 213,591	¥ 224,785
Return on equity	4.9%	8.9%	8.6%

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

¥175,702 million for the year ended March 31, 2015, primarily due to the gain recognized in connection with the disposal of our investment in Fortress during the year ended March 31, 2014, which was partially offset by an increase in net income from other affiliated companies.

Net revenue decreased by 14% from ¥1,813,631 million for the year ended March 31, 2013 to ¥1,557,070 million for the year ended March 31, 2014 primarily due to the deconsolidation of Nomura Real Estate Holdings Inc. (“NREH”), a subsidiary of Nomura Land and Buildings Co., Ltd (“NLB”) in March 2013 which was partially offset by the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on revenues generated by our overseas businesses. *Commissions* increased by 32% from ¥358,210 million for the year ended March 31, 2013 to ¥473,121 million for the year ended March 31, 2014 primarily due to an increase in brokerage commissions received from equity and equity-related products, particularly in Japan. *Fees from investment banking* increased by 46% from ¥62,353 million for the year ended March 31, 2013 to ¥91,301 million for the year ended March 31, 2014 primarily due to an increase in commissions received from equity and equity-related products as a result of increased client financing demands in a background of active stock market conditions. *Asset management and portfolio service fees* increased by 19% from ¥141,888 million for the year ended March 31, 2013 to ¥168,683 million for the year ended March 31, 2014 primarily due to an increase in assets under management driven by continuing fund inflows. *Net gain on trading* increased by 30% from ¥367,979 million for the year ended March 31, 2013 to ¥476,356 million for the year ended March 31, 2014, primarily driven by the increase in revenue from our Equities business within Global Markets. *Net gain on trading* also included total losses of ¥15.6 billion attributable to changes in Nomura’s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was primarily due to the tightening of Nomura’s credit spreads during the period. *Gain on private equity investments* increased by 42% from ¥8,053 million for the year ended March 31, 2013 to ¥11,392 million for the year ended March 31, 2014 primarily due to the recognition of unrealized gains from our investment in Ashikaga Holdings following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014. *Other* decreased by 75% from ¥708,767 million for the year ended March 31, 2013 to ¥179,485 million for the year ended March 31, 2014, primarily due to the deconsolidation of NREH. *Other* for the year ended March 31, 2013 included ¥663,466 million of revenue from NLB and its related subsidiaries.

Net interest revenue was ¥127,695 million for the year ended March 31, 2013, ¥141,576 million for the year ended March 31, 2014 and ¥110,354 million for the year ended March 31, 2015. *Net interest revenue* is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. *Net interest revenue* is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view *net interest revenue* and *non-interest revenues* in aggregate. For the year ended March 31, 2015, interest revenue increased by 5%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense increased by 19%, primarily due to an increase in interest expense on securities borrowed. As a result, *Net interest revenue* for the year ended March 31, 2015 decreased by ¥31,222 million from the year ended March 31, 2014. For the year ended March 31, 2014, interest revenue increased by 6%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense increased by 3%, primarily due to an increase in interest expense on repurchase agreements. As a result, *Net interest revenue* for the year ended March 31, 2014 increased by ¥13,881 million from the year ended March 31, 2013.

Gain on investments in equity securities was ¥38,686 million for the year ended March 31, 2013, ¥15,156 million for the year ended March 31, 2014 and ¥29,410 million for the year ended March 31, 2015. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses for the year ended March 31, 2015 increased by 5% from ¥1,195,456 million for the year ended March 31, 2014 to ¥1,257,417 million primarily due to an increase in fees paid by our Asset

Management business as a result of increase in asset under management, increases in other various expenses as a result of the new Asian subsidiaries acquired during the year ended March 31, 2015, and the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on expenses incurred by our overseas businesses.

Non-interest expenses for the year ended March 31, 2014 decreased by 24% from ¥1,575,901 million for the year ended March 31, 2013 to ¥1,195,456 million primarily due to the deconsolidation of NREH in March 2013 which was partially offset by the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on expenses incurred by our overseas businesses. Other expenses decreased by 67% from ¥616,463 million to ¥202,754 million primarily due to the deconsolidation of NREH. For the year ended March 31, 2013, other expenses included ¥481,641 million related to NLB and its subsidiaries.

Income before income taxes was ¥237,730 million for the year ended March 31, 2013, ¥361,614 million for the year ended March 31, 2014 and ¥346,759 million for the year ended March 31, 2015.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. As a result of revisions to domestic tax laws during the third quarter ended December 31, 2011 and the fourth quarter ended March 31, 2014, Nomura's domestic effective statutory tax rate was approximately 38% for the fiscal years ended March 31, 2013 and March 31, 2014, and decreased to approximately 36% for the fiscal year ended March 31, 2015. Furthermore, as a result of revision to domestic tax laws on March 31, 2015, Nomura's effective statutory tax rate will decrease from approximately 36% to 33% for fiscal years beginning on or after April 1, 2015 and will decrease to approximately 32% for fiscal years beginning on or after April 1, 2016. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company's effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

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

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

Income tax expense for the year ended March 31, 2013 was ¥132,039 million, representing an effective tax rate of 55.5%. The significant factors causing the difference between the effective tax rate of 55.5% and the effective statutory tax rate of 38% were non-deductible expenses which increased the effective tax rate by 12.9%, the effect of tax positions of foreign subsidiaries which increased the effective tax rate by 10.0% as partially offset by non-taxable revenue which decreased the effective tax rate by 9.3%.

Net income attributable to NHI shareholders was ¥107,234 million for the year ended March 31, 2013, ¥213,591 million for the year ended March 31, 2014 and ¥224,785 million for the year ended March 31, 2015, respectively. Our return on equity for the year ended March 31, 2013, 2014 and 2015 was 4.9%, 8.9% and 8.6%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments are included as “Other” operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling items outside of our segment information. The following segment information should be read in conjunction with Item 4.B “*Business Overview*” of this annual report and Note 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

Retail

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

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Non-interest revenues	¥394,294	¥505,911	¥471,565
Net interest revenue	3,631	6,005	4,940
Net revenue	397,925	511,916	476,505
Non-interest expenses	297,297	319,915	314,675
Income before income taxes	¥100,628	¥192,001	¥161,830

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

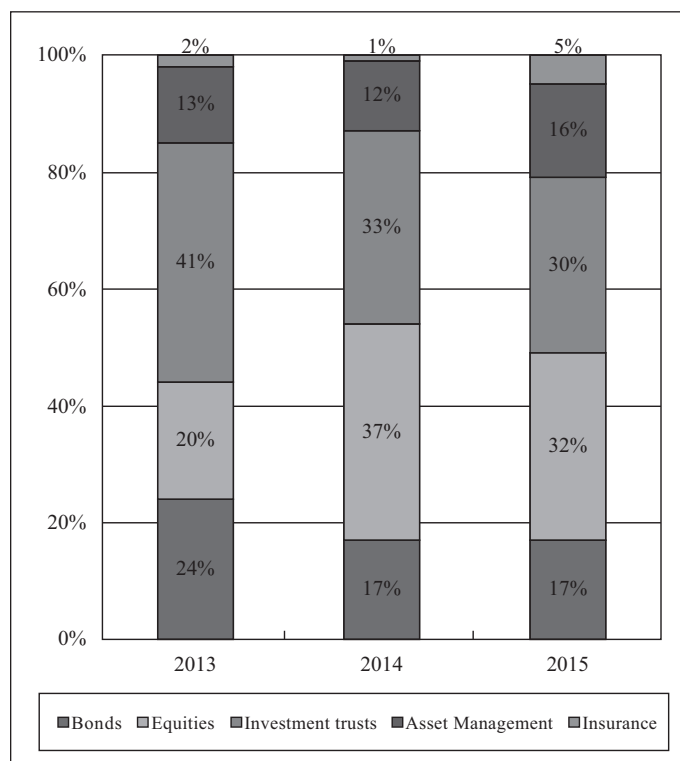
Net revenue increased by 29% from ¥397,925 million for the year ended March 31, 2013 to ¥511,916 million for the year ended March 31, 2014, primarily due to increasing brokerage commissions from equity and equity-related products and the distribution of investment trusts.

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

Non-interest expenses increased by 8% from ¥297,297 million for the year ended March 31, 2013 to ¥319,915 million for the year ended March 31, 2014, primarily due to increases in compensation and benefits and expenditures incurred in implementing NISA.

Income before income taxes was ¥100,628 million for the year ended March 31, 2013, ¥192,001 million for the year ended March 31, 2014, and ¥161,830 million for the year ended March 31, 2015.

The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the years ended March 31, 2013, 2014, and 2015.



As shown above, revenue from Equities decreased from 37% for the year ended March 31, 2014 to 32% for the year ended March 31, 2015. Revenue from Investment trusts and Asset Management increased from 45% for the year ended March 31, 2014 to 46% for the year ended March 31, 2015. Revenue from Bonds was 17% for the years ended March 31, 2014 and 2015. Revenue from Insurance was 5% for the year ended March 31, 2015.

Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2014 and 2015. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

	Trillions of yen				
	Year ended March 31, 2014				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥46.7	¥ 18.6	¥(19.3)	¥ 7.2	¥53.2
Bonds	18.9	73.5	(70.5)	(2.8)	19.1
Stock investment trusts	8.9	6.5	(6.0)	(0.3)	9.1
Bond investment trusts	4.9	1.0	(0.1)	0.1	5.9
Overseas mutual funds	1.7	0.2	(0.3)	0.1	1.7
Others	2.7	0.7	(0.6)	(0.1)	2.7
Total	¥83.8	¥100.5	¥(96.8)	¥ 4.2	¥91.7

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

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

Retail client assets increased by ¥7.9 trillion from ¥83.8 trillion as of March 31, 2013 to ¥91.7 trillion as of March 31, 2014. The balances of our clients' equity and equity-related products increased by ¥6.5 trillion from ¥46.7 trillion as of March 31, 2013 to ¥53.2 trillion as of March 31, 2014, mainly due to Japanese equity market rallies. The balances of our clients' investment trusts increased by ¥1.2 trillion from ¥15.5 trillion as of March 31, 2013 to ¥16.7 trillion as of March 31, 2014, reflecting net cash inflows from clients.

Asset Management

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

Operating Results of Asset Management

Millions of yen			
Year ended March 31			
	2013	2014	2015
Non-interest revenues	¥66,489	¥77,354	¥88,802
Net interest revenue	2,448	3,126	3,552
Net revenue	68,937	80,480	92,354
Non-interest expenses	47,768	53,373	60,256
Income before income taxes	<u>¥21,169</u>	<u>¥27,107</u>	<u>¥32,098</u>

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

Net revenue increased by 17% from ¥68,937 million for the year ended March 31, 2013 to ¥80,480 million for the year ended March 31, 2014, primarily due to an increase in assets under management.

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

Non-interest expenses increased by 12% from ¥47,768 million for the year ended March 31, 2013 to ¥53,373 million for the year ended March 31, 2014, primarily due to one-off expenses related to the revaluation of certain assets and increased expenses in our overseas entities mainly due to depreciation of the Japanese Yen.

Income before income taxes was ¥21,169 million for the year ended March 31, 2013, ¥27,107 million for the year ended March 31, 2014 and ¥32,098 million for the year ended March 31, 2015.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2014 and 2015.

	Billions of yen				
	Year ended March 31, 2014				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥30,685	¥34,938	¥(34,478)	¥2,698	¥33,843
Nomura Funds Research and Technologies Co., Ltd.	2,920	727	(1,311)	217	2,553
Nomura Corporate Research and Asset Management Inc.	1,821	411	(773)	170	1,629
Nomura Private Equity Capital Co., Ltd.	664	6	(522)	16	164
Combined total	36,090	36,082	(37,084)	3,101	38,189
Shared across group companies	(8,190)	(2,962)	4,348	(558)	(7,362)
Total	<u>¥27,900</u>	<u>¥33,120</u>	<u>¥(32,736)</u>	<u>¥2,543</u>	<u>¥30,827</u>

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

Assets under management were ¥39.3 trillion as of March 31, 2015, a ¥11.4 trillion increase from March 31, 2013 (increased due to positive net inflows of ¥2.9 trillion and market appreciation of ¥8.5 trillion) and a ¥8.5 trillion increase from March 31, 2014 (increased due to positive net inflows of ¥2.6 trillion and market appreciation of ¥5.9 trillion). In our investment trust business, there was a net inflow into funds representing a wide range of investment assets including Japanese equities and equities of companies in the infrastructure sector. In our investment advisory business, there was an increase in mandates from both domestic clients and overseas clients.

The following table presents NAM's share, in terms of net asset value, of the Japanese asset management market as of March 31, 2013, 2014 and 2015.

	March 31		
	2013	2014	2015
Total of publicly offered investment trusts	22%	23%	24%
Stock investment trusts	18%	19%	20%
Bond investment trusts	43%	42%	43%

The investment trust assets included in assets under management by NAM were ¥26.2 trillion as of March 31, 2015, increased by ¥5.9 trillion or 29%, from the year ended March 31, 2014. The increase was mainly due to positive net inflows of ¥3.5 trillion and market appreciation of ¥2.4 trillion. The balances of investment trusts such as Nomura Deutsche High Dividend Infrastructure, Nomura Templeton Total Return and Nomura Global High Dividend Stock Premium increased. Investment trust assets included in assets under management by NAM were ¥20.3 trillion as of March 31, 2014, increased by ¥2.4 trillion or 13%, from the year ended March 31, 2013. The increase was mainly due to positive net inflows of ¥1.7 trillion and market appreciation of ¥0.7 trillion.

Wholesale

Operating Results of Wholesale

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

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Non-interest revenues	¥491,773	¥637,987	¥626,228
Net interest revenue	153,083	127,110	163,639
Net revenue	644,856	765,097	789,867
Non-interest expenses	573,199	653,299	707,671
Income before income taxes	<u>¥ 71,657</u>	<u>¥111,798</u>	<u>¥ 82,196</u>

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

Net revenue increased by 19% from ¥644,856 million for the year ended March 31, 2013 to ¥765,097 million for the year ended March 31, 2014, primarily driven by the strong performance in Equities due to market rallies, and stable performance in Fixed Income throughout the year due to active domestic revenues and the expansion of our overseas businesses, and the recovery of Investment Banking primarily due to unrealized gains from our investment in Ashikaga Holdings following its listing on the Tokyo Stock Exchange.

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

Non-interest expenses increased by 14% from ¥573,199 million for the year ended March 31, 2013 to ¥653,299 million for the year ended March 31, 2014, primarily in our overseas businesses as a result of depreciation of the Japanese Yen.

Income before income taxes was ¥71,657 million for the year ended March 31, 2013, ¥111,798 million for the year ended March 31, 2014 and ¥82,196 million for the year ended March 31, 2015.

Global Markets

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

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Net revenue	¥560,429	¥649,706	¥683,399
Non-interest expenses	459,715	540,386	585,850
Income before income taxes	<u>¥100,714</u>	<u>¥109,320</u>	<u>¥ 97,549</u>

Net revenue increased by 5% from ¥649,706 million for the year ended March 31, 2014 to ¥683,399 million for the year ended March 31, 2015. In Fixed Income, *Net revenue* increased from ¥398,243 million for the year ended March 31, 2014 to ¥407,154 million for the year ended March 31, 2015. Despite the decrease in revenue from our Rates business due to the difficult market environment, depreciation of the Japanese Yen enabled overseas operations to report higher revenues in Japanese Yen terms which resulted in an increase in overall revenue. In our Equities business, *Net revenue* increased from ¥251,463 million for the year ended March 31, 2014 to ¥276,245 million for the year ended March 31, 2015. Our Japanese Equities business continued to be strong, and the revenue from overseas increased mainly due to favorable market environments.

Net revenue increased by 16% from ¥560,429 million for the year ended March 31, 2013 to ¥649,706 million for the year ended March 31, 2014. In our Fixed Income business, *Net revenue* increased from ¥387,677 million for the year ended March 31, 2013 to ¥398,243 million for the year ended March 31, 2014. Despite fluctuating market conditions throughout the year, stable client flow and high research capability drove revenue growth backed by appropriate risk management. As a result, we recognized revenue growth across products, especially in our Rates business. In our Equities business, *Net revenue* increased from ¥172,752 million for the year ended March 31, 2013 to ¥251,463 million for the year ended March 31, 2014. Throughout the year, the domestic Japanese equity market rallied due to the effect of monetary easing policies, resulting in greatly increased revenues from our Japanese Equities business. In accordance with the realignment of our Global Markets business during the year ended March 31, 2014, comprehensive amounts for the Fixed Income and Equities for the year ended March 31, 2013 have been reclassified.

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

Non-interest expenses increased by 18% from ¥459,715 million for the year ended March 31, 2013 to ¥540,386 million for the year ended March 31, 2014, primarily due to the depreciation of the Japanese Yen but offset by the realization of the cost reduction exercise which was largely completed during the year.

Income before income taxes was ¥100,714 million for the year ended March 31, 2013, ¥109,320 million for the year ended March 31, 2014 and ¥97,549 million for the year ended March 31, 2015.

Investment Banking

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

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Investment Banking (gross) revenue	¥143,001	¥184,288	¥193,849
Allocation to other divisions	(70,990)	(86,888)	(89,149)
Investment Banking (net) revenue	72,011	97,400	104,700
Other revenue	12,416	17,991	1,768
Net revenue	84,427	115,391	106,468
Non-interest expenses	113,484	112,913	121,821
Income (loss) before income taxes	¥(29,057)	¥ 2,478	¥(15,353)

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

Net revenue increased by 37% from ¥84,427 million for the year ended March 31, 2013 to ¥115,391 million for the year ended March 31, 2014. Investment banking (net) revenue increased from ¥72,011 million for the year ended March 31, 2013 to ¥97,400 million for the year ended March 31, 2014, due to the recovery of equity capital markets and M&A activity. Other revenue increased from ¥12,416 million for the year ended March 31, 2013 to ¥17,991 million for the year ended March 31, 2014, primarily due to unrealized gains from our investment in Ashikaga Holdings following its listing on the Tokyo Stock Exchange. For the year ended March 31, 2014, realized losses from investments in Japan were ¥1.0 billion and unrealized gains from investments in Japan were ¥12.0 billion. Realized gains from Terra Firma investments were immaterial and unrealized gains were ¥0.9 billion.

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

Non-interest expenses decreased by 0.5% from ¥113,484 million for the year ended March 31, 2013 to ¥112,913 million for the year ended March 31, 2014, primarily due to cost savings from the additional cost reduction program, and partially offset by increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Loss before income taxes was ¥29,057 million for the year ended March 31, 2013, *Income before income taxes* was ¥2,478 million for the year ended March 31, 2014 and *Loss before income taxes* was ¥15,353 million for the year ended March 31, 2015.

Other Operating Results

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

Income before income taxes in Other operating results was ¥6,591 million for the year ended March 31, 2013, ¥19,980 million for the year ended March 31, 2014 and ¥45,950 million for the year ended March 31, 2015.

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

Other operating results for the year ended March 31, 2014 include losses from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥9.2 billion, the negative impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥6.6 billion and gains from changes in counterparty credit spreads of ¥7.4 billion.

Summary of Regional Contribution

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

Regulatory Capital Requirements

Many of our business activities are subject to statutory capital requirements, including those of Japan, the U.S., the U.K. and certain other countries in which we operate. For further discussion on statutory capital requirements, see Note 18 “*Regulatory requirements*” in our consolidated financial statements included in this annual report.

Translation Exposure

A significant portion of our business is conducted in currencies other than Japanese yen—most significantly, U.S. dollars, British pounds and Euros. We prepare financial statements of each of our consolidated subsidiaries in its functional currency, which is the currency of the primary economic environment in which the entity operates. 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 consolidated statements of income unless and until we dispose of, or liquidate, the relevant foreign subsidiary.

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis were 2% as of March 31, 2015 as listed below:

	Billions of yen, except percentage					
	March 31, 2015					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value						
(Excluding derivative assets)	¥9,037	¥ 9,645	¥365	¥ —	¥19,047	2%
Derivative assets	28	41,837	235	(40,514)	1,586	
Derivative liabilities	29	41,476	264	(40,460)	1,309	

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

Derivative contracts

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

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

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

		Billions of yen	
		March 31, 2014	
		Assets	Liabilities
Listed derivatives	.....	¥ 458	¥ 535
OTC derivatives	.....	1,847	1,555
		<u>¥2,305</u>	<u>¥2,090</u>
		Billions of yen	
		March 31, 2015	
		Assets	Liabilities
Listed derivatives	.....	¥ 142	¥ 377
OTC derivatives	.....	1,444	932
		<u>¥1,586</u>	<u>¥1,309</u>

The fair value of OTC derivative assets and liabilities as of March 31, 2015 by remaining contractual maturity are shown below:

		Billions of yen						
		March 31, 2015						
		Years to Maturity					Cross-maturity netting ⁽¹⁾	Total fair value
		Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years		
OTC derivative assets	.....	¥1,057	¥1,152	¥1,021	¥1,007	¥3,600	¥(6,393)	¥1,444
OTC derivative liabilities	.....	886	1,051	1,022	1,039	3,224	(6,290)	932

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

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

Goodwill

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

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

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

For the year ended March 31, 2015, Nomura recognized an impairment loss on goodwill of ¥3,188 million within *Other* in Nomura's segment information. This is due to decline in the fair value of a reporting unit caused by a decrease in expected cash flows arising from the changes in the economic environment. These impairment losses were recorded within *Non-interest expense—Other* in the consolidated statements of income. The fair value was determined using DCF valuation techniques.

Assets and Liabilities Associated with Investment and Financial Services Business

Exposure to Certain Financial Instruments and Counterparties

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

Securitization Products

Our exposure to securitization products consists of commercial mortgage-backed securities ("CMBS"), residential mortgage-backed securities ("RMBS") and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of March 31, 2015.

	Millions of yen				Total ⁽¹⁾
	March 31, 2015				
	Japan	Europe	Americas	Asia and Oceania	
CMBS ⁽²⁾	¥ 1,976	¥ 19,460	¥ 56,676	¥—	¥ 78,112
RMBS ⁽³⁾	54,345	78,547	375,104	—	507,996
Other securitization products ⁽⁴⁾	8,100	329,006	180,245	—	517,351
Total	<u>¥64,421</u>	<u>¥427,013</u>	<u>¥612,025</u>	<u>¥—</u>	<u>¥1,103,459</u>

(1) The balances shown exclude certain CMBS of ¥22,042 million for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860, "Transfers and Servicing" ("ASC 860"), and in which we have no continuing economic exposure because the beneficial interests in the vehicles have been sold to third parties.

(2) We have ¥10,885 million exposure, as whole loans and commitments, to U.S. CMBS and RMBS-related business as of March 31, 2015.

- (3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government-guaranteed collateralized mortgage obligations (“CMOs”) of ¥1,989,048 million, because their credit risks are considered minimal.
- (4) Includes collateralized loan obligations (“CLOs”), collateralized debt obligations (“CDOs”) and asset-backed securities (“ABS”) such as those secured on credit card loans, auto loans, student loans and home equity loans.

The following table provides our exposure to CMBS by geographic region of the underlying collateral and external credit ratings as of March 31, 2015. Ratings are based on the lowest ratings given by Standard & Poor’s Financial Services LLC, Moody’s Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2015.

	Millions of yen							Total
	March 31, 2015							
	AAA	AA	A	BBB	BB	B and lower	Not rated	
Japan	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,976	¥ —	¥ 1,976
Europe	—	407	1,790	1,330	7,728	8,145	60	19,460
Americas	29,566	1,451	6,014	7,055	122	10,830	1,638	56,676
Total	<u>¥29,566</u>	<u>¥1,858</u>	<u>¥7,804</u>	<u>¥8,385</u>	<u>¥7,850</u>	<u>¥20,951</u>	<u>¥1,698</u>	<u>¥78,112</u>

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2015.

	Millions of yen		
	March 31, 2015		
	Funded	Unfunded	Total
Japan	¥ 833	¥ 2,083	¥ 2,916
Europe	6,709	15,082	21,791
Americas	26,872	131,749	158,621
Total	<u>¥34,414</u>	<u>¥148,914</u>	<u>¥183,328</u>

Special Purpose Entities (“SPEs”)

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

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

Accounting Developments

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

Deferred Tax Assets

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets—Other* and *Other liabilities*, respectively, in the consolidated balance sheets as of March 31, 2015.

	<u>Millions of yen</u> <u>March 31, 2015</u>
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 14,692
Investments in subsidiaries and affiliates	33,553
Valuation of financial instruments	56,566
Accrued pension and severance costs	10,335
Other accrued expenses and provisions	123,567
Operating losses	466,531
Other	<u>4,356</u>
Gross deferred tax assets	709,600
Less—Valuation allowance	<u>(565,103)</u>
Total deferred tax assets	<u>144,497</u>
Deferred tax liabilities	
Investments in subsidiaries and affiliates	109,087
Valuation of financial instruments	56,808
Undistributed earnings of foreign subsidiaries	735
Valuation of fixed assets	20,644
Other	<u>8,670</u>
Total deferred tax liabilities	<u>195,944</u>
Net deferred tax assets (liabilities)	<u>¥ (51,447)</u>

Calculation method of deferred tax assets

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

B. Liquidity and Capital Resources.

Funding and Liquidity Management

Overview

We define liquidity risk as the risk of losses arising from difficulty in securing necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group’s creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds

between different group entities. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board (“EMB”). Nomura’s liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and one month periods, respectively, without raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

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

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

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2015, our liquidity portfolio was ¥6,064.0 billion which generated a liquidity surplus taking into account stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2014 and 2015 and averages maintained for the years ended March 31, 2014 and 2015. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2014	As of March 31, 2014	Average for year ended March 31, 2015	As of March 31, 2015
Cash, cash equivalents and time deposits ⁽¹⁾	¥1,676.6	¥1,497.2	¥1,726.2	¥1,292.3
Government debt securities	4,667.3	4,483.6	4,678.3	4,470.4
Others ⁽²⁾	214.9	146.4	248.9	301.3
Total liquidity portfolio	<u>¥6,558.8</u>	<u>¥6,127.2</u>	<u>¥6,653.4</u>	<u>¥6,064.0</u>

- (1) Cash, cash equivalents, and time deposits include nostro balances and deposits with both central banks and market counterparties that are readily available to support the liquidity position of Nomura.
- (2) Others include other liquid financial assets such as money market funds and U.S. agency securities.

The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2014 and 2015 and averages maintained for the years ended March 31, 2014 and 2015. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2014	As of March 31, 2014	Average for year ended March 31, 2015	As of March 31, 2015
Japanese Yen	¥2,463.3	¥2,272.3	¥2,267.7	¥1,753.4
U.S. Dollar	2,171.5	2,050.4	2,580.6	2,736.5
Euro	1,015.0	1,049.0	1,175.0	1,017.9
British Pound	662.4	568.6	514.6	404.8
Others ⁽¹⁾	246.6	186.9	115.5	151.4
Total liquidity portfolio	<u>¥6,558.8</u>	<u>¥6,127.2</u>	<u>¥6,653.4</u>	<u>¥6,064.0</u>

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

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

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2014 and 2015.

	Billions of yen	
	March 31, 2014	March 31, 2015
NHI and NSC ⁽¹⁾	¥1,900.9	¥1,637.1
Major broker-dealer subsidiaries	2,815.2	3,036.9
Bank subsidiaries ⁽²⁾	1,170.5	1,050.3
Other affiliates	240.6	339.7
Total liquidity portfolio	<u>¥6,127.2</u>	<u>¥6,064.0</u>

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

(2) Includes Nomura Bank International plc (“NBI”), Nomura Singapore Limited and Nomura Bank Luxembourg S.A.

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

In addition to our liquidity portfolio, we had ¥1,821.2 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Our Global Treasury department monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2015 was ¥7,885.2 billion, which represented 308.4% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2014	March 31, 2015
Net liquidity value of other unencumbered assets	¥1,720.3	¥1,821.2
Liquidity portfolio	<u>6,127.2</u>	<u>6,064.0</u>
Total	<u>¥7,847.5</u>	<u>¥7,885.2</u>

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

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

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

We diversify funding by issuing various types of debt instruments—these include both structured loans and notes. Structured notes are debt obligations with returns linked to interest rates, equities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt increased to 38.1% of total long-term debt outstanding as of March 31, 2015 from 32.0% as of March 31, 2014.

3.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2014 and 2015.

	Billions of yen	
	March 31, 2014	March 31, 2015
Short-term bank borrowings	¥ 722.5	¥ 267.3
Other loans	49.2	23.9
Commercial paper	246.9	252.9
Deposits at banking entities	757.7	813.6
Certificates of deposit	240.5	260.9
Debt securities maturing within one year	<u>952.5</u>	<u>938.4</u>
Total short-term unsecured debt	<u>¥2,969.3</u>	<u>¥2,557.0</u>

3.2 Long-Term Unsecured Debt

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

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

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

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2014 and 2015.

	Billions of yen	
	March 31, 2014	March 31, 2015
Long-term deposits at banking entities	¥ 116.0	¥ 145.9
Long-term bank borrowings	2,057.6	2,623.0
Other loans	129.0	196.4
Debt securities ⁽¹⁾	<u>3,916.0</u>	<u>3,544.1</u>
Total long-term unsecured debt	<u>¥6,218.6</u>	<u>¥6,509.4</u>

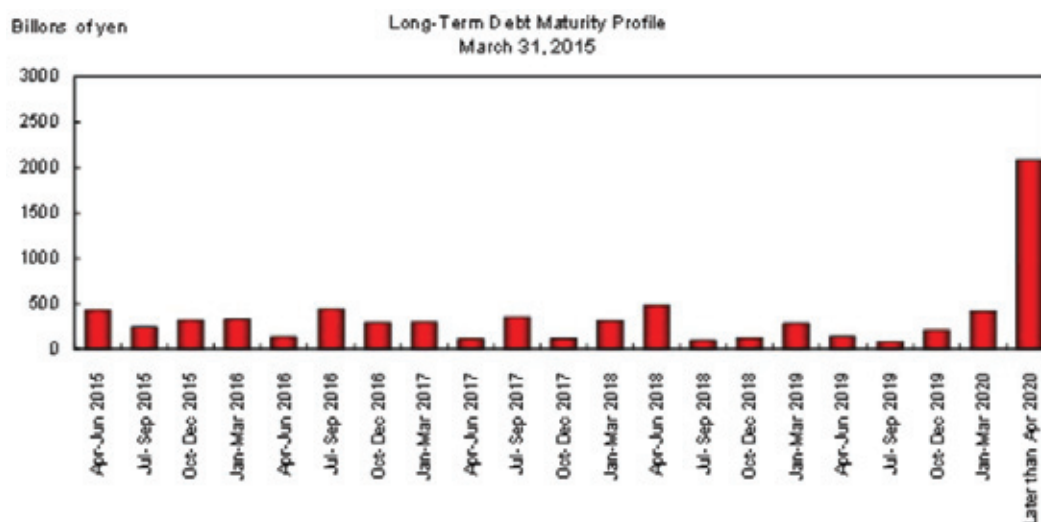
(1) Excludes long-term debt securities issued by consolidated special purpose entities and similar entities that meet the definition of variable interest entities under ASC 810 “Consolidation” and secured financing transactions recognized within *Long-term borrowings* as a result of transfers of financial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

During the year ended March 31, 2015, the Company issued ¥50 billion of domestic senior notes.

3.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity for plain vanilla debt securities and borrowings with maturities longer than one year was 4.1 years as of March 31, 2015. A significant amount of our medium-term notes are structured and linked to interest rates, equities, indices, currencies or commodities. These maturities are evaluated based on internal models and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 7.7 years as of March 31, 2015. The average maturity of our entire long-term debt portfolio, including plain vanilla debt securities and borrowings, was 5.3 years as of March 31, 2015. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.



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

3.4 Secured Borrowings

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

4. Management of Credit Lines to Nomura Group Entities

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

5. Implementation of Liquidity Stress Tests

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

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

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

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

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

As of March 31, 2015, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

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

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

6. *Contingency Funding Plan*

We have developed a detailed contingency funding plan to integrate liquidity risk control into our comprehensive risk management strategy and to enhance the quantitative aspects of our liquidity risk control procedures. As a part of our Contingency Funding Plan (“CFP”), we have developed an approach for analyzing and quantifying the impact of any liquidity crisis. This allows us to estimate the likely impact of both Nomura-specific and market-wide events; and specifies the immediate action to be taken to mitigate any risk. The CFP lists details of key internal and external parties to be contacted and the processes by which information is to be disseminated. This has been developed at a legal entity level in order to capture specific cash requirements at the

local level—it assumes that our parent company does not have access to cash that may be trapped at a subsidiary level due to regulatory, legal or tax constraints. We periodically test the effectiveness of our funding plans for different Nomura-specific and market-wide events. We also have access to central banks including, but not exclusively, the BOJ, which provide financing against various types of securities. These operations are accessed in the normal course of business and are an important tool in mitigating contingent risk from market disruptions.

Liquidity Regulatory Framework

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

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

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

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

With regard to LCR, the Financial Services Authorities Notice was promulgated in Japan including revisions to the international agreement document of the Basel Committee. The phased introduction of the LCR with minimum standards became effective from the end of March 31, 2015 and LCR disclosure rules will apply starting from the end of June 2015. In addition, NSFR is expected to be introduced in Japan in 2018 with minimum standards, pursuant to the international agreement document issued by Basel Committee in October 2014.

Cash Flows

Nomura’s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the year ended March 31, 2014, we recorded net cash inflows from operating activities and net cash outflows from investing activities. For the year ended March 2015, we recorded net cash outflows from operating activities and net cash inflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2014 and 2015.

	Billions of yen	
	Year Ended March 31	
	2014	2015
Net cash provided by (used in) operating activities	¥ 457.4	¥ (77.0)
Net income	216.4	226.0
Trading assets and private equity investments	(485.7)	2,917.9
Trading liabilities	2,007.8	(1,731.1)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(183.9)	(1,251.3)
Securities borrowed, net of securities loaned	(1,604.5)	(221.3)
Other, net	507.2	(17.2)
Net cash provided by (used in) investing activities	(103.2)	12.3
Net cash provided by (used in) financing activities	289.4	(178.2)
Long-term borrowings, net	546.2	(193.8)
Other, net	(256.8)	15.6
Effect of exchange rate changes on cash and cash equivalents	41.1	68.5
Net increase (decrease) in cash and cash equivalents	684.7	(174.4)
Cash and cash equivalents at beginning of the year	805.1	1,489.8
Cash and cash equivalents at end of the year	¥ 1,489.8	¥ 1,315.4

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

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

For the year ended March 31, 2014, our cash and cash equivalents increased by ¥684.7 billion to ¥1,489.8 billion. Net cash of ¥289.4 billion was provided by financing activities due to net cash inflows of ¥546.2 billion from *Long-term borrowings*. As part of trading activities, while there were net cash inflows of ¥1,522.1 billion from cash outflows due to an increase in *Trading assets and Private equity investments* in combination with cash inflows due to an increase in *Trading liabilities*, they were offset by ¥1,788.4 billion of net cash outflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥457.4 billion was provided by operating activities.

Balance Sheet and Financial Leverage

Total assets as of March 31, 2015, were ¥41,783.2 billion, a decrease of ¥1,737.1 billion compared with ¥43,520.3 billion as of March 31, 2014, reflecting decreases in *Securities purchased under agreements to resell* and *Trading assets*. Total liabilities as of March 31, 2015, were ¥39,038.3 billion, a decrease of ¥1,928.8 billion compared with ¥40,967.1 billion as of March 31, 2014, reflecting decreases in *Securities sold under agreements to repurchase* and *Trading liabilities*. NHI shareholders' equity as of March 31, 2015, was ¥2,707.8 billion, an increase of ¥194.1 billion compared with ¥2,513.7 billion as of March 31, 2014, due to increases in *Retained earnings* and *Accumulated other comprehensive income (loss)*.

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

As leverage ratios are commonly used by other financial institutions similar to us, we voluntarily provide a Leverage ratio and Adjusted leverage ratio primarily for benchmarking purposes so that users of our annual report can compare our leverage against other financial institutions. Adjusted leverage ratio is a non-GAAP financial measure that Nomura considers to be a useful supplemental measure of leverage. There are currently no regulatory or statutory reporting requirements which require us to disclose leverage ratios.

The following table presents NHI shareholders' equity, total assets, adjusted assets and leverage ratios as of March 31, 2014 and 2015.

	Billions of yen, except ratios	
	March 31	
	2014	2015
NHI shareholders' equity	¥ 2,513.7	¥ 2,707.8
Total assets	43,520.3	41,783.2
Adjusted assets ⁽¹⁾	26,173.3	25,063.7
Leverage ratio ⁽²⁾	17.3 x	15.4 x
Adjusted leverage ratio ⁽³⁾	10.4 x	9.3 x

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

	Billions of yen	
	March 31	
	2014	2015
Total assets	¥43,520.3	¥41,783.2
Less:		
Securities purchased under agreements to resell	9,617.7	8,481.5
Securities borrowed	7,729.3	8,238.0
Adjusted assets	<u>¥26,173.3</u>	<u>¥25,063.7</u>

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

Total assets decreased by 4.0% reflecting primarily a decrease in *Securities purchased under agreement to resell* and *Trading assets*. Total NHI shareholders' equity increased by 7.7% reflecting primarily an increase in *Retained earnings* and *Accumulated other comprehensive income (loss)*. As a result, our leverage ratio went down from 17.3 times as of March 31, 2014 to 15.4 times as of March 31, 2015.

Adjusted assets decreased primarily due to a decrease in *Trading assets*. As a result, our adjusted leverage ratio was 10.4 times as of March 31, 2014 and 9.3 times as of March 31, 2015.

Capital Management

Capital Management Policy

We seek to enhance shareholder value and to capture growing business opportunities by maintaining sufficient levels of capital. We will continue to review our levels of capital as appropriate, taking into consideration the economic risks inherent to operating our businesses, the regulatory requirements, and maintaining our ratings necessary to operate businesses globally.

Dividends

We believe that raising corporate value over the long term and paying dividends is essential to rewarding shareholders. We will strive to pay dividends using a consolidated pay-out ratio of 30 percent of each semi-annual consolidated earnings as a key indicator.

Dividend payments are determined taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment as well as the Company's consolidated financial performance.

Dividends will in principle be paid on a semi-annual basis with record dates of September 30 and March 31.

With respect to retained earnings, in order to implement measures to adapt to regulatory changes and to increase shareholder value, we seek to efficiently invest in business areas where high profitability and growth may reasonably be expected, including the development and expansion of infrastructure.

We consider repurchases of treasury stock as an option in our financial strategy to respond quickly to changes in the business environment and to increase shareholder value. We make announcements immediately after any decision to set up a share buyback program and conduct such programs in accordance with internal guidelines.

Dividends for the Fiscal Year

Based on our Capital Management Policy described above, we paid a dividend of ¥6 per share to shareholders of record as of September 30, 2014 and have decided to pay a dividend of ¥13 per share to shareholders of record as of March 31, 2015. As a result, the total annual dividend will be ¥19 per share.

The following table sets forth the amounts of dividends per share paid by us in respect of the periods indicated:

<u>Fiscal year ended or ending March 31,</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
2010	¥—	¥4.00	¥—	¥ 4.00	¥ 8.00
2011	—	4.00	—	4.00	8.00
2012	—	4.00	—	2.00	6.00
2013	—	2.00	—	6.00	8.00
2014	—	8.00	—	9.00	17.00
2015	—	6.00	—	13.00	19.00

Consolidated Regulatory Capital Requirements

As discussed in Item 4.B. of this annual report, the FSA established the “Guideline for Financial Conglomerates Supervision” (“Financial Conglomerates Guideline”) in June 2005 and set out rules for consolidated regulatory capital. We started monitoring our consolidated capital adequacy ratio in accordance with the Financial Conglomerates Guideline from April 2005.

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31, 2015, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) was 12.9%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) was 12.9% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) was 14.8% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of March 31, 2015 was 4.5% for the common equity Tier 1 capital ratio, 6.0% for the Tier 1 capital ratio and 8.0% for the consolidated capital adequacy ratio).

The following table presents the Company's consolidated capital adequacy ratios as of March 31, 2014 and 2015.

	Billions of yen, except ratios	
	March 31	
	2014	2015
Common equity Tier 1 capital	¥ 2,314.2	¥ 2,459.2
Tier 1 capital	2,314.2	2,459.2
Total capital	2,715.7	2,820.4
Risk-Weighted Assets		
Credit risk-weighted assets	8,034.8	9,112.6
Market risk equivalent assets	6,999.7	7,113.0
Operational risk equivalent assets	2,391.5	2,703.5
Total risk-weighted assets	<u>¥17,425.9</u>	<u>¥18,929.2</u>
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	13.2%	12.9%
Tier 1 capital ratio	13.2%	12.9%
Consolidated capital adequacy ratio	15.5%	14.8%

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

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

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

Consolidated Leverage Ratio Requirements

In March 2015, the FSA issued guidance on the calculation methodology and disclosure requirements for a consolidated regulatory leverage ratio by financial institutions through revisions to "Specification of items which a final designated parent company should disclose on documents to show the status of its sound management"

(2010 FSA Regulatory Notice No. 132; “Notice on Pillar 3 Disclosure”) and publishing “Consolidated Leverage Ratio prescribed by Commissioner of Financial Services Agency in accordance with Article 3, Paragraph 1 of Pillar 3 Notice” (2015 FSA Regulatory Notice No. 11; “Notice on Consolidated Leverage Ratio”). As a result of this guidance, Nomura will now disclose a consolidated leverage ratio measure from March 31, 2015 which is calculated using the methodology prescribed by this guidance. Management will also receive and review this consolidated leverage ratio on a regular basis. As of March 31, 2015, our consolidated leverage ratio was 3.82%.

Changes to regulatory capital framework which affect us

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, “International framework for liquidity risk measurement, standards and monitoring” and “A global regulatory framework for more resilient banks and banking systems”. The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (“CVA”) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; introducing minimum standards for funding and liquidity; and introducing a series of measures to address concerns over the “procyclicality” of the current framework. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards were implemented from 2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, after two rounds of public consultation and discussions with the Committee on Payment and Settlement Systems (“CPSS”) and the International Organization of Securities Commissions (“IOSCO”), the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (“CCPs”) on July 25, 2012, which were intended to come into effect as of January 2013 as part of Basel III. This first version of CCPs rule came into effect from 2013 and the final version of CCPs rule was announced in April 2014 from the Basel Committee, which is not implemented. Moreover, a series of final standards on the regulatory frameworks such as Basel III leverage ratio framework and disclosure requirements, capital requirements for banks’ equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to central counterparties, supervisory framework for measuring and controlling large exposures and revisions to the securitization framework have been published by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board (“FSB”) and the Basel Committee announced the list of global systemically important banks (“G-SIBs”) and the additional requirements to the G-SIBs including the recovery and resolution plan. The group of G-SIBs have been updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIBs. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions (“D-SIBs”) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In addition to the above, the FSB and the IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (“NBNI G-SIFIs”), for public consultation.

Following the change in international regulatory environment, the FSA introduced rules and notices such as the Capital Adequacy Notice on Final Designated Parent Company on consolidated regulation and supervision of securities companies on a consolidated basis on April 1, 2011 to improve the stability and transparency of Japan’s financial system and ensure the protection of investors. It is expected that the FSA’s regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee, FSB or IOSCO.

Credit Ratings

The cost and availability of unsecured funding are generally dependent on credit ratings. Our short-term and long-term debt is rated by several recognized credit rating agencies. We believe that our credit ratings include the credit ratings agencies' assessment of the general operating environment, our positions in the markets in which we operate, reputation, earnings structure, trend and volatility of our earnings, our risk management framework, liquidity and capital management. An adverse change in any of these factors could result in a downgrade of our credit ratings, and that could, in turn, increase our borrowing costs and limit our access to the capital markets or require us to post additional collateral and permit counterparties to terminate transactions pursuant to certain contractual obligations. In addition, our credit ratings can have a significant impact on certain of our trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions.

The following tables present the credit ratings of the Company and NSC as of May 31, 2015.

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

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

Both Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. are credit rating agencies nationally recognized in Japan. We rely on, or utilize, credit ratings on our short-term and long-term debt provided by these Japanese credit rating agencies, as well as Standard & Poor's and Moody's Investors Service, for unsecured funding and other financing purposes and also for our trading and other business activities.

There has been no change to the ratings in the above table since the date indicated.

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 annual report.

E. Off-Balance Sheet Arrangements.

Off-balance sheet entities

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

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

- an obligation under a guarantee contract;

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

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

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

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

F. Tabular Disclosure of Contractual Obligations.

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

Standby letters of credit and other guarantees:

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

Long-term borrowings and contractual interest payments:

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

Operating lease commitments:

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

Capital lease commitments:

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

Purchase obligations:

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

Commitments to extend credit:

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

Commitments to invest in partnerships:

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

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

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

The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2015.

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees . . .	¥ 9,494	¥ 13	¥ 8	¥ —	¥ 9,473
Long-term borrowings ⁽¹⁾	8,202,773	982,982	2,049,893	2,204,074	2,965,824
Contractual interest payments ⁽²⁾	1,163,644	149,435	250,550	183,247	580,412
Operating lease commitments	171,746	20,410	34,722	28,314	88,300
Capital lease commitments ⁽³⁾	66,840	3,750	8,785	8,681	45,624
Purchase obligations ⁽⁴⁾	18,779	16,363	2,416	—	—
Commitments to extend credit	421,526	50,395	74,747	181,211	115,173
Commitments to invest in partnerships	20,710	2,676	318	6,462	11,254
Total	<u>¥10,075,512</u>	<u>¥1,226,024</u>	<u>¥2,421,439</u>	<u>¥2,611,989</u>	<u>¥3,816,060</u>

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

- (2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2015.
- (3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.
- (4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

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

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥3,140 billion for reverse repurchase agreements and ¥1,296 billion for repurchase agreements as of March 31, 2015.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management.

Directors

The following table provides information about Directors of the Company as of June 25, 2015.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Nobuyuki Koga (Aug. 22, 1950)	Director	Apr. 1974	Joined the Company
	Chairman of the Board of Directors	Jun. 1995	Director of the Company
	Chairman of the Nomination Committee	Apr. 1999	Managing Director of the Company
	Chairman of the Compensation Committee	Jun. 2000	Director and Deputy President of the Company
	Director and Chairman of Nomura Securities Co., Ltd.	Oct. 2001	Director and Deputy President of the Company
	Representative Director and President of Kanagawa Kaihatsu Kanko Co., Ltd.		Director and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2003	Director and President of the Company
			Director and President of Nomura Securities Co., Ltd.
		Jun. 2003	Director, President & CEO of the Company
			Director and Executive Officer and President of Nomura Securities Co., Ltd.
	Apr. 2008	Director and Representative Executive Officer of the Company	
		Director and Chairman of Nomura Securities Co., Ltd.	
	Jun. 2008	Director and Chairman of Nomura Securities Co., Ltd.	

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience		
Koji Nagai (Jan. 25, 1959)	Director, Representative Executive Officer and Group CEO Director and President of Nomura Securities Co., Ltd.	Jun. 2011 Director and Chairman of the Company (Current) Director and Chairman of Nomura Securities Co., Ltd. (Current)		
		Apr. 1981 Joined the Company		
		Apr. 2003 Director of Nomura Securities Co., Ltd.		
		Jun. 2003 Senior Managing Director of Nomura Securities Co., Ltd.		
		Apr. 2007 Executive Managing Director of Nomura Securities Co., Ltd.		
		Oct. 2008 Senior Corporate Managing Director of Nomura Securities Co., Ltd.		
		Apr. 2009 Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.		
		Apr. 2011 Co-COO and Deputy President of Nomura Securities Co., Ltd.		
		Apr. 2012 Senior Managing Director of the Company Director and President of Nomura Securities Co., Ltd.		
		Aug. 2012 Representative Executive Officer & Group CEO of the Company Director and President of Nomura Securities Co., Ltd.		
		Jun. 2013 Director, Representative Executive Officer & Group CEO of the Company (Current) Director and President of Nomura Securities Co., Ltd. (Current)		
		Atsushi Yoshikawa (Apr. 7, 1954)	Director, Representative Executive Officer and Group COO Director and Representative Executive Officer of Nomura Securities Co., Ltd. Chairman of Nomura Holding America Inc.	Apr. 1978 Joined the Company
				Jun. 2000 Director of the Company
Oct. 2001 Director of Nomura Securities Co., Ltd.				
Jun. 2003 Senior Managing Director of Nomura Securities Co., Ltd.				
Apr. 2004 Senior Managing Director of the Company Executive Managing Director of Nomura Asset Management Co., Ltd.				
Apr. 2005 Senior Managing Director of the Company Executive Vice President of Nomura Asset Management Co., Ltd.				

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		Apr. 2006 Executive Vice President of Nomura Asset Management Co., Ltd.
		Apr. 2008 Director and President of Nomura Asset Management Co., Ltd.
		Oct. 2008 Executive Managing Director of the Company Director, President & CEO of Nomura Asset Management Co., Ltd.
		Jun. 2011 Executive Vice President of the Company CEO and President of Nomura Holding America Inc.
		Aug. 2012 Representative Executive Officer & Group COO of the Company Chairman of Nomura Holding America Inc.
		Jun. 2013 Director, Representative Executive Officer & Group COO of the Company Chairman of Nomura Holding America Inc.
		Apr. 2014 Director, Representative Executive Officer & Group COO of the Company (Current) Director and Representative Executive Officer of Nomura Securities Co., Ltd. (Current) Chairman of Nomura Holding America Inc. (Current)
Hiroyuki Suzuki (Feb. 3, 1959)	Director Member of the Audit Committee (full-time) Outside Director of Nomura Asset Management Co., Ltd.	Apr. 1982 Joined the Company Apr. 2005 Senior Managing Director of Nomura Securities Co., Ltd. Oct. 2008 Senior Managing Director of the Company Dec. 2008 Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2009 Senior Corporate Managing Director of Nomura Securities Co., Ltd. Jun. 2010 Senior Corporate Managing Director of the Company Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience		
David Benson (Feb. 9, 1951)	Director Non-Executive Director of Nomura Europe Holdings plc Non-Executive Director of Nomura International plc	Apr. 2011 Senior Corporate Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.		
		Apr. 2013 Advisor of the Company Jun. 2013 Director of the Company (Current)		
		Feb. 1997 Joined Nomura International plc		
		Jul. 1999 Head of Risk Management, Nomura International plc		
		Mar. 2005 Chief Operating Officer (“COO”) of Nomura International plc		
		Aug. 2007 Resigned from Nomura International plc		
		Nov. 2008 Chief Risk Officer (“CRO”), Senior Managing Director of the Company		
		Jan. 2011 Senior Managing Director of the Company, Vice Chairman, Risk and Regulatory Affairs		
		Apr. 2011 Vice Chairman of the Company (Senior Managing Director)		
		Jun. 2011 Director of the Company (Current)		
Masahiro Sakane (Jan 7, 1941)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Councilor of Komatsu Ltd. Outside Director of Tokyo Electron Limited Outside Director of Asahi Glass Co., Ltd. Outside Director of Takeda Pharmaceutical Company Limited Outside Director of Kajima Corporation Outside Director of Nomura Securities Co., Ltd.	Apr. 1963 Joined Komatsu Ltd.		
		Jun. 2001 Representative Director and President of Komatsu Ltd.		
		Jun. 2003 Representative Director and President & CEO of Komatsu Ltd.		
		Jun. 2007 Representative Director and Chairman of Komatsu Ltd.		
		Jun. 2008 Outside Director of the Company (Current)		
		Jun. 2010 Director and Chairman of Komatsu Ltd.		
		Apr. 2013 Director and Councilor of Komatsu Ltd.		
		Jun. 2013 Councilor of Komatsu Ltd. (Current)		
		Takao Kusakari (Mar. 13, 1940)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Senior Advisor of NYK Line Outside Director of Nomura Securities Co., Ltd.	Apr. 1964 Joined Nippon Yusen Kabushiki Kaisha (“NYK Line”)
				Aug. 1999 President of NYK Line
Apr. 2002 President, Corporate Officer of NYK Line				
Apr. 2004 Chairman, Corporate Officer of NYK Line				

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience		
Tsuguoki Fujinuma (Nov. 21, 1944)	Outside Director Chairman of the Audit Committee Outside Statutory Auditor of Sumitomo Corporation Outside Statutory Auditor of Takeda Pharmaceutical Company Limited Outside Director of Sumitomo Life Insurance Company Outside Statutory Auditor of Seven & i Holdings Co., Ltd. Outside Director of Nomura Securities Co., Ltd.	Apr. 2006 Chairman, Chairman Corporate Officer of NYK Line Apr. 2009 Director and Corporate Advisor of NYK Line Jun. 2010 Corporate Advisor of NYK Line Jun. 2011 Outside Director of the Company (Current) Apr. 2015 Senior Advisor of NYK Line (Current)		
		Apr. 1969 Joined Horie Morita Accounting Firm		
		Jun. 1970 Joined Arthur & Young Accounting Firm		
		Nov. 1974 Registered as a Certified Public Accountant		
		May 1991 Managing Partner of Asahi Shinwa Accounting Firm		
		Jun. 1993 Managing Partner of Ota Showa & Co. (Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC))		
		May 2000 President of the International Federation of Accountants		
		Jul. 2004 Chairman and President of the Japanese Institute of Certified Public Accountants		
		Jun. 2007 Retired from Ernst & Young ShinNihon		
		Jul. 2007 Advisor of the Japanese Institute of Certified Public Accountants (Current)		
		Jun. 2008 Outside Director of the Company (Current)		
		Toshinori Kanemoto (Aug. 24, 1945)	Outside Director Member of the Audit Committee Of-Counsel of City-Yuwa Partners Outside Statutory Auditor of JX Holdings, Inc. Outside Director of Riken Corporation Outside Director of Nomura Securities Co., Ltd.	Apr. 1968 Joined National Police Agency
				Apr. 1992 Kumamoto Prefecture Police Headquarters, Director-General
				Aug. 1995 Director General of the International Affairs Department, National Police Agency
Oct. 1996 President of ICPO-INTERPOL				
Aug. 2000 President, National Police Academy				
Apr. 2001 Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan				
Jan. 2007 Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)				
Feb. 2007 Of-Counsel of City-Yuwa Partners (Current)				
Jun. 2011 Outside Director of the Company (Current)				

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Hiroshi Kimura (Apr. 23, 1953)	Outside Director Member of the Audit Committee Special Advisor of Japan Tobacco Inc. Outside Director of Asahi Glass Co., Ltd.	Apr. 1976 Joined Japan Tobacco and Salt Public Corporation (currently, Japan Tobacco Inc.) Jun. 1999 Director of Japan Tobacco Inc. Jun. 2001 Resigned as Director of Japan Tobacco Inc. Jun. 2005 Director of Japan Tobacco Inc. Jun. 2006 President and CEO and Representative Director of Japan Tobacco Inc. Jun. 2012 Chairman of the Board of Japan Tobacco Inc. Jun. 2014 Special Advisor of Japan Tobacco Inc. Jun. 2015 Outside Director of the Company (Current)
Dame Clara Furse (Sep. 16, 1957)	Outside Director Non-Executive Director of Amadeus IT Holding, S.A. Non-Executive Director of U.K. Department for Work and Pensions External Member of the Bank of England's Financial Policy Committee Non-Executive Director of Vodafone Group Plc	Feb. 1983 Joined Phillips & Drew (currently UBS) Jun. 1990 Non-Executive Director of London International Financial Futures Exchange ("LIFFE") Jun. 1997 Deputy Chairman of LIFFE May 1998 Group Chief Executive of Credit Lyonnais Rouse Jan. 2001 Chief Executive of London Stock Exchange Group Jun. 2010 Outside Director of the Company (Current) Apr. 2013 External Member of the Bank of England's Financial Policy Committee (Current)
Michael Lim Choo San (Sep. 10, 1946)	Outside Director Chairman of the Land Transport Authority of Singapore Independent Director of Olam International Limited Director of Nomura Asia Holding N.V. Non-Executive Chairman of Nomura Singapore Ltd.	Aug. 1972 Joined Price Waterhouse, Singapore Jan. 1992 Managing Partner of Price Waterhouse, Singapore Oct. 1998 Member of the Singapore Public Service Commission (Current) Jul. 1999 Executive Chairman of PricewaterhouseCoopers, Singapore Sep. 2002 Chairman of the Land Transport Authority of Singapore (Current) Sep. 2004 Independent Director of Olam International Limited (Current) Jun. 2011 Outside Director of the Company (Current) Nov. 2011 Chairman of the Accounting Standards Council, Singapore (Current) Apr. 2013 Chairman of the Singapore Accountancy Commission (Current)

Among the Directors listed above, Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma, Toshinori Kanemoto, Hiroshi Kimura, Dame Clara Furse, and Michael Lim Choo San satisfy the requirements for an “outside director” under the Companies Act.

Executive Officers

The following table provides information about the Company’s Executive Officers as of June 25, 2015.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Koji Nagai (Jan. 25, 1959)	See “ <i>Directors</i> ” under this Item 6.A.	See “ <i>Directors</i> ” under this Item 6.A.	
Atsushi Yoshikawa (Apr. 7, 1954)	See “ <i>Directors</i> ” under this Item 6.A.	See “ <i>Directors</i> ” under this Item 6.A.	
Tetsu Ozaki (Jan. 16, 1958)	Executive Managing Director Wholesale CEO Deputy President of Nomura Securities Co., Ltd.	Apr. 1982 Apr. 2004 Apr. 2007 Apr. 2008 Oct. 2008 Aug. 2012 Apr. 2013 Apr. 2014	Joined the Company Senior Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd. Senior Managing Director of the Company Counselor of Nomura Securities Co., Ltd. Executive Managing Director of Nomura Securities Co., Ltd. Senior Corporate Managing Director of Nomura Securities Co., Ltd. Deputy President of Nomura Securities Co., Ltd. Director and Deputy President of Nomura Securities Co., Ltd. Executive Managing Director of the Company (Current) Wholesale CEO (Current) Deputy President of Nomura Securities Co., Ltd. (Current)
Toshio Morita (Apr. 17, 1961)	Executive Managing Director Retail CEO Representative Executive Officer and Executive Vice President of Nomura Securities Co., Ltd.	Apr. 1985 Apr. 2008 Oct. 2008 Apr. 2010 Apr. 2011	Joined the Company Executive Managing Director of Nomura Securities Co., Ltd. Senior Managing Director of Nomura Securities Co., Ltd. Senior Corporate Managing Director of Nomura Securities Co., Ltd. Senior Corporate Managing Director of the Company Counselor of Nomura Securities Co., Ltd.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Kunio Watanabe (Feb. 22, 1963)	Executive Managing Director Asset Management CEO Director, President and CEO of Nomura Asset Management Co., Ltd.	Apr. 2012 Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Aug. 2012 Executive Managing Director of the Company (Current) Retail CEO (Current) Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2015 Representative Executive Officer and Executive Vice President of Nomura Securities Co., Ltd. (Current)
		Apr. 1985
		Apr. 2009 Senior Managing Director of Nomura Asset Management Co., Ltd.
		Apr. 2012 Senior Corporate Managing Director of Nomura Asset Management Co., Ltd.
Apr. 2014 Executive Managing Director of the Company (Current) Asset Management CEO (Current) Director, President and CEO of Nomura Asset Management Co., Ltd. (Current)		
Shoichi Nagamatsu (Jul. 6, 1958)	Executive Managing Director Chief of Staff Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. Outside Director of The Nomura Trust and Banking Co., Ltd. Outside Director of Nomura Asset Management Co., Ltd.	Apr. 1982
		Apr. 2004 Senior Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008 Executive Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd.
		Jun. 2010 Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2012 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Jun. 2012 Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2013 Executive Managing Director of the Company (Current) Chief of Staff (Current) Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. (Current)

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Shigesuke Kashiwagi (Nov. 13, 1959)	Executive Managing Director	Apr. 1982	Joined the Company
	Chief Financial Officer	Apr. 2004	Senior Managing Director of the Company
	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.		Senior Managing Director of Nomura Securities Co., Ltd.
	Financial Officer of Nomura Securities Co., Ltd.	Apr. 2006	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2007	Senior Managing Director (Executive Officer) of the Company
		Oct. 2008	Senior Managing Director of the Company
		Apr. 2013	Executive Managing Director of the Company Chief Financial Officer of the Company Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd. Financial Officer of Nomura Securities Co., Ltd.
		Apr. 2014	Executive Managing Director of the Company (Current) Chief Financial Officer of the Company (Current) Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. (Current) Financial Officer of Nomura Securities Co., Ltd. (Current)

B. Compensation.

(1) Compensation policy

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

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

(2) Compensation governance

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

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

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

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

(3) Nomura’s compensation framework

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

Compensation Components	Objectives	Specific Elements
Fixed Compensation	<ul style="list-style-type: none"> • Rewards individuals for their knowledge, skills, competencies and experiences • Reflects local labour market standards • Reflects practices of local labour markets to deliver allowances as a part of fixed compensation to individuals 	<ul style="list-style-type: none"> • Base salary • Housing allowances • Overtime pay
Variable Compensation	<ul style="list-style-type: none"> • Rewards team and individual performances, and their contribution to results as well as the Company’s strategic and future value • Reflects appropriate internal and market-based peer comparisons • Reflects broad views on compensation, including individual performances, approaches to risk, compliance and cross-divisional cooperation 	<ul style="list-style-type: none"> • Cash bonuses • Deferred compensation

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

Fixed Compensation in EMEA was revised in line with regulations on remunerations in European countries.

(4) Variable Compensation

Cash bonuses

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

Deferred compensation

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

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

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

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

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

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

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

Certain deferred compensation awards delivered in respect of the fiscal years ended March 31, 2013 and March 2014 include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria are met. Awards in respect of the fiscal year ended March 31, 2015 include similar FCR provisions, however the ability of the recipient to claim FCR in the first year of the award is now limited to a pre-defined election window which closes at 25 June.

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

1. Core deferral awards

(a) Stock Acquisition Right (“SAR”) awards

Nomura has issued the following two types of SAR awards.

- SAR Plan A awards

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

- SAR Plan B awards

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

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

(b) Notional Stock Unit (“NSU”) awards

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

2. Supplemental deferral awards

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

(a) Collared Notional Stock Unit (“CSU”) awards

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

(b) Notional Indexed Unit (“NIU”) awards

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

(5) Consistency with risk management and linkage to performance

In determining aggregate compensation, Nomura considers the ratio of personnel expense against income (after a specific risk adjustment and before deduction of tax and personnel expenses). The risk adjustment to income is determined by deducting a certain proportion of economic capital from each division's revenue. Such economic capital comprehensively recognizes quantitatively assessed risks, and reflects various risks including market, credit, liquidity, and operational risks.

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

(6) Compensation for Directors and Executive Officers

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

1. Aggregate compensation

	Number of Directors or Executive Officers ⁽¹⁾	Millions of yen			
		Year ended March 31, 2015			
		Basic Compensation ⁽²⁾	Bonus	Deferred Compensation ⁽³⁾	Total
Directors	9	¥ 285	¥ 46	¥ 103	¥ 433
(Outside Directors included in above)	(6)	(144)	(—)	(—)	(144)
Executive Officers	7	501	273	646	1,420
Total	16	¥ 786	¥ 319	¥ 749	¥1,853

(1) There were 9 Directors and 7 Executive Officers as of March 31, 2015. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.

(2) Basic compensation of ¥786 million includes other compensation (commuter pass allowance) of ¥0.4 million that has been provided.

(3) Deferred compensation (such as stock options) granted during the year ended March 31, 2015 and prior is recognized as expense in the financial statements for the year ended March 31, 2015.

(4) Subsidiaries of the Company paid ¥57 million to Outside Directors as compensation etc. for their directorship at those subsidiaries for the year ended March 31, 2015.

(5) The Company abolished retirement bonuses to Directors in 2001.

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

			Millions of yen						
Name	Company	Category	Fixed Remuneration (Basic Compensation)			Variable Compensation ⁽¹⁾			
			Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	Deferred Compensation (SARs, etc.)	Total	Total
Nobuyuki Koga	Nomura	Director	¥ 83	¥—	¥ 83	¥36	¥ 73	¥109	¥192
Koji Nagai	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	70	139	209	328
Atsushi Yoshikawa	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	57	115	172	280
Tetsu Ozaki	Nomura	Executive Officer	66	13	79	40	81	121	200
Toshio Morita	Nomura	Executive Officer	60	13	73	49	98	147	220
Kunio Watanabe	Nomura	Executive Officer	60	13	73	22	45	67	140
Shoichi Nagamatsu	Nomura	Executive Officer	60	13	73	19	38	57	130
Shigesuke Kashiwagi	Nomura	Executive Officer	60	13	73	16	31	47	120

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2015.

Stock Acquisition Rights (“SARs”)

The following table presents information regarding unexercised Stock Acquisition Rights as of March 31, 2015.

March 31, 2015						
Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs	
Stock Acquisition Rights No.19	April 23, 2008	40,300	From April 24, 2010 to April 23, 2015	¥ 1	¥0	
Stock Acquisition Rights No.20	June 23, 2008	15,900	From June 24, 2010 to June 23, 2015	1	0	
Stock Acquisition Rights No.21	June 23, 2008	89,900	From June 24, 2010 to June 23, 2015	1	0	
Stock Acquisition Rights No.22	August 5, 2008	110,000	From August 6, 2010 to August 5, 2015	1,280	0	
Stock Acquisition Rights No.23	August 5, 2008	1,862,000	From August 6, 2010 to August 5, 2015	1,280	0	
Stock Acquisition Rights No.28	April 30, 2009	212,800	From May 1, 2011 to April 30, 2016	1	0	
Stock Acquisition Rights No.29	June 16, 2009	83,300	From June 17, 2011 to June 16, 2016	1	0	
Stock Acquisition Rights No.30	June 16, 2009	235,300	From June 17, 2011 to June 16, 2016	1	0	

March 31, 2015

<u>Series of SARs</u>	<u>Allotment Date</u>	<u>Number of Shares under SARs</u>	<u>Exercise Period of SARs</u>	<u>Exercise Price per Share under SARs</u>	<u>Paid-in Amount for SARs</u>
Stock Acquisition Rights No.31	August 5, 2009	156,000	From August 6, 2011 to August 5, 2016	¥ 730	¥0
Stock Acquisition Rights No.32	August 5, 2009	2,192,000	From August 6, 2011 to August 5, 2016	730	0
Stock Acquisition Rights No.34	May 18, 2010	935,900	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.35	May 18, 2010	837,100	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.37	July 28, 2010	1,956,400	From April 30, 2012 to April 29, 2017	1	0
Stock Acquisition Rights No.38	July 28, 2010	694,900	From April 30, 2013 to April 29, 2018	1	0
Stock Acquisition Rights No.39	November 16, 2010	1,888,600	From November 16, 2012 to November 15, 2017	474	0
Stock Acquisition Rights No.40	June 7, 2011	1,282,900	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	2,058,000	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	3,729,400	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	1,787,100	From November 16, 2013 to November 15, 2018	299	0
Stock Acquisition Rights No.44	June 5, 2012	1,328,400	From April 20, 2013 to April 19, 2018	1	0
Stock Acquisition Rights No.45	June 5, 2012	2,619,500	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.46	June 5, 2012	12,133,900	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.47	June 5, 2012	4,781,100	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.48	June 5, 2012	4,757,600	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	1,649,300	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	1,647,900	From October 20, 2016 to April 19, 2022	1	0
Stock Acquisition Rights No.51	November 13, 2012	2,227,900	From November 13, 2014 to November 12, 2019	298	0
Stock Acquisition Rights No.52	June 5, 2013	1,919,900	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.53	June 5, 2013	6,727,400	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.54	June 5, 2013	6,696,400	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.55	November 19, 2013	2,698,700	From November 19, 2015 to November 18, 2020	831	0
Stock Acquisition Rights No.56	June 5, 2014	8,554,600	From April 20, 2015 to April 19, 2020	1	0

March 31, 2015

Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	March 31, 2015	
				Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.57	June 5, 2014	8,522,000	From April 20, 2016 to April 19, 2021	¥1	¥0
Stock Acquisition Rights No.58	June 5, 2014	8,458,600	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.59	June 5, 2014	4,628,900	From March 31, 2015 to March 30, 2020	1	0
Stock Acquisition Rights No.60	June 5, 2014	4,596,500	From March 31, 2016 to March 30, 2021	1	0
Stock Acquisition Rights No.61	June 5, 2014	9,194,900	From March 31, 2017 to March 30, 2022	1	0
Stock Acquisition Rights No.62	November 18, 2014	2,727,100	From November 18, 2016 to November 17, 2021	744	0

- (1) SARs (including those granted to Directors and Executive Officers of Nomura which are stated in the table below) are issued in conjunction with deferred compensation plan.
- (2) The number of shares issuable under SARs is subject to adjustments under certain circumstances including stock splits.

SARs Held by Directors and Executive Officers of Nomura

The following table presents details of Stock Acquisition Rights held by Directors and Executive Officers as of March 31, 2015.

Series of SARs	March 31, 2015		
	Number of Shares under SARs	Numbers of Holders	
		Directors and Executive Officers (excluding Outside Directors)	Outside Directors
SARs No.21	7,900	1	—
SARs No.22	9,000	1	2
SARs No.23	48,000	8	—
SARs No.29	6,000	—	2
SARs No.30	18,000	1	—
SARs No.31	29,000	3	2
SARs No.32	38,000	6	—
SARs No.35	28,800	1	—
SARs No.40	54,500	2	—
SARs No.41	60,200	3	—
SARs No.42	74,200	5	—
SARs No.44	20,700	4	—
SARs No.45	23,500	5	—
SARs No.46	48,700	6	—
SARs No.47	29,300	6	—
SARs No.48	29,200	6	—
SARs No.52	77,600	6	—
SARs No.53	143,600	9	—
SARs No.54	143,200	9	—
SARs No.56	119,200	8	—

Series of SARs	March 31, 2015		
	Number of Shares under SARs	Numbers of Holders	
		Directors and Executive Officers (excluding Outside Directors)	Outside Directors
SARs No.57	118,900	8	—
SARs No.58	118,100	8	—
SARs No.59	56,300	6	—
SARs No.60	56,000	6	—
SARs No.61	111,700	6	—

Pension, Retirement or Similar Benefits

See Note 12 “Employee benefit plans” in our consolidated financial statements included in this annual report.

C. Board Practices.

Information Concerning Directors

The Companies Act states that a Company with Three Committees (as defined below) must establish three committees; a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company’s directors, and the majority of the members of each committee must be outside directors. At a Company with Three Committees, the board of directors is entitled to establish the basic management policy for the company, has decision-making authority over certain prescribed matters, and supervises the execution by the executive officers of their duties. Executive officers and representative executive officers appointed by a resolution adopted by the board of directors manage the business affairs of the company, based on a delegation of authority by the board of directors.

Since June 2003, the Company has adopted a corporate governance structure that separates management oversight functions from business execution functions (“Company with Three Committees”). Through this governance structure, the Company aims to strengthen management oversight, increase the transparency of the Company’s management and expedite the decision-making process within the Nomura Group. An outline of the Company’s Board of Directors, Nomination Committee, Audit Committee and Compensation Committee is provided below.

Board of Directors

The Company’s Board of Directors consists of Directors who are elected at a general meeting of shareholders and the Company’s Articles of Incorporation provide that the number of Directors shall not exceed 20. The term of office of each Director expires upon the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within one year after their appointment. Directors may serve any number of consecutive terms. From among its members, the Company’s Board of Directors elects the Chairman. The Company’s Board of Directors met 10 times during the fiscal year ended March 31, 2015. As a group, the Directors attended approximately 99% of the total number of meetings of the Board of Directors during the year. The Board of Directors has the authority to determine the Company’s basic management policy and supervise the execution by the Executive Officers of their duties. Although the Board of Directors also has the authority to make decisions with regard to the Company’s business, most of this authority has been delegated to the Executive Officers by a resolution adopted by the Board of Directors. There are no Directors’ service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Nomination Committee

The Nomination Committee, in accordance with the Company's Regulations of the Nomination Committee, determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders by the Board of Directors. The Nomination Committee met five times during the fiscal year ended March 31, 2015. As a group, the member Directors attended 100% of the total number of meetings of the Nomination Committee during the year. As of June 25, 2015, the members of the Nomination Committee are Nobuyuki Koga, Masahiro Sakane and Takao Kusakari. Nobuyuki Koga is the Chairman of this committee.

Audit Committee

The Audit Committee, in accordance with the Company's Regulations of the Audit Committee, (i) audits the execution by the Directors and the Executive Officers of their duties and the preparation of audit reports and (ii) determines the details of proposals concerning the election, dismissal or non-reappointment of the accounting auditor to be submitted to general meetings of shareholders by the Board of Directors. With respect to financial reporting, the Audit Committee has the statutory duty to examine financial statements and business reports to be prepared by Executive Officers designated by the Board of Directors and is authorized to report its opinion to the ordinary general meeting of shareholders.

The Audit Committee met 19 times during the fiscal year ended March 31, 2015. As a group, the member Directors attended 100% of the total number of meetings of the Audit Committee during the year. As of June 25, 2015, the members of the Audit Committee are Tsuguoki Fujinuma, Toshinori Kanemoto, Hiroshi Kimura and Hiroyuki Suzuki. Tsuguoki Fujinuma is the Chairman of this Committee.

Compensation Committee

The Compensation Committee, in accordance with the Company's Regulations of the Compensation Committee, determines the Company's policy with respect to the determination of the details of each Director and Executive Officer's compensation. The Compensation Committee also determines the details of each Director and Executive Officer's actual compensation. The Compensation Committee met two times during the fiscal year ended March 31, 2015. As a group, the member Directors attended 100% of the total number of meetings of the Compensation Committee during the year. As of June 25, 2015, the members of the Compensation Committee are Nobuyuki Koga, Masahiro Sakane and Takao Kusakari. Nobuyuki Koga is the Chairman of this Committee.

Limitation of Liabilities of Directors

In accordance with Article 33, Paragraph 2 of the Company's Articles of Incorporation and Article 427, Paragraph 1 of the Companies Act, the Company may execute agreements with Directors (excluding a person who serves as an executive director, etc.) that limit their liabilities to the Company for damages suffered by the Company if they acted in good faith and without gross negligence. Accordingly, the Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages (limitation of liability agreements) with each of the following Directors: Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma, Toshinori Kanemoto, Hiroshi Kimura, Dame Clara Furse, Michael Lim Choo San, Hiroyuki Suzuki and David Benson. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

Information Concerning Executive Officers

Executive Officers of the Company are appointed by the Board of Directors, and the Company's Articles of Incorporation provide that the number of Executive Officers shall not exceed 45. The term of office of each Executive Officer expires upon the conclusion of the first meeting of the Board of Directors convened after the

ordinary general meeting of shareholders for the last fiscal year ending within one year after each Executive Officer's assumption of office. Executive Officers may serve any number of consecutive terms. Executive Officers have the authority to determine matters delegated to them by resolutions adopted by the Board of Directors and to execute business activities.

D. Employees

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

	As of March 31,		
	2013	2014	2015
Japan	16,030	16,037	15,973
Europe	3,618	3,461	3,485
Americas	2,271	2,281	2,449
Asia and Oceania	6,037	5,891	6,765
Total	<u>27,956</u>	<u>27,670</u>	<u>28,672</u>

As of March 31, 2015, we had 15,973 employees in Japan, including 9,413 in our Retail Division, 1,508 in our Wholesale Division and 835 in our Asset Management Division. Overseas, we had 12,699 employees, of which 3,485 were located in Europe, 2,449 in the Americas, and 6,765 in Asia and Oceania. The number of employees in Asia and Oceania increased by approximately 1,000 mainly due to the acquisition of new subsidiaries in Thailand and Taiwan during the year ended March 31, 2015.

As of March 31, 2015, 7,931 of Nomura Securities' employees in Japan were members of the Nomura employees' union, with which we have a labor contract. Between the company and the labor union, we had been holding constant discussions to make solutions on labor related matters.

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

E. Share Ownership.

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2015. As of that date, none of them owned 1% or more of our issued and outstanding shares. None of the shares referred to below have different voting rights.

Directors

Name	Number of Shareholdings
Nobuyuki Koga	225,185
Koji Nagai	153,500
Atsushi Yoshikawa	180,161
Hiroyuki Suzuki	77,915
David Benson	—
Masahiro Sakane	30,000
Takao Kusakari	—
Tsuguoki Fujinuma	34,446
Toshinori Kanemoto	—
Hiroshi Kimura	—
Dame Clara Furse	—
Michael Lim Choo San	—
Total	<u>701,207</u>

Executive Officers

Name	Number of Shareholdings
Koji Nagai	See above
Atsushi Yoshikawa	See above
Tetsu Ozaki	62,850
Toshio Morita	110,108
Kunio Watanabe	28,000
Shoichi Nagamatsu	103,433
Shigesuke Kashiwagi	40,000
Total	344,391

For information regarding stock options granted to our Directors and Executive Officers, see under Item 6.B of this annual report.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders.

The Company understands that there is no major shareholder who owns more than 5% of our outstanding common stock on the register of shareholders as of March 31, 2015.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. 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, 2015, there were 253 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 454,019,638 shares of the Company's common stock, representing 12.6% of Nomura's then outstanding common stock. As of March 31, 2015, there were 36,793,618 ADSs outstanding, representing 36,793,618 shares of the Company's common stock or 1.0% of Nomura's then outstanding common stock. Our major shareholders above do not have different voting rights.

B. Related Party Transactions.

Nomura Research Institute, Ltd.

NRI develops and manages computer systems and provides research services and management consulting services. We are one of the major clients of NRI.

We held 37.9% of NRI's outstanding share capital as of March 31, 2015.

For the year ended March 31, 2015, we purchased ¥26,772 million worth of software and computer equipment and paid ¥46,246 million for other services to NRI, while received ¥570 million from NRI.

See also Note 19 "*Affiliated companies and other equity-method investees*" in the consolidated financial statements included in this annual report.

Directors

There were no significant transactions.

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 elsewhere in this annual report.

Legal Proceedings

For a discussion of our litigation and related matters, see Note 20 “*Commitments, contingencies and guarantees*” in the consolidated financial statements included in this annual report.

Dividend Policy

For our dividend policy, see “*Capital Management—Dividends*” under Item 5.B of this annual report.

B. Significant Changes.

Except as disclosed in this annual report, there have been no significant changes since March 31, 2015.

Item 9. The Offer and Listing

A. Offer and Listing Details.

Price History

The following table sets forth, for the periods indicated, the reported high and low sale prices of our common stock on the Tokyo Stock Exchange and the reported high and low share prices of our ADS on the New York Stock Exchange.

Year ended March 31,	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
Annual highs and lows				
2011	¥717	¥361	\$7.67	\$4.75
2012	436	223	5.21	2.91
2013	608	241	6.30	3.05
2014	980	535	9.64	5.76
2015	757	576	7.38	5.24
Quarterly highs and lows				
2014				
First Quarter	¥980	¥535	\$9.64	\$5.76
Second Quarter	833	683	8.39	6.30
Third Quarter	831	708	8.21	7.19
Fourth Quarter	828	625	7.88	6.20
2015				
First Quarter	¥752	¥587	\$7.38	\$5.82
Second Quarter	742	627	7.18	5.89
Third Quarter	757	576	6.49	5.33
Fourth Quarter	745	609	6.19	5.24

Year ended March 31,	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
Monthly highs and lows 2015 (calendar year)				
January	¥688	¥609	\$5.74	\$5.24
February	736	620	6.19	5.29
March	745	699	6.19	5.82
April	803	696	6.72	5.85
May	843	766	6.88	6.22
June (through June 24)	858	788	6.86	6.46

B. Plan of Distribution.

Not applicable.

C. Markets.

The principal trading market for the Company's common stock is the Tokyo Stock Exchange. The Company's common stock has been listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange since 1961.

Since December 2001, the Company's common stock has been listed on the New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of common stock. The Company's common stock has been listed on the Singapore Stock Exchange since 1994.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Objects and Purposes in the Company's Articles of Incorporation

Article 2 of the Company's Articles of Incorporation, which is an exhibit to this annual report, states the Company's purpose. Nomura Holdings, Inc. is incorporated in Japan and is registered in the Commercial Register (*Shogyo Tokibo* in Japanese) maintained by the Tokyo Legal Affairs Bureau.

Provisions Regarding the Company's Directors

Although there is no provision in the Company's Articles of Incorporation as to a Director's power to vote on a proposal or arrangement in which the Director is materially interested, under the Companies Act and the Company's Regulations of the Board of Directors, a Director must abstain from voting on such matters at meetings of the Board of Directors.

As a Company with Three Committees, the compensation of the Company's Directors and Executive Officers is determined by the Compensation Committee (see Item 6.C above). The Compensation Committee establishes the policy with respect to the determination of the individual compensation (including variable compensation) of each of the Company's Directors and Executive Officers and makes determinations in accordance with that compensation policy.

With respect to borrowing powers, these as well as other powers relating to the management of the business (with the exception of certain exclusions specified under the Companies Act) have been delegated to the Executive Officers by the Board of Directors as a Company with Three Committees.

There is no mandatory retirement age for the Company's Directors under the Companies Act or the Company's Articles of Incorporation.

There is no requirement concerning the number of shares an individual must hold in order to qualify him or her to serve as a Director of the Company under the Companies Act or the Company's Articles of Incorporation.

Pursuant to the Companies Act and the Company's Articles of Incorporation, the Company may, by a resolution adopted by the Company's Board of Directors, release the liabilities of any Directors or Executive Officers to the Company for damages suffered by the Company due to their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. In addition, the Company may execute with Directors (excluding a person who serves as an executive director, etc.) agreements that limit their liabilities to the Company for damages suffered by the Company if they acted in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. See "*Limitation of Liabilities of Directors*" under Item 6.C above.

Holding of the Company's Shares by Foreign Investors

Other than the Japanese unit share system that is described in "*Common Stock—Japanese Unit Share System*" below, no limitations on the rights of non-residents or foreign shareholders to hold or exercise voting rights with respect to the Company's shares are imposed by law, the Company's Articles of Incorporation or the Company's other constituent documents.

Common Stock

The following describes material features of the shares of the Company's common stock, and includes a brief overview of the material provisions of the Company's Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Companies Act and related legislation. In this "*Common Stock*" section, unless the context otherwise requires, "shares" means shares of the Company's common stock and "shareholders" means holders of shares of the Company's common stock.

General

Under the Company's Articles of Incorporation, the Company is authorized to issue 6,000,000,000 shares, of which 3,822,562,601 shares were issued as of March 31, 2015. All issued shares are fully-paid and non-assessable.

On January 5, 2009, a central clearing system for shares of Japanese listed companies was established pursuant to the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. (including regulations promulgated thereunder; the “Book-Entry Law”), and the shares of all Japanese companies listed on any Japanese stock exchange, including the Company’s shares, became subject to this clearing system. On the same day, all existing share certificates for such shares became null and void. At present, Japan Securities Depository Center, Inc. (“JASDEC”) is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Law. Under this clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an “account managing institution” unless such person has an account at JASDEC. “Account managing institutions” are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law, and only those financial institutions that meet further stringent requirements of the Book-Entry Law can open accounts directly at JASDEC. For purposes of the description under this “*Common Stock*” section, we assume that the relevant person has no account at JASDEC.

Under the Book-Entry Law, any transfer of shares is effected through book-entry, and title to the shares passes to the transferee at the time when the transferred number of the shares is recorded in the transferee’s account by an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act and the Book-Entry Law, except in limited circumstances, a shareholder must have his or her name and address registered in the Company’s register of shareholders in order to assert shareholders’ rights against the Company. Such registration is generally made upon receipt by the Company of necessary information from JASDEC. See “*Share Registrar*” and “*Record Date*” below.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of such standing proxy or mailing address to the relevant account managing institution. Such notice will be forwarded to the Company through JASDEC. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from the Company to non-resident shareholders are delivered to such standing proxies or mailing addresses.

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

Dividends

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called “dividends,” are referred to as “distributions of Surplus” (“Surplus” is defined in “*Restriction on Distributions of Surplus*” below). The Company may make distributions of Surplus to the shareholders any number of times per fiscal year, subject to certain limitations described in “*Restriction on Distributions of Surplus.*” As a company meeting the necessary requirements, the Companies Act allows for the Company’s Articles of Incorporation to authorize the Company’s Board of Directors to make decisions regarding distributions of Surplus (with the exceptions of certain exclusions specified under the Companies Act).

Under the Company’s Articles of Incorporation, dividends, if any, may be distributed to shareholders (or pledgees) appearing in the register of shareholders as of September 30 or March 31 of each year, pursuant to a resolution adopted by the Company’s Board of Directors. In addition, under the Companies Act and the Company’s Articles of Incorporation, the Company may (but is not obligated to) make further distributions of Surplus by a resolution adopted by the Company’s Board of Directors. However, the Company equally may decide not to pay dividends for any given period, regardless of the amount of Surplus the Company has.

Under the Company's Articles of Incorporation, the Company is not obliged to pay any dividends in cash that are left unclaimed for a period of three years after the date on which they first became payable.

Distributions of Surplus may be distributed in cash or in kind in proportion to the number of shares held by each shareholder. A resolution adopted by the Company's Board of Directors authorizing a distribution of Surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders and the effective date of the distribution. If a distribution of Surplus is to be made in kind, the Company may, pursuant to a resolution adopted by the Company's Board of Directors, grant to the Company's shareholders the right to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of Surplus must be approved by a special resolution adopted by the Company's general meeting of shareholders.

For information as to Japanese taxes on dividends, see "*Japanese Taxation*" under Item 10.E of this annual report.

Restriction on Distributions of Surplus

When the Company makes a distribution of Surplus, the Company must, until the aggregate amount of the Company's additional paid-in capital and legal reserve reaches one-quarter of the Company's stated capital, set aside in the Company's additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed in accordance with an ordinance of the Ministry of Justice of Japan.

The amount of Surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

- "A" = the total amount of 'other capital surplus' and 'other retained earnings', each such amount being that appearing on the Company's non-consolidated balance sheets as of the end of the last fiscal year;
- "B" = (if the Company has disposed of treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;
- "C" = (if the Company has reduced stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);
- "D" = (if the Company has reduced additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);
- "E" = (if the Company has cancelled treasury stock after the end of the last fiscal year) the book value of such treasury stock;
- "F" = (if the Company has distributed Surplus to shareholders after the end of the last fiscal year) the total book value of Surplus so distributed;
- "G" = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to shareholders after the end of the last fiscal year) the amount set aside in the Company's additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (“Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount at any given time shall be equal to the amount of Surplus less the aggregate of the following:

- (a) the book value of the Company’s treasury stock;
- (b) the amount of consideration for the Company’s treasury stock disposed of after the end of the last fiscal year; and
- (c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the Company’s non-consolidated balance sheets as of the end of the last fiscal year) all or a certain part of such excess amount as calculated in accordance with ordinances of the Ministry of Justice.

If the Company becomes, at the Company’s option, a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), the Company will be further required to deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders’ equity appearing on the Company’s non-consolidated balance sheets as of the end of the last fiscal year and certain other amounts set forth in ordinances of the Ministry of Justice over (y) the total amount of shareholders’ equity and certain other amounts set forth in ordinances of the Ministry of Justice appearing on the Company’s consolidated balance sheets as of the end of the last fiscal year.

If the Company has prepared non-consolidated interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a resolution adopted by the general meeting of shareholders, the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company’s treasury stock disposed of, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by the Company must be approved by the Board of Directors and audited by the Company’s Audit Committee and independent auditors, as required by ordinances of the Ministry of Justice.

Stock Splits

The Company may at any time split the issued shares into a greater number of shares by a resolution adopted by the Company’s Board of Directors, and in accordance with the Companies Act, the Company’s Board of Directors has adopted a resolution delegating powers to make such stock splits to the Company’s executive management board (“EMB”).

In accordance with the Companies Act, the Company’s Board of Directors has adopted a resolution delegating to the Company’s EMB powers to increase the number of authorized shares permitted to be issued up to the number reflecting the rate of stock splits and to amend the Company’s Articles of Incorporation to this effect without approval by a resolution adopted by the general meeting of shareholders. For example, if each share became three shares by way of a stock split, the EMB may increase the number of authorized shares from the current 6,000,000,000 shares to 18,000,000,000 shares.

Japanese Unit Share System

The Company’s Articles of Incorporation provide that 100 shares constitute one “unit”. The Companies Act permits the Company, by a resolution adopted by the Company’s Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system, and amend the Company’s Articles of Incorporation to this effect without approval by a resolution adopted by the general meeting of shareholders.

Transferability of Shares Constituting Less Than One Unit. Under the clearing system, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, however, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and accordingly may not be sold on the Japanese stock exchanges.

Right of a Holder of Shares Constituting Less Than One Unit to Require the Company to Purchase Its Shares. A holder of shares constituting less than one unit may at any time request the Company to purchase its shares. Under the clearing system, such request must be made through the relevant account managing institution. These shares will be purchased at (a) the closing price of the Company's shares reported by the Tokyo Stock Exchange on the day when the request to purchase is received by the Company's share registrar or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of shares is effected on such stock exchange immediately thereafter. An amount equal to the applicable handling fee will be deducted from the price so determined pursuant to the Company's Share Handling Regulations.

Purchase of Shares up to a Whole Unit for a Holder of Shares Constituting Less than One Unit. The Company's Articles of Incorporation provide that a holder of shares constituting less than one unit may request the Company to sell shares the Company may have to such holder so that the holder can raise the holder's fractional ownership up to a whole unit. Under the clearing system, such request must be made through the relevant account managing institution. These shares will be sold at (a) the closing price of the Company's shares reported by the Tokyo Stock Exchange on the day when the request to sell is received by the Company's share registrar or (b) if no sale has taken place on the Tokyo Stock Exchange on that day, the price at which sale of shares is effected on such stock exchange immediately thereafter. An amount equal to the applicable handling fee will be added to the price so determined pursuant to the Company's Share Handling Regulations.

Voting Rights of a Holder of Shares Constituting Less Than One Unit. A holder of shares constituting 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 constituting 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 constituting less than one unit does not have any rights related to voting, such as the right to participate in a demand for the dismissal of a Director, the right to participate in a demand for the convocation of a meeting of shareholders and the right to join with other shareholders to propose an agenda item to be addressed at a meeting of shareholders. In addition, a holder of shares constituting less than one unit does not have the right to institute a representative action by shareholders.

In accordance with the Companies Act, the Company's Articles of Incorporation provide that a holder of shares constituting less than one unit does not have any other rights of a shareholder in respect of those shares, other than those provided by the Company's Articles of Incorporation which includes the following rights:

- to receive dividends,
- to receive cash or other assets in case of consolidation or split of shares, exchange or transfer of shares, corporate split or merger,
- to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders, and
- to participate in any distribution of surplus assets upon liquidation.

Annual General Meeting of Shareholders

The Company normally holds its annual general meeting of shareholders in June of each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving at least

two weeks' advance notice. Under the Companies Act, notice of any general meeting of shareholders must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his standing proxy or mailing address in Japan in accordance with the Company's 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 the section entitled the "*Japanese Unit Share System*" above. In general, under the Companies Act, a resolution can be adopted at a general meeting of shareholders by the holders of a majority of the total number of voting rights represented at the meeting. However, if a corporate shareholder has one-quarter or more of its total voting rights held by the Company or its subsidiary, or if the Company otherwise has actual control over such corporate shareholder, such corporate shareholder is not entitled to exercise its voting rights. The Companies Act and the Company's Articles of Incorporation require a quorum for the election of Directors of not less than one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" adopted by the general meeting of shareholders. The Company's Articles of Incorporation provide that the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights presented at the meeting is required for adopting a special resolution. Such important matters include:

- reduction of stated capital,
- amendment to the Articles of Incorporation (except amendments which the Board of Directors (or for a Company with Three Committees, the Executive Officers) are authorized to make under the Companies Act),
- establishment of a 100% parent-subsidiary relationship by way of share exchange or share transfer requiring shareholders' approval,
- dissolution, merger or consolidation requiring shareholders' approval,
- corporate split requiring shareholders' approval,
- transfer of the whole or an important part of a company's business,
- transfer of the whole or a part of a company's equity interests in any of the company's subsidiaries requiring shareholders' approval,
- the taking over of the whole of the business of any other corporation requiring shareholders' approval,
- any issuance of new shares or transfer of existing shares as treasury stock to persons other than the shareholders at a "specially favorable" price,
- any issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favorable" conditions,
- purchase of shares by a company from a specific shareholder other than the company's subsidiary,
- consolidation of shares, and
- partial release of a director, independent auditor or executive officers' liability to the company.

The voting rights of holders of ADRs are exercised by the depositary based on instructions from those holders.

Subscription Rights

Holders of shares have no preemptive rights under the Company's Articles of Incorporation when the Company issues new shares. Under the Companies Act, the Company's EMB, which has been delegated by the Company's Board of Directors with the authority to issue new shares, 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 with at least two weeks' prior notice to shareholders of the record date.

Stock Acquisition Rights

The Company may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the Company's EMB, which has been delegated by the Company's Board of Directors with the authority to issue stock acquisition rights, unless it is made under "specially favorable" conditions in which case a special resolution adopted by the general meeting of shareholders is required. In issuing stock acquisition rights, notice must be given at least two weeks prior to the date for allotment in the form of individual notice or public notice. Under the Companies Act the Company will not be required to give such notice if the Company makes a relevant securities filing or reporting under the FIEA at least two weeks prior to the date for allotment, subject to the requirements provided by the ordinance of the Ministry of Justice.

Liquidation Rights

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

Liability to Further Calls or Assessments

All of the Company's currently outstanding shares, including shares represented by the ADSs, are fully paid and non-assessable.

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation ("Mitsubishi UFJ Trust") is the share registrar for the Company's shares. Mitsubishi UFJ Trust's office is located at 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8212 Japan. Mitsubishi UFJ Trust maintains the Company's register of shareholders and registers the names and addresses of the Company's shareholders and other relevant information in the Company's register of shareholders upon notice thereof from JASDEC, as described in "*Record Date*" below.

Record Date

The close of business on September 30 and March 31 are the record dates for the Company's distributions of Surplus (dividends), if any. A holder of shares constituting one or more whole units, who is registered as a holder in the Company's register of shareholders at the close of business as of March 31, is also entitled to exercise shareholders' voting rights at the annual general meeting of shareholders with respect to the fiscal year ended on March 31. In addition, the Company 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.

Under the Book-Entry Law, the Company is required to give notice of each record date to JASDEC at least two weeks prior to such record date. JASDEC is required to promptly give the Company notice of the names and addresses of the Company's shareholders, the numbers of shares held by them and other relevant information as of such record date.

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

Acquisition of Own Shares

The Company may acquire its own shares (i) by soliciting all of the Company's shareholders to offer to sell the Company's shares held by them (pursuant to a resolution adopted by the Board of Directors), (ii) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution adopted by the general meeting of shareholders), (iii) from any of the Company's subsidiaries (pursuant to a resolution adopted by the Board of Directors), or (iv) by way of purchase on any Japanese stock exchange on which the Company's shares are listed or by way of tender offer (in either case pursuant to a resolution adopted by the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) was adopted (or, if there is no trading in the shares on the stock exchange or if the stock exchange is not open on such day, the price at which the shares are first traded on such stock exchange thereafter) and (y) if the shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted, the price of the shares under the agreement with respect to such tender offer on such day. This acquisition is subject to the condition that the aggregate amount of the purchase price must not exceed the Distributable Amount as described in "*Restriction on Distributions of Surplus*" above.

The Company may hold its shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such shares by a resolution adopted by the Board of Directors.

In addition, the Company may acquire its 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.

Preferred Stock

The following is a description of material features of the Company's preferred stock. The basic characteristics of the Company's preferred stock are set forth in the Company's Articles of Incorporation, and detailed terms and conditions of the Company's preferred stock are to be determined prior to the issuance thereof by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Company's Board of Directors.

General

The Company's Articles of Incorporation include the possibility of issuing preferred stock. The Company has not yet issued, and currently has no specific plan to issue, any preferred stock. However, the Company provides, as follows, certain information on the characteristics of the types of preferred stock set forth in the Company's Articles of Incorporation.

Under the Company's Articles of Incorporation, the Company is authorized to issue 200,000,000 shares of Class 1 preferred stock, 200,000,000 shares of Class 2 preferred stock, 200,000,000 shares of Class 3 preferred stock and 200,000,000 shares of Class 4 preferred stock. Of these, Class 3 and Class 4 preferred stock are convertible into common stock, while Class 1 and Class 2 preferred stock are not convertible into common stock. See "*Rights of Shareholders of Preferred Stock to Demand Acquisition thereof (Conversion)*" below.

Preferred Dividends

Under the Company's Articles of Incorporation, preferred dividends may be paid to shareholders of preferred stock on record as of March 31 every year. In addition, interim preferred dividends may be paid to shareholders of the Company's preferred stock on record as of September 30 of any year. Dividends on preferred stock are to be paid always in priority to dividends on common stock. The detailed terms and conditions of each class of preferred stock, including the amount of preferred dividends or preferred interim dividends, are to be determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Company's Board of Directors prior to the time of issuance thereof, provided that the annual dividend rate applicable to Class 1 and Class 2 preferred stock may not exceed 15%, and the annual dividend rate applicable to Class 3 and Class 4 preferred stock may not exceed 10%.

Notwithstanding the provisions of the Company's Articles of Incorporation, no payment of any dividend on preferred stock may be made unless the Company has sufficient Surplus to pay such dividend, and each payment of a dividend on a preferred stock must be approved by the Company's Board of Directors.

Dividends on the Company's preferred stock are non-cumulative. In the event that preferred dividends were paid, and the amount actually paid by the Company in respect of any fiscal year was less than the amount thereof payable in respect of such fiscal year, preferred shareholders would have no right to seek payment of the deficient amount as a cumulative preferred dividend in any subsequent fiscal year.

Shareholders of the Company's preferred stock will not be entitled to any further dividends or other participation in or distribution of Surplus.

Voting Rights

Any voting rights attached to the Company's preferred stock are limited to the extent specifically provided under the Companies Act, any other applicable laws and the Company's Articles of Incorporation. Subject to the conditions stated therein, the voting rights of the Company's preferred stock as provided in the Company's Articles of Incorporation are as follows:

- If no resolution to pay a preferred dividend has been adopted by the Board of Directors prior to the dispatch of the convocation notice for the annual general meeting of shareholders in respect of any fiscal year, and if no proposal to pay such preferred dividend was submitted to the relevant annual general meeting of shareholders, then the shareholders of the relevant preferred stock will be entitled to vote at such meeting and all subsequent general meetings of shareholders up to the time when the Board of Directors or general meeting of shareholders adopts a resolution to pay such preferred dividend; and
- If a resolution to pay a preferred dividend has not been adopted at any annual general meeting of shareholders, the shareholders of the relevant preferred stock will be entitled to vote at all subsequent general meetings of shareholders up to the time when the Board of Directors or general meeting of shareholders adopts a resolution to pay such preferred dividend.

Liquidation Rights

In the event of the Company's voluntary or involuntary liquidation, shareholders of the Company's preferred stock would be entitled, in preference over shareholders of common stock, to receive such amounts of the Company's residual assets as may be determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors taking into consideration the amounts of subscription moneys paid for the respective preferred stock.

Except as described above, shareholders of the Company's preferred stock would not be entitled to receive a distribution of residual assets upon liquidation of the Company.

Rights of Shareholders of Preferred Stock to Demand Acquisition thereof (Conversion)

Class 3 preferred stock and Class 4 preferred stock are attached with the right to demand that the Company acquire such shares of preferred stock during a certain period. In the event of the exercise of such right, the Company shall be required to deliver to the relevant shareholder a certain number of shares of the Company's common stock in exchange for the shares of the preferred stock acquired by the Company from such shareholder. Specific terms of such right, including the period during which the preferred stock would be acquired (a "conversion period") and the initial acquisition price (a "conversion price"), would be determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors.

The Company's Right and Obligation to Acquire Preferred Stock

With respect to Class 1 preferred stock, Class 2 preferred stock, or Class 4 preferred stock, if any event specified in a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors prior to the issuance of each class of preferred stock occurs and the day separately specified in a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors arrives, the Company shall have the right to acquire all or any part of the relevant shares of preferred stock. In the event the Company exercises such right, the Company would deliver to the relevant shareholder a certain amount of cash in exchange for the shares of the preferred stock acquired by the Company from such shareholder. The initial acquisition price at which the relevant preferred stock would be acquired by the Company would be determined prior to the time of issuance thereof by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors taking into consideration the amount of subscription moneys paid for the relevant preferred stock.

With respect to Class 3 preferred stock and Class 4 preferred stock, the Company has the obligation to acquire all shares of such preferred stock outstanding on the day immediately following the last day of the relevant conversion period. In such an event, the Company would deliver to the relevant shareholders a certain number of shares of the Company's common stock in exchange for the shares of the preferred stock acquired by the Company from them. The number of shares of the Company's common stock to be delivered to a shareholder of the relevant preferred stock would be calculated by multiplying the number of shares of the preferred stock held by such shareholder by the amount of the subscription money per share paid for such preferred stock and dividing the resulting amount by the market price of a share of the Company's common stock at the time.

Pursuant to amendments to the Company's Articles of Incorporation approved at the Company's annual general meeting of shareholders held on June 28, 2011, the following feature has been added to the preferred stock described in the Company's Articles of Incorporation: The Company must acquire all or any part of shares of Class 1 preferred stock, Class 2 preferred stock, Class 3 preferred stock and/or Class 4 preferred stock upon the occurrence of certain events determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted the Board of Directors (including in the event that the Company's capital adequacy ratio or other measure of regulatory capital falls below a pre-determined threshold and/or in the event that a supervisory agency (or an equivalent body) determines that a write-down, capital injection by a public institution or other equivalent action is necessary for the Company) prior to the time of issuance of the relevant preferred stock. In such an event, the Company will deliver to the relevant shareholders a certain number of shares of the Company's common stock in exchange for the shares of the preferred stock acquired by the Company from them. The number of the Company's common stock to be delivered to a shareholder of the relevant preferred stock would be determined prior to the issuance of such preferred shares by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) considering the subscription price of the preferred shares, the market value of the Company's common stock and market conditions. An upper limit for the common stock to be delivered in exchange for the relevant preferred shares may also be set pursuant to such resolution or determination.

Order of Priority

Class 1 through Class 4 preferred stock shall have the same order of priority in respect of the payment of preferred dividends and preferred interim dividends and the distribution of residual assets. All classes of preferred stock will be in priority to the Company's common stock in respect of the payments of dividends and interim dividends and the distribution of residual assets.

Report of Substantial Shareholdings

The FIEA requires any person (other than the Company) who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange to file with the relevant Local Finance Bureau, within five business days, a report concerning those shareholdings. With certain exceptions, a similar report must also be filed to reflect any change of 1% or more in the above shareholding or any change in material matters set out in any previously filed reports. For this purpose, shares issuable to a person upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that holder and the Company's total issued share capital.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price formation. To prevent excessive volatility, these exchange set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward price limit if the price limit is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell the shares at such price on a particular trading day, or at all.

The following table shows the daily price limit for a stock on the Tokyo Stock Exchange. Other daily price limits would apply if the per share price of shares of the Company moved to other ranges.

Selected Daily Price Limits

<u>Previous Day's Closing Price or Special Quote</u>				<u>Maximum Daily Price Movement</u>
Equal to or greater than	¥ 100	Less than	¥ 200	¥ 50
Equal to or greater than	200	Less than	500	80
Equal to or greater than	500	Less than	700	100
Equal to or greater than	700	Less than	1,000	150
Equal to or greater than	1,000	Less than	1,500	300

For a history of the trading price of shares of the Company on the Tokyo Stock Exchange, see Item 9.A of this annual report.

Rights of ADR Holders

The rights of ADR holders, including their rights to corporate governance practices, are governed by the Deposit Agreement which is an exhibit to this annual report. For a description of the rights of holders of ADSs, see "*Rights of Holders of ADSs*" under Item 10.B of our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. The information contained in that part of the Registration Statement is incorporated in Item 10.B of this annual report by reference. For fees and charges that a holder of ADSs may have to pay, see "*Description of Securities Other Than Equity Securities*" under Item 12 of this annual report.

C. Material Contracts.

For the two years immediately preceding the date of this annual report, we have not been a party to any material agreement other than in the ordinary course of business, except as disclosed in Item 6.C of this annual report.

D. Exchange Controls.

Acquisition of Shares

The Foreign Exchange and Foreign Trade Law of Japan and its related cabinet orders and ministerial ordinances (“Foreign Exchange Regulations”) governs certain aspects relating to the acquisition and holding of securities by “non-residents of Japan” and “foreign investors,” as defined below.

In general, an acquisition of shares of stock of a Japanese company listed on any Japanese stock exchange by a non-resident of Japan from a resident of Japan is not subject to any prior notification requirement, but subject to a post reporting requirement by the resident.

If a foreign investor acquires shares of a Japanese company listed on a Japanese stock exchange and as a result of this acquisition directly or indirectly holds 10% or more of the issued shares of such company, together with its existing holdings and those of other parties who have a special relationship with that foreign investor, the foreign investor is, in general, required to report the acquisition to the Minister of Finance and any other competent ministers via the Bank of Japan by the 15th day of the immediately following month in which the date of acquisition falls. In exceptional cases, a prior notification is required in respect of the acquisition.

“Non-residents of Japan” are generally defined as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Branches and other offices of Japanese corporations located outside Japan are considered non-residents of Japan, and branches and other offices located within Japan of non-resident corporations are considered residents of Japan.

“Foreign investors” are generally defined as (i) individuals who are not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan, and (iii) corporations of which (a) 50% or more of the voting rights are held directly or indirectly by (i) and/or (ii) above, (b) a majority of officers consists of non-residents of Japan or (c) a majority of officers having the power of representation consists of non-residents of Japan.

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, 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 ADSs of the Company 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 U.S., 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 holders of ADSs.

E. Taxation.

U.S. Federal Income Taxation

This section describes the material U.S. federal income tax consequences of owning shares or ADSs. It applies to you only if you are a U.S. holder (as defined below), 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,
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, 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, all as currently in effect, as well as on the Income Tax Convention Between the U.S. and Japan (“Japan-U.S. Tax 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 Mellon (“depository”) and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the shares or ADSs should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the shares or ADSs.

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 U.S.,
- a corporation created or organized in or under the laws of the U.S. or any political subdivision thereof,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

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

This discussion addresses only U.S. federal income taxation.

In general, and taking into account the earlier assumptions, for U.S. 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 ADRs, and ADRs for shares, generally will not be subject to U.S. federal income tax.

Taxation of Dividends

Under the U.S. federal income tax laws, and subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income.

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 taxable when you, in the case of shares, or the depository, 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 U.S. corporations in respect of dividends received from other U.S. 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 and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the U.S. for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. 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. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect generally to treat distributions we make as dividends.

Subject to certain limitations, the Japanese tax withheld in accordance with the Japan-U.S. Tax Treaty and paid over to Japan will be creditable against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available under Japanese law or the Japan-U.S. Tax Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

For foreign tax credit purposes, dividends will generally be income from sources outside the U.S., and, depending on your circumstances, will generally be “passive income” or “general income” for purposes of computing the foreign tax credit allowable to you.

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 U.S. 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 preferential rates where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the U.S. 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 U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation, such as Nomura, that is primarily engaged in an active business as a securities dealer is not entirely clear.

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, or to prior years before the first year in which we were a PFIC with respect to you, will be taxed as ordinary income,
- the amount allocated to each other previous year 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. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. 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.

Your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your shares or ADSs, you will be treated as having a new holding period in your shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies.

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC (or treated as a PFIC with respect to you) either in the taxable year of the distribution or the preceding taxable year. Dividends that you

receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service Form 8621.

Japanese Taxation

The following is a summary of the principal Japanese tax consequences to owners of shares of the Company who are non-resident individuals or non-Japanese corporations (“non-resident shareholders”) without a permanent establishment in Japan to which the relevant income is attributable. As tax laws are frequently revised, the tax treatments described in this summary are also subject to changes in the applicable Japanese laws and/or double taxation conventions occurring in the future, if any. This summary is not exhaustive of all possible tax considerations which may apply to specific investors under particular circumstances. Potential investors should, by consulting with their own tax advisers, 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.

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by the Company. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase of number of shares (as opposed to an increase of value of shares) from Japanese tax perspectives. Conversion of retained earnings or legal reserve (but other than additional paid-in capital, in general) into stated capital on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation (Article 2(16) of the Japanese Corporation Tax Law and Article 8(1)(xiii) of the Japanese Corporation Tax Law Enforcement Order).

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax applies, the rate of Japanese withholding tax applicable to dividends on listed shares such as those paid by the Company to non-resident shareholders is currently 15%, except for dividends paid to any individual shareholder who holds 3% or more of the issued shares for which the applicable rate is 20% (please refer to Article 170 and Article 213(1)(i) of the Japanese Income Tax Law and Article 9-3(1)(i) of the Japanese Special Tax Measures Law).

On December 2, 2011, the “Special measures act to secure the financial resources required to implement policy on restoration after the East Japan Earthquake” (Act No. 117 of 2011) was promulgated and special surtax measures on income tax were introduced to fund the restoration effort from the earthquake. Income tax and withholding tax payers will need to pay a surtax, calculated by multiplying the base income tax with 2.1% for 25 years starting from January 1, 2013. As a result of the fractional tax rate increase, 15.315% is applicable until December 31, 2037. If a non-resident taxpayer is a resident of a country that Japan has tax treaty with, as described below, such non-residents will not be subject to the surtax to the extent that the applicable rate agreed in the tax treaty is lower than the aggregate domestic rate.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore and Spain. Under the Japan-U.S. Tax Treaty, the withholding tax rate on dividends is 10% for portfolio investors, provided that they do not have a permanent establishment in Japan, or if there is a permanent establishment, the shares with respect to

which such dividends are paid are not effectively connected with such permanent establishment, and that they are qualified U.S. residents eligible to enjoy treaty benefits. It shall be noted that, under the Japan-U.S. Tax Treaty, withholding tax on dividends to be paid is exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds (please refer to Article 10(3)(b) of the Japan-U.S. Tax Treaty). In addition to the Japan-U.S. Tax Treaty, Japan currently has income tax treaties with, among others, the U.K., France, Australia, the Netherlands, Switzerland and Sweden whereby the withholding tax rate on dividends is also reduced from 15% to 10% for portfolio investors.

Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by the Company are required to submit the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends” or the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends with respect to Foreign Depository Receipt”, as the case may be, in advance through the Company, which is the case for ADS holders, or (in cases where the relevant withholding taxpayer for the dividend payment is not the Company but a financial institution in Japan) through the financial institution, to the relevant tax authority before payment of dividends. Non-resident shareholders who receive dividends through a financial institution may select a simplified procedure with respect to dividends payable on or after January 1, 2014. Under such procedure, non-resident shareholders who submit the “Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks” to the relevant tax authority through a financial institution are deemed to have submitted the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends” mentioned above with respect to any dividend which will be paid by the Company to non-resident shareholders through the financial institution thereafter, provided that such non-resident shareholders shall notify the financial institution of certain information regarding the dividends before the payment of such dividends. 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. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called “preservation doctrine” under Article 3-2 of the Special Measures Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. Consequently, if the domestic tax rate still applies, no treaty application is required to be filed.

Gains derived from the sale of shares outside Japan by a non-resident shareholder without a permanent establishment in Japan as a portfolio investor, 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.

You should consult your own tax advisers regarding the Japanese tax consequences of the acquisition, ownership and disposition of the shares and ADSs in your particular circumstances.

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, the Company will file with the Securities and Exchange Commission annual reports on Form 20-F within four months of the Company's fiscal year-end and other reports and information on Form 6-K. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission at 100 F Street, NE., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange Commission public reference room by calling the Securities and Exchange Commission in the U.S. at 1-800-SEC-0330. You can also access the documents filed via the Electronic Data Gathering, Analysis, and Retrieval system on the SEC's website (<http://www.sec.gov>).

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Risk Management

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

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

Risk Appetite

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

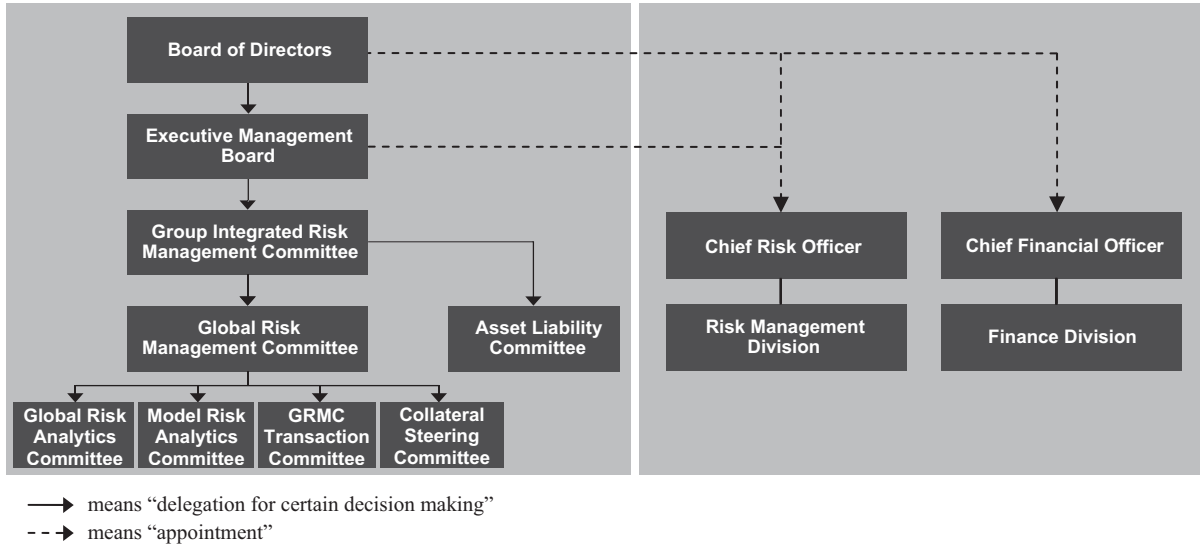
The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy and balance sheet measures, liquidity risk, market and credit risk, operational risk, and model risk, and consists of quantitative metrics and qualitative statements. It is subject to regular monitoring and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

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

Risk Management Governance and Oversight

Committee Governance

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



Board of Directors (“BoD”)

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

Executive Management Board

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

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

Group Integrated Risk Management Committee (“GIRMC”)

Upon delegation from the EMB, the GIRMC deliberates on or determines important matters concerning integrated risk management of Nomura to assure the sound and effective management of its businesses. The GIRMC establishes Nomura’s risk appetite and a framework of integrated risk management consistent with

Nomura's risk appetite. The GIRMC supervises Nomura's risk management by establishing and operating its risk management framework. The GIRMC reports the status of key risk management issues and any other matters deemed necessary by the committee chairman to the BoD and the EMB.

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

Global Risk Management Committee ("GRMC")

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

Asset Liability Committee ("ALCO")

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

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

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

GRMC Transaction Committee

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

Collateral Steering Committee ("CSC")

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

Chief Risk Officer ("CRO")

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

Chief Financial Officer (“CFO”)

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

Risk Management Division

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

Risk Policy Framework

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

Monitoring, Reporting and Data Integrity

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

Management of Financial Resources

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

Risk-weighted assets

A key component used in the calculation of our consolidated capital adequacy ratios is risk-weighted assets. The EMB determines the risk appetite for our consolidated Tier 1 capital ratio on an annual basis and sets the limits for the usage of risk-weighted assets by each division and by additional lower levels of the division consistent with the risk appetite. See Item 4.B. “*Business Overview—Regulatory Capital Rules*” and “*Consolidated Regulatory Capital Requirements*” in this report for further information on our consolidated capital adequacy ratios and risk-weighted assets.

Economic Capital

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

Available Funds

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

Classification and Definition of Risk

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

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

Market Risk Management

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

Market Risk Management Process

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

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

Value at Risk

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

VaR Methodology Assumptions

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

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

VaR Backtesting

The performance of Nomura’s VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura’s VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura’s Risk Management Division. One-day trading losses exceeded the 99% VaR estimate on one occasion at a Nomura group level for the year ended March 31, 2015.

Limitations and Advantages of VaR

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

VaR metrics

The following graph shows the daily VaR over the last six quarters for substantially all of Nomura's trading positions:



The following tables show the VaR as of each of the dates indicated for substantially all of Nomura's trading positions:

	Billions of yen		
	As of		
	Mar. 29, 2013	Mar. 31, 2014	Mar. 31, 2015
Equity	¥ 1.26	¥ 1.28	¥ 1.01
Interest rate	5.00	3.95	4.17
Foreign exchange	1.87	2.79	1.06
Subtotal	8.14	8.02	6.23
Less: Diversification Benefit	(3.05)	(2.86)	(1.62)
VaR	<u>¥ 5.09</u>	<u>¥ 5.16</u>	<u>¥ 4.62</u>

	Billions of yen		
	For the twelve months ended		
	Mar. 29, 2013	Mar. 31, 2014	Mar. 31, 2015
Maximum daily VaR ⁽¹⁾	¥ 8.66	¥ 9.90	¥ 9.84
Average daily VaR ⁽¹⁾	6.11	6.67	6.44
Minimum daily VaR ⁽¹⁾	4.33	4.45	3.11

(1) Represents the maximum, average and minimum VaR based on all daily calculations for the twelve months ended March 29, 2013, March 31, 2014, and March 31, 2015.

Total VaR decreased to ¥4.62 billion as of March 31, 2015 from ¥5.16 billion as of March 31, 2014. VaR relating to foreign exchange risk decreased to ¥1.06 billion as of March 31, 2015, compared to ¥2.79 billion as of March 31, 2014 due to lower outright foreign exchange risk taken. VaR relating to equity risk decreased to ¥1.01 billion as of March 31, 2015, compared to ¥1.28 billion as of March 31, 2014. VaR relating to interest rate risk increased to ¥4.17 billion as of March 31, 2015, compared to ¥3.95 billion as of March 31, 2014.

Total VaR remained relatively unchanged at ¥5.16 billion as of March 31, 2014 compared to total VaR as of March 29, 2013. VaR relating to interest rate risk decreased to ¥3.95 billion as of March 31, 2014, compared to ¥5.00 billion as of March 29, 2013 due to lower outright interest risk being taken. VaR relating to foreign exchange risk increased to ¥2.79 billion as of March 31, 2014 from ¥1.87 billion as of March 29, 2013, driven by changes in the outright foreign exchange risk being taken. VaR relating to equity risk remained relatively unchanged at ¥1.28 billion as of March 31, 2014 compared to ¥1.26 billion as of March 29, 2013.

Stress Testing

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

Non-Trading Risk

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

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of Nomura's equity investments held for operating purposes. This analysis indicates that for each 10% change in the TOPIX, the market value of Nomura's operating equity investments held for operating purposes can be expected to change by ¥19,721 million at the end of March 2014 and ¥23,271 million at the end of March 2015. The TOPIX closed at 1,202.89 points at the end of March 2014 and at 1,543.11 points at the end of March 2015. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura's expectations because of price fluctuations of individual equities.

Credit Risk Management

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

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

Credit Risk Management Framework

The measurement, monitoring and management of credit risk at Nomura are governed by a set of global policies and procedures. Credit Risk Management ("CRM"), a global function within the Risk Management

Division, is responsible for the implementation and maintenance of these policies and procedures. These policies are authorized by the GIRMC and/or Global Risk Strategic Committee (“GRSC”), prescribe the basic principles of credit risk management and set credit limits to counterparties that are formally approved by CRM personnel with the appropriate level of credit authority.

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

Credit Risk Management Process

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

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

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

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

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

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

The Credit Risk Control Unit (“CRCU”) is a function that is independent of CRM. It ensures that Nomura’s internal rating system is properly reviewed and validated, reporting any breaks or issues to senior management for timely resolution. The unit is responsible for ensuring that the system remains accurate and predictive of risks and provides periodic reporting on the system to senior management.

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

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

Credit Limits and Risk Measures

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

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

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

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

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

Wrong Way Risk

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

Stress Testing

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

Risk Mitigation

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

Credit Risk to Counterparties in Derivatives Transaction

The following table presents credit exposures arising from Nomura’s trading-related derivatives held for trading purposes as of March 31, 2015, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura’s CRM.

Credit Rating	Billions of yen								
	Years to Maturity					Cross-Maturity Netting ⁽¹⁾	Total Fair Value	Collateral obtained	Replacement cost ⁽³⁾
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years				
							(a)	(b)	(a)-(b)
AAA	¥ 18	¥ 103	¥ 21	¥ 9	¥ 80	¥ (192)	¥ 39	¥ 4	¥ 35
AA	299	451	422	513	1,732	(3,048)	369	70	299
A	462	372	360	308	892	(1,895)	499	54	445
BBB	177	151	144	131	530	(710)	423	261	162
BB and lower	58	73	71	45	349	(384)	212	400	0
Other ⁽²⁾	43	2	3	1	17	(164)	(98)	4	0
Sub-total	1,057	1,152	1,021	1,007	3,600	(6,393)	1,444	793	941
Listed	333	161	21	3	0	(376)	142	20	122
Total	¥1,390	¥1,313	¥1,042	¥1,010	¥3,600	¥(6,769)	¥1,586	¥813	¥1,063

- (1) Represents netting of derivative liabilities against derivatives assets entered into with the same counterparty across different maturity bands. Derivative assets and derivative liabilities with the same counterparty in the same maturity band are net within the relevant maturity band. Cash collateral netting against net derivative assets in accordance with ASC 210-20 “Balance Sheet—Offsetting” and ASC 815 “Derivatives and Hedging” is also included.
- (2) “Other” comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.
- (3) Zero balances represent instances where total collateral received is in excess of the total fair value therefore Nomura’s credit exposure is zero.

Exposure to peripheral Eurozone and other selected countries

Geopolitical risk has remained a dominant theme affecting markets through the reporting period. The Russia and Ukraine crisis deepened during the year, Argentina defaulted and the reduction in crude oil prices has impacted oil exporters’ finances. Additionally, developments in Greece have revived concerns over Greece’s fiscal and economic sustainability, as well as its potential implications for the wider Eurozone.

Nomura manages country risk arising from inventory positions, trades with counterparties and any other businesses or products as part of its diversified portfolio. Nomura’s total current net exposure to Greece, Argentina, Russia and Ukraine as of March 31, 2015 was not material. Despite the improvement in the risk profile of a number of peripheral Eurozone countries, further stress in these countries, combined with a sustained market or economic downturn, could adversely affect Nomura’s financial position and performance. As of

March 31, 2015, Nomura's total current net exposure was ¥54 billion to Spain, ¥43 billion to Ireland, ¥1 billion to Portugal and consisted of OTC derivatives, lending, deposits and trading positions. The total current net exposure to Italy was not material.

Operational Risk Management

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

The Three Lines of Defence

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

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

Operational Risk Management Framework

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

This framework is set out below:

Infrastructure of the framework

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

Products and Services

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

Outputs

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

Regulatory capital calculation for operational risk

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

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

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

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

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

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

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

Model Risk Management

Model risk is the risk arising from model errors or incorrect or inappropriate model application, which can lead to financial loss, poor business and strategic decision-making, restatement of external and internal reports, regulatory penalties and damage to Nomura's reputation.

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

Model Management Framework

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

- valuation models, used for calculating prices and risk sensitivities of Nomura's positions; or,
- risk models, used by the Risk Management Division for quantifying the risk of a portfolio by calculating the potential losses incurred from a specific type of risk, and used for regulatory or economic capital calculations, limit monitoring, trade approval and management reporting.

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

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

Changes to valuation and risk models

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

Funding and Liquidity Risk Management

For further information on funding and liquidity risk management, see "*Liquidity and Capital Resources—Funding and Liquidity Management*" in this report.

Risk Measures and Controls

Limit Frameworks

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

New Business Risk Management

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

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

Stress Testing

Stress testing is a process of assessing the stability or business continuity of Nomura from the view point of capital adequacy, profit and loss impact or liquidity adequacy using plausible scenarios at various levels of the hierarchy from group level to division or desk levels, including those based on sensitivity analysis.

Nomura conducts a rigorous programme of stress testing through a comprehensive suite of top-down and bottom-up scenarios, covering different time horizons, severities, scope and methodologies and these are reviewed, run and presented on a regular basis to senior management, who can then take appropriate actions.

Stress testing is categorised either as sensitivity analysis, scenario analysis, groupwide stress testing or reverse stress testing.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors across all positions (e.g., equity prices or equity prices/equity volatility) using a variety of defined market shocks in order to assess specific risks or potential concentrations;
- Scenario analysis is used to quantify the impact of a specified event on Nomura's portfolio, combining simultaneous cross-asset market shocks;
- Groupwide stress testing is applied consistently across risk classes, such as market, credit, operational, business and liquidity risks. It is used to assess Nomura's capital adequacy under severe market scenarios; and
- Reverse stress testing is designed to identify a range of adverse circumstances which could cause Nomura's business plan to become unviable. Such tests would stress Nomura's exposures or business models in an "extreme" fashion until the point of capital failure, liquidity failure or business closure.

Stress tests are run on a regular basis as part of Nomura's routine risk management process and on an ad hoc basis in response to market events or concerns. Stress testing is regarded as an integral part of Nomura's risk management governance and is used as a tool for forward-looking risk management and decision-making.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees payable by ADR Holders

The following table shows the fees and charges that a holder of the Company's ADR may have to pay, either directly or indirectly:

Type of Services:	Amount of Fee (U.S. Dollars)
Taxes and other governmental charges	As applicable. The depositary may offset any taxes or governmental charges it is obligated to withhold, if applicable, against the proceeds from sale of the property received.
Transfers of the Company's shares to or from the name of the depositary (or its nominee) or the Custodian (or its nominee) in connection with deposits or withdrawals	Such registration fees as may be in effect for the registration of transfers of the Company's shares on the Company's share register (or any entity that presently carries out the duties of registrar).
Cable, telex and facsimile transmission expenses	As applicable.
Expenses incurred by the depositary in the conversion of foreign currency	As applicable.
Execution and delivery of Receipts in connection with deposits, stock splits or exercise of subscription rights	\$5.00 or less per 100 ADSs (or portion thereof).
Surrender of Receipts in connection with a withdrawal or termination of the Deposit Agreement	\$5.00 or less per 100 ADSs (or portion thereof).
Any cash distribution pursuant to the Deposit Agreement, including, but not limited to, cash distribution(s) made in connection with cash dividends; distributions in securities, property or subscription rights; and stock splits.	\$.02 or less per ADS (or portion thereof). Only the cash amounts net of this fee, if applicable, are distributed.
Distribution by the depositary of securities (other than common shares of the Company) that accrued on the underlying shares to owners of the Receipts	Treating for the purpose of this fee all such securities as if they were common shares of the Company, \$5.00 or less per 100 ADSs (or portion thereof).
General depositary services	\$.02 or less per ADS (or portion thereof), accruing on the last day of each calendar year, except where the fee for cash distribution described above was assessed during that calendar year.
Any other charge payable by the depositary, any of the depositary's agents, including the Custodian, or the agents of the depositary's agents in connection with the servicing of the Company's shares or other deposited securities	As applicable.

Fees paid to Nomura by the depositary

The Bank of New York Mellon, as depositary, has agreed to pay all its standard out-of-pocket administration and maintenance expenses for providing services to the registered shareholders and up to 100,000 non-registered shareholders of ADRs. From April 1, 2014 to March 31, 2015, the Bank of New York Mellon has waived a total of \$168,206.30 in fees (including \$37,778.53 in connection with the expenses related to the Annual General Meeting of Shareholders) associated with the administration of the ADR program and administrative fees for routine corporate actions and for providing investor relations information services.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures.

Our Disclosure Committee is responsible for the establishment and maintenance of our disclosure controls and procedures. As of March 31, 2015, an evaluation was carried out under the supervision and with the participation of our management, including our Group Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our Group Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2015, our disclosure controls and procedures were effective.

Management’s Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Our management, with the participation of our Group Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2015. Our independent registered public accounting firm, Ernst & Young ShinNihon LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page F-3 of this annual report.

Changes in Internal Control Over Financial Reporting.

Our management also carried out an evaluation, with the participation of our Group Chief Executive Officer and Chief Financial Officer, of changes in our internal control over financial reporting during the year ended March 31, 2015. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2015 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Company’s Board of Directors has determined that Tsuguoki Fujinuma, a member of the Audit Committee, is an “audit committee financial expert” as such term is defined by the General Instructions for Item 16A of Form 20-F. Additionally, Mr. Fujinuma meets the independence requirements applicable to him under Section 303A.06 of the NYSE Listed Company Manual. For a description of his business experience, see Item 6.A of this annual report.

Item 16B. Code of Ethics

On March 5, 2004, the Company adopted the “Code of Ethics of Nomura Group” which includes the “Code of Ethics for Financial Professionals” applicable to our financial professionals including the Company’s principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Item 16C. Principal Accountant Fees and Services

Ernst & Young ShinNihon LLC has been our principal accountant for the last thirteen fiscal years. The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountant in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit or review of our financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services provided for tax compliance, tax advice and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit-Related Fees and Tax Fees, such as advisory services concerning risk management and regulatory matters.

	Millions of yen	
	Year ended March 31	
	2014	2015
Audit Fees	¥3,349	¥3,344
Audit-Related Fees	49	167
Tax Fees	113	139
All Other Fees	522	605
Total	<u>¥4,033</u>	<u>¥4,255</u>

Audit-Related Fees included fees for consultations on accounting issues relating to our business. Tax Fees included fees for services relating to tax planning and compliance. All Other Fees included fees for services relating to advice with respect to regulations and disclosures under the Financial Instruments and Exchange Act in connection with our underwriting business.

In accordance with the regulations of the Securities and Exchange Commission issued pursuant to Sections 202 and 208 of the Sarbanes-Oxley Act of 2002, our Audit Committee has adopted a pre-approval policy regarding the engagements of our principal accountant. Under the pre-approval policy, there are two types of pre-approval procedures, “General Pre-Approval” and “Specific Pre-Approval.”

Under “General Pre-Approval,” our CFO in conjunction with our principal accountant must make a proposal to our Audit Committee for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such a proposal must be made at least annually. The Audit Committee will discuss the proposal and if necessary, consult with outside professionals as to whether the proposed services would impair the independence of our principal accountant. If such proposal is accepted, the Audit Committee will inform our CFO and principal accountant of the services that have been pre-approved and are included in a “General Pre-Approved List.” Our Audit Committee is informed of each such service that is provided.

Under “Specific Pre-Approval,” if any proposed services are not on the General Pre-Approved List, our CFO is required to submit an application to the Audit Committee for such services. After reviewing the details and estimated fee levels for each engagement and if necessary, consulting with outside professionals as to whether the proposed services would impair the independence of the principal accountant, the Audit Committee may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, our CFO is required to submit an application to the Audit Committee for new fee levels for such services. The Audit Committee may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

None of the services described in the first paragraph under this Item 16C were waived from the pre-approval requirement pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

The Company does not avail itself of any exemption from the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the year ended March 31, 2015, we acquired 34,295 shares of the Company's common stock by means of repurchase of shares constituting less than one unit upon the request of the holders of those shares and 155,198,700 shares under a share buyback program in accordance with Article 459-1 of the Companies Act. For an explanation of the right of our shareholders to demand such repurchases by us, see "Common Stock" under Item 10.B of this annual report. As of March 31, 2015, we had 3,598,865,213 outstanding shares of our common stock excluding 223,697,388 shares held as treasury stock.

The following table sets forth certain information with respect to our purchases of shares of our common stock during the year ended March 31, 2015.

Month	Total Number of Shares Purchased	Average Price Paid per Share (in yen)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2014	1,803	¥640	—	—
May 1 to 31, 2014	100,001,254	613 ⁽¹⁾	100,000,000 ⁽²⁾	—
June 1 to 30, 2014	3,290	705	—	—
July 1 to 31, 2014	4,086	688	—	—
August 1 to 31, 2014	2,822	651	—	—
September 1 to 30, 2014	2,747	680	—	—
October 1 to 31, 2014	2,645	617	—	—
November 1 to 30, 2014	2,736	716	—	—
December 1 to 31, 2014	6,530,631	714 ⁽¹⁾	6,526,300 ⁽³⁾	33,473,700
January 1 to 31, 2015	8,674,741	644 ⁽¹⁾	8,672,400 ⁽³⁾	24,801,300
February 1 to 28, 2015	35,668,435	659 ⁽¹⁾	35,665,300 ⁽⁴⁾	4,334,700
March 1 to 31, 2015	4,337,805	727 ⁽¹⁾	4,334,700 ⁽⁴⁾	—
Total	155,232,995	¥679 ⁽¹⁾	155,198,700	—

(1) Excludes common stock repurchased through publicly announced buyback programs during the year ended March 31, 2015.

(2) On April 30, 2014, a resolution of the Board of Directors authorized the Company to purchase up to 100,000,000 shares of our common stock or to a maximum of ¥70 billion during the period from May 19, 2014 through July 25, 2014.

(3) On October 28, 2014, a resolution of the Board of Directors authorized the Company to purchase up to 40,000,000 shares of our common stock or to a maximum of ¥28 billion during the period from November 13, 2014 through January 16, 2015.

(4) On January 29, 2015, a resolution of the Board of Directors authorized the Company to acquire up to 40,000,000 shares of our common stock or to a maximum of ¥30 billion during the period from February 16, 2015 through March 27, 2015.

Nomura recognizes the need to set out flexible financial strategies that allow the Board of Directors to respond quickly to any changes in the business environment and is looking into implementing further share buybacks. Details will be announced when finalized.

On May 19, 2015, we announced a resolution of the Board of Directors to establish a share buyback program in accordance with Article 459-1 of the Companies Act. The period of repurchase under the program is from May 20, 2015 to July 28, 2015, and we are authorized to purchase up to 25,000,000 shares of our common stock or to a maximum of ¥20,000,000,000. On May 29, 2015, we announced that the aggregate number of shares of common stock repurchased through this buyback program was 24,331,100 shares and the aggregate value repurchased was ¥ 19,976,847,950.

As of May 31, 2015, 3,591,344,038 shares of common stock were outstanding, excluding 231,218,563 shares held as treasury stock.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as the Company, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by the Company. The information set forth below is current as of the date of this annual report.

<u>Corporate Governance Practices Followed by NYSE-listed U.S. Companies</u>	<u>Corporate Governance Practices Followed by the Company</u>
A NYSE-listed U.S. company must have a majority of Directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.	Under the Companies Act, a company which adopts the Company with Three committees structure is not required to have a majority of outside directors, but is required to have a majority of outside directors on each of the audit, nomination and compensation committees. The Company currently has seven outside directors among its twelve Directors.
A NYSE-listed U.S. company must have an audit committee that satisfies the requirements under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.	The Company has an Audit Committee consisting of four Directors, three of whom are outside directors in compliance with the requirements under the Companies Act. All four Audit Committee members are independent directors under Rule 10A-3 under the U.S. Securities Exchange Act of 1934 with one member qualified as audit committee financial expert.
A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.	The Company has a Nomination Committee consisting of three Directors, two of whom are outside directors in compliance with the requirements under the Companies Act.

**Corporate Governance Practices Followed
by NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.

Item 16H. Mine Safety Disclosure

Not applicable.

Corporate Governance Practices Followed by the Company

The Company has a Compensation Committee consisting of three Directors, two of whom are outside directors in compliance with the requirements under the Companies Act.

Under the Companies Act, stock options are deemed to be compensation for the services performed by the Company's Directors and Executive Officers and do not require shareholders' approval. The Compensation Committee establishes the policy with respect to the determination of the individual compensation of each of the Company's Directors and Executive Officers (including stock options in the form of stock acquisition rights as equity compensation) and makes determinations in accordance with that compensation policy.

Under the Companies Act, the Company is not required to hold such executive sessions for its outside directors.

PART III

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18 of this annual report.

Item 18. Financial Statements

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

Item 19. Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation)
1.3	Regulations of the Board of Directors of the registrant (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.4	Regulations of the Nomination Committee (English translation) (filed on June 30, 2009 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee (English translation) (filed on June 30, 2009 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.6	Regulations of the Compensation Committee (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among the registrant, The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
4.1	Limitation of Liability Agreement (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽¹⁾
4.2	Limitation of Liability Agreement (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽²⁾
4.3	Limitation of Liability Agreement (English translation) ⁽³⁾
4.4	Limitation of Liability Agreement ⁽⁴⁾
8.1	Subsidiaries of the registrant—See “Item 4.C. Information on the Company—Organizational Structure.”
11.1	Code of Ethics of Nomura Group (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) The Company and each of Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma and Toshinori Kanemoto entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

(2) The Company and each of Dame Clara Furse and Michael Lim Choo San entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

(3) The Company and each of Hiroshi Kimura and Hiroyuki Suzuki entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

(4) The Company and David Benson entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% or our total assets. We will furnish a copy of any such instrument to the SEC upon request.

NOMURA HOLDINGS, INC.
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Nomura Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the “Company”) as of March 31, 2014 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. at March 31, 2014 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nomura Holdings, Inc.’s internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 25, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Nomura Holdings, Inc.

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Nomura Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nomura Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nomura Holdings, Inc. as of March 31, 2014 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2015 and our report dated June 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 25, 2015

NOMURA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	Millions of yen	
	March 31	
	2014	2015
ASSETS		
Cash and cash deposits:		
Cash and cash equivalents	¥ 1,489,792	¥ 1,315,408
Time deposits	363,682	328,151
Deposits with stock exchanges and other segregated cash	335,836	453,037
Total cash and cash deposits	<u>2,189,310</u>	<u>2,096,596</u>
Loans and receivables:		
Loans receivable (including ¥303,956 million and ¥317,218 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	1,327,875	1,461,075
Receivables from customers (including ¥2,180 million and ¥1,803 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	64,070	187,026
Receivables from other than customers	1,181,742	1,303,576
Allowance for doubtful accounts	(3,009)	(3,253)
Total loans and receivables	<u>2,570,678</u>	<u>2,948,424</u>
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥1,087,138 million and ¥1,529,451 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	9,617,675	8,481,474
Securities borrowed	7,729,326	8,238,046
Total collateralized agreements	<u>17,347,001</u>	<u>16,719,520</u>
Trading assets and private equity investments:		
Trading assets (including securities pledged as collateral of ¥9,266,192 million and ¥8,114,490 million in 2014 and 2015, respectively; including ¥9,156 million and ¥8,133 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	18,672,318	17,260,121
Private equity investments (including ¥3,476 million and ¥6,539 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	41,996	48,727
Total trading assets and private equity investments	<u>18,714,314</u>	<u>17,308,848</u>
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥350,820 million and ¥383,992 million in 2014 and 2015, respectively)	408,917	401,069
Non-trading debt securities	1,023,746	948,180
Investments in equity securities	136,740	159,755
Investments in and advances to affiliated companies	345,434	378,278
Other (including ¥56,976 million and ¥90,984 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	784,174	822,566
Total other assets	<u>2,699,011</u>	<u>2,709,848</u>
Total assets	<u>¥43,520,314</u>	<u>¥41,783,236</u>

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

NOMURA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS—(Continued)

	Millions of yen	
	March 31	
	2014	2015
LIABILITIES AND EQUITY		
Short-term borrowings (including ¥49,279 million and ¥189,018 million measured at fair value by applying the fair value option in 2014 and 2015, respectively) . . .	¥ 602,131	¥ 662,256
Payables and deposits:		
Payables to customers	492,516	723,839
Payables to other than customers	1,230,176	1,454,361
Deposits received at banks	1,114,181	1,220,400
Total payables and deposits	<u>2,836,873</u>	<u>3,398,600</u>
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥530,397 million and ¥982,567 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	13,937,690	12,217,144
Securities loaned	2,359,809	2,494,036
Other secured borrowings	814,500	668,623
Total collateralized financing	<u>17,111,999</u>	<u>15,379,803</u>
Trading liabilities	11,047,285	10,044,236
Other liabilities (including ¥1,123 million and ¥15,786 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	1,141,750	1,217,099
Long-term borrowings (including ¥1,984,986 million and ¥2,578,489 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	8,227,063	8,336,296
Total liabilities	<u>40,967,101</u>	<u>39,038,290</u>
Commitments and contingencies (Note 20)		
Equity:		
Nomura Holdings, Inc. (“NHI”) shareholders’ equity:		
Common stock		
No par value shares;		
Authorized—6,000,000,000 shares in 2014 and 2015		
Issued—3,822,562,601 shares in 2014 and 2015		
Outstanding—3,717,630,462 shares in 2014 and 3,598,865,213 shares in 2015	594,493	594,493
Additional paid-in capital	683,638	683,407
Retained earnings	1,287,003	1,437,940
Accumulated other comprehensive income (loss)	20,636	143,739
Total NHI shareholder’s equity before treasury stock	<u>2,585,770</u>	<u>2,859,579</u>
Common stock held in treasury, at cost—104,932,139 shares in 2014 and 223,697,388 shares in 2015	(72,090)	(151,805)
Total NHI shareholders’ equity	<u>2,513,680</u>	<u>2,707,774</u>
Noncontrolling interests	39,533	37,172
Total equity	<u>2,553,213</u>	<u>2,744,946</u>
Total liabilities and equity	<u>¥43,520,314</u>	<u>¥41,783,236</u>

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

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

	Billions of yen	
	March 31	
	2014	2015
Cash and cash deposits	¥ 18	¥ 9
Trading assets and private equity investments	751	1,008
Other assets	114	40
Total assets	<u>¥883</u>	<u>¥1,057</u>
Trading liabilities	¥ 42	¥ 12
Other liabilities	27	3
Borrowings	424	750
Total liabilities	<u>¥493</u>	<u>¥ 765</u>

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Revenue:			
Commissions	¥ 358,210	¥ 473,121	¥ 453,401
Fees from investment banking	62,353	91,301	95,083
Asset management and portfolio service fees	141,888	168,683	203,387
Net gain on trading	367,979	476,356	531,337
Gain on private equity investments	8,053	11,392	5,502
Interest and dividends	394,007	416,350	436,766
Gain on investments in equity securities	38,686	15,156	29,410
Other	708,767	179,485	175,702
Total revenue	2,079,943	1,831,844	1,930,588
Interest expense	266,312	274,774	326,412
Net revenue	1,813,631	1,557,070	1,604,176
Non-interest expenses:			
Compensation and benefits	547,591	570,058	596,593
Commissions and floor brokerage	91,388	111,849	129,977
Information processing and communications	179,904	192,168	192,300
Occupancy and related depreciation	91,545	80,142	76,112
Business development expenses	49,010	38,485	35,230
Other	616,463	202,754	227,205
Total non-interest expenses	1,575,901	1,195,456	1,257,417
Income before income taxes	237,730	361,614	346,759
Income tax expense	132,039	145,165	120,780
Net income	¥ 105,691	¥ 216,449	¥ 225,979
Less: Net income (loss) attributable to noncontrolling interests	(1,543)	2,858	1,194
Net income attributable to NHI shareholders	¥ 107,234	¥ 213,591	¥ 224,785
	Yen		
Per share of common stock:			
Basic—			
Net income attributable to NHI shareholders per share	¥ 29.04	¥ 57.57	¥ 61.66
Diluted—			
Net income attributable to NHI shareholders per share	¥ 28.37	¥ 55.81	¥ 60.03

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Net income	¥105,691	¥216,449	¥225,979
Other comprehensive income:			
Change in cumulative translation adjustments, net of tax	74,301	68,090	110,487
Defined benefit pension plans:			
Pension liability adjustment	8,702	15,093	5,259
Deferred income taxes	(3,007)	(5,384)	(1,854)
Total	5,695	9,709	3,405
Non-trading securities:			
Net unrealized gain on non-trading securities	17,283	3,358	27,643
Deferred income taxes	(4,650)	(1,109)	(8,681)
Total	12,633	2,249	18,962
Total other comprehensive income	92,629	80,048	132,854
Comprehensive income	198,320	296,497	358,833
Less: Comprehensive income attributable to noncontrolling interests	3,332	4,875	10,945
Comprehensive income attributable to NHI shareholders	¥194,988	¥291,622	¥347,888

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Common stock			
Balance at beginning of year	¥ 594,493	¥ 594,493	¥ 594,493
Balance at end of year	<u>594,493</u>	<u>594,493</u>	<u>594,493</u>
Additional paid-in capital			
Balance at beginning of year	698,771	691,264	683,638
Gain (loss) on sales of treasury stock	(1,798)	(7,647)	(2,417)
Issuance and exercise of common stock options	(5,700)	(210)	2,186
Purchase / sale of subsidiary shares, net	(9)	231	—
Balance at end of year	<u>691,264</u>	<u>683,638</u>	<u>683,407</u>
Retained earnings			
Balance at beginning of year	1,058,945	1,136,523	1,287,003
Net income attributable to NHI shareholders	107,234	213,591	224,785
Cash dividends	(29,656)	(63,111)	(68,627)
Gain (loss) on sales of treasury stock	—	—	(5,221)
Balance at end of year	<u>1,136,523</u>	<u>1,287,003</u>	<u>1,437,940</u>
Accumulated other comprehensive income (loss)			
Cumulative translation adjustments			
Balance at beginning of year	(110,652)	(38,875)	27,704
Net change during the year	71,777	66,579	105,667
Balance at end of year	<u>(38,875)</u>	<u>27,704</u>	<u>133,371</u>
Defined benefit pension plans			
Balance at beginning of year	(35,132)	(28,518)	(18,809)
Pension liability adjustment	6,614	9,709	3,405
Balance at end of year	<u>(28,518)</u>	<u>(18,809)</u>	<u>(15,404)</u>
Non-trading securities			
Balance at beginning of year	635	9,998	11,741
Net unrealized gain on non-trading securities	9,363	1,743	14,031
Balance at end of year	<u>9,998</u>	<u>11,741</u>	<u>25,772</u>
Balance at end of year	<u>(57,395)</u>	<u>20,636</u>	<u>143,739</u>

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Common stock held in treasury			
Balance at beginning of year	(99,819)	(70,514)	(72,090)
Repurchases of common stock	(7)	(32,511)	(104,047)
Sales of common stock	1	9	3
Common stock issued to employees	29,507	30,127	24,226
Other net change in treasury stock	(196)	799	103
Balance at end of year	<u>(70,514)</u>	<u>(72,090)</u>	<u>(151,805)</u>
Total NHI shareholders' equity			
Balance at end of year	<u>2,294,371</u>	<u>2,513,680</u>	<u>2,707,774</u>
Noncontrolling interests			
Balance at beginning of year	281,896	24,612	39,533
Cash dividends	(3,422)	(40)	(39)
Net income (loss) attributable to noncontrolling interests	(1,543)	2,858	1,194
Accumulated other comprehensive income (loss) attributable to noncontrolling interests			
Cumulative translation adjustments	2,524	1,511	4,820
Pension liability adjustment	(919)	—	—
Net unrealized gain on non-trading securities	3,270	506	4,931
Purchase / sale of subsidiary shares, net	(247,782)	341	4,889
Other net change in noncontrolling interests	(9,412)	9,745	(18,156)
Balance at end of year	<u>24,612</u>	<u>39,533</u>	<u>37,172</u>
Total equity			
Balance at end of year	<u>¥2,318,983</u>	<u>¥2,553,213</u>	<u>¥2,744,946</u>

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Cash flows from operating activities:			
Net income	¥ 105,691	¥ 216,449	¥ 225,979
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	91,493	79,468	78,882
Stock option expenses	21,955	21,091	19,364
Gain on investments in equity securities	(38,686)	(15,156)	(29,410)
Equity in earnings of affiliates, net of dividends received	(13,003)	(29,499)	(34,772)
Loss on disposal of office buildings, land, equipment and facilities	17,641	8,360	9,690
Deferred income taxes	53,957	117,061	26,489
Changes in operating assets and liabilities:			
Time deposits	137,526	274,593	38,341
Deposits with stock exchanges and other segregated cash	(9,461)	(42,403)	(66,122)
Trading assets and private equity investments	(1,448,489)	(485,673)	2,917,895
Trading liabilities	248,019	2,007,807	(1,731,133)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,375,929	(183,884)	(1,251,323)
Securities borrowed, net of securities loaned	863,511	(1,604,469)	(221,295)
Other secured borrowings	(84,444)	7,992	(145,877)
Loans and receivables, net of allowance for doubtful accounts	(238,318)	217,397	(92,713)
Payables	(305,672)	278,325	236,029
Bonus accrual	31,415	16,356	(3,659)
Accrued income taxes, net	50,019	(87,933)	59,931
Other, net	(309,582)	(338,456)	(113,324)
Net cash provided by (used in) operating activities	549,501	457,426	(77,028)
Cash flows from investing activities:			
Payments for purchases of office buildings, land, equipment and facilities	(271,975)	(214,336)	(209,468)
Proceeds from sales of office buildings, land, equipment and facilities	147,653	176,680	159,480
Payments for purchases of investments in equity securities	(319)	(4,799)	(354)
Proceeds from sales of investments in equity securities	3,741	6,945	6,977
Decrease (increase) in loans receivable at banks, net	22,189	(10,972)	(49,192)
Decrease (increase) in non-trading debt securities, net	(54,237)	(103,187)	109,761
Business combinations or disposals, net	(5,919)	—	(7,308)
Decrease (increase) in investments in affiliated companies, net	(1,391)	43,298	2,212
Other, net	(228)	3,176	229
Net cash provided by (used in) investing activities	(160,486)	(103,195)	12,337
Cash flows from financing activities:			
Increase in long-term borrowings	1,930,357	2,140,351	2,974,115
Decrease in long-term borrowings	(2,330,509)	(1,594,148)	(3,167,956)
Increase (decrease) in short-term borrowings, net	(416,174)	(149,437)	34,041
Increase (decrease) in deposits received at banks, net	129,384	(23,605)	140,571
Proceeds from sales of common stock held in treasury	56	682	387
Payments for repurchases of common stock held in treasury	(7)	(32,511)	(104,047)
Payments for cash dividends	(14,730)	(51,947)	(55,317)
Net cash provided by (used in) financing activities	(701,623)	289,385	(178,206)
Effect of exchange rate changes on cash and cash equivalents	47,175	41,089	68,513
Net increase (decrease) in cash and cash equivalents	(265,433)	684,705	(174,384)
Cash and cash equivalents at beginning of the year	1,070,520	805,087	1,489,792
Cash and cash equivalents at end of the year	¥ 805,087	¥ 1,489,792	¥ 1,315,408
Supplemental information:			
Cash paid during the year for—			
Interest	¥ 296,643	¥ 303,331	¥ 364,392
Income tax payments, net	¥ 28,063	¥ 116,037	¥ 34,359

Non cash activities—

Business acquisitions:

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

Business dispositions:

Assets sold, excluding cash and cash equivalents, and debt assumed by the purchaser were ¥1,488,853 million and ¥1,166,556 million, respectively, for the year ended March 31, 2013.

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

NOMURA HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies:

Description of business—

Nomura Holdings, Inc. (“Company”) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government clients on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as “Nomura” within these consolidated financial statements.

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

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

Basis of presentation—

The accounting and financial reporting policies of the Nomura conform to accounting principles generally accepted in the United States (“U.S. GAAP”) as applicable to broker-dealers.

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

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

Use of estimates—

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

Fair value of financial instruments—

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

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

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

Transfers of financial assets—

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

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

Foreign currency translation—

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

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

Fee revenue—

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

Trading assets and trading liabilities—

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

Collateralized agreements and collateralized financing—

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

Reverse repurchase and repurchase agreements principally involve the buying or selling of securities under agreements with clients to resell or repurchase these securities to or from those clients, respectively. These

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

transactions are generally accounted for as collateralized agreements or collateralized financing transactions and are recognized in the consolidated balance sheets at the amount for which the securities were originally acquired or sold. Certain reverse repurchase and repurchase agreements are carried at fair value through election of the fair value option. No allowance for credit losses is generally recognized against reverse repurchase agreements due to the strict collateralization requirements.

Repurchase agreements where the maturity of the security transferred as collateral matches the maturity of the repurchase agreement (“repurchase-to-maturity transactions”), which were previously accounted for as sales where the criteria for derecognition of the securities transferred under ASC 860 “*Transfers and Servicing*” (“ASC 860”) are met, are now also accounted for as secured borrowing transactions following adoption of ASU 2014-11 “*Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*” (“ASU 2014-11”) from January 1, 2015. See “*New accounting pronouncements recently adopted*” below for further information regarding the adoption of ASU 2014-11. There were no securities derecognized from the consolidated balance sheet under repurchase-to-maturity transactions as of March 31, 2014.

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

See Note 4 “*Collateralized transactions*” for further information.

Derivatives—

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

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

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

Trading

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

Non-trading

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

Loans receivable—

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

Loans receivable carried at fair value

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

Loans receivable carried at amortized cost

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

Loan origination fees, net of direct origination costs, are amortized to *Revenue—Interest and dividends* as an adjustment to yield over the life of the loan. Net unamortized deferred fees and costs were ¥808 million and ¥536 million as of March 31, 2014 and March 31, 2015, respectively.

See Note 7 “*Financing receivables*” for further information.

Other receivables—

Receivables from customers include amounts receivable on client securities transactions and *Receivables from other than customers* include amounts receivable for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, receivables for commissions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥349,573 million and ¥315,708 million as of March 31, 2014 and March 31, 2015, respectively.

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Loan commitments—

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

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

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

Payables and deposits—

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

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

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

Office buildings, land, equipment and facilities—

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

The following table presents a breakdown of *Office buildings, land, equipment and facilities* as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Land	¥ 94,991	¥ 91,055
Office buildings	109,052	105,043
Equipment and facilities	48,101	46,186
Software	156,717	158,348
Construction in progress	56	437
Total	¥408,917	¥401,069

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

Depreciation and amortization charges of both owned and capital lease assets are reported within *Non-interest expenses—Information processing and communications* in the amount of ¥55,992 million, ¥57,173 million, ¥59,153 million, and in *Non-interest expenses—Occupancy and related depreciation* in the amount of ¥35,501 million, and ¥22,295 million, and ¥19,729 million for the years ended March 31, 2013, 2014 and 2015, respectively.

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

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

Nomura recognized impairment charges of ¥5,455 million and ¥1,246 million primarily related to write-downs of software, office buildings, land, equipment, facilities, and other assets for the years ended March 31, 2013 and 2014, respectively. The amount of impairment charges for the year ended March 31, 2015 was not significant. These losses are reported in the consolidated statements of income within *Non-interest expenses—Other* and within *Other* in Nomura’s segment reporting. The revised carrying values of these assets were based on the estimated fair value of the assets.

Investments in equity securities—

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets—Investments in equity securities* in the consolidated balance sheets, with changes in fair value reported within *Revenue—Gain on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥98,736 million and ¥38,004 million, respectively, as of March 31, 2014 and ¥121,901 million and ¥37,854 million, respectively, as of March 31, 2015.

Other non-trading debt and equity securities—

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

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

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

Short-term and long-term borrowings—

Short-term borrowings are defined as borrowings which are due on demand, which have a contractual maturity of one year or less at issuance date, or which have a longer contractual maturity but which contain features outside of Nomura's control that allows the investor to demand redemption within one year from original issuance date. Short-term and long-term borrowings primarily consist of commercial paper, bank borrowings, and certain structured notes issued by Nomura and SPEs consolidated by Nomura, and financial liabilities recognized in transfers of financial assets which are accounted for as financings rather than sales under

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

ASC 860 (“secured financing transactions”). Of these financial liabilities, certain structured notes and secured financing transactions are accounted for at fair value on a recurring basis through election of the fair value option. Other short and long-term borrowings are carried at amortized cost.

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

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

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

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

See Note 10 “*Borrowings*” for further information.

Income taxes—

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

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

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

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

See Note 15 “*Income taxes*” for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Stock-based and other compensation awards—

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

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

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

Multi-year Performance Deferral (“MYPD”) awards which contain performance conditions and are expected to result in the issuance of SARs or NSUs are classified as equity or liability awards, respectively.

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

Certain new deferred awards granted since May 2013 include “Full Career Retirement” provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for Full Career Retirement.

See Note 13 “*Deferred compensation plans*” for further information.

Earnings per share—

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

See Note 11 “*Earnings per share*” for further information.

Cash and cash equivalents—

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill and intangible assets—

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

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

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

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

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

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

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

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restructuring costs—

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

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

Employee benefit plans—

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

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

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

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

New accounting pronouncements adopted during the current year—

The following new accounting pronouncements relevant to Nomura have been adopted during the year ended March 31, 2015:

Release of cumulative translation adjustment amounts

In March 2013, the FASB issued amendments changes to ASC 810-10 "*Consolidation—Overall*" ("ASC 810-10") and ASC 830-30 "*Foreign Currency Matters—Translation of Financial Statements*" ("ASC 830-30") through issuance of ASU 2013-05 "*Parent's Accounting for the Cumulative Translation Adjustment upon*

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Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (“ASU 2013-05”). The amendments resolve diversity in practice about whether guidance in ASC 810-10 or ASC 830-30 applies to the release of cumulative translation adjustment amounts into earnings when a parent sells part or all of its investment in a foreign entity (or no longer holds a controlling financial interest in a subsidiary).

ASU 2013-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption permitted.

Nomura adopted ASU 2013-05 from April 1, 2014 and these amendments have not had a material impact on these consolidated financial statements.

Investment companies

In June 2013, the FASB issued amendments to ASC 946 through issuance of ASU 2013-08 “*Amendments to the Scope, Measurement, and Disclosure Requirements*” (“ASU 2013-08”). ASU 2013-08 modifies the guidance under ASC 946 for determining whether an entity is an investment company, which is an entity that is required to measure its investments at fair value, including controlling financial interests in investees that are not investment companies. ASU 2013-08 also requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting, and introduces certain new disclosure requirements, including information about financial support provided, or contractually required to be provided, by an investment company to any of its investees.

ASU 2013-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption prohibited.

Nomura adopted ASU 2013-08 from April 1, 2014 and these amendments have not had a material impact on these consolidated financial statements.

Income taxes

In July 2013, the FASB issued amendments to ASC 740 “*Income Taxes*” through issuance of ASU 2013-11 “*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*” (“ASU 2013-11”). ASU 2013-11 reduces diversity in how unrecognized tax benefits are presented when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists by generally requiring an unrecognized tax benefit to be presented as a reduction of a deferred tax asset, unless these tax attributes are not available under relevant tax law to settle additional income taxes that would result from the disallowance of a tax position.

ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013, with early adoption permitted.

Nomura adopted ASU 2013-11 from April 1, 2014 and these amendments have not had a material impact on these consolidated financial statements.

Repurchase agreements and similar transactions

In June 2014, the FASB issued amendments to ASC 860 through issuance of ASU 2014-11 “*Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*”. These amendments change the accounting for

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

repurchase-to-maturity transactions which are repurchase agreements where the maturity of the financial assets transferred as collateral matches the maturity of the repurchase agreement. Under ASU 2014-11, all repurchase-to-maturity transactions are now accounted for as secured borrowing transactions in the same way as most other repurchase agreements rather than as a sale of the transferred financial assets and a separate forward commitment to repurchase the financial assets. The amendments also change the accounting for repurchase financing arrangements which are transactions involving the transfer of financial assets to a counterparty executed contemporaneously with a reverse repurchase agreement with the same counterparty. Under ASU 2014-11, all repurchase financings are now accounted for separately, which result in secured lending accounting for the reverse repurchase agreement.

ASU 2014-11 also amends ASC 860 by introducing new disclosure requirements regarding the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings and nature of underlying financial assets transferred, as well as new disclosure requirements regarding certain other transactions which involve the transfer of financial assets accounted for as sales and where Nomura, as transferor, retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction through an agreement entered into in contemplation of the original transfer.

The amendments to the accounting treatment of repurchase-to-maturity transactions and repurchase financing arrangements are effective for interim or annual periods beginning after December 15, 2014 with early adoption prohibited. As of adoption date, the accounting for all outstanding repurchase-to-maturity transactions and repurchase financing arrangements is adjusted by means of a cumulative-effect adjustment to the balance sheet and retained earnings.

Nomura adopted these accounting amendments from January 1, 2015 and these amendments have not had a material impact on these consolidated financial statements.

The new disclosure requirements regarding transfers of financial assets which are accounted for as sales and where the transferor retains substantially all of the exposure of the transferred financial assets are effective for interim or annual periods beginning after December 15, 2014.

Nomura adopted these disclosure requirements from January 1, 2015. Because these amendments only enhance disclosures around the nature of these transactions rather than change the accounting treatment, they have not had a material impact on these consolidated financial statements. See Note 3 “*Derivative instruments and hedging activities*” where these new disclosures have been provided.

The new disclosure requirements regarding the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings and nature of underlying financial assets transferred, are effective for annual periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015.

Nomura will adopt these disclosure requirements from April 1, 2015 and initially make these disclosures in its interim consolidated financial statements for the quarter ended June 30, 2015. Because these amendments only enhance disclosures around the nature of these transactions rather than change the accounting for repurchase agreements and securities lending transactions, Nomura does not expect these disclosures to have a material impact on these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future accounting developments—

The following new accounting pronouncements relevant to Nomura will be adopted in future periods:

Foreclosed mortgage loans

In January 2014, the FASB issued amendments to ASC 310-40 “*Receivables – Troubled Debt Restructurings by Creditors*” (“ASC 310-40”) through issuance of ASU 2014-04 “*Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*” (“ASU 2014-04”). ASU 2014-04 expands ASC 310-40 to provide guidance on when an in substance repossession or foreclosure occurs, when a creditor is considered to have received physical possession of a residential real estate property collateralizing a consumer mortgage loan and introduces new disclosure requirements regarding foreclosed residential real estate property held by the creditor and consumer mortgage loans currently in foreclosure proceedings.

ASU 2014-04 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 with early adoption permitted.

Nomura will adopt ASU 2014-04 from April 1, 2015 and does not expect these amendments to have a material impact on these consolidated financial statements.

Foreclosed government-guaranteed mortgage loans

In August 2014, the FASB issued amendments to ASC 310-40 through issuance of ASU 2014-14 “*Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*” (“ASU 2014-14”). ASU 2014-14 expands ASC 310-40 to provide guidance on when a creditor should recognize a separate receivable instead of real estate upon foreclosure of a government-guaranteed mortgage loan.

ASU 2014-14 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 with early adoption permitted and may be adopted using either a modified retrospective approach or prospectively.

Nomura will adopt ASU 2014-14 from April 1, 2015 and does not expect these amendments to have a material impact on these consolidated financial statements.

Reporting discontinued operations

In April 2014, the FASB issued amendments to ASC 205 “*Presentation of Financial Statements*” and ASC 360 “*Property, Plant and Equipment*” (“ASC 360”) through issuance of ASU 2014-08, “*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*” (“ASU 2014-08”). ASU 2014-08 changes the criteria for discontinued operations reporting with the intention of less disposals qualifying and also introduces new presentation and disclosure requirements.

ASU 2014-08 is effective prospectively for all disposals or expected disposals classified as held for sale that occur within annual periods beginning on or after December 15, 2014 and interim periods within those years. Early adoption is permitted, but only for disposals or expected disposals classified as held for sale that have not been reported in financial statements previously issued or available for issue.

Nomura will adopt ASU 2014-08 from April 1, 2015 and does not expect these amendments to have a material impact on these consolidated financial statements.

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Revenue recognition

In May 2014, the FASB issued ASC 606 “*Revenue from Contracts with Customers*” as well as amendments to other pronouncements, including ASC 350 “*Intangibles—Goodwill and Other*”, ASC 360, and ASC 605-35 “*Revenue Recognition—Construction-Type and Production-Type Contracts*” through issuance of ASU 2014-09 “*Revenue from Contracts with Customers*” (“ASU 2014-09”). ASU 2014-09 replaces existing revenue recognition guidance in ASC 605 “*Revenue Recognition*” and certain other industry-specific revenue recognition guidance, and specifies the accounting for certain costs to obtain or fulfill a contract with a customer and provides recognition and measurement guidance in relation to sales of non-financial assets. The core principle of ASU 2014-09 is to account for the transfer of goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides guidance on how to achieve this core principle, including how to identify contracts with customers and separate performance obligations in the contract, how to determine and allocate the transaction price to such performance obligations and how to recognize revenue when a performance obligation has been satisfied.

ASU 2014-09 is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2016. However, in April 2015, the FASB proposed to defer the effective date to annual reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods and interim periods within those reporting periods beginning after December 15, 2016. Assuming the proposal to defer is adopted by the FASB, Nomura expects to adopt ASU 2014-09 from April 1, 2018 and is currently evaluating the potential impact it may have on these consolidated financial statements.

Stock compensation

In June 2014, the FASB issued amendments to ASC 718 “*Compensation—Stock Compensation*” (“ASC 718”) through issuance of ASU 2014-12 “*Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*” (“ASU 2014-12”). ASU 2014-12 requires a performance target that affects vesting and that could be achieved after the requisite service period be accounted for as a performance condition based on the existing guidance in ASC 718 rather than as a nonvesting condition that affects the grant-date fair value of the award.

ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted. ASU 2014-12 may be applied either by prospectively or retrospectively.

Nomura currently plans to adopt ASU 2014-12 from April 1, 2016 and does not expect these amendments to have a material impact on these consolidated financial statements.

Collateralized financing entities

In August 2014, the FASB issued amendments to ASC 810 through issuance of ASU 2014-13 “*Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*” (“ASU 2014-13”) which provides an alternative to ASC 820 for measuring the fair value of financial assets and the financial liabilities of a consolidated variable interest entity which meet the definition of a collateralized financing entity.

When the measurement alternative of ASU 2014-13 is elected, both the financial assets and financial liabilities of a consolidated collateralized financing entity are measured using whichever fair value measurement is more observable, in order to eliminate differences that may arise when the fair value of financial assets and financial liabilities is determined separately.

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ASU 2014-13 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted.

Nomura currently plans to adopt ASU 2014-13 from April 1, 2016 and is currently evaluating the potential impact these amendments may have on these consolidated financial statements.

Consolidation

In February 2015, the FASB issued amendments to ASC 810 through issuance of ASU 2015-02 “*Amendments to the Consolidation Analysis*” (“ASU 2015-02”) which aims to simplify the existing complex guidance within ASC 810 for determining whether certain legal entities such as limited partnerships and similar entities should be consolidated. In particular, ASU 2015-02:

- Rescinds the indefinite deferral of FASB Statement No. 167 “*Amendments to FASB Interpretation No. 46(R)*” introduced by ASU 2010-10 “*Amendments for Certain Investment Funds*” applied to certain investment companies, money market funds, qualifying real estate funds and similar entities;
- Provides an exception from consolidation for certain registered money market funds and similar entities;
- Modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities under ASC 810;
- Modifies how fee arrangements and related party relationships should be considered in determining whether a variable interest entity should be consolidated; and
- Introduces new disclosure requirements regarding financial support arrangements with certain registered money market funds and similar entities to which the exception from consolidation has been applied.

ASU 2015-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted, including adoption in an interim period.

Nomura currently plans to adopt ASU 2015-02 from April 1, 2016 and is currently evaluating the potential impact these amendments may have on these consolidated financial statements.

Presentation of debt issuance costs

In April 2015, the FASB issued amendments to ASC 835-30 “*Interest-Imputation of Interest*” (“ASC 835-30”) through issuance of ASU 2015-03 “*Simplifying the Presentation of Debt Issuance Costs*” (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability, which are currently presented as a separate asset under ASC 835-30, be presented as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

ASU 2015-03 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015 with early adoption permitted.

Nomura currently plans to adopt ASU 2015-03 from April 1, 2016 and does not expect these amendments to have a material impact on these consolidated financial statements.

Customers’ accounting for fees paid in a cloud computing arrangement

In April 2015, the FASB issued amendments to ASC 350-40 “*Intangibles—Goodwill and Other—Internal-Use Software*” through issuance of ASU 2015-05 “*Customer’s Accounting for Fees Paid in a Cloud Computing*

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Arrangement” (“ASU 2015-05”). ASU 2015-05 provides guidance on determining whether cloud computing arrangements, namely where software, platforms, infrastructure or similar hosting arrangements are provided by a third party, contain a software license that should be accounted for in the same way as the acquisition of other software licenses.

ASU 2015-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with early adoption permitted.

Nomura currently plans to adopt ASU 2015-05 from April 1, 2016 and does not expect these amendments to have a material impact on these consolidated financial statements.

Disclosures for investments in certain entities that calculate net asset value per share (or its equivalent)

In May 2015, the FASB issued amendments to ASC 820 through issuance of ASU 2015-07 “*Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*” (“ASU 2015-07”). ASU 2015-07 removes the requirement to report the fair value of investments for which fair value is estimated using net asset value as a practical expedient within the fair value hierarchy and also revises certain other disclosure requirements for these types of investment.

ASU 2015-07 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with early adoption permitted.

Nomura currently plans to adopt ASU 2015-07 from April 1, 2016. Because these amendments only remove certain disclosure requirements around investments which are measured at fair value using net asset value as a practical expedient, rather than change when such practical expedient can be used, Nomura does not expect these amendments to have a material impact on these consolidated financial statements.

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2. Fair value measurements:

The fair value of financial instruments

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The level of adjustments is largely judgmental and is based on an assessment of the factors that management believe other market participants would use in determining the fair value of similar financial instruments. The type of adjustments taken, the methodology for the calculation of these adjustments, and the inputs for these calculations are reassessed periodically to reflect current market practice and the availability of new information.

For example, the fair value of certain financial instruments includes adjustments for credit risk; both with regards to counterparty credit risk on positions held and Nomura's own creditworthiness on positions issued. Credit risk on financial assets is significantly mitigated by credit enhancements such as collateral and netting arrangements. Any net credit exposure is measured using available and applicable inputs for the relevant counterparty. The same approach is used to measure the credit exposure on Nomura's financial liabilities as is used to measure counterparty credit risk on Nomura's financial assets.

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The Global Model Validation Group ("MVG") within Nomura's Risk Management Department reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about a model's suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

As explained above, any changes in fixed income, equity, foreign exchange and commodity markets can impact Nomura's estimates of fair value in the future, potentially affecting trading gains and losses. Where financial contracts have longer maturity dates, Nomura's estimates of fair value may involve greater subjectivity due to the lack of transparent market data.

Fair value hierarchy

All financial instruments measured at fair value, including those carried at fair value using the fair value option, have been categorized into a three-level hierarchy ("fair value hierarchy") based on the transparency of valuation inputs used by Nomura to estimate fair value. A financial instrument is classified in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the financial instrument. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the most transparent inputs and Level 3 representing the least transparent inputs:

Level 1:

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Level 2:

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

Level 3:

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the amounts of Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2014 and 2015 within the fair value hierarchy.

	Billions of yen				
	March 31, 2014				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2014
Assets:					
Trading assets and private equity investments ⁽²⁾					
Equities ⁽³⁾	¥ 2,176	¥ 655	¥ 68	¥ —	¥ 2,899
Private equity investments ⁽³⁾	—	—	42	—	42
Japanese government securities	2,587	—	—	—	2,587
Japanese agency and municipal securities	—	192	—	—	192
Foreign government, agency and municipal securities	4,615	1,378	26	—	6,019
Bank and corporate debt securities and loans for trading purposes	—	1,735	116	—	1,851
Commercial mortgage-backed securities ("CMBS")	—	156	3	—	159
Residential mortgage-backed securities ("RMBS")	—	2,221	3	—	2,224
Real estate-backed securities	—	—	0	—	0
Collateralized debt obligations ("CDOs") and other ⁽⁴⁾	—	170	13	—	183
Investment trust funds and other	136	87	30	—	253
Total trading assets and private equity investments	9,514	6,594	301	—	16,409
Derivative assets ⁽⁵⁾					
Equity contracts	750	1,102	70	—	1,922
Interest rate contracts	11	19,398	112	—	19,521
Credit contracts	4	1,268	42	—	1,314
Foreign exchange contracts	—	3,293	19	—	3,312
Commodity contracts	0	0	0	—	0
Netting	—	—	—	(23,764)	(23,764)
Total derivative assets	765	25,061	243	(23,764)	2,305
Subtotal	¥10,279	¥31,655	¥544	¥(23,764)	¥ 18,714
Loans and receivables ⁽⁶⁾	—	280	26	—	306
Collateralized agreements ⁽⁷⁾	—	1,087	—	—	1,087
Other assets					
Non-trading debt securities	406	615	3	—	1,024
Other ⁽³⁾	358	94	56	—	508
Total	¥11,043	¥33,731	¥629	¥(23,764)	¥ 21,639
Liabilities:					
Trading liabilities					
Equities	¥ 774	¥ 132	¥ 1	¥ —	¥ 907
Japanese government securities	3,046	—	—	—	3,046
Foreign government, agency and municipal securities	3,831	688	—	—	4,519
Bank and corporate debt securities	—	396	0	—	396
Residential mortgage-backed securities ("RMBS")	—	1	—	—	1
Collateralized debt obligations ("CDOs") and other ⁽⁴⁾	—	0	—	—	0
Investment trust funds and other	76	12	—	—	88
Total trading liabilities	7,727	1,229	1	—	8,957
Derivative liabilities ⁽⁵⁾					
Equity contracts	827	1,368	59	—	2,254
Interest rate contracts	10	19,142	151	—	19,303
Credit contracts	4	1,582	37	—	1,623
Foreign exchange contracts	—	2,926	14	—	2,940
Commodity contracts	0	0	0	—	0
Netting	—	—	—	(24,030)	(24,030)
Total derivative liabilities	841	25,018	261	(24,030)	2,090
Subtotal	¥ 8,568	¥26,247	¥262	¥(24,030)	¥ 11,047
Short-term borrowings ⁽⁸⁾	—	46	3	—	49
Payables and deposits ⁽⁹⁾	—	0	0	—	0
Collateralized financing ⁽⁷⁾	—	530	—	—	530
Long-term borrowings ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	134	1,439	394	—	1,967
Other liabilities ⁽¹²⁾	152	86	—	—	238
Total	¥ 8,854	¥28,348	¥659	¥(24,030)	¥ 13,831

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen				
	March 31, 2015				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2015
Assets:					
Trading assets and private equity investments ⁽²⁾					
Equities ⁽³⁾	¥1,707	¥ 710	¥ 39	¥ —	¥ 2,456
Private equity investments ⁽³⁾	—	0	49	—	49
Japanese government securities	2,233	—	—	—	2,233
Japanese agency and municipal securities	—	277	—	—	277
Foreign government, agency and municipal securities	3,965	1,391	3	—	5,359
Bank and corporate debt securities and loans for trading purposes	—	1,786	167	—	1,953
Commercial mortgage-backed securities (“CMBS”)	—	113	2	—	115
Residential mortgage-backed securities (“RMBS”)	—	2,496	1	—	2,497
Real estate-backed securities	—	—	13	—	13
Collateralized debt obligations (“CDOs”) and other ⁽⁴⁾	—	184	15	—	199
Investment trust funds and other	448	120	4	—	572
Total trading assets and private equity investments	8,353	7,077	293	—	15,723
Derivative assets ⁽⁵⁾					
Equity contracts	7	1,668	72	—	1,747
Interest rate contracts	16	31,559	90	—	31,665
Credit contracts	5	1,066	40	—	1,111
Foreign exchange contracts	—	7,544	33	—	7,577
Commodity contracts	0	0	—	—	0
Netting	—	—	—	(40,514)	(40,514)
Total derivative assets	28	41,837	235	(40,514)	1,586
Subtotal	¥8,381	¥48,914	¥528	¥(40,514)	¥ 17,309
Loans and receivables ⁽⁶⁾	—	304	15	—	319
Collateralized agreements ⁽⁷⁾	—	1,530	—	—	1,530
Other assets					
Non-trading debt securities	342	606	0	—	948
Other ⁽³⁾	342	128	57	—	527
Total	¥9,065	¥51,482	¥600	¥(40,514)	¥ 20,633
Liabilities:					
Trading liabilities					
Equities	¥1,027	¥ 62	¥ 3	¥ —	¥ 1,092
Japanese government securities	3,117	—	—	—	3,117
Foreign government, agency and municipal securities	3,155	904	—	—	4,059
Bank and corporate debt securities	—	379	0	—	379
Residential mortgage-backed securities (“RMBS”)	—	1	—	—	1
Collateralized debt obligations (“CDOs”) and other ⁽⁴⁾	84	3	—	—	3
Investment trust funds and other	84	0	—	—	84
Total trading liabilities	7,383	1,349	3	—	8,735
Derivative liabilities ⁽⁵⁾					
Equity contracts	18	1,887	78	—	1,983
Interest rate contracts	8	31,555	112	—	31,675
Credit contracts	2	1,080	36	—	1,118
Foreign exchange contracts	—	6,954	38	—	6,992
Commodity contracts	1	0	0	—	1
Netting	—	—	—	(40,460)	(40,460)
Total derivative liabilities	29	41,476	264	(40,460)	1,309
Subtotal	¥7,412	¥42,825	¥267	¥(40,460)	¥ 10,044
Short-term borrowings ⁽⁸⁾	¥ —	¥ 188	¥ 1	¥ —	¥ 189
Payables and deposits ⁽⁹⁾	—	0	0	—	0
Collateralized financing ⁽⁷⁾	—	983	—	—	983
Long-term borrowings ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	80	1,996	525	—	2,601
Other liabilities ⁽¹²⁾	96	108	—	—	204
Total	¥7,588	¥46,100	¥793	¥(40,460)	¥ 14,021

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.

(2) Includes investments in certain funds measured at fair value on the basis of NAV per share as a practical expedient.

(3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.

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- (4) Includes collateralized loan obligations (“CLOs”) and asset-backed securities (“ABS”) such as those secured on credit card loans, auto loans and student loans.
- (5) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (6) Includes loans for which the fair value option has been elected.
- (7) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
- (8) Includes structured notes for which the fair value option has been elected.
- (9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
- (10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
- (11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
- (12) Includes loan commitments for which the fair value option has been elected.

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

Equities and equity securities reported within Other assets—Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2014 and 2015, respectively. The fair value of unlisted equity securities is determined using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable. As a practical expedient, fund investments which do not have a readily determinable fair value are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily NAV per share are classified in Level 1. Fund investments where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified in Level 2. Fund investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The Direct Capitalization Method (“DCM”) is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified in Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued.

Private equity investments—The determination of fair value of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of

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third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (“DCF”) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital (“WACC”). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (“EV/EBITDA”) ratios, Price/Earnings (“PE”) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the investee or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

Government, agency and municipal securities—The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

Bank and corporate debt securities—The fair value of bank and corporate debt securities is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

Commercial mortgage-backed securities (“CMBS”) and Residential mortgage-backed securities (“RMBS”)—The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

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Real estate-backed securities—The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or DCM valuation techniques and are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as yields or loss severities.

Collateralized debt obligations (“CDOs”) and other—The fair value of CDOs is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used include market spread data for each credit rating, yields, prepayment rates, default probabilities and loss severities. CDOs are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are observable or market-corroborated. CDOs will be classified in Level 3 where one or more of the significant valuation inputs used in the DCF valuations are unobservable.

Investment trust funds and other—The fair value of investment trust funds is primarily determined using NAV per share. Publicly traded funds which are valued using a daily NAV per share are classified in Level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in Level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The fair value of certain other investments reported within *Investment trust funds and other* is determined using DCF valuation techniques. These investments are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as credit spreads of issuer and correlation.

Derivatives—Equity contracts—Nomura enters into both exchange-traded and OTC equity derivative transactions such as index and equity options, equity basket options and index and equity swaps. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded equity derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC equity derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, volatility or correlation valuation inputs are significant and unobservable.

Derivatives—Interest rate contracts—Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements, swaptions, caps and floors. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded interest rate derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded interest rate derivatives which are traded in inactive markets or where the exchange price is not representative of

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fair value is determined using a model price and are classified in Level 2. The fair value of OTC interest rate derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange (“FX”) rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC interest rate derivatives are classified in Level 3 where interest rate, volatility or correlation valuation inputs are significant and unobservable.

Derivatives—Credit contracts—Nomura enters into OTC credit derivative transactions such as credit default swaps and credit options on single names, indices or baskets of assets. The fair value of OTC credit derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, credit spreads, recovery rates, default probabilities, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC credit derivatives are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC credit derivatives are classified in Level 3 where credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

Derivatives—Foreign exchange contracts—Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain foreign exchange derivatives are classified in Level 3 where volatility valuation inputs are significant and unobservable.

Derivatives—Commodity contracts—Nomura enters into OTC commodity derivative transactions such as commodity swaps, commodity forwards and commodity options. The fair value of OTC commodity derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include commodity prices, interest rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura’s own creditworthiness on derivative liabilities. OTC commodity derivatives are generally classified in Level 2 of the fair value hierarchy because these valuation inputs and adjustments are observable or market-corroborated.

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value. During the year ended March 31, 2013, Nomura refined its valuation methodology to incorporate additional features of collateralized derivative transactions resulting in loss of ¥11 billion recognized during that period. During the year ended March 31, 2014, Nomura recognized an additional loss of ¥10 billion as a result of using more appropriate inputs to calculate the valuation adjustment for certain uncollateralized derivatives. This change reflected increased transparency around how market participants

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incorporate this funding cost into their pricing of such derivative transactions and consequently, how they determine fair value. As part of its continuous review of the valuation methodologies applied by market participants, Nomura may further refine its valuation methodology of derivatives in future periods.

Loans—The fair value of loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques as quoted prices are typically not available. The significant valuation inputs used are similar to those used in the valuation of corporate debt securities described above. Loans are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs are observable. Certain loans, however, are classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2 or credit spreads of the issuer used in DCF valuations are significant and unobservable.

Collateralized agreements and Collateralized financing—The primary types of collateralized agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

Non-trading debt securities—These are debt securities held by certain non-trading subsidiaries in the group and are valued and classified in the fair value hierarchy using the same valuation techniques used for other debt securities classified as *Government, agency and municipal securities* and *Bank and corporate debt securities* described above.

Short-term and long-term borrowings (“Structured notes”)—Structured notes are debt securities issued by Nomura or by consolidated variable interest entities (“VIEs”) which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves and prepayment rates. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura’s own creditworthiness. To reflect Nomura’s own creditworthiness, the fair value of structured notes includes a credit adjustment of ¥1 billion as of March 31, 2014 and a debit adjustment of ¥0 billion as of March 31, 2015. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

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Long-term borrowings (“Secured financing transactions”)—Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura’s own creditworthiness.

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements, including those classified in Level 3 within the fair value hierarchy, Nomura operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the trading businesses assuming the risk of the financial instrument. Such functions within Nomura with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group (“PCVG”) within Nomura’s Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument in accordance with U.S. GAAP. While it is the responsibility of market makers and investment professionals in our trading businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the trading businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer (“CFO”);
- The Accounting Policy Group within Nomura’s Finance Department defines the group’s accounting policies and procedures in accordance with U.S. GAAP, including those associated with determination of fair value under ASC 820 and other relevant U.S. GAAP pronouncements. This group reports to the Global Head of Accounting Policy and ultimately to the CFO; and
- The MVG within Nomura’s Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. This group reports to the Chief Risk Officer.

The fundamental components of this governance framework over valuation processes within Nomura particularly as it relates to Level 3 financial instruments are the procedures in place for independent price verification, pricing model validation and revenue substantiation.

Independent price verification processes

The key objective of the independent price verification processes within Nomura is to verify the appropriateness of fair value measurements applied to all financial instruments within Nomura. In applying these control processes, observable inputs are used whenever possible and when unobservable inputs are necessary, the processes seek to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.

The independent price verification processes aim to verify the fair value of all positions to external levels on a regular basis. The process will involve obtaining data such as trades, marks and prices from internal and external sources and examining the impact of marking the internal positions at the external prices. Margin disputes within the collateral process will also be investigated to determine if there is any impact on valuations.

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Where third-party pricing information sourced from brokers, dealers and consensus pricing services is used as part of the price verification process, consideration is given as to whether that information reflects actual recent market transactions or prices at which transactions involving identical or similar financial instruments are currently executable. If such transactions or prices are not available, the financial instrument will generally be classified in Level 3.

Where there is a lack of observable market information around the inputs used in a fair value measurement, then the PCVG and the MVG will assess the inputs used for reasonableness considering available information including comparable products, surfaces, curves and past trades. Additional valuation adjustments may be taken for the uncertainty in the inputs used, such as correlation and where appropriate trading desks may be asked to execute trades to evidence market levels.

Model review and validation

For more complex financial instruments pricing models are used to determine fair value measurements. The MVG performs an independent model approval process which incorporates a review of the model assumptions across a diverse set of parameters. Considerations include:

- Scope of the model (different financial instruments may require different but consistent pricing approaches);
- Mathematical and financial assumptions;
- Full or partial independent benchmarking along with boundary and stability tests, numerical convergence, calibration quality and stability;
- Model integration within Nomura's trading and risk systems;
- Calculation of risk numbers and risk reporting; and
- Hedging strategies/practical use of the model.

New models are reviewed and approved by the MVG. The frequency of subsequent MVG reviews ("Model Re-approvals") is at least annually.

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Revenue substantiation

Nomura's Product Control function also ensures adherence to Nomura's valuation policies through daily and periodic analytical review of net revenues. This process involves substantiating revenue amounts through explanations and attribution of revenue sources based on the underlying factors such as interest rates, credit spreads, volatilities, foreign exchange rates etc. In combination with the independent price verification processes, this daily, weekly, monthly and quarterly review substantiates the revenues made while helping to identify and resolve potential booking, pricing or risk quantification issues.

Level 3 financial instruments

As described above, the valuation of Level 3 financial assets and liabilities is dependent on certain significant inputs which cannot be observed in the market. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, non-executable broker quotes or little publicly released information.

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be established using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered as an unobservable parameter. Other techniques for determining an appropriate value for unobservable parameters may consider information such as consensus pricing data among certain market participants, historical trends, extrapolation from observable market data and other information Nomura would expect market participants to use in valuing similar instruments.

Use of reasonably possible alternative input assumptions to value Level 3 financial instruments will significantly influence fair value determination. Ultimately, the uncertainties described above about input assumptions imply that the fair value of Level 3 financial instruments is a judgmental estimate. The specific valuation for each instrument is based on management's judgment of prevailing market conditions, in accordance with Nomura's established valuation policies and procedures.

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Quantitative information regarding significant unobservable inputs and assumptions

The following tables present information about the significant unobservable inputs and assumptions used by Nomura for financial instruments classified in Level 3 as of March 31, 2014 and 2015. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy.

Financial Instrument	March 31, 2014				
	Fair value in billions of yen	Valuation technique(s)	Significant unobservable inputs	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾
Assets:					
Trading assets and private equity investments					
Equities	¥ 68	DCF	Liquidity discounts	11.0 – 50.0 %	18.1 %
		DCM	Capitalization rates	6.8 – 6.9 %	6.8 %
Private equity investments	42	Market multiples	EV/EBITDA ratios	4.5 – 11.6 x	10.0 x
			Price/Embedded values	0.4 x	0.4 x
			Liquidity discounts	0.0 – 33.0 %	30.5 %
Foreign government, agency and municipal securities	26	DCF	Credit spreads	0.0 – 5.9 %	0.5 %
Bank and corporate debt securities and loans for trading purposes	116	DCF	Credit spreads	0.0 – 26.6 %	4.7 %
			Recovery rates	0.0 – 74.0 %	57.1 %
Commercial mortgage-backed securities (“CMBS”)	3	DCF	Yields	6.2 – 30.4 %	10.1 %
Residential mortgage-backed securities (“RMBS”)	3	DCF	Yields	0.3 – 10.7 %	3.7 %
			Prepayment rates	3.8 – 50.0 %	12.8 %
			Default probabilities	0.0 – 2.0 %	2.0 %
			Loss severities	0.1 – 87.2 %	51.2 %
Collateralized debt obligations (“CDOs”) and other	13	DCF	Yields	0.0 – 90.9 %	11.1 %
			Prepayment rates	0.0 – 20.0 %	18.5 %
			Default probabilities	1.0 – 65.0 %	3.2 %
			Loss severities	30.0 – 100.0 %	47.9 %
Investment trust funds and other	30	DCF	Credit spreads	0.0 – 3.5 %	0.1 %
			Correlations	0.50 – 0.71	0.61

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March 31, 2014						
Financial Instrument	Fair value in billions of yen	Valuation technique(s)	Significant unobservable inputs	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾	
Derivatives, net:						
Equity contracts	¥ 11	Option models	Dividend yield	0.0 – 8.2 %	—	
			Volatilities	6.9 – 59.9 %	—	
			Correlations	(0.96) – 0.95	—	
Interest rate contracts	(39)	DCF/ Option models	Interest rates	0.7 – 5.2 %	—	
		Option models	Volatilities	10.6 – 23.5 %	—	
			Correlations	(0.45) – 0.99	—	
Credit contracts	5	DCF/ Option models	Credit spreads	0.0 – 20.9 %	—	
			Recovery rates	20.0 – 90.0 %	—	
		Option models	Volatilities	1.0 – 70.0 %	—	
			Correlations	0.26 – 0.95	—	
Foreign exchange contracts	5	Option models	Volatilities	11.2 – 19.1 %	—	
Loans and receivables	26	DCF	Credit spreads	0.0 %	0.0 %	
Other assets						
Non-trading debt securities	3	DCF	Credit spreads	0.1 – 2.5 %	0.8 %	
Other ⁽³⁾	56	DCF	WACC	6.1 %	6.1 %	
			Growth rates	1.0 %	1.0 %	
			Liquidity discounts	0.0 – 30.0 %	12.7 %	
		Market multiples	EV/EBITDA ratios	3.6 – 8.3 x	4.9 x	
			PE ratios	9.6 – 60.1 x	24.0 x	
			Price/Book ratios	0.0 – 5.3 x	1.0 x	
			Liquidity discounts	30.0 %	30.0 %	
Liabilities:						
Short-term borrowings	¥ 3	DCF	Volatilities	15.3 – 55.5 %	—	
			Correlations	(0.78) – 0.94	—	
Long-term borrowings	394	DCF	Volatilities	10.6 – 55.5 %	—	
			Correlations	(0.78) – 0.99	—	

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Financial Instrument	March 31, 2015				
	Fair value in billions of yen	Valuation technique(s)	Significant unobservable inputs	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾
Assets:					
Trading assets and private equity investments					
Equities	¥ 39	DCF	Liquidity discounts	4.6 – 40.0 %	21.6 %
Private equity investments	49	Market multiples	EV/EBITDA ratios	10.0 x	10.0 x
			Price/Embedded values	0.4 x	0.4 x
			Liquidity discounts	30.0 – 33.0 %	32.3 %
Foreign government, agency and municipal securities	3	DCF	Credit spreads	0.3 – 6.1 %	1.1 %
Bank and corporate debt securities and loans for trading purposes	167	DCF	Credit spreads	0.0 – 33.4 %	10.4 %
			Recovery rates	0.0 – 42.6 %	24.9 %
Commercial mortgage-backed securities (“CMBS”)	2	DCF	Yields	18.1 – 50.6 %	15.3 %
Residential mortgage-backed securities (“RMBS”)	1	DCF	Yields	0.1 – 10.6 %	2.2 %
			Prepayment rates	2.7 – 12.8 %	7.5 %
Real estate-backed securities	13	DCF	Yields	17.0 – 26.0 %	24.3 %
			Loss severities	0.0 – 46.8 %	18.6 %
Collateralized debt obligations (“CDOs”) and other	15	DCF	Yields	4.7 – 23.4 %	12.6 %
			Prepayment rates	0.0 – 20.0 %	19.0 %
			Default probabilities	1.0 – 10.0 %	2.2 %
			Loss severities	30.0 – 100.0 %	32.7 %

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2015					
Financial Instrument	Fair value in billions of yen	Valuation technique(s)	Significant unobservable inputs	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾
Derivatives, net:					
Equity contracts	¥ (6)	Option models	Dividend yield	0.0 – 8.4 %	—
			Volatilities	9.2 – 100.2 %	—
			Correlations	(0.75) – 0.98	—
Interest rate contracts	(22)	DCF/ Option models	Interest rates	0.8 – 3.3 %	—
			Volatilities	13.7 – 300.0 %	—
			Correlations	(0.30) – 0.99	—
Credit contracts	4	DCF/ Option models	Credit spreads	0.0 – 19.9 %	—
			Recovery rates	0.0 – 90.0 %	—
			Volatilities	1.0 – 70.0 %	—
			Correlations	0.37 – 0.95	—
Foreign exchange contracts	(5)	Option models	Volatilities	0.6 – 16.1 %	—
Loans and receivables	15	DCF	Credit spreads	0.0 – 12.2 %	0.7 %
Other assets					
Other ⁽³⁾	57	DCF	WACC	5.7 %	5.7 %
			Growth rates	1.0 %	1.0 %
			Credit spreads	0.6 – 2.4 %	1.3 %
			Liquidity discounts	30.0 %	30.0 %
		Market multiples	EV/EBITDA ratios	2.9 – 13.5 x	7.6 x
			PE ratios	11.5 – 83.9 x	29.3 x
			Price/Book ratios	0.0 – 5.0 x	1.1 x
			Liquidity discounts	20.0 – 30.0 %	29.2 %
Liabilities:					
Short-term borrowings	¥ 1	DCF/ Option models	Volatilities	15.4 – 47.5 %	—
			Correlations	(0.75) – 0.91	—
Long-term borrowings	525	DCF/ Option models	Volatilities	13.7 – 47.5 %	—
			Correlations	(0.75) – 0.99	—

- (1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
- (2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
- (3) Valuation technique(s) and unobservable inputs in respect of equity securities reported within *Other assets* in the consolidated balance sheets.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Qualitative discussion of the ranges of significant unobservable inputs

The following comments present qualitative discussion about the significant unobservable inputs used by Nomura for financial instruments classified in Level 3.

Derivatives—Equity contracts—The significant unobservable inputs are dividend yield, volatilities and correlations. The range of dividend yields varies as some companies do not pay any dividends, for example due to a lack of profits or as a policy during a growth period, and hence have a zero dividend yield while others may pay a high dividend for example to return money to investors. The range of volatilities is wide as the volatilities of shorter-dated equity derivatives or those based on single equity securities can be higher than those of longer-dated instruments or those based on indices. Correlations represent the relationships between one input and another (“pairs”) and can either be positive or negative amounts. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships throughout the range.

Derivatives—Interest rate contracts—The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is wide as volatilities can be higher when interest rates are at extremely low levels, and also because volatilities of shorter-dated interest rate derivatives are typically higher than those of longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of the inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

Derivatives—Credit contracts—The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads reflects the different risk of default present within the portfolio. At the low end of the range, underlying reference names have a very limited risk of default whereas at and the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong. Other than for volatilities where the majority of inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

Derivatives—Foreign exchange contracts—The only significant unobservable inputs are volatilities. The range of volatilities is relatively narrow with the lower end of the range arising from currencies that trade in narrow ranges versus the U.S. Dollar. All significant unobservable volatilities are spread across the ranges.

Short-term borrowings and Long-term borrowings—The significant unobservable inputs are volatilities and correlations. The range of volatilities is wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Sensitivity of fair value to changes in unobservable inputs

For each class of financial instrument described in the above tables, changes in each of the significant unobservable inputs and assumptions used by Nomura will impact upon the determination of a fair value measurement for the financial instrument. The sensitivity of these Level 3 fair value measurements to changes in unobservable inputs and interrelationships between those inputs is described below:

- *Equities, Private equity investments* and equity securities reported within *Other assets*—When using DCF valuation techniques to determine fair value, a significant increase (decrease) in WACC, credit spreads or liquidity discount in isolation would result in a significantly lower (higher) fair value measurement. Conversely, a significant increase (decrease) in growth rate would result in a corresponding significantly higher (lower) fair value measurement. There is little interrelationship between these measures. When using market multiples to determine fair value, a significant increase (decrease) in the relevant multiples such as PE ratios, EV/EBITDA ratios, Price/Book ratios and Price/Embedded Value ratios in isolation would result in a higher (lower) fair value measurement. Conversely, a significant increase (decrease) in the liquidity discount applied to the holding in isolation would result in a significantly lower (higher) fair value measurement. Generally changes in assumptions around multiples result in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant. When using DCM, a significant increase (decrease) in the capitalization rate would result in a significantly lower (higher) fair value measurement.
- *Foreign government, agency and municipal securities, Bank and corporate debt securities and loans for trading purposes, Loans and receivables* and *Non-trading debt securities*—Significant increases (decreases) in the credit spreads used in a DCF valuation techniques would result in a significantly lower (higher) fair value measurement, while significant increases (decreases) in recovery rates would result in a significantly higher (lower) fair value measurement.
- *Commercial mortgage-backed securities (“CMBS”), Residential mortgage-backed securities (“RMBS”), Real estate-backed securities* and *Collateralized debt obligations (“CDOs”) and other*—Significant increases (decreases) in yields, prepayment rates, default probabilities and loss severities used in a DCF valuation techniques in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in default probabilities is accompanied by a directionally similar change in loss severities and a directionally opposite change in prepayment rates.
- *Investment trust funds and other*—Significant increases (decreases) in credit spreads used in a DCF valuation techniques would result in a significantly lower (higher) fair value measurement, while significant increases (decreases) in correlation would result in a significantly higher (lower) fair value measurement.
- *Derivatives*—Where Nomura is long the underlying risk of a derivative, significant increases (decreases) in the underlying of the derivative, such as interest rates or credit spreads in isolation or significant decreases (increases) in dividend yields would result in a significantly higher (lower) fair value measurement. Where Nomura is short the underlying risk of a derivative, the impact of these changes would have a converse effect on the fair value measurements reported by Nomura. Where Nomura is long optionality, recovery rates or correlation, significant increases (decreases) in volatilities, recovery rates or correlation will generally result in a significantly higher (lower) fair value measurement. Where Nomura is short optionality, recovery rates or correlation, the impact of these changes would have a converse effect on the fair value measurements.
- *Short-term borrowings* and *Long-term borrowings*—Where Nomura is long optionality or correlation, significant increases (decreases) in volatilities or correlation used in DCF valuation techniques and option models will generally result in a significantly higher (lower) fair value measurement. Where Nomura is short optionality or correlation, the impact of these changes would have a converse effect on the fair value measurements.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Movements in Level 3 financial instruments

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified in Level 3 for the years ended March 31, 2014 and 2015. Financial instruments classified in Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable parameters.

For the year ended March 31, 2015, gains and losses related to Level 3 assets did not have a material impact on Nomura's liquidity and capital resources management.

	Billions of yen									
	Year ended March 31, 2014									
	Balance as of April 1, 2013	Total gains (losses) recognized in net revenue ⁽¹⁾	Total gains (losses) recognized in other comprehensive income	Purchases / issues ⁽²⁾	Sales / redemptions ⁽²⁾	Settlements	Foreign exchange movements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Balance as of March 31, 2014
Assets:										
Trading assets and private equity investments										
Equities	¥129	¥ 11	¥—	¥ 21	¥(105)	¥—	¥ 6	¥ 7	¥ (1)	¥ 68
Private equity investments	87	(1)	—	1	(11)	—	6	—	(40)	42
Japanese agency and municipal securities	0	—	—	—	—	—	—	—	(0)	—
Foreign government, agency and municipal securities	91	21	—	516	(540)	—	—	8	(70)	26
Bank and corporate debt securities and loans for trading purposes	69	5	—	221	(167)	—	3	32	(47)	116
Commercial mortgage-backed securities ("CMBS")	6	(0)	—	7	(11)	—	0	2	(1)	3
Residential mortgage-backed securities ("RMBS")	4	(0)	—	1	(3)	—	0	3	(2)	3
Real estate-backed securities	68	1	—	0	(69)	—	0	—	—	0
Collateralized debt obligations ("CDOs") and other	12	(1)	—	23	(21)	—	1	6	(7)	13
Investment trust funds and other	13	0	—	24	(6)	—	0	—	(1)	30
Total trading assets and private equity investments	479	36	—	814	(933)	—	16	58	(169)	301
Derivatives, net ⁽⁴⁾										
Equity contracts	5	(8)	—	—	—	(2)	2	7	7	11
Interest rate contracts	(54)	(1)	—	—	—	19	(1)	(6)	4	(39)
Credit contracts	25	(5)	—	—	—	(16)	3	0	(2)	5
Foreign exchange contracts	(3)	(1)	—	—	—	13	0	(4)	(0)	5
Commodity contracts	(0)	0	—	—	—	0	(0)	0	—	0
Total derivatives, net	(27)	(15)	—	—	—	14	4	(3)	9	(18)
Subtotal	¥452	¥ 21	¥—	¥814	¥(933)	¥ 14	¥ 20	¥ 55	¥(160)	¥283
Loans and receivables	3	(0)	—	13	(2)	—	1	20	(9)	26
Other assets										
Non-trading debt securities	4	(1)	(0)	—	(0)	—	0	—	—	3
Other	60	4	(0)	3	(9)	—	0	—	(2)	56
Total	¥519	¥ 24	¥ (0)	¥830	¥(944)	¥ 14	¥ 21	¥ 75	¥(171)	¥368

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Billions of yen										
Year ended March 31, 2014										
	Balance as of April 1, 2013	Total gains (losses) recognized in net revenue ⁽¹⁾	Total gains (losses) recognized in other comprehensive income	Purchases / issues ⁽²⁾	Sales / redemptions ⁽²⁾	Settlements	Foreign exchange movements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Balance as of March 31, 2014
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ (0)	¥—	¥ 1	¥ (0)	¥—	¥ 0	¥ 0	¥ (0)	¥ 1
Bank and corporate debt securities	0	0	—	0	(0)	—	0	0	(0)	0
Total trading liabilities	¥ 0	¥ (0)	¥—	¥ 1	¥ (0)	¥—	¥ 0	¥ 0	¥ (0)	¥ 1
Short-term borrowings	4	(0)	—	3	(3)	—	—	1	(2)	3
Payables and deposits	1	0	—	(0)	(1)	—	—	—	(0)	0
Long-term borrowings	222	(29)	—	424	(259)	—	3	42	(67)	394
Other liabilities	0	—	—	1	(1)	—	(0)	—	—	—
Total	¥227	¥(29)	¥—	¥429	¥(264)	¥—	¥ 3	¥ 43	¥ (69)	¥398

Billions of yen										
Year ended March 31, 2015										
	Balance as of April 1, 2014	Total gains (losses) recognized in net revenue ⁽¹⁾	Total gains (losses) recognized in other comprehensive income	Purchases / issues ⁽²⁾	Sales / redemptions ⁽²⁾	Settlements	Foreign exchange movements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Balance as of March 31, 2015
Assets:										
Trading assets and private equity investments										
Equities	¥ 68	¥ 1	¥—	¥ 28	¥ (52)	¥—	¥ 2	¥ 3	¥ (11)	¥ 39
Private equity investments	42	2	—	6	(2)	—	1	—	0	49
Japanese agency and municipal securities	—	—	—	0	0	—	—	—	—	—
Foreign government, agency and municipal securities	26	8	—	150	(152)	—	—	7	(36)	3
Bank and corporate debt securities and loans for trading purposes	116	8	—	200	(154)	—	15	33	(51)	167
Commercial mortgage-backed securities (“CMBS”)	3	0	—	6	(9)	—	0	2	0	2
Residential mortgage-backed securities (“RMBS”)	3	(1)	—	1	(5)	—	—	4	(1)	1
Real estate-backed securities	0	0	—	4	(24)	—	1	34	(2)	13
Collateralized debt obligations (“CDOs”) and other	13	(5)	—	44	(43)	—	4	20	(18)	15
Investment trust funds and other	30	3	—	1	(11)	—	0	0	(19)	4
Total trading assets and private equity investments	301	16	—	440	(452)	—	23	103	(138)	293
Derivatives, net ⁽⁴⁾										
Equity contracts	11	(2)	—	—	—	(14)	0	(10)	9	(6)
Interest rate contracts	(39)	(27)	—	—	—	39	1	(3)	7	(22)
Credit contracts	5	(13)	—	—	—	13	0	0	(1)	4
Foreign exchange contracts	5	(1)	—	—	—	(12)	1	1	1	(5)
Commodity contracts	0	0	—	—	—	0	0	0	—	0
Total derivatives, net	(18)	(43)	—	—	—	26	2	(12)	16	(29)
Subtotal	¥283	¥(27)	¥—	¥440	¥(452)	¥ 26	¥ 25	¥ 91	¥(122)	¥264

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen									
	Year ended March 31, 2015									
	Balance as of April 1, 2014	Total gains (losses) recognized in net revenue ⁽¹⁾	Total gains (losses) recognized in other comprehensive income	Purchases / issues ⁽²⁾	Sales / redemptions ⁽²⁾	Settlements	Foreign exchange movements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Balance as of March 31, 2015
Loans and receivables	¥ 26	¥ (1)	¥—	¥—	¥ (14)	¥—	¥ 4	¥ 0	¥—	¥ 15
Other assets										
Non-trading debt securities	3	0	0	—	(3)	—	0	—	—	0
Other	56	1	1	3	(5)	—	1	—	0	57
Total	¥368	¥(27)	¥ 1	¥443	¥(474)	¥ 26	¥30	¥ 91	¥(122)	¥336
Liabilities:										
Trading liabilities										
Equities	¥ 1	¥ 0	¥—	¥ 4	¥ 0	¥—	¥ 0	¥ 0	¥ (2)	¥ 3
Bank and corporate debt securities	0	0	—	0	0	—	0	0	0	0
Collateralized debt obligations (“CDOs”) and other	—	0	—	1	(1)	—	0	—	—	—
Total trading liabilities	¥ 1	¥ 0	¥—	¥ 5	¥ (1)	¥—	¥ 0	¥ 0	¥ (2)	¥ 3
Short-term borrowings	3	(1)	—	1	(2)	—	0	0	(2)	1
Payables and deposits	0	0	—	0	0	—	0	—	0	0
Long-term borrowings	394	(83)	—	419	(467)	—	8	121	(33)	525
Total	¥398	¥(84)	¥—	¥425	¥(470)	¥—	¥ 8	¥121	¥ (37)	¥529

- (1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain on private equity investments*, and also within *Gain on investments in equity securities*, *Revenue—Other* and *Non-interest expenses—Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.
- (2) Amounts reported in *Purchases / issues* include increases in trading liabilities while *Sales / redemptions* include decreases in trading liabilities.
- (3) If financial instruments move from Level 3 to another Level or move from another Level to Level 3, the amount reported in *Transfers into Level 3* and *Transfers out of Level 3* are the fair value as of the beginning of the quarter during which the movement occurs. Therefore if financial instruments move from another Level to Level 3, all gains/ (losses) during the quarter are included in the table and if financial instruments move from Level 3 to another Level, all gains/ (losses) during the year are excluded from the table.
- (4) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

Unrealized gains and losses recognized for Level 3 financial instruments

The following table presents the amounts of unrealized gains (losses) for the years ended March 31, 2014 and 2015, relating to those financial instruments which Nomura classified in Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date.

	Billions of yen	
	March 31	
	2014	2015
Unrealized gains / (losses)⁽¹⁾		
Assets:		
Trading assets and private equity investments		
Equities	¥ 7	¥(4)
Private equity investments	(6)	2
Japanese agency and municipal securities	0	0
Foreign government, agency and municipal securities	(1)	1
Bank and corporate debt securities and loans for trading purposes	(0)	0
Commercial mortgage-backed securities (“CMBS”)	1	0
Residential mortgage-backed securities (“RMBS”)	(0)	0

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen	
	March 31	
	2014	2015
	Unrealized gains / (losses) ⁽¹⁾	
Real estate-backed securities	¥ (0)	¥ (1)
Collateralized debt obligations (“CDOs”) and other	(0)	(3)
Investment trust funds and other	0	4
Total trading assets and private equity investments	<u>1</u>	<u>(1)</u>
Derivatives, net ⁽²⁾		
Equity contracts	22	(1)
Interest rate contracts	(1)	(11)
Credit contracts	2	(13)
Foreign exchange contracts	(0)	(5)
Commodity contracts	<u>(0)</u>	<u>0</u>
Total derivatives, net	<u>23</u>	<u>(30)</u>
Subtotal	<u>¥ 24</u>	<u>¥(31)</u>
Loans and receivables	(1)	0
Other assets		
Non-trading debt securities	(0)	0
Other	<u>1</u>	<u>1</u>
Total	<u>¥ 24</u>	<u>¥(30)</u>
Liabilities:		
Trading liabilities		
Equities	¥—	¥ 0
Bank and corporate debt securities	<u>(0)</u>	<u>0</u>
Total trading liabilities	<u>¥ (0)</u>	<u>¥ 0</u>
Short-term borrowings	(0)	0
Payables and deposits	0	0
Long-term borrowings	<u>(33)</u>	<u>(14)</u>
Total	<u>¥(33)</u>	<u>¥(14)</u>

(1) Includes gains and losses reported within *Net gain on trading*, *Gain on private equity investments*, and also within *Gain on investments in equity securities*, *Revenue—Other* and *Non-interest expenses—Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.

(2) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

Transfers between levels of the fair value hierarchy

Nomura assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Transfers between Level 1 and Level 2

During the year ended March 31, 2014, a total of ¥492 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥479 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became inactive. This also comprised ¥5 billion of equity securities reported within *Other assets—Other* which were transferred because the observable markets in which these instruments were traded became inactive. During the same period, a total of ¥38 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥36 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

During the year ended March 31, 2015, a total of ¥218 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥199 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became inactive. This also comprised ¥6 billion of *Foreign government, agency and municipal securities*, ¥8 billion of *Investment trust funds and other* and ¥4 billion of equity securities reported within *Other assets—Other* which were transferred because the observable markets in which these instruments were traded became inactive. During the same period, a total of ¥41 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥39 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

During the year ended March 31, 2015, the amount of ¥407 billion of equity derivative assets and ¥362 billion of equity derivative liabilities were transferred from Level 1 to Level 2. The fair value of certain exchange-traded equity derivatives have been determined using a model price rather than exchange price. Use of a model price is more representative of fair value than exchange price because of the higher volume and frequency of trading in the underlying equity instruments.

During the year ended March 31, 2014, a total of ¥856 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥832 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became active. This also comprised ¥19 billion of exchange traded funds reported within *Investment trust funds and other* and ¥5 billion of equity securities reported within *Other assets—Other* which were transferred because the observable markets in which these instruments were traded became active. During the same period, a total of ¥92 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥90 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

During the year ended March 31, 2015, a total of ¥125 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥103 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became active. This also comprised ¥6 billion of *Bank and corporate debt securities and loans for trading purposes*, ¥11 billion of *Investment trust funds and other* and ¥4 billion of equity securities reported within *Other assets—Other* which were transferred because the observable markets in which these instruments were traded became active. During the same period, a total of ¥69 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥68 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Transfers out of Level 3

During the year ended March 31, 2014, a total of ¥180 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥70 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became observable and ¥47 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities and loans, which were transferred because certain credit spreads and recovery rates became observable. This also comprised ¥7 billion of *CDOs and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became observable and ¥40 billion of *Private equity investments*, which were transferred because these instruments began trading in an active observable market and ¥9 billion of *Loans and receivables*, principally loans, which were transferred because certain credit spreads became observable. During the same period, a total of ¥69 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥67 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became observable.

During the year ended March 31, 2014, a total of ¥9 billion of net derivative liabilities were also transferred out of Level 3. This comprised primarily ¥7 billion of net equity derivative liabilities which were transferred because certain dividend yield, volatility and correlation valuation inputs became observable.

During the year ended March 31, 2015, a total of ¥138 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥11 billion of *Equities* which were transferred because certain liquidity discounts became observable, ¥36 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became observable. This also comprised ¥51 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities, which were transferred because certain credit spreads and recovery rates became observable. This also comprised ¥18 billion of *CDOs and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became observable and ¥19 billion of *Investment trust funds and other* which were transferred because certain credit spreads and correlation valuation inputs became observable. During the same period, a total of ¥37 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥33 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became observable.

During the year ended March 31, 2015, a total of ¥16 billion of net derivative liabilities were also transferred out of Level 3. This comprised primarily ¥9 billion of net equity derivative liabilities which were transferred because certain dividend yield, volatility and correlation valuation inputs became observable, and ¥7 billion of net interest rate derivative liabilities which were transferred because certain interest rate, volatility and correlation valuation inputs became observable.

Transfers into Level 3

During the year ended March 31, 2014, a total of ¥78 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥7 billion of *Equities* which were transferred because certain liquidity discounts and capitalization rates became unobservable, ¥32 billion of *Bank and corporate debt securities and loans for trading purposes*, principally loans, which were transferred because certain credit spread and recovery rate valuation inputs became unobservable and ¥8 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became unobservable. This also comprised ¥6 billion of *CDOs and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities valuation inputs became unobservable, ¥20 billion of *Loans and receivables*, principally loans and loan commitments, which were transferred because certain credit spreads became

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

unobservable. The amount of gains and losses on these transfer reported in *Equities, Bank and corporate debt securities and loans for trading purposes, Foreign government, agency and municipal securities, CDOs and other* and *Loans and receivables* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥43 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥42 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable. Losses on these transfer reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2014, a total of ¥3 billion of net derivative liabilities were also transferred into Level 3. This comprised ¥7 billion of net equity derivative assets which were transferred because certain dividend yield, volatility and correlation valuation inputs became unobservable and ¥6 billion of net interest rate derivative liabilities which were transferred because certain interest rate, volatility and correlation valuation inputs became unobservable. Losses on the equity contracts which were recognized in the quarter when the transfer into Level 3 occurred were ¥7 billion. The amount of gains and losses on the interest rate contracts which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2015, a total of ¥103 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥7 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became unobservable and ¥33 billion of *Bank and corporate debt securities and loans for trading purposes*, principally loans, which were transferred because certain credit spread and recovery rate valuation inputs became unobservable. This also comprised ¥34 billion of *Real estate-backed securities* which were transferred because certain yields and loss severities became unobservable, and ¥20 billion of *CDOs and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities valuation inputs became unobservable. The amount of gains and losses on these transfer reported in *Foreign government, agency and municipal securities, Bank and corporate debt securities and loans for trading purposes, Real estate-backed securities* and *CDOs and other* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥121 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥121 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable. The amount of gains and losses on these transfer reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2015, a total of ¥12 billion of net derivative liabilities were also transferred into Level 3. This comprised ¥10 billion of net equity derivative liabilities which were transferred because certain dividend yield, volatility and correlation valuation inputs became unobservable. Gains on the equity contracts which were recognized in the quarter when the transfer into Level 3 occurred were ¥5 billion.

Investments in investment funds that calculate NAV per share

In the normal course of business, Nomura invests in non-consolidated funds which meet the definition of investment companies or are similar in nature and which do not have readily determinable fair values. The fair value of these investments is generally determined using NAV per share, including certain investments where NAV is used as a practical expedient, as permitted by ASC 820. Some of these investments are redeemable at different amounts from NAV per share.

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The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2014 and 2015. Investments are presented by major category relevant to the nature of Nomura's business and risks.

Billions of yen				
March 31, 2014				
Fair value	Unfunded commitments ⁽¹⁾	Redemption frequency (if currently eligible) ⁽²⁾	Redemption notice ⁽³⁾	
Hedge funds	¥ 66	¥ 0	Monthly	Same day-95 days
Venture capital funds	4	1	—	—
Private equity funds	42	17	Quarterly	30 days
Real estate funds	3	—	—	—
Total	<u>¥115</u>	<u>¥ 18</u>		

Billions of yen				
March 31, 2015				
Fair value	Unfunded commitments ⁽¹⁾	Redemption frequency (if currently eligible) ⁽²⁾	Redemption notice ⁽³⁾	
Hedge funds	¥ 98	¥ 0	Monthly	Same day-90 days
Venture capital funds	3	1	—	—
Private equity funds	47	20	—	—
Real estate funds	1	—	—	—
Total	<u>¥149</u>	<u>¥ 21</u>		

- (1) The contractual amount of any unfunded commitments Nomura is required to make to the entities in which the investment is held.
- (2) The range in frequency with which Nomura can redeem investments.
- (3) The range in notice period required to be provided before redemption is possible.

Hedge funds:

These investments include funds of funds that invest in multiple asset classes. The fair values of these investments are determined using NAV per share. Although most of these funds can be redeemed within six months, certain funds cannot be redeemed within six months due to contractual, liquidity or gating issues. The redemption period cannot be estimated for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

Venture capital funds:

These investments include primarily start-up funds. The fair values of these investments are determined using NAV per share. Most of these funds cannot be redeemed within six months. The redemption period cannot be estimated for certain suspended or liquidating funds. These investments contain restrictions against transfers of the investments to third parties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Private equity funds:

These investments are made mainly in various sectors in Europe, United States and Japan. The fair values of these investments are determined using NAV per share. Redemption is restricted for most of these investments. Some of these investments contain restrictions against transfers of the investments to third parties.

Real estate funds:

These are investments in commercial and other types of real estate. The fair values of these investments are determined using NAV per share. Redemption is restricted for most of these investments. These investments contain restrictions against transfers of the investments to third parties.

Fair value option for financial assets and financial liabilities

Nomura carries certain eligible financial assets and liabilities at fair value through the election of the fair value option permitted by ASC 815 and ASC 825. When Nomura elects the fair value option for an eligible item, changes in that item's fair value are recognized through earnings. Election of the fair value option is generally irrevocable unless an event occurs that gives rise to a new basis of accounting for that instrument.

The financial assets and financial liabilities primarily elected for the fair value option by Nomura, and the reasons for the election, are as follows:

- Equity method investments reported within *Trading assets and private equity investments* and *Other assets* held for capital appreciation or current income purposes which Nomura generally has an intention to exit rather than hold indefinitely. Nomura elects the fair value option to more appropriately represent the purpose of these investments in these consolidated financial statements.
- Loans reported within *Loans and receivables* which are risk managed on a fair value basis and loan commitments related to loans receivable for which the fair value option will be elected upon funding. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between loans and the derivatives used to risk manage those instruments.
- Reverse repurchase and repurchase agreements reported within *Collateralized agreements* and *Collateralized financing* which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between the reverse repurchase and repurchase agreements and the derivatives used to risk manage those instruments.
- All structured notes issued on or after April 1, 2008 reported within *Short-term borrowings* and *Long-term borrowings*. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions. Nomura also elects the fair value option for certain notes issued by consolidated VIEs for the same purpose and for certain structured notes issued prior to April 1, 2008.
- Financial liabilities reported within *Long-term borrowings* recognized in transactions which are accounted for as secured financing transactions under ASC 860. Nomura elects the fair value option for these financial liabilities to mitigate volatility through earnings that otherwise would arise had this election not been made. Even though Nomura usually has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheets and continue to be carried at fair value, with changes in fair value recognized through earnings.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Interest and dividends arising from financial instruments for which the fair value option has been elected are recognized within *Interest and dividends*, *Interest expense* or *Net gain on trading*.

The following table presents gains (losses) due to changes in fair value for financial instruments measured at fair value using the fair value option for the years ended March 31, 2013, 2014 and 2015.

	Billions of yen		
	Year ended March 31		
	2013	2014	2015
	Gains/(Losses) ⁽¹⁾		
Assets:			
Trading assets and private equity investments ⁽²⁾			
Trading assets	¥ 2	¥ 0	¥ 0
Private equity investments	(10)	(0)	1
Loans and receivables	19	3	4
Collateralized agreements ⁽³⁾	(0)	4	4
Other assets ⁽²⁾	1	17	6
Total	<u>¥ 12</u>	<u>¥24</u>	<u>¥15</u>
Liabilities:			
Short-term borrowings ⁽⁴⁾	¥ (4)	¥ 0	¥11
Collateralized financing ⁽³⁾	(1)	(3)	(2)
Long-term borrowings ⁽⁴⁾⁽⁵⁾	(51)	11	(7)
Other liabilities ⁽⁶⁾	0	0	0
Total	<u>¥(56)</u>	<u>¥ 8</u>	<u>¥ 2</u>

(1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain on private equity investments* and *Revenue—Other* in the consolidated statements of income.

(2) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.

(3) Includes reverse repurchase and repurchase agreements.

(4) Includes structured notes and other financial liabilities.

(5) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.

(6) Includes unfunded written loan commitments.

Nomura currently carries its investment in the common stock of Ashikaga Holdings Co., Ltd. (“Ashikaga Holdings”) at fair value through election of the fair value option. Nomura held 47.0% of the common stock as of March 31, 2013 and 37.1% as of March 31, 2014 and 2015. This investment was reported within *Trading assets and private equity investments—Private equity investments* and *Other assets—Other* as of March 31, 2013 and *Other assets—Other* as of March 31, 2014 and 2015 in the consolidated balance sheets.

Ashikaga Holdings recognized total revenue of ¥99 billion, total expense of ¥80 billion and net income after tax of ¥15 billion for the year ended March 31, 2013. As of March 31, 2013, its total assets and total liabilities were ¥5,434 billion and ¥5,155 billion, respectively, determined in accordance with accounting principles generally accepted in Japan. Ashikaga Holdings recognized total revenue of ¥108 billion, total expense of ¥80 billion and net income after tax of ¥24 billion for the year ended March 31, 2014. As of March 31, 2014, its total assets and total liabilities were ¥5,612 billion and ¥5,371 billion, respectively, determined in accordance with

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

accounting principles generally accepted in Japan. Ashikaga Holdings recognized total revenue of ¥97 billion, total expense of ¥76 billion and net income after tax of ¥17 billion for the year ended March 31, 2015. As of March 31, 2015, its total assets and total liabilities were ¥5,864 billion and ¥5,577 billion, respectively, determined in accordance with accounting principles generally accepted in Japan.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques at a rate which incorporates observable changes in its credit spread.

Losses from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in Nomura's creditworthiness, were ¥31 billion for the year ended March 31, 2013, mainly due to the tightening of Nomura's credit spread. Losses from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥9 billion for the year ended March 31, 2014, mainly due to the tightening of Nomura's credit spread. Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were ¥2 billion for the year ended March 31, 2015, mainly due to the widening of Nomura's credit spread.

There was no significant impact on financial assets for which the fair value option was elected attributable to instrument-specific credit risk.

As of March 31, 2014, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥17 billion more than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

As of March 31, 2015, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥1 billion more than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

Concentrations of credit risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura has credit risk concentrations on bonds issued by the Japanese Government, U.S. Government, Governments within the European Union ("EU"), their states and municipalities, and their agencies. These concentrations generally arise from taking trading positions and are reported within *Trading assets* in the consolidated balance sheets. Government, agency and municipal securities, including *Securities pledged as collateral*, represented 20% of total assets as of March 31, 2014 and 19% as of March 31, 2015.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present geographic allocations of Nomura’s trading assets related to government, agency and municipal securities. See Note 3 “*Derivative instruments and hedging activities*” for further information regarding the concentration of credit risk for derivatives.

	Billions of yen				
	March 31, 2014				
	Japan	U.S.	EU	Other	Total ⁽¹⁾
Government, agency and municipal securities	¥2,779	¥1,666	¥3,968	¥385	¥8,798

	Billions of yen				
	March 31, 2015				
	Japan	U.S.	EU	Other	Total ⁽¹⁾
Government, agency and municipal securities	¥2,510	¥1,815	¥3,098	¥446	¥7,869

(1) Other than above, there were ¥756 billion and ¥635 billion of government, agency and municipal securities reported within *Other assets—Non-trading debt securities* in the consolidated balance sheets as of March 31, 2014 and 2015, respectively. These securities are primarily Japanese government, agency and municipal securities.

Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheets since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortized cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within *Cash and cash equivalents, Time deposits, Deposits with stock exchanges and other segregated cash, Receivables from customers, Receivables from other than customers, Securities purchased under agreements to resell* and *Securities borrowed* and financial liabilities reported within *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned* and *Other secured borrowings* in the consolidated balance sheets. These would be generally classified in either Level 1 or Level 2 within the fair value hierarchy.

The estimated fair values of other financial instruments which are longer-term in nature or may contain more than minimal credit risk may be different to their carrying value. Financial assets of this type primarily include certain loans which are reported within *Loans receivable* while financial liabilities primarily include long-term borrowings which are reported within *Long-term borrowings*. The estimated fair value of loans receivable which are not elected for the fair value option is estimated in the same way as other loans carried at fair value on a recurring basis. Where quoted market prices are available, such market prices are utilized to estimate fair value. The fair value of long-term borrowings which are not elected for the fair value option is estimated in the same way as other borrowings carried at fair value on a recurring basis using quoted market prices where available or by DCF valuation techniques. All of these financial assets and financial liabilities would be generally classified in Level 2 or Level 3 within the fair value hierarchy using the same methodology as is applied to these instruments when they are elected for the fair value option.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instrument of which a portion of the ending balance was carried at fair value as of March 31, 2014 and 2015.

		Billions of yen				
		March 31, 2014 ⁽¹⁾				
		Fair value by level				
	Carrying value	Fair value	Level 1	Level 2	Level 3	
Assets:						
Cash and cash equivalents	¥ 1,490	¥ 1,490	¥1,490	¥ —	¥—	
Time deposits	364	364	—	364	—	
Deposits with stock exchanges and other segregated cash	336	336	—	336	—	
Loans receivable ⁽²⁾	1,327	1,326	—	1,068	258	
Securities purchased under agreements to resell	9,618	9,618	—	9,618	—	
Securities borrowed	7,729	7,729	—	7,729	—	
Total	<u>¥20,864</u>	<u>¥20,863</u>	<u>¥1,490</u>	<u>¥19,115</u>	<u>¥258</u>	
Liabilities:						
Short-term borrowings	¥ 602	¥ 602	¥ —	¥ 599	¥ 3	
Deposits received at banks	1,114	1,114	—	1,114	0	
Securities sold under agreements to repurchase	13,938	13,938	—	13,938	0	
Securities loaned	2,360	2,360	—	2,360	—	
Long-term borrowings	8,227	8,202	134	7,674	394	
Total	<u>¥26,241</u>	<u>¥26,216</u>	<u>¥ 134</u>	<u>¥25,685</u>	<u>¥397</u>	
		Billions of yen				
		March 31, 2015 ⁽¹⁾				
		Fair value by level				
	Carrying value	Fair value	Level 1	Level 2	Level 3	
Assets:						
Cash and cash equivalents	¥ 1,315	¥ 1,315	¥1,315	¥ —	¥—	
Time deposits	328	328	—	328	—	
Deposits with stock exchanges and other segregated cash	453	453	—	453	—	
Loans receivable ⁽²⁾	1,460	1,460	—	1,141	319	
Securities purchased under agreements to resell	8,481	8,481	—	8,479	2	
Securities borrowed	8,238	8,238	—	8,238	—	
Total	<u>¥20,275</u>	<u>¥20,275</u>	<u>¥1,315</u>	<u>¥18,639</u>	<u>¥321</u>	
Liabilities:						
Short-term borrowings	¥ 662	¥ 662	¥ —	¥ 661	¥ 1	
Deposits received at banks	1,220	1,220	—	1,220	0	
Securities sold under agreements to repurchase	12,217	12,217	—	12,214	3	
Securities loaned	2,494	2,494	—	2,494	—	
Long-term borrowings	8,336	8,365	80	7,760	525	
Total	<u>¥24,929</u>	<u>¥24,958</u>	<u>¥ 80</u>	<u>¥24,349</u>	<u>¥529</u>	

(1) Includes financial instruments which are carried at fair value on a recurring basis.

(2) Carrying values are shown after deducting relevant allowances for credit losses.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the estimated fair value of liabilities relating to investment contracts underwritten by Nomura's insurance subsidiary, see Note 9 "*Other assets—Other/Other liabilities*" in our consolidated financial statements included in this annual report.

Assets and liabilities measured at fair value on a nonrecurring basis

In addition to financial instruments carried at fair value on a recurring basis, Nomura also measures other financial and non-financial assets and liabilities at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition such as to measure impairment.

As of March 31, 2014, goodwill allocated to a certain reporting unit was measured at fair value on a nonrecurring basis. The relevant goodwill, which is reported within *Other assets—Other* in the consolidated balance sheets, was written down to its estimated fair value of ¥3 billion as a result of this impairment. Fair value was determined using a DCF valuation technique and consequently, this nonrecurring fair value measurement was determined using valuation inputs which would be classified in Level 3 of the fair value hierarchy.

As of March 31, 2015, there were no significant amount of assets and liabilities which were measured at fair value on a nonrecurring basis.

3. Derivative instruments and hedging activities:

Nomura uses a variety of derivative financial instruments, including futures, forwards, options and swaps, for both trading and non-trading purposes.

Derivatives used for trading purposes

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet client needs, for trading purposes, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are client oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging clients' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives to assist its clients in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide clients with securities and other capital market products at competitive prices.

Futures and forward contracts are commitments to either purchase or sell securities, foreign currency or other capital market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are executed through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency exposures. Entering into swap agreements may involve the risk of credit losses in the event of counterparty default.

To the extent these derivative financial instruments are economically hedging financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments.

Derivatives used for non-trading purposes

Nomura's principal objectives in using derivatives for non-trading purposes are to manage interest rate risk, to modify the interest rate characteristics of certain financial liabilities, to manage foreign exchange risk of certain foreign currency denominated debt securities, to manage net investment exposure to fluctuations in foreign exchange rates arising from certain foreign operations and to mitigate equity price risk arising from certain stock-based compensation awards given to employees.

Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Concentrations of credit risk for derivatives

The following tables present Nomura's significant concentration of exposures to credit risk in OTC derivatives with financial institutions including transactions cleared through central counterparties. The gross fair value of derivative assets represents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

	Billions of yen			
	March 31, 2014			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥20,355	¥(18,481)	¥ (936)	¥938

	Billions of yen			
	March 31, 2015			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥33,930	¥(31,773)	¥(1,713)	¥444

Derivative activities

The following tables quantify the volume of Nomura's derivative activity through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

	Billions of yen			
	March 31, 2014			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional ⁽¹⁾	Fair value ⁽¹⁾
Derivatives used for trading and non-trading purposes ⁽²⁾⁽³⁾ :				
Equity contracts	¥ 15,761	¥ 1,922	¥ 14,911	¥ 2,254
Interest rate contracts	1,132,306	19,459	1,098,406	19,249
Credit contracts	38,136	1,314	40,310	1,623
Foreign exchange contracts	108,595	3,312	113,915	2,938
Commodity contracts	46	0	37	0
Total	¥1,294,844	¥26,007	¥1,267,579	¥26,064
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 2,143	¥ 62	¥ 296	¥ 2
Foreign exchange contracts	109	0	116	2
Total	¥ 2,252	¥ 62	¥ 412	¥ 4
Total derivatives	¥1,297,096	¥26,069	¥1,267,991	¥26,068

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen			
	March 31, 2015			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional ⁽¹⁾	Fair value ⁽¹⁾
Derivatives used for trading and non-trading purposes ⁽²⁾⁽³⁾ :				
Equity contracts	¥ 20,681	¥ 1,747	¥ 20,431	¥ 1,983
Interest rate contracts	1,367,970	31,611	1,343,616	31,691
Credit contracts	30,055	1,111	29,689	1,118
Foreign exchange contracts	136,683	7,576	126,750	6,990
Commodity contracts	13	0	39	1
Total	<u>¥1,555,402</u>	<u>¥42,045</u>	<u>¥1,520,525</u>	<u>¥41,783</u>
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 1,741	¥ 54	¥ 199	¥ 0
Foreign exchange contracts	177	1	161	2
Total	<u>¥ 1,918</u>	<u>¥ 55</u>	<u>¥ 360</u>	<u>¥ 2</u>
Total derivatives	<u>¥1,557,320</u>	<u>¥42,100</u>	<u>¥1,520,885</u>	<u>¥41,785</u>

- (1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
- (2) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.
- (3) As of March 31, 2014 and 2015, the amounts reported include derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. These amounts have not been separately presented since such amounts were not significant.

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

Offsetting of derivatives

Counterparty credit risk associated with derivative financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce the risk of loss, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. In certain cases, Nomura may agree for such collateral to be posted to a third-party custodian under a control agreement that enables Nomura to take control of such collateral in the event of counterparty default. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, OTC derivative transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain OTC centrally-cleared and exchange-traded derivatives, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing party or exchange. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparties and in certain jurisdictions, Nomura may enter into derivative transactions which are not documented under a master netting agreement. Similarly, even when derivatives are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

evidence to determine with sufficient certainty that close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights, . This may include derivative transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, exchanges and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

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

The following table presents information about offsetting of derivatives and related collateral amounts in the consolidated balance sheets by type of derivative contract, together with the extent to which master netting agreements entered into with counterparties, central clearing counterparties or exchanges permit additional offsetting of derivatives and collateral in the event of counterparty default. Derivative transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	Billions of yen		Billions of yen	
	March 31, 2014		March 31, 2015	
	Derivative assets	Derivative liabilities⁽¹⁾	Derivative assets	Derivative liabilities⁽¹⁾
Equity contracts				
OTC settled bilaterally	¥ 1,162	¥ 1,418	¥ 1,191	¥ 1,349
OTC centrally-cleared	—	—	—	—
Exchange-traded	760	836	556	634
Interest rate contracts				
OTC settled bilaterally	10,485	10,281	12,421	12,580
OTC centrally-cleared	9,025	8,961	19,226	19,102
Exchange-traded	11	9	18	9
Credit contracts				
OTC settled bilaterally	1,180	1,491	1,003	1,023
OTC centrally-cleared	130	128	103	93
Exchange-traded	4	4	5	2
Foreign exchange contracts				
OTC settled bilaterally	3,296	2,923	7,562	6,977
OTC centrally-cleared	12	13	10	10
Exchange-traded	4	4	5	5
Commodity contracts				
OTC settled bilaterally	0	0	0	0
OTC centrally-cleared	—	—	—	—
Exchange-traded	0	0	0	1
Total gross derivative balances ⁽²⁾	¥ 26,069	¥ 26,068	¥ 42,100	¥ 41,785
Less: Amounts offset in the consolidated balance sheets ⁽³⁾	(23,764)	(24,030)	(40,514)	(40,460)
Total net amounts reported on the face of the consolidated balance sheets ⁽⁴⁾	¥ 2,305	¥ 2,038	¥ 1,586	¥ 1,325

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen		Billions of yen	
	March 31, 2014		March 31, 2015	
	Derivative assets	Derivative liabilities ⁽¹⁾	Derivative assets	Derivative liabilities ⁽¹⁾
Less: Additional amounts not offset in the consolidated balance sheets ⁽⁵⁾				
Financial instruments and non-cash collateral	¥ (168)	¥ (44)	¥ (252)	¥ (53)
Cash collateral	(0)	(0)	—	(4)
Net amount	<u>¥2,137</u>	<u>¥1,994</u>	<u>¥1,334</u>	<u>¥1,268</u>

- (1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
- (2) Includes all gross derivative asset and liability balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. As of March 31, 2014, the gross balance of derivative assets and derivative liabilities which are not documented under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥744 billion and ¥808 billion, respectively. As of March 31, 2015, the gross balance of such derivative assets and derivative liabilities was ¥298 billion and ¥447 billion, respectively.
- (3) Represents amounts offset through counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 815. As of March 31, 2014, Nomura offset a total of ¥1,283 billion of cash collateral receivables against net derivative liabilities and ¥1,017 billion of cash collateral payables against net derivative assets. As of March 31, 2015, Nomura offset a total of ¥1,830 billion of cash collateral receivables against net derivative liabilities and ¥1,884 billion of cash collateral payables against net derivative assets.
- (4) Net derivative assets and net derivative liabilities are generally reported within *Trading assets and private equity investments—Trading assets* and *Trading liabilities*, respectively in the consolidated balance sheet. Bifurcated embedded derivatives are reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.
- (5) Represents amounts which are not permitted to be offset on the face of the consolidated balance sheets in accordance with ASC 210-20 and ASC 815 but which provide Nomura with a legally enforceable right of offset in the event of counterparty default. Amounts relating to derivative and collateral agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded. As of March 31, 2014, a total of ¥203 billion of cash collateral receivables and ¥643 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives. As of March 31, 2015, a total of ¥223 billion of cash collateral receivables and ¥757 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives.

Derivatives used for trading purposes

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents amounts included in the consolidated statements of income related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen		
	Year ended March 31		
	2013	2014	2015
Derivatives used for trading and non-trading purposes ⁽¹⁾⁽²⁾ :			
Equity contracts	¥ (69)	¥ (91)	¥ (9)
Interest rate contracts	65	102	(105)
Credit contracts	(18)	(123)	11
Foreign exchange contracts	(329)	(30)	(17)
Commodity contracts	(0)	1	(2)
Total	<u>¥(351)</u>	<u>¥(141)</u>	<u>¥(122)</u>

- (1) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.
- (2) Includes net gains (losses) on derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. For the years ended March 31, 2013, 2014 and 2015, these amounts have not been separately presented as net gains (losses) for these non-trading derivatives were not significant.

Fair value hedges

Nomura issues Japanese Yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to a floating rate and applies fair value hedge accounting to these instruments.

Also, Nomura's insurance subsidiary holds foreign currency denominated non-trading debt securities. The insurance subsidiary generally enters into swap agreements to convert foreign currency denominated principal amounts of these debt securities into its functional currency and applies fair value hedge accounting to these instruments.

Derivative financial instruments designated as fair value hedges are carried at fair value. Changes in fair value of the hedging derivatives are recognized together with those of the hedged liabilities and hedged debt securities in the consolidated statements of income within *Interest expense* and *Revenue—Other*, respectively.

The following table presents amounts included in the consolidated statements of income related to derivatives designated as fair value hedges by type of underlying derivative contract and the nature of the hedged item.

	Billions of yen		
	Year ended March 31		
	2013	2014	2015
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 33	¥ 2	¥ 29
Foreign exchange contracts	—	—	(1)
Total	<u>¥ 33</u>	<u>¥ 2</u>	<u>¥ 28</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen		
	Year ended March 31		
	2013	2014	2015
Hedged items:			
Long-term borrowings	¥(33)	¥ (2)	¥(29)
Non-trading debt securities	—	—	1
Total	<u>¥(33)</u>	<u>¥ (2)</u>	<u>¥(28)</u>

Net investment hedges

Nomura designates foreign currency forwards and foreign currency denominated long-term debt as hedges of certain subsidiaries with significant foreign exchange risks and applies hedge accounting to these instruments. Accordingly, the effective hedging portion of the foreign exchange gains (losses) arising from the derivative contracts and non-derivative financial products designated as hedges is recognized through the consolidated statements of comprehensive income within *Other comprehensive income (loss)—Change in cumulative translation adjustments, net of tax*. This is offset by the foreign exchange adjustments arising from consolidation of the relevant foreign subsidiaries.

The following table presents gains (losses) from derivatives and non-derivatives designated as net investment hedges included in the consolidated statements of comprehensive income.

	Billions of yen		
	Year ended March 31		
	2013	2014	2015
Hedging instruments:			
Foreign exchange contracts	¥(14)	¥(12)	¥ 7
Long-term borrowings	(15)	—	—
Total	<u>¥(29)</u>	<u>¥(12)</u>	<u>¥ 7</u>

- (1) The portion of gains (losses) representing the amount of hedge ineffectiveness and the amount excluded from the assessment of hedge effectiveness are recognized within *Revenue—Other* in the consolidated statements of income. The amount of gains (losses) was not significant during the years ended March 31, 2013, 2014 and 2015.

Derivatives containing credit risk related contingent features

Nomura enters into certain OTC derivatives and other agreements containing credit-risk-related contingent features. These features would require Nomura to post additional collateral or settle the instrument upon occurrence of a credit event, the most common of which would be a downgrade in the Company's long-term credit rating.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2014, was ¥973 billion with related collateral pledged of ¥747 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2014, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥102 billion.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2015, was ¥874 billion with related collateral pledged of ¥708 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2015, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥19 billion.

Credit derivatives

Credit derivatives are derivative instruments in which one or more of their underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities that expose the seller of credit protection to potential loss from credit risk related events specified in the contract.

Written credit derivatives are instruments or embedded features where Nomura assumes third party credit risk, either as guarantor in a guarantee-type contract, or as the party that provides credit protection in an option-type contract, credit default swap, or any other credit derivative contract.

Nomura enters into credit derivatives as part of its normal trading activities as both purchaser and seller of protection for credit risk mitigation, proprietary trading positions and for client transactions.

The most significant type of credit derivatives used by Nomura are single-name credit default swaps where settlement of the derivative is based on the credit risk of a single third party. Nomura also writes credit derivatives linked to the performance of credit default indices and issues other credit risk related portfolio products.

Nomura would have to perform under a credit derivative contract if a credit event as defined in the respective contract occurs. Typical credit events include bankruptcy, failure to pay and restructuring of obligations of the reference asset.

Credit derivative contracts written by Nomura are either cash or physically settled. In cash-settled instruments, once payment is made upon an event of a default, the contract usually terminates with no further payments due. Nomura generally has no right to assume the reference assets of the counterparty in exchange for payment, nor does Nomura usually have any direct recourse to the actual issuers of the reference assets to recover the amount paid. In physically settled contracts, upon a default event, Nomura takes delivery of the reference asset in return for payment of the full notional amount of the contract.

Nomura actively monitors and manages its credit derivative exposures. Where protection is sold, risks may be mitigated by purchasing credit protection from other third parties either on identical underlying reference assets or on underlying reference assets with the same issuer which would be expected to behave in a correlated fashion. The most common form of recourse provision to enable Nomura to recover from third parties any amounts paid under a written credit derivative is therefore not through the derivative itself but rather through the separate purchase of credit derivatives with identical or correlated underlyings.

Nomura quantifies the value of these purchased contracts in the following tables in the column titled "Purchased Credit Protection". These amounts represent purchased credit protection with identical underlyings to the written credit derivative contracts which act as a hedge against Nomura's exposure. To the extent Nomura is required to pay out under the written credit derivative, a similar amount would generally become due to Nomura under the purchased hedge.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Credit derivatives have a stated notional amount which represents the maximum payment Nomura may be required to make under the contract. However, this is generally not a true representation of the amount Nomura will actually pay as in addition to purchased credit protection, other risk mitigating factors reduce the likelihood and amount of any payment, including:

The probability of default: Nomura values credit derivatives taking into account the probability that the underlying reference asset will default and that Nomura will be required to make payments under the contract. Based on historical experience and Nomura's assessment of the market, Nomura believes that the probability that all reference assets on which Nomura provides protection will default in a single period is remote. The disclosed notional amount, therefore, significantly overstates Nomura's realistic exposure on these contracts.

The recovery value on the underlying asset: In the case of a default, Nomura's liability on a contract is limited to the difference between the notional amount and the recovery value of the underlying reference asset. While the recovery value on a defaulted asset may be minimal, this does reduce amounts paid on these contracts.

Nomura holds assets as collateral in relation to written credit derivatives. However, these amounts do not enable Nomura to recover any amounts paid under the credit derivative but rather mitigate the risk of economic loss arising from a counterparty defaulting against amounts due to Nomura under the contract. Collateral requirements are determined on a counterparty level rather than individual contract, and also generally cover all types of derivative contracts rather than just credit derivatives.

The following tables present information about Nomura's written credit derivatives and purchased credit protection with identical underlyings as of March 31, 2014 and 2015.

Billions of yen							
March 31, 2014							
Carrying value (Asset) / Liability ⁽¹⁾	Maximum potential payout/Notional						Notional Purchased credit protection
	Total	Years to maturity				More than 5 years	
		Less than 1 year	1 to 3 years	3 to 5 years	5 years		
Single-name credit default swaps	¥(235)	¥21,070	¥4,167	¥ 8,306	¥ 6,610	¥1,987	¥18,689
Credit default indices	(32)	9,082	1,215	3,552	3,582	733	7,704
Other credit risk related portfolio products	123	1,574	523	398	201	452	1,097
Credit risk related options and swaptions	(1)	676	—	—	504	172	548
Total	<u>¥(145)</u>	<u>¥32,402</u>	<u>¥5,905</u>	<u>¥12,256</u>	<u>¥10,897</u>	<u>¥3,344</u>	<u>¥28,038</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Billions of yen							
March 31, 2015							
Carrying value (Asset)/Liability ⁽¹⁾	Maximum potential payout/Notional						Notional Purchased credit protection
	Total	Years to maturity					
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default swaps	¥(21)	¥18,808	¥4,146	¥7,396	¥5,657	¥1,609	¥16,519
Credit default indices	(22)	6,044	919	1,926	2,462	737	5,240
Other credit risk related portfolio products	(8)	673	324	217	117	15	293
Credit risk related options and swaptions	0	300	—	—	255	45	255
Total	¥(51)	¥25,825	¥5,389	¥9,539	¥8,491	¥2,406	¥22,307

(1) Carrying value amounts are shown on a gross basis prior to cash collateral or counterparty netting. Asset balances represent positive fair value amounts caused by tightening of credit spreads of underlyings since inception of the credit derivative contracts.

The following tables present information about Nomura's written credit derivatives by external credit rating of the underlying asset. Ratings are based on Standard & Poor's Financial Services LLC ("S&P"), or if not rated by S&P, based on Moody's Investors Service, Inc. If ratings from either of these agencies are not available, the ratings are based on Fitch Ratings Ltd. or Japan Credit Rating Agency, Ltd. For credit default indices, the rating is determined by taking the weighted average of the external credit ratings given for each of the underlying reference entities comprising the portfolio or index.

Billions of yen							
March 31, 2014							
	Maximum potential payout/Notional						Total
	AAA	AA	A	BBB	BB	Other ⁽¹⁾	
Single-name credit default swaps	¥2,125	¥1,331	¥ 5,232	¥ 7,362	¥3,231	¥1,789	¥21,070
Credit default indices	86	23	4,445	2,884	1,341	303	9,082
Other credit risk related portfolio products	22	—	1	—	4	1,547	1,574
Credit risk related options and swaptions	—	—	387	195	94	—	676
Total	¥2,233	¥1,354	¥10,065	¥10,441	¥4,670	¥3,639	¥32,402

Billions of yen							
March 31, 2015							
	Maximum potential payout/Notional						Total
	AAA	AA	A	BBB	BB	Other ⁽¹⁾	
Single-name credit default swaps	¥1,768	¥1,418	¥ 4,766	¥ 6,722	¥2,526	¥1,608	¥18,808
Credit default indices	85	14	3,936	1,306	376	327	6,044
Other credit risk related portfolio products	38	—	1	4	1	629	673
Credit risk related options and swaptions	—	—	277	—	—	23	300
Total	¥1,891	¥1,432	¥ 8,980	¥ 8,032	¥2,903	¥2,587	¥25,825

(1) "Other" includes credit derivatives where the credit rating of the underlying reference asset is below investment grade or where a rating is unavailable.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Derivatives entered into in contemplation of sales of financial assets

Nomura enters into transactions which involve both the transfer of financial assets to a third party counterparty and a separate agreement with the same counterparty entered into in contemplation of the initial transfer through which Nomura retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These transactions primarily include sales of securities with bilateral OTC total return swaps or other derivative agreements which are in-substance total return swaps. These transactions are accounted for as sales of the securities with the derivative accounted for separately if the criteria for derecognition of the securities under ASC 860 are met. Where the derecognition criteria are not met, the transfer and separate derivative are accounted for as a single collateralized financing transaction which is reported within *Long-term borrowings—Trading balances of secured borrowings* in the consolidated balance sheets.

As of March 31, 2015 there were no outstanding sales with total return swap or in-substance total return swap transactions accounted for as sales rather than collateralized financing transactions.

4. Collateralized transactions:

Nomura enters into collateralized transactions, including reverse repurchase agreements, repurchase agreements, securities borrowing transactions, securities lending transactions, other secured borrowings and similar transactions mainly to meet clients' needs, finance trading inventory positions and obtain securities for settlements.

Reverse repurchase agreements, repurchase agreements, securities borrowing transactions and securities lending transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain centrally-cleared reverse repurchase and repurchase agreements, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing counterparty. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparty and in certain jurisdictions, Nomura may enter into reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions which are not documented under a master netting agreement. Similarly, even when these transactions are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that the close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, agent banks and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

In all of these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In most cases,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura is permitted to use the securities received to enter into repurchase agreements, enter into securities lending transactions or to cover short positions with counterparties. In repurchase and reverse repurchase agreements, the value of collateral typically exceeds the amount of cash transferred. Collateral is generally in the form of securities. Securities borrowing transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities lending transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities either received from or provided to the counterparty. Additional cash or securities are exchanged as necessary, to ensure that such transactions are adequately collateralized throughout the life of the transactions.

Offsetting of certain collateralized transactions

Reverse repurchase agreements and repurchase agreements, securities borrowing and lending transactions with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

The following tables present information about offsetting of these transactions in the consolidated balance sheets, together with the extent to which master netting agreements entered into with counterparties and central clearing parties permit additional offsetting in the event of counterparty default. Transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	Billions of yen			
	March 31, 2014			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance ⁽¹⁾	¥ 20,244	¥ 7,729	¥ 24,564	¥ 2,602
Less: Amounts offset in the consolidated balance sheets ⁽²⁾ . .	(10,626)	(5)	(10,626)	(5)
Total net amounts of reported on the face of the consolidated balance sheets ⁽³⁾	¥ 9,618	¥ 7,724	¥ 13,938	¥ 2,597
Less: Additional amounts not offset in the consolidated balance sheets ⁽⁴⁾				
Financial instruments and non-cash collateral	(7,930)	(5,725)	(9,867)	(2,235)
Cash collateral	(0)	—	(0)	—
Net amount	¥ 1,688	¥ 1,999	¥ 4,071	¥ 362

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen			
	March 31, 2015			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance ⁽¹⁾	¥ 25,532	¥ 8,460	¥ 29,268	¥ 2,924
Less: Amounts offset in the consolidated balance sheets ⁽²⁾ . .	(17,051)	(242)	(17,051)	(242)
Total net amounts of reported on the face of the consolidated balance sheets ⁽³⁾	<u>¥ 8,481</u>	<u>¥ 8,218</u>	<u>¥ 12,217</u>	<u>¥ 2,682</u>
Less: Additional amounts not offset in the consolidated balance sheets ⁽⁴⁾				
Financial instruments and non-cash collateral	(6,295)	(6,531)	(10,058)	(2,371)
Cash collateral	(1)	—	—	—
Net amount	<u>¥ 2,185</u>	<u>¥ 1,687</u>	<u>¥ 2,159</u>	<u>¥ 311</u>

- (1) Includes all recognized balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. Amounts include transactions carried at fair value through election of the fair value option. As of March 31, 2014, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,278 billion and ¥3,918 billion, respectively. As of March 31, 2014, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,751 billion and ¥137 billion, respectively. As of March 31, 2015, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,979 billion and ¥2,091 billion, respectively. As of March 31, 2015, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,507 billion and ¥52 billion, respectively.
- (2) Represents amounts offset through counterparty netting under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 210-20. Amounts offset include transactions carried at fair value through election of the fair value option.
- (3) Reverse repurchase agreements and securities borrowing transactions are reported within *Collateralized agreements—Securities purchased under agreements to resell* and *Collateralized agreements—Securities borrowed* in the consolidated balance sheets, respectively. Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported under securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets.
- (4) Represents amounts which are not permitted to be offset on the face of the balance sheet in accordance with ASC 210-20 but which provide Nomura with the right of offset in the event of counterparty default. Amounts relating to agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Collateral received by Nomura

The following table presents the fair value of securities received as collateral, securities borrowed with collateral and securities borrowed without collateral, which Nomura is permitted to sell or repledge, and the portion that has been sold or repledged as of March 31, 2014 and 2015.

	Billions of yen	
	March 31	
	2014	2015
The fair value of securities received as collateral, securities borrowed as collateral and securities borrowed without collateral where Nomura is permitted by contract or custom to sell or repledge the securities	¥35,530	¥45,397
The portion of the above that has been sold (reported within <i>Trading liabilities</i> in the consolidated balance sheets) or repledged	28,959	39,165

Collateral pledged by Nomura

Nomura pledges firm-owned securities to collateralize repurchase transactions, other secured financings and derivative transactions. Pledged securities that can be sold or repledged by the transferee, including Gensaki Repo transactions, are reported in parentheses as *Securities pledged as collateral* within *Trading assets* in the consolidated balance sheets.

The following table presents the carrying amounts of financial assets recognized in the consolidated balance sheets which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them by type of asset as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Trading assets:		
Equities and convertible securities	¥ 174,753	¥ 95,331
Government and government agency securities	991,430	1,122,308
Bank and corporate debt securities	150,183	139,062
Commercial mortgage-backed securities (“CMBS”)	35,671	32,894
Residential mortgage-backed securities (“RMBS”)	1,141,726	1,391,414
Collateralized debt obligations (“CDOs”) and other ⁽¹⁾	82,237	104,877
Investment trust funds and other	18,503	45,619
	<u>¥2,594,503</u>	<u>¥2,931,505</u>
Deposits with stock exchanges and other segregated cash	¥ 4,630	¥ —
Non-trading debt securities	42,087	47,959
Investments in and advances to affiliated companies	¥ 28,642	¥ 32,034

(1) Includes CLOs and ABS such as those secured on credit card loans, auto loans and student loans.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the carrying amount of financial and non-financial assets recognized in the consolidated balance sheets, other than those disclosed above, which are subject to lien as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Loans and receivables	¥ 141	¥ 1,220
Trading assets	1,293,036	1,833,959
Office buildings, land, equipment and facilities	5,236	5,362
Non-trading debt securities	370,239	264,685
Other	78	34
	<u>¥1,668,730</u>	<u>¥2,105,260</u>

Assets in the above table were primarily pledged for secured borrowings, including other secured borrowings, collateralized borrowings of consolidated VIEs, trading balances of secured borrowings, and derivative transactions. See Note 10 “*Borrowings*” for further information regarding trading balances of secured borrowings.

5. Non-trading securities:

The following tables present information regarding the cost and/or amortized cost, gross unrealized gains and losses and fair value of non-trading securities held by Nomura’s insurance subsidiary as of March 31, 2014 and 2015.

	Millions of yen			
	March 31, 2014			
	Cost and/or amortized cost	Unrealized gains and losses		Fair value
	Gross unrealized gains	Gross unrealized losses		
Government, agency and municipal securities ⁽¹⁾	¥138,973	¥ 842	¥ 86	¥139,729
Other debt securities ⁽²⁾	129,311	6,851	91	136,071
Equity securities ⁽³⁾	38,157	14,508	43	52,622
Total	<u>¥306,441</u>	<u>¥22,201</u>	<u>¥220</u>	<u>¥328,422</u>

	Millions of yen			
	March 31, 2015			
	Cost and/or amortized cost	Unrealized gains and losses		Fair value
	Gross unrealized gains	Gross unrealized losses		
Government, agency and municipal securities ⁽¹⁾	¥106,785	¥ 5,123	¥ 36	¥111,872
Other debt securities ⁽²⁾	161,631	22,717	95	184,253
Equity securities ⁽³⁾	40,315	22,751	230	62,836
Total	<u>¥308,731</u>	<u>¥50,591</u>	<u>¥361</u>	<u>¥358,961</u>

(1) Primarily Japanese government, agency and municipal securities.

(2) Primarily corporate debt securities.

(3) Primarily Japanese equity securities.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the year ended March 31, 2014, non-trading securities of ¥138,231 million were disposed of resulting in ¥4,405 million of realized gains and ¥81 million of realized losses. Total proceeds received from these disposals were ¥142,554 million. For the year ended March 31, 2015, non-trading securities of ¥75,745 million were disposed of resulting in ¥5,008 million of realized gains and ¥15 million of realized losses. Total proceeds received from these disposals were ¥80,738 million. Related gains and losses were computed using the average method. There were no transfers of non-trading securities to trading assets during the year.

The following table presents an analysis of the fair value of non-trading debt securities by residual contractual maturity as of March 31, 2015. Actual maturities may differ from contractual maturities as certain securities contain features that allow redemption of the securities prior to their contractual maturity.

	Millions of yen				
	March 31, 2015				
	Total	Years to maturity			
Less than 1 year		1 to 5 years	5 to 10 years	More than 10 years	
Non-trading debt securities	¥296,127	¥35,755	¥138,531	¥86,566	¥35,275

The following tables present the fair value and gross unrealized losses of non-trading securities aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2014 and 2015.

	Millions of yen					
	March 31, 2014					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥54,007	¥ 82	¥ 2,294	¥ 4	¥56,301	¥ 86
Other debt securities	8,106	91	—	—	8,106	91
Equity securities	498	43	—	—	498	43
Total	¥62,611	¥216	¥ 2,294	¥ 4	¥64,905	¥220

	Millions of yen					
	March 31, 2015					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥17,536	¥ 5	¥13,127	¥ 31	¥30,663	¥ 36
Other debt securities	12,814	95	—	—	12,814	95
Equity securities	2,064	230	—	—	2,064	230
Total	¥32,414	¥330	¥13,127	¥ 31	¥45,541	¥361

As of March 31, 2014, the total number of non-trading securities in unrealized loss positions was approximately 60. As of March 31, 2015, the total number of non-trading securities in unrealized loss positions was approximately 26.

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For the years ended March 31, 2014 and 2015, other-than-temporary impairment losses recognized for non-trading equity securities and reported within *Revenue—Other* were ¥79 million and ¥16 million, respectively. For the year ended March 31, 2014, the credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities was ¥25 million. For the year ended March 31, 2015 the credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities was ¥98 million. For the year ended March 31, 2014 and March 31, 2015, the non-credit loss component of other-than-temporary impairment losses recognized for Government, agency and municipal securities and other debt securities and reported within *Other comprehensive income (loss)* were ¥(55) million and ¥31 million. For the year ended March 31, 2014 and 2015, other gross unrealized losses of non-trading securities were considered temporary.

6. Securitizations and Variable Interest Entities:

Securitizations

Nomura utilizes special purpose entities (“SPEs”) to securitize commercial and residential mortgage loans, government agency and corporate securities and other types of financial assets. Those SPEs are incorporated as stock companies, Tokumei kumiai (silent partnerships), Cayman special purpose companies (“SPCs”) or trust accounts. Nomura’s involvement with SPEs includes structuring SPEs, underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura accounts for the transfer of financial assets in accordance with ASC 860. This statement requires that Nomura accounts for the transfer of financial assets as a sale when Nomura relinquishes control over the assets. ASC 860 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests, and (c) the transferor has not maintained effective control over the transferred assets. Nomura may retain an interest in the financial assets, including residual interests in the SPEs. Any such interests are accounted for at fair value and reported within *Trading assets* in Nomura’s consolidated balance sheets, with the change in fair value reported within *Revenue-Net gain on trading*. Fair value for retained interests in securitized financial assets is determined by using observable prices; or in cases where observable prices are not available for certain retained interests, Nomura estimates fair value based on the present value of expected future cash flows using its best estimates of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. Nomura may also enter into derivative transactions in relation to the assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the years ended March 31, 2014 and 2015, Nomura received cash proceeds from SPEs in new securitizations of ¥365 billion and ¥261 billion, respectively, and there was no associated profit on sale. For the years ended March 31, 2014 and 2015, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,423 billion and ¥1,276 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥830 billion and ¥823 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥5,035 billion and ¥5,656 billion as of March 31, 2014 and 2015, respectively. Nomura’s retained interests were ¥215 billion and ¥233 billion as of March 31, 2014 and 2015, respectively. For the years ended March 31, 2014 and 2015, Nomura received cash flows of ¥40 billion and ¥23 billion, respectively, from the SPEs on the retained interests held in the SPEs. Nomura had outstanding collateral service agreements and written credit default swap agreements in the amount of ¥4 billion and ¥2 billion as of March 31, 2014 and 2015, respectively. Nomura does not provide financial support to SPEs beyond its contractual obligations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the fair value of retained interests which Nomura has continuing involvement in SPEs and their classification in the fair value hierarchy, categorized by the type of transferred assets as of March 31, 2014 and 2015.

	Billions of yen					
	March 31, 2014					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥—	¥195	¥—	¥195	¥195	¥—
Bank and corporate debt securities	—	—	0	0	—	0
CMBS and RMBS	—	19	1	20	1	19
Total	¥—	¥214	¥ 1	¥215	¥196	¥ 19

	Billions of yen					
	March 31, 2015					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥—	¥231	¥—	¥231	¥231	¥—
Bank and corporate debt securities	—	—	0	0	—	0
CMBS and RMBS	—	2	0	2	0	2
Total	¥—	¥233	¥ 0	¥233	¥231	¥ 2

The following table presents the key economic assumptions used to determine the fair value of the retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions as of March 31, 2014 and 2015.

	Billions of yen, except percentages	
	Material retained interests held ⁽¹⁾ as of March 31	
	2014	2015
Fair value of retained interests ⁽¹⁾	¥201	¥208
Weighted-average life (Years)	7.5	5.4
Constant prepayment rate	6.2%	6.1%
Impact of 10% adverse change	(2.3)	(2.3)
Impact of 20% adverse change	(4.0)	(4.3)
Discount rate	5.3%	2.4%
Impact of 10% adverse change	(1.5)	(0.9)
Impact of 20% adverse change	(2.6)	(1.8)

(1) The sensitivity analysis covers the material retained interests held of ¥201 billion out of ¥215 billion as of March 31, 2014 and ¥208 billion out of ¥233 billion as of March 31, 2015. Nomura considers the amount or the probability of anticipated credit loss from the retained interests which Nomura continuously holds would be minimal.

Changes in fair value based on 10% or 20% adverse changes generally cannot be extrapolated since the relationship of the change in assumption to the change in fair value may not be linear. The impact of a change in a particular assumption is calculated holding all other assumptions constant. For this reason, concurrent changes in assumptions may magnify or counteract the sensitivities disclosed above. The sensitivity analyses are hypothetical and do not reflect Nomura's risk management practices that may be undertaken under those stress scenarios.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the type and carrying value of financial assets included within *Trading assets* which have been transferred to SPEs but which do not meet the criteria for derecognition under ASC 860 as of March 31, 2014 and 2015. These transfers are accounted for as secured financing transactions and generally reported within *Long-term borrowings*. The assets are pledged as collateral of the associated liabilities and cannot be removed unilaterally by Nomura and the liabilities are non-recourse to Nomura.

	Billions of yen	
	March 31	
	2014	2015
Assets		
Trading assets		
Equities	¥ 99	¥ 83
Debt securities	64	26
CMBS and RMBS	23	22
Long-term loans receivable	7	—
Total	¥193	¥131
Liabilities		
Long-term borrowings	¥182	¥129

Variable Interest Entities (“VIEs”)

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities.

If Nomura has an interest in a VIE that provides Nomura with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses that could be significant to the VIE, Nomura is the primary beneficiary of the VIE and must consolidate the entity, provided that Nomura does not meet separate tests confirming that it is acting as a fiduciary for other interest holders. Nomura’s consolidated VIEs include those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura’s aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary beneficiary.

The power to make the most significant decisions may take a number of different forms in different types of VIEs. For transactions such as securitizations, investment funds, and CDOs, Nomura considers collateral management and servicing to represent the power to make the most significant decisions. Accordingly, Nomura does not consolidate such types of VIEs for which it does not act as collateral manager or servicer unless Nomura has the right to replace the collateral manager or servicer or to require liquidation of the entity.

For many transactions, such as where VIEs are used for re-securitizations of residential mortgage-backed securities, there are no significant economic decisions made on an ongoing basis and no single investor has the unilateral ability to liquidate the VIE. In these cases, Nomura focuses its analysis on decisions made prior to the initial closing of the transaction, and considers factors such as the nature of the underlying assets held by the VIE, the involvement of third party investors in the design of the VIE, the size of initial third party investment and the amount and level of any subordination of beneficial interests issued by the VIE which will be held by

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura and third party investors. Nomura has sponsored numerous re-securitization transactions and in many cases has determined that it is not the primary beneficiary on the basis that control over the most significant decisions relating to these entities are shared with third party investors. In some cases, however, Nomura has consolidated such VIEs, for example, where it was determined that third party investors were not involved in the design of the VIEs, including where the size of third party investment was not significant at inception of the transaction.

The following table presents the classification of consolidated VIEs' assets and liabilities in these consolidated financial statements as of March 31, 2014 and 2015. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not have any recourse to Nomura beyond the assets held in the VIEs.

	Billions of yen	
	March 31	
	2014	2015
Consolidated VIE assets		
Cash and cash equivalents	¥ 18	¥ 9
Trading assets		
Equities	289	461
Debt securities	393	473
CMBS and RMBS	66	71
Derivatives	2	2
Private equity investments	1	1
Securities purchased under agreements to resell	32	1
Office buildings, land, equipment and facilities	12	15
Other ⁽¹⁾	70	24
Total	<u>¥883</u>	<u>¥1,057</u>
Consolidated VIE liabilities		
Trading liabilities		
Debt securities	¥ 33	¥ 1
Derivatives	9	11
Securities sold under agreements to repurchase	23	1
Borrowings		
Long-term borrowings	424	750
Other	4	2
Total	<u>¥493</u>	<u>¥ 765</u>

(1) Includes aircraft purchase deposits of ¥5 billion as of March 31, 2014. There were no aircraft purchase deposits as of March 31, 2015. In connection with these aircraft purchase deposits, certain of these VIEs had commitments to purchase aircraft as of March 31, 2014. No such commitments existed as of March 31, 2015. See Note 20 “Commitments, contingencies and guarantees” for further information.

Nomura continuously reassesses its initial evaluation of whether it is the primary beneficiary of a VIE based on current facts and circumstances as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by Nomura and by other parties, and the variable interests owned by Nomura and other parties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura's variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.

The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure. The risks associated with VIEs in which Nomura is involved are limited to the amount recorded in the consolidated balance sheets, the amount of commitments and financial guarantees and the notional amount of the derivative instruments. Nomura believes the notional amount of derivative instruments generally exceeds the amount of actual risk.

	Billions of yen		
	March 31, 2014		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 67	¥—	¥ 67
Debt securities	211	—	211
CMBS and RMBS	2,308	—	2,308
Investment trust funds and other	185	—	185
Derivatives	0	—	4
Private equity investments	25	—	25
Loans	175	—	175
Other	4	—	4
Commitments to extend credit and other guarantees	—	—	49
Total	<u>¥2,975</u>	<u>¥—</u>	<u>¥3,028</u>

	Billions of yen		
	March 31, 2015		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 123	¥—	¥ 123
Debt securities	237	—	237
CMBS and RMBS	2,521	—	2,521
Investment trust funds and other	387	—	387
Derivatives	0	—	2
Private equity investments	24	—	24
Loans	314	—	314
Other	4	—	4
Commitments to extend credit and other guarantees	—	—	40
Total	<u>¥3,610</u>	<u>¥—</u>	<u>¥3,652</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Financing receivables:

In the normal course of business, Nomura extends financing to clients primarily in the form of loans and collateralized agreements such as reverse repurchase agreements and securities borrowing transactions. These financing receivables are recognized as assets on Nomura's consolidated balance sheets and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

Collateralized agreements

Collateralized agreements consist of reverse repurchase agreements disclosed as *Securities purchased under agreements to resell* and securities borrowing transactions disclosed as *Securities borrowed* in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers, or borrowing these securities with cash collateral. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Reverse repurchase agreements are generally recognized in the consolidated balance sheets at the amount for which the securities were originally acquired with applicable accrued interest. Securities borrowing transactions are generally recognized in the consolidated balance sheets at the amount of cash collateral advanced. No allowance for credit losses is generally recognized against these transactions due to the strict collateralization requirements.

Loans receivable

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and unsecured loans extended by licensed banking entities within Nomura such as The Nomura Trust & Banking Co., Ltd. and Nomura Bank International plc. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are loans provided to clients in connection with securities brokerage business. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value ("LTV") ratio. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these loans is not significant as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients extended by non-licensed banking entities within Nomura. Corporate loans include loans secured by real estate or securities, as well as

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

In addition to the loans above, Nomura has advances to affiliated companies which are loans provided to related parties of Nomura. As these loans are generally not secured, Nomura is exposed to the risk of default of the counterparty.

The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets by portfolio segment.

	Millions of yen		
	March 31, 2014		
	Carried at amortized cost	Carried at fair value ⁽¹⁾	Total
Loans receivable			
Loans at banks	¥ 274,966	¥ 44	¥ 275,010
Short-term secured margin loans	421,809	—	421,809
Inter-bank money market loans	42,885	—	42,885
Corporate loans	284,259	303,912	588,171
Total loans receivable	¥1,023,919	¥303,956	¥1,327,875
Advances to affiliated companies	5,797	—	5,797
Total	¥1,029,716	¥303,956	¥1,333,672

	Millions of yen		
	March 31, 2015		
	Carried at amortized cost	Carried at fair value ⁽¹⁾	Total
Loans receivable			
Loans at banks	¥ 324,503	¥ —	¥ 324,503
Short-term secured margin loans	425,245	—	425,245
Inter-bank money market loans	16,995	—	16,995
Corporate loans	377,114	317,218	694,332
Total loans receivable	¥1,143,857	¥317,218	¥1,461,075
Advances to affiliated companies	2,104	—	2,104
Total	¥1,145,961	¥317,218	¥1,463,179

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option.

The amounts of significant purchases of corporate loans during the year ended March 31, 2014 was ¥92,760 million. During the same period, there were no significant sales of loans receivable and no significant reclassifications of loans receivable to trading assets.

The amounts of significant purchases of corporate loans during the year ended March 31, 2015 was ¥79,811 million. The amounts of significant sales of corporate loans during the year ended March 31, 2015 was ¥15,187 million. During the same period, there were no significant reclassifications of loans receivable to trading assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Allowance for credit losses

Management establishes an allowance for credit losses against loans carried at amortized cost which reflects management's best estimate of probable losses incurred. The allowance for credit losses against loans, which is reported in the consolidated balance sheets within *Allowance for doubtful accounts*, comprises two components:

- A specific component for loans which have been individually evaluated for impairment; and
- A general component for loans which, while not individually evaluated for impairment, have been collectively evaluated for impairment based on historical loss experience.

The specific component of the allowance reflects probable losses incurred within loans which have been individually evaluated for impairment. A loan is defined as being impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include an assessment of the ability of borrowers to pay by considering various factors such as the nature of the loan, prior credit loss experience, current economic conditions, the current financial situation of the borrower and the fair value of any underlying collateral. Loans that experience insignificant payment delays or insignificant payment shortfalls are not classified as impaired. Impairment is measured on a loan by loan basis by adjusting the carrying value of the loan to either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance is for loans not individually evaluated for impairment and includes judgment about collectability based on available information at the balance sheet date and the uncertainties inherent in those underlying assumptions. The allowance is based on historical loss experience adjusted for qualitative factors such as current economic conditions.

While management has based its estimate of the allowance for credit losses against loans on the best information available, future adjustments to the allowance may be necessary as a result of changes in the economic environment or variances between actual results and original assumptions.

Loans are charged-off when Nomura determines that the loans are uncollectible. This determination is based on factors such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that the proceeds from collateral will not be sufficient to pay the loans.

The following tables present changes in the total allowance for credit losses for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen							
	Year ended March 31, 2013							
	Allowance for credit losses against loans						Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal		
Opening balance	¥552	¥ 24	¥—	¥ 2,758	¥ 51	¥ 3,385	¥1,503	¥ 4,888
Provision for credit losses	238	13	—	(2,630)	(22)	(2,401)	(13)	(2,414)
Charge-offs	(1)	(11)	—	(26)	—	(38)	—	(38)
Other ⁽¹⁾	—	0	—	(7)	—	(7)	(171)	(178)
Ending balance	<u>¥789</u>	<u>¥ 26</u>	<u>¥—</u>	<u>¥ 95</u>	<u>¥ 29</u>	<u>¥ 939</u>	<u>¥1,319</u>	<u>¥ 2,258</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Millions of yen								
Year ended March 31, 2014								
	Allowance for credit losses against loans					Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies			
Opening balance	¥ 789	¥ 26	¥—	¥ 95	¥ 29	¥939	¥1,319	¥2,258
Provision for credit losses	(109)	61	—	(13)	(28)	(89)	960	871
Charge-offs	(2)	—	—	—	—	(2)	(146)	(148)
Other ⁽¹⁾	(0)	—	—	0	—	0	28	28
Ending balance	<u>¥ 678</u>	<u>¥ 87</u>	<u>¥—</u>	<u>¥ 82</u>	<u>¥ 1</u>	<u>¥848</u>	<u>¥2,161</u>	<u>¥3,009</u>

Millions of yen								
Year ended March 31, 2015								
	Allowance for credit losses against loans					Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies			
Opening balance	¥ 678	¥ 87	¥—	¥ 82	¥ 1	¥848	¥2,161	¥3,009
Provision for credit losses	61	53	—	(3)	0	111	254	365
Charge-offs	—	—	—	—	—	—	(189)	(189)
Other ⁽¹⁾	—	2	—	0	—	2	66	68
Ending balance	<u>¥ 739</u>	<u>¥142</u>	<u>¥—</u>	<u>¥ 79</u>	<u>¥ 1</u>	<u>¥961</u>	<u>¥2,292</u>	<u>¥3,253</u>

(1) Includes the effect of foreign exchange movements.

The following tables present the allowance for credit losses against loans and loans by impairment methodology and type of loans as of March 31, 2014 and 2015.

Millions of yen						
March 31, 2014						
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ 3	¥ —	¥ —	¥ 7	¥ —	¥ 10
Evaluated collectively	675	87	—	75	1	838
Total allowance for credit losses	<u>¥ 678</u>	<u>¥ 87</u>	<u>¥ —</u>	<u>¥ 82</u>	<u>¥ 1</u>	<u>¥ 848</u>
Loans by impairment methodology						
Evaluated individually	¥ 4,374	¥103,345	¥42,885	¥275,753	¥ 882	¥ 427,239
Evaluated collectively	270,592	318,464	—	8,506	4,915	602,477
Total loans	<u>¥274,966</u>	<u>¥421,809</u>	<u>¥42,885</u>	<u>¥284,259</u>	<u>¥5,797</u>	<u>¥1,029,716</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Millions of yen					
	March 31, 2015					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ 3	¥ 84	¥ —	¥ 7	¥ —	¥ 94
Evaluated collectively	736	58	—	72	1	867
Total allowance for credit losses	<u>¥ 739</u>	<u>¥ 142</u>	<u>¥ —</u>	<u>¥ 79</u>	<u>¥ 1</u>	<u>¥ 961</u>
Loans by impairment methodology						
Evaluated individually	¥ 4,929	¥172,259	¥16,995	¥369,113	¥ 174	¥ 563,470
Evaluated collectively	319,574	252,986	—	8,001	1,930	582,491
Total loans	<u>¥324,503</u>	<u>¥425,245</u>	<u>¥16,995</u>	<u>¥377,114</u>	<u>¥2,104</u>	<u>¥1,145,961</u>

Nonaccrual and past due loans

Loans which are individually evaluated as impaired are assessed for nonaccrual status in accordance with Nomura’s policy. When it is determined to suspend interest accrual as a result of an assessment, any accrued but unpaid interest is reversed. Loans are generally only returned to an accrual status if the loan is brought contractually current, i.e. all overdue principal and interest amounts are paid. In limited circumstances, a loan which has not been brought contractually current will also be returned to an accrual status if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time or there has been a sustained period of repayment performance by the borrower.

As of March 31, 2014, there were ¥6,022 million of loans which were on a nonaccrual status, primarily secured corporate loans. The amount of loans which were 90 days past due was not significant.

As of March 31, 2015, the amount of loans which were on a nonaccrual status was not significant. The amount of loans which were 90 days past due was not significant.

Once a loan is impaired and placed on a nonaccrual status, interest income is subsequently recognized using the cash basis method.

Loan impairment and troubled debt restructurings

In the ordinary course of business, Nomura may choose to recognize impairment and also restructure a loan classified as held for investment either because of financial difficulties of the borrower, or simply as a result of market conditions or relationship reasons. A troubled debt restructuring (“TDR”) occurs when Nomura (as lender) for economic or legal reasons related to the borrower’s financial difficulties grants a concession to the borrower that Nomura would not otherwise consider.

Any loan being restructured under a TDR will generally already be identified as impaired with an applicable allowance for credit losses recognized. If not (for example if the loan is collectively assessed for impairment with other loans), the restructuring of the loan under a TDR will immediately result in the loan as being classified as impaired. An impairment loss for a loan restructuring under a TDR which only involves modification of the loan’s terms (rather than receipt of assets in full or partial settlement) is calculated in the same way as any other impaired loan. Assets received in full or partial satisfaction of a loan in a TDR are recognized at fair value.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2014 and 2015, the amount of loans which were classified as impaired but against which no allowance for credit losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment, the total unpaid principal balance and the related allowance was not significant.

The amount of TDRs which occurred during the years ended March 31, 2014 and 2015 was not significant.

Credit quality indicators

Nomura is exposed to credit risks deriving from a decline in the value of loans or a default caused by deterioration of creditworthiness or bankruptcy of the obligor. Nomura's risk management framework for such credit risks is based on a risk assessment through an internal rating process, in depth pre-financing credit analysis of each individual loan and continuous post-financing monitoring of obligor's creditworthiness.

The following tables present an analysis of each class of loans not carried at fair value using Nomura's internal ratings or equivalent credit quality indicators applied by subsidiaries as of March 31, 2014 and 2015.

	Millions of yen				
	March 31, 2014				
	AAA-BBB	BB-CCC	CC-D	Others ⁽¹⁾	Total
Secured loans at banks	¥ 98,356	¥ 33,669	¥ —	¥ 34,740	¥ 166,765
Unsecured loans at banks	108,199	—	2	—	108,201
Short-term secured margin loans	—	—	—	421,809	421,809
Secured inter-bank money market loans	12,885	—	—	—	12,885
Unsecured inter-bank money market loans	30,000	—	—	—	30,000
Secured corporate loans	136,302	107,141	5,719	1,938	251,100
Unsecured corporate loans	3,395	26,902	—	2,862	33,159
Advances to affiliated companies	4,915	594	—	288	5,797
Total	¥394,052	¥168,306	¥5,721	¥461,637	¥1,029,716

	Millions of yen				
	March 31, 2015				
	AAA-BBB	BB-CCC	CC-D	Others ⁽¹⁾	Total
Secured loans at banks	¥100,927	¥ 38,373	¥ —	¥ 39,186	¥ 178,486
Unsecured loans at banks	141,395	4,620	2	—	146,017
Short-term secured margin loans	—	—	—	425,245	425,245
Secured inter-bank money market loans	7,249	—	—	—	7,249
Unsecured inter-bank money market loans	9,746	—	—	—	9,746
Secured corporate loans	249,046	117,255	1,141	2,298	369,740
Unsecured corporate loans	3,619	—	—	3,755	7,374
Advances to affiliated companies	1,929	175	—	—	2,104
Total	¥513,911	¥160,423	¥1,143	¥470,484	¥1,145,961

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura reviews internal ratings at least once a year by using available credit information of obligors including financial statements and other information. Internal ratings are also reviewed more frequently for high-risk obligors or problematic exposures and any significant credit event of obligors will trigger an immediate credit review process.

8. Leases:

Nomura as lessor

Nomura leases office buildings and aircraft in Japan and overseas. These leases are classified as operating leases and the related assets are stated at cost, net of accumulated depreciation, except for land, which is stated at cost in the consolidated balance sheets and reported within *Other assets—Office buildings, land, equipment and facilities*.

A portion of such rentals is paid from Nomura Research Institute, Ltd. (“NRI”), an affiliated company. See Note 19 “*Affiliated companies and other equity-method investees*” for more information.

The following table presents lease deposits and rents received from NRI.

	Millions of yen		
	As of or for the year ended March 31		
	2013	2014	2015
Lease deposits	¥ —	¥ —	¥ —
Rental income	4,272	—	—

The following table presents the types of assets which Nomura leases under operating leases.

	Millions of yen		
	March 31, 2015		
	Cost	Accumulated depreciation	Net carrying amount
Real estate ⁽¹⁾	¥ 3,448	¥(1,443)	¥ 2,005
Aircraft	11,432	(503)	10,929
Total	<u>¥14,880</u>	<u>¥(1,946)</u>	<u>¥12,934</u>

(1) Cost, accumulated depreciation and net carrying amounts include amounts relating to real estate space utilized by Nomura.

Nomura recognized rental income of ¥78,667 million, ¥1,579 million and ¥1,659 million for the years ended March 31, 2013, 2014 and 2015, respectively in the consolidated statements of income within *Revenue—Other*.

The future minimum lease payments to be received on noncancelable operating leases as of March 31, 2015 were ¥12,348 million and these future minimum lease payments to be received are scheduled as below:

	Millions of yen						
	Total	Years of receipt					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments to be received	¥12,348	¥1,091	¥1,090	¥1,088	¥1,085	¥1,085	¥6,909

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura as lessee

Nomura leases its office spaces, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancelable operating lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities in Japan and overseas under non-cancelable operating lease agreements. Rental expenses, net of sublease rental income, for the years ended March 31, 2013, 2014 and 2015 were ¥46,975 million, ¥46,600 million and ¥47,217 million, respectively.

The following table presents the future minimum lease payments under non-cancelable operating leases with remaining terms exceeding one year as of March 31, 2015:

	<u>Millions of yen</u>
	<u>March 31</u>
	<u>2015</u>
Total minimum lease payments	¥171,746
Less: Sublease rental income	(8,080)
Net minimum lease payments	<u>¥163,666</u>

The future minimum lease payments above are scheduled as below as of March 31, 2015:

	<u>Millions of yen</u>						
	<u>Years of payment</u>						
	<u>Total</u>	<u>Less than</u>	<u>1 to 2</u>	<u>2 to 3</u>	<u>3 to 4</u>	<u>4 to 5</u>	<u>More than</u>
		<u>1 year</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>5 years</u>
Minimum lease payments	¥171,746	¥20,410	¥17,925	¥16,797	¥15,454	¥12,860	¥88,300

Nomura leases certain equipments and facilities office in Japan and overseas under capital lease agreements. If the lease is classified as a capital lease, Nomura recognizes the real estate at the lower of its fair value or present value of minimum lease payments, which is reported within *Other Assets—Office buildings, land, equipment and facilities* in the consolidated balance sheets. The amounts of capital lease assets as of March 31, 2014 and 2015 were ¥33,294 million and ¥34,428 million, respectively and accumulated depreciations on such capital lease assets as of March 31, 2014 and 2015 were ¥4,579 million and ¥6,171 million, respectively.

The following table presents the future minimum lease payments under capital leases as of March 31, 2015:

	<u>Millions of yen</u>
	<u>March 31</u>
	<u>2015</u>
Total minimum lease payments	¥ 66,840
Less: Amount representing interest	(36,229)
Present value of net lease payments	<u>¥ 30,611</u>

The future minimum lease payments above are scheduled as below as of March 31, 2015:

	<u>Millions of yen</u>						
	<u>Years of payment</u>						
	<u>Total</u>	<u>Less than</u>	<u>1 to 2</u>	<u>2 to 3</u>	<u>3 to 4</u>	<u>4 to 5</u>	<u>More than</u>
		<u>1 year</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>years</u>	<u>5 years</u>
Minimum lease payments	¥66,840	¥3,750	¥4,436	¥4,349	¥4,196	¥4,485	¥45,624

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utilities and tax increases.

9. Other assets—Other / Other liabilities:

The following table presents components of *Other assets—Other* and *Other liabilities* in the consolidated balance sheets as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Other assets—Other:		
Securities received as collateral	¥ 236,808	¥ 187,753
Goodwill and other intangible assets	115,143	123,486
Deferred tax assets	22,018	19,718
Investments in equity securities for other than operating purposes ⁽¹⁾	133,742	162,644
Prepaid expenses	8,778	10,741
Other	267,685	318,224
Total	¥ 784,174	¥ 822,566
Other liabilities:		
Obligation to return securities received as collateral	¥ 236,808	¥ 187,753
Accrued income taxes	31,630	48,632
Other accrued expenses and provisions	396,677	446,920
Other ⁽²⁾	476,635	533,794
Total	¥1,141,750	¥1,217,099

- (1) Includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments were comprised of listed equity securities and unlisted equity securities of ¥114,582 million and ¥19,160 million respectively, as of March 31, 2014, and ¥140,024 million and ¥22,621 million respectively, as of March 31, 2015. These securities are carried at fair value, with changes in fair value recognized within *Revenue—Other* in the consolidated statements of income.
- (2) Includes liabilities relating to investment contracts underwritten by Nomura’s insurance subsidiary. As of March 31, 2014 and 2015, carrying values were ¥270,950 million and ¥258,310 million, respectively, and estimated fair values were ¥274,991 million and ¥261,039 million, respectively. Fair value was estimated using DCF valuation techniques and using valuation inputs which would be generally classified in Level 3 of the fair value hierarchy.

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

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The following table presents changes in goodwill, which are reported in the consolidated balance sheets within *Other assets—Other* for the years ended March 31, 2014 and 2015.

	Millions of yen							
	Year ended March 31, 2014							
	Beginning of year			Changes during year		End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Impairment ⁽¹⁾	Other ⁽²⁾	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥79,249	¥(11,031)	¥68,218	¥ —	¥ 5,916	¥ 85,951	¥(11,817)	¥74,134
Other	6,024	—	6,024	(2,840)	419	6,549	(2,946)	3,603
Total	¥85,273	¥(11,031)	¥74,242	¥(2,840)	¥ 6,335	¥ 92,500	¥(14,763)	¥77,737

	Millions of yen							
	Year ended March 31, 2015							
	Beginning of year			Changes during year		End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Impairment ⁽¹⁾	Other ⁽²⁾	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥85,951	¥(11,817)	¥74,134	¥ —	¥11,578	¥ 97,529	¥(11,817)	¥85,712
Other	6,549	(2,946)	3,603	(3,188)	63	6,612	(6,134)	478
Total	¥92,500	¥(14,763)	¥77,737	¥(3,188)	¥11,641	¥104,141	¥(17,951)	¥86,190

(1) For the years ended March 31, 2014 and 2015, Nomura recognized goodwill impairment losses of ¥2,840 million and ¥3,188 million respectively, within *Other* in Nomura's segment information. These are due to a decline in the fair value of a reporting unit caused by decreases in expected cash flows arising from changes in the economic environment. These impairment losses were recorded within *Non-interest expenses—Other* in the consolidated statements of income. The fair values were determined using DCF valuation techniques.

(2) Includes currency translation adjustments.

The following table presents finite-lived intangible assets by type as of March 31, 2014 and 2015.

	Millions of yen					
	March 31, 2014			March 31, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships	¥64,214	¥(35,641)	¥28,573	¥71,445	¥(43,839)	¥27,606
Other	690	(237)	453	473	(294)	179
Total	¥64,904	¥(35,878)	¥29,026	¥71,918	¥(44,133)	¥27,785

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Amortization expenses for the years ended March 31, 2013, 2014 and 2015 were ¥9,976 million, ¥5,423 million and ¥4,979 million, respectively. Estimated amortization expenses for the next five years are shown below.

Year ending March 31	Millions of yen Estimated amortization expense
2016	¥5,893
2017	5,315
2018	5,315
2019	3,920
2020	2,616

The amounts of indefinite-lived intangibles, which primarily includes trademarks, were ¥8,380 million and ¥9,511 million as of March 31, 2014 and 2015, respectively.

10. Borrowings:

The following table presents short-term and long-term borrowings of Nomura as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Short-term borrowings ⁽¹⁾ :		
Commercial paper	¥ 246,866	¥ 252,858
Bank borrowings	303,583	217,013
Other	51,682	192,385
Total	¥ 602,131	¥ 662,256
Long-term borrowings:		
Long-term borrowings from banks and other financial institutions ⁽²⁾	¥2,787,729	¥3,140,531
Bonds and notes issued ⁽³⁾ :		
Fixed-rate obligations:		
Japanese yen denominated	1,432,388	1,528,529
Non-Japanese yen denominated	1,340,495	1,102,125
Floating-rate obligations:		
Japanese yen denominated	324,279	465,296
Non-Japanese yen denominated	85,805	150,055
Index / Equity-linked obligations:		
Japanese yen denominated	1,367,051	1,017,380
Non-Japanese yen denominated	707,754	798,857
	5,257,772	5,062,242
Subtotal	8,045,501	8,202,773
Trading balances of secured borrowings	181,562	133,523
Total	¥8,227,063	¥8,336,296

(1) Includes secured borrowings of ¥10,715 million as of March 31, 2014 and ¥17,284 million as of March 31, 2015.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (2) Includes secured borrowings of ¥139,270 million as of March 31, 2014 and ¥251,486 million as of March 31, 2015.
- (3) Includes secured borrowings of ¥423,994 million as of March 31, 2014 and ¥749,839 million as of March 31, 2015.

Trading balances of secured borrowings

These are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These borrowings are part of Nomura's trading activities intended to generate profits from the distribution of financial products secured by those financial assets.

Long-term borrowings consisted of the following:

	Millions of yen	
	March 31	
	2014	2015
Debt issued by the Company	¥3,823,410	¥3,863,436
Debt issued by subsidiaries—guaranteed by the Company	2,372,412	1,885,256
Debt issued by subsidiaries—not guaranteed by the Company ⁽¹⁾	2,031,241	2,587,604
Total	¥8,227,063	¥8,336,296

- (1) Includes trading balances of secured borrowings.

As of March 31, 2014, fixed-rate long-term borrowings mature between 2014 and 2043 at interest rates ranging from 0.00% to 12.66%. Floating-rate obligations, which are generally based on LIBOR, mature between 2014 and 2052 at interest rates ranging from 0.00% to 6.18%. Index / Equity-linked obligations mature between 2014 and 2044 at interest rates ranging from 0.00% to 28.50%.

As of March 31, 2015, fixed-rate long-term borrowings mature between 2015 and 2045 at interest rates ranging from 0.00% to 12.66%. Floating-rate obligations, which are generally based on LIBOR, mature between 2015 and 2052 at interest rates ranging from 0.00% to 9.02%. Index / Equity-linked obligations mature between 2015 and 2045 at interest rates ranging from 0.00% to 28.50%.

Certain borrowing agreements of subsidiaries contain provisions whereby the borrowings are redeemable at the option of the borrower at specified dates prior to maturity and include various equity-linked or other index-linked instruments.

Nomura enters into swap agreements to manage its exposure to interest rates and foreign exchange rates. Principally, debt securities and notes issued are effectively converted to LIBOR-based floating rate obligations through such swap agreements. The carrying value of the long-term borrowings includes adjustments to reflect fair value hedges.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Following table presents the effective weighted-average interest rates of borrowings, including the effect of fair value hedges as of March 31, 2014 and 2015.

	March 31	
	2014	2015
Short-term borrowings	0.40%	0.37%
Long-term borrowings	1.69%	0.78%
Fixed-rate obligations	2.34%	1.18%
Floating-rate obligations	0.86%	0.82%
Index / Equity-linked obligations	1.72%	0.34%

Maturities of long-term borrowings

The following table presents the aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges and liabilities measured at fair value, as of March 31, 2015:

Year ending March 31	Millions of yen
2016	¥ 982,982
2017	995,463
2018	1,054,430
2019	1,084,714
2020	1,119,360
2021 and thereafter	2,965,824
Subtotal	8,202,773
Trading balances of secured borrowings	133,523
Total	<u>¥8,336,296</u>

Borrowing facilities

As of March 31, 2014 and 2015, Nomura had unutilized borrowing facilities of ¥65,000 million and ¥15,000 million, respectively. The terms for these unutilized borrowing facilities do not significantly differ from existing borrowings. Nomura has structured facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. These facilities are subject to customary lending conditions and covenants.

Subordinated borrowings

As of March 31, 2014 and 2015, subordinated borrowings were ¥509,210 million and ¥489,888 million, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Earnings per share:

Basic and diluted earnings per share (“EPS”) are presented on the face of the consolidated statements of income. Basic EPS is calculated by dividing net income attributable to NHI shareholders by the weighted average number of the Company’s common shares outstanding during the year. The calculation of diluted EPS is similar to basic EPS, except that the weighted average number of the Company’s common shares is adjusted to reflect all dilutive instruments where the Company’s common shares are potentially deliverable during the year. In addition, net income attributable to NHI shareholders is adjusted for any change in income or loss that would result from the assumed conversion of dilutive instruments issued by subsidiaries and affiliates.

The following table presents a reconciliation of the amounts and the numbers used in the calculation of net income attributable to NHI shareholders per share (basic and diluted) for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen except per share data presented in yen		
	Year ended March 31		
	2013	2014	2015
Basic—			
Net income attributable to NHI shareholders	¥ 107,234	¥ 213,591	¥ 224,785
Weighted average number of shares outstanding	3,692,795,953	3,709,830,989	3,645,514,878
Net income attributable to NHI shareholders per share	¥ 29.04	¥ 57.57	¥ 61.66
Diluted—			
Net income attributable to NHI shareholders	¥ 107,181	¥ 213,561	¥ 224,726
Weighted average number of shares outstanding	3,777,360,671	3,826,496,369	3,743,690,088
Net income attributable to NHI shareholders per share	¥ 28.37	¥ 55.81	¥ 60.03

Net income attributable to NHI shareholders was adjusted to reflect the decline in Nomura’s equity share of earnings of subsidiaries and affiliates for the years ended March 31, 2013, 2014 and 2015 arising from options to purchase common shares issued by subsidiaries and affiliates. The weighted average number of shares used in the calculation of diluted EPS reflects the increase in potential issuance of the Company’s common shares arising from stock-based compensation plans by the Company, which would have minimal impact on EPS for the years ended March 31, 2013, 2014 and 2015.

Antidilutive stock options to purchase 10,880,700, 8,967,300 and 9,745,800 of the Company’s common shares were not included in the computation of diluted EPS for the years ended March 31, 2013, 2014 and 2015, respectively.

Subsequent Events

The Company conducted a share buyback from May 20, 2015 to May 29, 2015. See Note 17 “Shareholders’ equity” for further information.

On May 18, 2015, the Company adopted a resolution to issue SARs pursuant to the SAR awards. See Note 13 “Deferred compensation plans” for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Employee benefit plans:

Nomura provides various pension plans and other post-retirement benefits which cover certain eligible employees worldwide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society (“NSHIS”).

Defined benefit pension plans—

The Company and certain subsidiaries in Japan (“Japanese entities”) have contributory funded benefit pension plans for eligible employees. The benefits are paid as annuity payments subsequent to retirement or as lump-sum payments at the time of retirement based on a combination of years of service, age at retirement and employee’s choice. The benefits under the plans are calculated based upon position, years of service and reason for retirement. In addition to the plans described above, certain Japanese entities also have unfunded lump-sum payment plans. Under these plans, employees with at least two years of service are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon position, years of service and the reason for retirement. Nomura’s funding policy is to contribute annually the amount necessary to satisfy local funding standards. In December 2008, certain contributory funded benefit pension plans and unfunded lump-sum payment plans were amended and “Cash balance pension plans” were introduced. Participants receive an annual benefit in their cash balance pension plan account, which is computed based on compensation of the participants, adjusted for changes in Japanese government debt securities yields.

Certain overseas subsidiaries have various local defined benefit plans covering certain employees. Nomura recognized an asset for surplus pension benefits for these plans amounting to ¥10,441 million and ¥10,652 million as of March 31, 2014 and 2015, respectively.

Net periodic benefit cost

The following table presents the components of net periodic benefit cost for defined benefit plans of Japanese entities for the years ended March 31, 2013, 2014 and 2015. Nomura’s measurement date is March 31 for defined benefit plans of Japanese entities.

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Service cost	¥ 9,322	¥ 8,438	¥ 7,800
Interest cost	4,302	3,441	3,090
Expected return on plan assets	(4,072)	(4,971)	(5,732)
Amortization of net actuarial losses	3,630	2,767	2,127
Amortization of prior service cost	(1,545)	(1,149)	(1,148)
Net periodic benefit cost	¥11,637	¥ 8,526	¥ 6,137

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, which is 11 years.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Benefit obligations and funded status

The following table presents a reconciliation of changes in projected benefit obligation (“PBO”) and the fair value of plan assets, as well as a summary of the funded status of Japanese entities’ plans as of, and for the years ended March 31, 2014 and 2015.

	Millions of yen	
	As of or for the year ended March 31	
	2014	2015
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	¥234,399	¥233,885
Service cost	8,438	7,800
Interest cost	3,441	3,090
Actuarial gain	(2,697)	6,106
Benefits paid	(9,708)	(10,070)
Acquisition, divestitures and other	12	47
Projected benefit obligation at end of year	<u>¥233,885</u>	<u>¥240,858</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	¥191,674	¥220,873
Actual return on plan assets	14,317	15,660
Employer contributions	23,278	5,914
Benefits paid	(8,396)	(8,610)
Fair value of plan assets at end of year	<u>¥220,873</u>	<u>¥233,837</u>
Funded status at end of year	<u>(13,012)</u>	<u>(7,021)</u>
Amounts recognized in the consolidated balance sheets	<u>¥(13,012)</u>	<u>¥ (7,021)</u>

The accumulated benefit obligation (“ABO”) was ¥233,885 million and ¥240,858 million as of March 31, 2014 and 2015, respectively.

The following table presents the PBO, ABO and fair value of plan assets for Japanese entities’ plans with ABO and PBO in excess of plan assets as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Plans with ABO in excess of plan assets:		
PBO	¥27,160	¥29,643
ABO	27,160	29,643
Fair value of plan assets	—	—
Plans with PBO in excess of plan assets:		
PBO	¥27,160	¥29,643
ABO	27,160	29,643
Fair value of plan assets	—	—

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents pre-tax amounts of Japanese entities' plans deferred in *Accumulated other comprehensive income (loss)* that have not yet been recognized as components of net periodic benefit cost during the year ended March 31, 2015.

	<u>Millions of yen</u> <u>For the year ended</u> <u>March 31, 2015</u>
Net actuarial loss	¥41,594
Net prior service cost	(9,385)
Total	<u>¥32,209</u>

Pre-tax amounts of Japanese entities' plans in accumulated other comprehensive income which are expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows.

	<u>Millions of yen</u> <u>For the year ending</u> <u>March 31, 2016</u>
Net actuarial loss	¥ 1,451
Net prior service cost	(1,148)
Total	<u>¥ 303</u>

Assumptions

The following table presents the weighted-average assumptions used to determine projected benefit obligations of Japanese entities' plans as of March 31, 2014 and 2015.

	<u>March 31</u>	
	<u>2014</u>	<u>2015</u>
Discount rate	1.4%	0.9%
Rate of increase in compensation levels	2.5%	2.5%

The following table presents the weighted-average assumptions used to determine the net periodic benefit cost of Japanese entities' plans as of March 31, 2013, 2014 and 2015.

	<u>Year ended March 31</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Discount rate	1.5%	1.4%	1.4%
Rate of increase in compensation levels	2.5%	2.5%	2.5%
Expected long-term rate of return on plan assets	2.6%	2.6%	2.6%

Nomura generally determines the discount rates for its defined benefit plans by referencing indices for long-term, high-quality debt securities and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plans' liabilities.

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Plan assets

Plan assets are managed with an objective to generate sufficient long-term value in order to enable future pension payouts. While targeting a long-term rate of return on plan assets, Nomura aims to minimize short-term volatility by managing the portfolio through diversifying risk. Based on this portfolio policy, the plan assets are invested diversely.

The plan assets of domestic plans target to invest 17% in equities (including private equity investments), 45% in debt securities, 20% in life insurance company general accounts, and 18% in other investments. Investment allocations are generally reviewed and revised at the time of the actual revaluation that takes place every five years or when there is a significant change in the portfolio assumptions.

The following tables present information about the fair value of plan assets of Japanese entities' plans as of March 31, 2014 and March 31, 2015 within the fair value hierarchy.

For details of the levels of inputs used to measure the fair value of plan assets, see Note 2 “Fair value measurements”.

	Millions of yen			
	March 31, 2014			
	Level 1	Level 2	Level 3	Balance as of March 31, 2014
Pension plan assets:				
Equities	¥26,730	¥ —	¥ —	¥ 26,730
Private equity investments	—	—	12,235	12,235
Japanese government securities	62,088	—	—	62,088
Bank and corporate debt securities	1,842	2,312	—	4,154
Investment trust funds and other ⁽¹⁾	—	19,383	11,820	31,203
Life insurance company general accounts	—	42,735	—	42,735
Other assets	—	41,728	—	41,728
Total	<u>¥90,660</u>	<u>¥106,158</u>	<u>¥24,055</u>	<u>¥220,873</u>

	Millions of yen			
	March 31, 2015			
	Level 1	Level 2	Level 3	Balance as of March 31, 2015
Pension plan assets:				
Equities	¥23,665	¥ —	¥ —	¥ 23,665
Private equity investments	—	—	6,793	6,793
Japanese government securities	67,066	—	—	67,066
Bank and corporate debt securities	2,183	2,502	—	4,685
Investment trust funds and other ⁽¹⁾	—	18,457	48,545	67,002
Life insurance company general accounts	—	48,989	—	48,989
Other assets	—	15,637	—	15,637
Total	<u>¥92,914</u>	<u>¥ 85,585</u>	<u>¥55,338</u>	<u>¥233,837</u>

(1) Includes hedge funds and real estate funds.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The fair value of plan assets of non-Japanese entities' plans as of March 31, 2014 was ¥107 million, ¥32,953 million and ¥6,535 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively. The fair value of plan assets of non-Japanese entities' plans as of March 31, 2015 was ¥4,222 million, ¥136 million and ¥43,851 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively.

Level 1 plan assets primarily include equity securities and government securities. Unadjusted quoted prices in active markets for identical assets that Nomura has the ability to access at the measurement date are classified as Level 1. Level 2 plan assets primarily include investment trust funds, corporate debt securities and investments in life insurance company's general accounts. Investment trust funds are valued at their net asset values as calculated by the sponsor of the funds. Investments in life insurance company's general accounts are valued at conversion value.

The following tables present information about plan assets of Japanese entities' plans for which Nomura has utilized significant Level 3 valuation inputs to estimate fair value.

Millions of yen				
Year ended March 31, 2014				
	Balance as of April 1, 2013	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2014
Private equity investments	¥12,323	¥ 1,550	¥ (1,638)	¥12,235
Investment trust funds and other	15,035	33	(3,248)	11,820
Total	<u>¥27,358</u>	<u>¥ 1,583</u>	<u>¥ (4,886)</u>	<u>¥24,055</u>

Millions of yen				
Year ended March 31, 2015				
	Balance as of April 1, 2014	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2015
Private equity investments	¥12,235	¥(2,147)	¥ (3,295)	¥ 6,793
Investment trust funds and other	11,820	3,936	32,789	48,545
Total	<u>¥24,055</u>	<u>¥ 1,789</u>	<u>¥ 29,494</u>	<u>¥55,338</u>

The fair value of Level 3 plan assets of non-Japanese entities' plans, mainly consisting of annuities, was ¥6,535 million and ¥43,851 million as of March 31, 2014 and 2015, respectively. The amount of sales of Level 3 assets was ¥2,185 million during the year ended March 31, 2014, and the amount of purchases of Level 3 assets was ¥36,634 million during the year ended March 31, 2015. The amounts of gains and losses, purchases and sales other than above, transfers between Level 1 or Level 2 and Level 3 relating to these assets during the years ended March 31, 2014 and 2015 were not significant.

Cash Flows

Nomura expects to contribute approximately ¥5,918 million to Japanese entities' plans in the year ending March 31, 2016. Nomura policy is to contribute annual amounts based on the relevant local funding requirements of the plans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the expected benefit payments of Japanese entities' plans during the next five fiscal years and in aggregate for the five fiscal years thereafter.

<u>Year ending March 31</u>	<u>Millions of yen</u>
2016	¥12,191
2017	14,115
2018	14,606
2019	14,769
2020	13,672
2021-2025	69,034

Defined contribution pension plans—

In addition to defined benefit pension plans, the Company, NSC and other Japanese and non-Japanese subsidiaries have defined contribution pension plans.

Nomura contributed ¥3,600 million, ¥3,425 million and ¥3,488 million to defined contribution pension plans for Japanese entities' plans for the years ended March 31, 2013, 2014 and 2015, respectively.

The contributions to overseas defined contribution pension plans were ¥7,448 million, ¥8,667 million and ¥10,382 million for the years ended March 31, 2013, 2014 and 2015, respectively.

Health care benefits—

The Company and certain subsidiaries provide certain health care benefits to both active and retired employees through NSHIS. The Company and certain subsidiaries also sponsor certain health care benefits to retired employees (“Special Plan”) and who participate in the Special Plan on a pay-all basis, i.e., by requiring a retiree contribution based on the estimated per capita cost of coverage. The Special Plan is a multi-employer post-retirement plan because it is jointly administered by NSHIS and the Japanese government, and the funded status of it is not computed separately. Therefore, although the Company and certain subsidiaries contribute some portion of the cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not reserve for future costs. The health care benefit costs, which are equivalent to the required contribution, amounted to ¥7,434 million, ¥6,834 million and ¥7,116 million for the years ended March 31, 2013, 2014 and 2015, respectively.

13. Deferred compensation plans:

Nomura issues compensation awards to senior management and other employees, certain of which are linked to the price of the Company's common stock, in order to retain and motivate key staff.

These stock-based compensation awards comprise Plan A and Plan B Stock Acquisition Rights (“SARs”), Notional Stock Units (“NSUs”), Collared Notional Stock Units (“CSUs”) and Multi-Year Performance Deferral Awards (“MYPD awards”). SAR Plan A awards are awards of stock options while SAR Plan B awards, NSUs and CSUs are analogous to awards of restricted common stock. MYPD awards are performance-based incentive awards for senior management and senior employees linked to the profitability of Nomura. The Company also issues other deferred compensation awards, namely Notional Index Units (“NIUs”) which are linked to a world stock index quoted by Morgan Stanley Capital International.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Certain deferred awards granted during and after the year ended March 31, 2014 include “Full Career Retirement” provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met.

SAR Plan A awards

The Company issues SAR Plan A awards linked to the price of the Company’s common stock pursuant to several stock option plans. These awards vest and are exercisable into the Company’s common stock approximately two years after grant date, expire approximately seven years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is generally not less than the fair value of the Company’s common stock on grant date.

The grant date fair value of SAR Plan A awards is estimated using a Black-Scholes option-pricing model and using the following assumptions:

- Expected volatilities based on historical volatility of the Company’s common stock;
- Expected dividend yield based on the current dividend rate at the time of grant;
- Expected lives of the awards determined based on historical experience; and
- Expected risk-free interest rate based on Japanese Yen swap rate with a maturity equal to the expected lives of the options.

The weighted-average grant date fair value of SAR Plan A awards granted during the years ended March 31, 2013, 2014 and 2015 was ¥78, ¥272 and ¥201 per share, respectively. The weighted-average assumptions used in each of these years were as follows.

	Year ended March 31		
	2013	2014	2015
Expected volatility	43.11%	45.97%	45.26%
Expected dividends yield	2.12%	1.00%	2.39%
Expected lives (in years)	7	7	7
Risk-free interest rate	0.45%	0.51%	0.43%

The following table presents activity relating to SAR Plan A awards for the year ended March 31, 2015.

	Outstanding (number of Nomura shares)	Weighted-average exercise price	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2014	15,959,500	¥ 791	3.8
Granted	2,728,500	747	
Exercised	(1,073,200)	328	
Forfeited	(59,400)	883	
Expired	(1,906,000)	1,874	
Outstanding as of March 31, 2015	15,649,400	¥ 683	3.8
Exercisable as of March 31, 2015	10,223,600	¥ 624	2.5

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The total intrinsic value of SAR Plan A awards exercised during the years ended March 31, 2013, 2014 and 2015 was ¥2 million, ¥591 million and ¥401 million, respectively.

The aggregate intrinsic value of SAR Plan A awards outstanding and exercisable as of March 31, 2015 was ¥2,068 million and ¥2,068 million, respectively.

As of March 31, 2015, total unrecognized compensation cost relating to SAR Plan A awards was ¥647 million which is expected to be recognized over a weighted average period of 1.5 years. The total fair value of SAR Plan A awards which vested during the years ended March 31, 2013, 2014 and 2015 was ¥0 million, ¥1,403 million and ¥1,211 million, respectively.

SAR Plan B awards

The Company issues SAR Plan B awards linked to the price of the Company's common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company's common stock approximately six months to five years after grant date, expire approximately five and half an year to ten years after grant date and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is a nominal ¥1 per share.

The grant date fair value of SAR Plan B awards is determined using the price of the Company's common stock.

The following table presents activity relating to SAR Plan B awards for the year ended March 31, 2015.

	<u>Outstanding (number of Nomura shares)</u>	<u>Weighted-Average grant date fair value per share</u>	<u>Weighted-average remaining life until expiry (years)</u>
Outstanding as of March 31, 2014	92,621,100	¥ 474	5.3
Granted ⁽¹⁾	44,339,900	483	
Exercised	(35,387,800)	471	
Forfeited	(1,176,500)	498	
Expired	(7,700)	2,358	
Outstanding as of March 31, 2015	<u>100,389,000</u>	<u>¥ 478</u>	5.4
Exercisable as of March 31, 2015	<u>22,668,800</u>	<u>¥ 453</u>	3.5

(1) SAR Plan B awards granted during the year ended March 31, 2015 include awards granted through MYPD awards. These awards relate to a total of 18,315,000 outstanding Nomura shares with a weighted average grant date fair value of ¥298 per share.

The weighted-average grant date fair value per share for the years ended March 31, 2013, 2014 and 2015 was ¥298, ¥782 and ¥483, respectively.

The total intrinsic value of SAR Plan B awards exercised during the years ended March 31, 2013, 2014 and 2015 was ¥15,299 million, ¥33,951 million and ¥23,673 million, respectively.

The aggregate intrinsic value of SAR Plan B awards outstanding and exercisable as of March 31, 2015 (including those granted through MYPD awards) was ¥70,794 million and ¥15,986 million, respectively.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2015, total unrecognized compensation cost relating to SAR Plan B awards (including those granted through MYPD awards) was ¥5,902 million which is expected to be recognized over a weighted average period of 1.7 years. The total fair value of SAR Plan B awards which vested during the years ended March 31, 2013, 2014 and 2015 was ¥3,624 million, ¥34,943 million and ¥27,662 million, respectively.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to SAR Plan A and SAR Plan B awards (including those granted through MYPD awards) for the years ended March 31, 2013, 2014 and 2015 was ¥19,091 million, ¥19,458 million and ¥19,364 million, respectively.

Cash received from the exercise of SAR Plan A and SAR Plan B awards during the year ended March 31, 2015 was ¥387 million and the tax benefit realized from exercise of these awards was ¥2,620 million.

NSU and CSU awards

NSUs and CSUs are cash-settled awards linked to the price of the Company's common stock. NSUs and CSUs generally have graded vesting period of approximately five years from grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. NSUs replicate the key features of SAR Plan B awards described above but are settled in cash rather than exercisable into the Company's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of the Company's common stock is subject to a cap and floor.

The fair value of NSUs and CSUs are determined using the price of the Company's common stock.

The following table presents activity related to NSUs and CSUs for the year ended March 31, 2015.

	NSUs		CSUs	
	<u>Outstanding (number of units)</u>	<u>Stock price</u>	<u>Outstanding (number of units)</u>	<u>Stock price</u>
Outstanding as of March 31, 2014	51,695,211	¥652	50,697,928	¥429
Granted ⁽¹⁾	29,845,622	623 ⁽²⁾	23,863,468	674 ⁽²⁾
Vested	(31,829,763)	632 ⁽³⁾	(31,863,838)	495 ⁽³⁾
Forfeited	(1,591,537)		(1,516,480)	
Outstanding as of March 31, 2015	<u>48,119,533</u>	<u>¥693⁽⁴⁾</u>	<u>41,181,078</u>	<u>¥524⁽⁴⁾</u>

(1) NSUs granted during the year ended March 31, 2015 include awards granted through MYPD awards. A total of 5,389,800 NSU units were granted with a weighted-average grant date fair value of ¥615 per share.

(2) Weighted-average price of the Company's common stock used to determine number of awards granted.

(3) Weighted-average price of the Company's common stock used to determine the final cash settlement amount of the awards.

(4) The price of the Company's common stock used to remeasure the fair value of the remaining outstanding unvested awards as of March 31, 2015.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NSUs and CSUs for the years ended March 31, 2013, 2014 and 2015 (including NSUs granted through MYPD awards) was ¥33,286 million, ¥37,396 million and ¥39,366 million, respectively.

Total unrecognized compensation cost relating to NSUs (including NSUs granted through MYPD awards), based on the fair value of these awards as of March 31, 2015, was ¥4,144 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.9 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The total fair value of NSUs which vested during the years ended March 31, 2013, 2014 and 2015 was ¥14,045 million, ¥23,066 million and ¥20,116 million, respectively.

Total unrecognized compensation cost relating to CSUs, based on the fair value of these awards as of March 31, 2015, was ¥4,360 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.0 years.

The total fair value of CSUs which vested during the years ended March 31, 2013, 2014 and 2015 was ¥10,959 million, ¥17,868 million and ¥15,762 million, respectively.

MYPD awards

During the year ended March 31, 2013, Nomura issued MYPD awards, which were performance-based incentive awards for senior management and employees. Under the terms of the award, notional performance units were granted which were linked to the profitability of Nomura and specific business segments over a cumulative two year performance period which ended on March 31, 2014. At the end of the performance period, the notional performance units would be converted into a pre-determined amount of SAR Plan B awards or NSUs depending on the extent to which profitability targets were met. MYPD awards are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

In June 2014, all outstanding notional performance units were converted into SAR Plan B awards and NSUs.

The following table presents activity relating to MYPD awards for the year ended March 31, 2015.

	<u>Outstanding (number of shares)</u>	<u>Weighted Average grant date fair value per share</u>
Outstanding as of March 31, 2014 ⁽¹⁾	25,766,250	¥298
Forfeited	(2,061,450)	—
Converted to SAR Plan B awards and NSUs ⁽²⁾	(23,704,800)	298
Outstanding as of March 31, 2015	<u>—</u>	<u>¥—</u>

(1) Based on the probable number of SAR Plan B awards and NSUs which were expected to be issued on conversion of notional performance units at the end of the performance period.

(2) Represents the actual number of SAR Plan B awards and NSUs which were granted on conversion of notional performance units during the year.

Total compensation expense recognized in the consolidated statements of income within *Non-interest expenses—Compensation and benefits* for the year ended March 31, 2013 and 2014, relating to outstanding notional performance units of MYPD awards, and based on the extent to which it was probable that the performance conditions within the awards would be met, was ¥2,864 million and ¥1,633 million, respectively. Total compensation expense recognized in the consolidated statements of income within *Non-interest expenses—Compensation and benefits* during the year ended March 31, 2015 in respect of SAR Plan B and NSU awards issued as a result of conversion of notional performance units during the year are included in the relevant total amounts disclosed above for these awards. Similarly, total unrecognized compensation cost as of March 31, 2015 and the weighted-average period over which such compensation cost is expected to be recognized in respect of these awards is also included in the relevant amounts disclosed above for these awards.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Total related tax benefits recognized in the consolidated statements of income for compensation expenses relating to SAR Plan A awards, SAR Plan B awards (including SAR Plan B awards issued through MYPD awards) for the years ended March 31, 2013, 2014 and 2015 were ¥1,081 million, ¥1,992 million and ¥1,422 million, respectively. The dilutive effect of outstanding compensation plans is included in the weighted average number of shares outstanding used in diluted EPS computations.

NIU awards

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International, have graded vesting period of approximately five years from grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

The fair value of NIUs is determined using the price of the index.

The following table presents activity relating to NIUs for the year ended March 31, 2015.

	<u>Outstanding (number of units)</u>	<u>Index price⁽¹⁾</u>
Outstanding as of March 31, 2014	37,102,579	\$4,354
Granted	23,536,020	4,501 ⁽²⁾
Vested	(25,680,065)	4,601 ⁽³⁾
Forfeited	(1,511,292)	
Outstanding as of March 31, 2015	<u>33,447,242</u>	<u>\$4,650⁽⁴⁾</u>

(1) The price of each unit is determined using 1/1000th of the index price.

(2) Weighted-average index price used to determine number of awards granted.

(3) Weighted-average index price used to determine the final cash settlement amount of the awards.

(4) Index price used to remeasure the total fair value of the remaining outstanding unvested awards as of March 31, 2015.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NIUs for the year ended March 31, 2013, 2014 and March 31, 2015 was ¥8,266 million, ¥15,388 million and ¥12,900 million respectively.

Total unrecognized compensation cost relating to NIUs, based on the fair value of these awards as of March 31, 2015, was ¥2,926 million which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.0 years.

The total fair value of NIUs which vested during the years ended March 31, 2013, 2014 and 2015 was ¥8,224 million, ¥14,651 million and ¥12,966 million, respectively.

Total tax benefits recognized in the consolidated statements of income for compensation expense relating to NSUs, CSUs and NIUs for the years ended March 31, 2013, 2014 and 2015 were ¥1,773 million, ¥1,767 million and ¥1,252 million, respectively.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Subsequent events

On May 18, 2015, the Company adopted a resolution to issue SAR Plan B awards to senior management and employees of the Company and its subsidiaries. The Company granted total of 255,813 SAR Plan B awards on June 5, 2015 which represents a right to acquire 25,581,300 shares of the Company. The exercise price is a nominal ¥1 per share, the vesting period of these awards ranges from approximately six months to three years from grant date and these awards can be exercised up to five years after vesting date.

In May 2015, Nomura also granted NSUs, CSUs and NIUs to certain senior management and employees. These awards have a total grant date fair value of ¥41 billion and a vesting period of up to three years.

All of these awards include “Full Career Retirement” (“FCR”) provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. Awards delivered in May 2015 in respect of the performance year ended March 31, 2015 include similar FCR provisions, however the ability of the recipient to claim FCR in the first year of the award is now limited to a pre-defined election window which closes at June 25.

14. Restructuring initiatives:

During the second quarter of the year ended March 31, 2013, Nomura undertook a restructuring initiative focusing on its Wholesale Division to revise business models and increase business efficiencies. This restructuring initiative was completed during the year ended March 31, 2015.

As a result of this restructuring initiative, Nomura recognized ¥2,650 million of restructuring costs in the consolidated statements of income during the year ended March 31, 2014, and ¥nil during the year ended March 31, 2015. A cumulative total of ¥18,238 million of restructuring costs was recognized as of March 31, 2015. These restructuring costs were primarily reported within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income. Outstanding liabilities relating to these restructuring costs, including currency translation adjustments, were ¥3,760 million and ¥2,326 million as of March 31, 2014 and 2015 respectively. During the year ended March 31, 2015, ¥1,704 million of these liabilities were settled.

15. Income taxes:

The following table presents components of *Income tax expense* reported in the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Current:			
Domestic	¥ 71,918	¥ 21,558	¥ 80,760
Foreign	6,164	6,546	13,531
Subtotal	78,082	28,104	94,291
Deferred:			
Domestic	55,257	109,037	23,309
Foreign	(1,300)	8,024	3,180
Subtotal	53,957	117,061	26,489
Total	¥132,039	¥145,165	¥120,780

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The income tax benefit recognized from operating losses for the years ended March 31, 2013, 2014 and 2015 was ¥2,944 million, ¥26,990 million and ¥3,888 million, respectively, included within deferred income tax expense above.

The Company and its wholly-owned domestic subsidiaries have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system is permitted only for a national tax.

As a result of revisions to domestic tax laws during the third quarter ended December 31, 2011 and the fourth quarter ended March 31, 2014, Nomura's domestic effective statutory tax rate was approximately 38% for the fiscal years ended March 31, 2013 and March 31, 2014, and decreased to approximately 36% for the fiscal year ended March 31, 2015.

On March 31, 2015, the "Act to partially revise the Income Tax Act and Others" (Act No.9 of 2015) ("Act 9") and "Act to partially revise the Local Tax Act and Others" (Act No.2 of 2015) ("Act 2") were enacted. Under Act 2 and Act 9, effective for fiscal years beginning on or after April 1, 2015, Nomura's effective statutory tax rate will decrease from approximately 36% to 33% and will decrease to approximately 32% for fiscal years beginning on or after April 1, 2016. Furthermore, use of operating loss carryforwards as a deduction for tax purposes will be limited to 65% of current year taxable income for fiscal years beginning on or after April 1, 2015 and will be 50% for fiscal years beginning on or after April 1, 2017. As a result of these future changes, which affect the applicable tax rate used to determine deferred tax assets and liabilities, net deferred tax liabilities decreased by ¥4,674 million as of March 31, 2015 and deferred income tax expenses decreased by the same amount for the year ended March 31, 2015.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income (loss) is affected by a number of items, including various tax credits, certain revenues not subject to income taxes, certain expenses not deductible for income tax purposes, changes in deferred tax valuation allowance and different enacted tax rates applicable to foreign subsidiaries.

The following table presents a reconciliation of the effective income tax rate reflected in the consolidated statements of income to Nomura's effective statutory tax rate for the years ended March 31, 2013, 2014 and 2015.

	<u>Year ended March 31</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Nomura's effective statutory tax rate	38.0%	38.0%	36.0%
Impact of:			
Changes in deferred tax valuation allowance	(0.7)	(9.8)	5.1
Additional taxable revenues	1.5	0.4	0.3
Non-deductible expenses	12.9	7.7	5.9
Non-taxable revenue	(9.3)	(8.0)	(4.7)
Dividends from foreign subsidiaries	0.2	—	0.0
Tax effect of undistributed earnings of foreign subsidiaries	0.2	3.5	0.0
Different tax rate applicable to income (loss) of foreign subsidiaries	10.0	6.3	(1.4)
Effect of changes in domestic tax laws	0.9	0.6	(1.4)
Expiration of loss carryforwards	1.3	0.7	0.0
Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates	—	1.4	—
Other	<u>0.5</u>	<u>(0.7)</u>	<u>(5.0)</u>
Effective tax rate	<u>55.5%</u>	<u>40.1%</u>	<u>34.8%</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the significant components of deferred tax assets and liabilities as of March 31, 2014 and 2015, before offsetting of amounts which relate to the same tax-paying component within a particular tax jurisdiction.

	Millions of yen	
	March 31	
	2014	2015
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥ 12,604	¥ 14,692
Investments in subsidiaries and affiliates	54,678	33,553
Valuation of financial instruments	46,321	56,566
Accrued pension and severance costs	7,850	10,335
Other accrued expenses and provisions	102,922	123,567
Operating losses	437,899	466,531
Other	3,991	4,356
Gross deferred tax assets	666,265	709,600
Less—Valuation allowance	(490,603)	(565,103)
Total deferred tax assets	175,662	144,497
Deferred tax liabilities		
Investments in subsidiaries and affiliates	107,020	109,087
Valuation of financial instruments	54,524	56,808
Undistributed earnings of foreign subsidiaries	736	735
Valuation of fixed assets	21,204	20,644
Other	4,899	8,670
Total deferred tax liabilities	188,383	195,944
Net deferred tax assets (liabilities)	¥ (12,721)	¥ (51,447)

After offsetting deferred tax assets and liabilities which relate to the same tax-paying component within a particular tax jurisdiction, net deferred tax assets reported within *Other assets—Other* in the consolidated balance sheets were ¥22,018 million and ¥19,718 million as of March 31, 2014 and 2015, respectively and net deferred tax liabilities reported within *Other liabilities* in the consolidated balance sheets were ¥34,739 million and ¥71,165 million as of March 31, 2014 and 2015, respectively.

As of March 31, 2015, no deferred tax liabilities have been recognized for undistributed earnings of foreign subsidiaries totaling ¥2,853 million which are not expected to be remitted in the foreseeable future. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in the total valuation allowance established against deferred tax assets for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Balance at beginning of year	¥490,986	¥522,220	¥490,603
Net change during the year	31,234 ⁽¹⁾	(31,617) ⁽²⁾	74,500 ⁽³⁾
Balance at end of year	522,220	490,603	565,103

- (1) Primarily includes ¥52,862 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, ¥1,275 million of additional valuation allowances established against deferred tax assets of certain Japanese subsidiaries and the Company, offset by a reduction of ¥22,903 million of valuation allowances relating to the deconsolidation of NREH. In total, ¥31,234 million of allowances increased for the year ended March 31, 2013.
- (2) Primarily includes ¥29,134 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, offset by a reduction of ¥47,263 million of valuation allowances related to the liquidation of certain foreign subsidiaries and a reduction of ¥13,488 million of valuation allowances established by the Company and domestic subsidiaries because of changes in the expected realization of deferred tax assets other than those related to operating loss carryforwards. In total, ¥31,617 million of allowances decreased for the year ended March 31, 2014.
- (3) Primarily includes ¥85,403 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, offset by a reduction of ¥2,921 million of valuation allowances of certain foreign subsidiaries and a reduction of ¥7,982 million related to Japanese subsidiaries and the Company because of decrease in valuation allowances related to operating loss carryforwards due to the effect of changes in domestic tax laws. In total, ¥74,500 million of allowances increased for the year ended March 31, 2015.

As of March 31, 2015, total operating loss carryforwards were ¥2,099,334 million, which included ¥589,272 million relating to the Company and domestic subsidiaries, ¥742,535 million relating to foreign subsidiaries in the United Kingdom, ¥484,573 million relating to foreign subsidiaries in the United States, ¥202,806 million relating to foreign subsidiaries in Hong Kong, and ¥80,148 million relating to foreign subsidiaries in other tax jurisdictions. Of this total amount, ¥1,021,835 million can be carried forward indefinitely, ¥760,972 million expires by March 31, 2024 and ¥316,527 million expires in later fiscal years.

In determining the amount of valuation allowances to be established as of March 31, 2015, Nomura considered all available positive and negative evidence around the likelihood that sufficient future taxable income will be generated to realize the deferred tax assets in the relevant tax jurisdiction of the Company, its domestic subsidiaries and foreign subsidiaries.

In Japan and other tax jurisdictions where domestic and foreign subsidiaries have experienced cumulative operating losses in recent years, these losses provided the most verifiable negative evidence available and outweigh positive evidence.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

While Nomura has considered certain future tax planning strategies as a potential source of future taxable income, no such strategies have been relied upon as positive evidence resulting in the reduction of valuation allowances in any major tax jurisdiction in which Nomura operates as of March 31, 2013, 2014 and 2015. In addition, valuation allowances have not been reduced in any of these periods as a result of changing the weighting applied to positive or negative evidence in any of the major tax jurisdictions in which Nomura operates.

The total amount of unrecognized tax benefits was not significant as of March 31, 2013, 2014 and 2015. There were also no significant movements of the gross amounts in unrecognized tax benefits and the amount of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2013, 2014 and 2015. Nomura is under continuous examination by the Japanese National Tax Agency and other taxing authorities in the major jurisdictions in which Nomura operates. Nomura regularly assesses the likelihood of additional assessments in each tax jurisdiction and the impact on these consolidated financial statements. It is reasonably possible that there may be a significant increase in unrecognized tax benefits within 12 months of March 31, 2015. Quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes. However, Nomura does not expect that any change in the gross balance of unrecognized tax benefits would have a material effect on its financial condition.

Nomura operates in multiple tax jurisdictions, and faces audits from various taxing authorities regarding many issues including, but not limited to, transfer pricing, the deductibility of certain expenses, foreign tax credits and other matters.

The table below presents information regarding the earliest year in which Nomura remains subject to examination in the major jurisdictions in which Nomura operates as of March 31, 2015. Under Hong Kong Special Administrative Region (“Hong Kong”) tax law, the statute of limitation does not apply if an entity incurs taxable losses and is therefore not included in the table.

Jurisdiction	Year
Japan	2010 ⁽¹⁾
United Kingdom	2014
United States	2012

(1) The earliest year in which Nomura remains subject to examination for transfer pricing issues is 2009.

16. Other comprehensive income (loss):

The following tables present changes in *Accumulated other comprehensive income (loss)* for the years ended March 31, 2014 and 2015.

	Millions of yen				
	For the year ended March 31, 2014				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments	¥(38,875)	¥66,707	¥ (128)	¥66,579	¥ 27,704
Pension liability adjustment	(28,518)	8,708	1,001	9,709	(18,809)
Net unrealized gain on non-trading securities	9,998	3,342	(1,599)	1,743	11,741
Total	¥(57,395)	¥78,757	¥ (726)	¥78,031	¥ 20,636

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Millions of yen				
	For the year ended March 31, 2015				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments . . .	¥ 27,704	¥110,679	¥(5,012)	¥105,667	¥133,371
Pension liability adjustment	(18,809)	2,768	637	3,405	(15,404)
Net unrealized gain on non-trading securities	11,741	16,588	(2,557)	14,031	25,772
Total	<u>¥ 20,636</u>	<u>¥130,035</u>	<u>¥(6,932)</u>	<u>¥123,103</u>	<u>¥143,739</u>

The following tables present significant reclassifications out of *Accumulated other comprehensive income (loss)* for the years ended March 31, 2014 and 2015.

	Millions of yen		Affected line items in consolidated statements of income
	For the year ended March 31		
	2014	2015	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	
Cumulative translation adjustments:	¥ 128	¥ 5,995	Revenue—Other
	—	(983)	Income tax expense
	<u>128</u>	<u>5,012</u>	Net income
	—	—	Net income attributable to noncontrolling interests
	<u>¥ 128</u>	<u>¥ 5,012</u>	Net income attributable to NHI shareholders

	Millions of yen		Affected line items in consolidated statements of income
	For the year ended March 31		
	2014	2015	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	
Net unrealized gain on non-trading securities:	¥ 4,220	¥ 4,879	Revenue—Other
	(2,065)	(1,481)	Income tax expense
	<u>2,155</u>	<u>3,398</u>	Net income
	<u>(556)</u>	<u>(841)</u>	Net income attributable to noncontrolling interests
	<u>¥ 1,599</u>	<u>¥ 2,557</u>	Net income attributable to NHI shareholders

See Note 5 “Non-trading Securities” for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Shareholders' equity:

The following table presents changes in shares of the Company's common stock outstanding for the years ended March 31, 2013, 2014 and 2015.

	Number of Shares		
	Year ended March 31		
	2013	2014	2015
Common stock outstanding at beginning of year	3,663,483,895	3,710,960,252	3,717,630,462
Common stock held in treasury:			
Repurchases of common stock	(19,209)	(40,054,831)	(155,232,995)
Sales of common stock	601	1,920,457	5,251
Common stock issued to employees	47,335,900	44,689,800	36,461,000
Other net change in treasury stock	159,065	114,784	1,495
Common stock outstanding at end of year	<u>3,710,960,252</u>	<u>3,717,630,462</u>	<u>3,598,865,213</u>

The amount available for dividends and acquisition of treasury stock is subject to restrictions imposed by the Companies Act. Additional paid-in capital and retained earnings include amounts which the Companies Act prohibits for the use of dividends and acquisition of treasury stock. As of March 31, 2013, 2014 and 2015, the amounts available for distributions were ¥538,021 million, ¥583,354 million and ¥735,394 million, respectively. These amounts are based on the amounts recorded in the Company's unconsolidated financial statements maintained in accordance with accounting principles and practices prevailing in Japan. U.S. GAAP adjustments incorporated in these consolidated financial statements but not recorded in the Company's unconsolidated financial statements have no effect on the determination of the amounts available for distributions under the Companies Act.

Retained earnings include Nomura's share of investee undistributed earnings which have been accounted for under the equity method, in the amount of ¥125,944 million, ¥136,112 million and ¥164,311 million as of March 31, 2013, 2014 and 2015, respectively.

Dividends on the Company's common stock per share were ¥8.0 for the year ended March 31, 2013, ¥17.0 for the year ended March 31, 2014 and ¥19.0 for the year ended March 31, 2015.

The change in common stock held in treasury includes the change in common stock issued to employees under stock-based compensation plans, common stock sold to enable shareholders to hold round lots of the 100 share minimum tradable quantity (adding-to-holdings requests) or common stock acquired to create round lots or eliminate odd lots. Common stock held in treasury also includes, as of March 31, 2013, 2014 and 2015, 1,257,966 shares, or ¥2,161 million, 1,143,181 shares, or ¥2,120 million, and 1,141,686 shares, or ¥2,017 million, respectively, held by affiliated companies.

Subsequent Events

On May 19, 2015, the board of directors approved a resolution to set up a share buyback program, pursuant to the Company's articles of incorporation set out in accordance with Article 459-1 of the Companies Act as follows: (a) total number of shares authorized for repurchase is up to 25,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥20 billion and (c) the share buyback program will run from May 20, 2015, to July 28, 2015. Under this buyback program from May 20, 2015 to May 29, 2015, the Company repurchased 24,331,100 shares of common stock at a cost of ¥19,977 million. This completes the share buyback program.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Regulatory requirements:

In April 2011, the Company has been assigned as Final Designated Parent Company who must calculate a consolidated capital adequacy ratio and since then, our consolidated capital adequacy ratio has been calculated based on Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and Basel III and Nomura has calculated a Basel III-based consolidated capital adequacy ratio since March 2013.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, Nomura's consolidated capital adequacy ratio is calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital, total capital, credit risk-weighted assets, market risk and operational risk. As of March 31, 2014 and March 31, 2015, the Company was in compliance with common equity Tier1 capital ratio, Tier 1 capital ratio and consolidated capital adequacy ratio requirements set out in the Capital Adequacy Notice on Final Designated Parent Company. The required level as of March 31, 2015 was 4.5% for the common equity Tier 1 capital ratio, 6.0% for the Tier 1 capital ratio and 8.0% for the consolidated capital adequacy ratio.

Under the Financial Instruments and Exchange Act ("FIEA"), NSC and NFPS are subject to the capital adequacy rules of the FSA. These rules requires the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders' equity, net unrealized gains and losses on securities held, reserves and subordinated debt) less illiquid assets. Business risks are divided into three categories: (1) market risks, (2) counterparty risks, and (3) basic risks. Under these rules, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. As of March 31, 2014 and 2015, the capital adequacy ratio of NSC exceeded 120%. Also, as of March 31, 2014 and 2015, the capital adequacy ratio of NFPS also exceeded 120%.

Financial Instruments Firms in Japan are required to segregate cash deposited by clients in connection with securities transactions under the FIEA. As of March 31, 2014 and 2015, NSC segregated debt securities with a market value of ¥456,070 million and ¥433,011 million and equity securities with a market value of ¥7,656 million and ¥nil, respectively, which were either included in *Trading assets* on the accompanying consolidated balance sheets or borrowed under lending and borrowing securities contracts, as a substitute for cash.

In the U.S., Nomura Securities International, Inc. ("NSI") is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority ("FINRA") and the Chicago Mercantile Exchange Group as its designated self-regulatory organization. NSI is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1") and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. ("NGFP") is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC ("ILLC") is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as

NOMURA HOLDINGS, INC.

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defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2014 and 2015, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc (“NEHS”) is regulated on a consolidated basis by the Prudential Regulation Authority in the U.K., which imposes minimum capital adequacy requirements on NEHS. Nomura International plc (“NIP”), the most significant of NEHS’ subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the Prudential Regulation Authority in the U.K. Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the Prudential Regulation Authority in the U.K. on a standalone basis. As of March 31, 2014 and 2015, NEHS, NIP and NBI were in compliance with relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Singapore Ltd (“NSL”) are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing in securities and futures contracts, and advising on securities, futures contracts and corporate finance. With effect from April 22, 2013, NIHK assumed from its fellow subsidiary, Nomura Securities (Hong Kong) Ltd, the roles of exchange participant and options trading exchange participant on the Stock Exchange of Hong Kong Ltd., futures commission merchant at the Hong Kong Futures Exchange Ltd. and clearing participant on the Hong Kong Securities Clearing Co. Ltd., the SEHK Options Clearing House Ltd. and HKFE Clearing Corporation Ltd. NIHK has a branch located in Taiwan which is also regulated by its local regulators. Activities of NIHK including its branch are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit (“ACU”) license governed by the Monetary Authority of Singapore (“MAS”). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. The regulations require NSL to maintain a minimum capital of SGD15 million. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. As of March 31, 2014 and 2015, NIHK and NSL were in compliance with relevant regulatory capital related requirements.

19. Affiliated companies and other equity-method investees:

Nomura’s significant affiliated companies and other equity-method investees include JAFCO Co., Ltd. (“JAFCO”), NRI and NREH.

JAFCO

JAFCO, which is a listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies.

In March 2014, the Company sold 2,200,000 shares of JAFCO. Nomura’s ownership of JAFCO decreased from 24.4% as of March 31, 2013 to 19.4% as a result of the sale. Nomura continues to account for JAFCO using the equity method because Nomura still has the ability to exercise significant influence over operating and financial decisions of JAFCO.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2015, Nomura's ownership of JAFCO was 19.5% and there was no remaining equity method goodwill included in the carrying amount of the investment.

NRI

NRI develops and manages computer systems and provides research services and management consulting services. One of the major clients of NRI is Nomura.

As of March 31, 2015, Nomura's ownership of NRI was 37.9 % and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥57,210 million.

Fortress

Fortress Investment Group LLC ("Fortress") is a global investment management firm. Fortress raises, invests and manages private equity funds, hedge funds and publicly traded alternative investment vehicles. The investment in Fortress was treated as an investment in a limited partnership and was accounted for by the equity method of accounting.

On February 13, 2014, Fortress has repurchased all of Nomura's ownership stake. As a result, Fortress is therefore no longer Nomura's equity method investee.

NREH

NREH is the holding company of the Nomura Real Estate Group which is primarily involved in the residential property development, leasing, investment management as well as other real estate-related activities.

NREH was a consolidated subsidiary of Nomura until March 2013. In March 2013, Nomura sold 32,040 thousand shares of NREH. As a result, Nomura's voting interest fell to 34.0%. Since Nomura no longer maintained a controlling financial interest in NREH, NREH was deconsolidated and is now an affiliated company accounted for by the equity method.

Revenue—Other in the consolidated statements of income for the year ended March 31, 2013 included real estate sales of ¥336,858 million. Revenues are recognized when the sales have closed, the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the real estate and Nomura does not have substantial continuing involvement in the real estate. The costs of real estate sales corresponding to these revenues were ¥306,570 million reported within *Non-interest expenses—Other* in the consolidated statements of income.

On deconsolidating NREH, a gain of ¥50,139 million, including unrealized gain of ¥38,468 million from Nomura's remaining shares, was recognized which is reported in the consolidated statements of income within *Revenue—Other*.

As of March 31, 2015, Nomura's ownership of NREH was 34.1% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥11,012 million.

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Summary financial information—

A summary of financial information for JAFCO, NRI and NREH is as follows.

	Millions of yen	
	March 31	
	2014	2015
Total assets	¥2,089,844	¥2,268,874
Total liabilities	1,247,768	1,308,632

	Millions of yen		
	Year ended March 31		
	2013 ⁽¹⁾	2014	2015
Net revenues	¥143,193	¥947,213	¥781,110
Non-interest expenses	69,899	779,690	610,747
Net income attributable to the companies	48,706	87,261	119,838

(1) NREH has been accounted for using the equity method from March 2013.

A summary of financial information for Fortress is as follows.

	Millions of yen	
	Year ended March 31	
	2013 ⁽¹⁾	2014 ⁽¹⁾
Net revenues	¥ 95,356	¥144,349
Non-interest expenses	73,956	89,338
Net income (loss) attributable to the company	6,487	20,071

(1) Financial information for Fortress is as of its fiscal years ended December 31, 2012 and 2013, respectively. Nomura historically recognized its share of Fortress's earnings on a three-month lag prior to its disposal in 2014.

The following tables present a summary of balances and transactions with affiliated companies and other equity-method investees, except for lease transactions with NRI, which are disclosed in Note 8 "Leases", as of March 31, 2014 and 2015, and for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Investments in affiliated companies	¥339,637	¥376,174
Advances to affiliated companies	5,797	2,104
Other receivables from affiliated companies	6,919	2,328
Other payables to affiliated companies	9,344	6,720

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Revenues	¥ 7,418	¥ 411	¥ 688
Non-interest expenses	48,755	57,687	48,176
Purchase of software, securities and tangible assets	55,099	26,655	26,772

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The following table presents the aggregate carrying amount and fair value of investments in affiliated companies and other equity-method investees for which a quoted market price is available as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Carrying amount	¥330,983	¥362,984
Fair value	429,854	530,570

Equity in earnings of equity-method investees, including those above, was income of ¥18,597 million, income of ¥37,805 million and income of ¥43,028 million for the years ended March 31, 2013, 2014 and 2015, respectively. Equity in earnings of equity-method investees is reported within *Revenue—Other* in the consolidated statements of income. Dividends from equity-method investees for the years ended March 31, 2013, 2014 and 2015 were ¥5,594 million, ¥8,306 million and ¥8,256 million, respectively.

20. Commitments, contingencies and guarantees:

Commitments—

Credit and investment commitments

In connection with its banking and financing activities, Nomura provides commitments to extend credit which generally have fixed expiration dates. In connection with its investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite notes that may be issued by the clients. The outstanding commitments under these agreements are included below in commitments to extend credit.

Nomura has commitments to invest in various partnerships and other entities, primarily in connection with its merchant banking activities, and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest in partnerships.

Certain consolidated VIEs which are engaged in the aircraft leasing business have commitments to purchase aircraft. The outstanding commitments under these agreements are included in commitments to purchase aircraft.

The following table presents a summary of the key types of outstanding commitments provided by Nomura as of March 31, 2014 and 2015.

	Millions of yen	
	March 31	
	2014	2015
Commitments to extend credit	¥479,634	¥421,526
Commitments to invest in partnerships	18,460	20,710
Commitments to purchase aircraft	4,409	—

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of March 31, 2015, these commitments had the following maturities:

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	¥421,526	¥50,395	¥74,747	¥181,211	¥115,173
Commitments to invest in partnerships	20,710	2,676	318	6,462	11,254
Commitments to purchase aircraft	—	—	—	—	—

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

Other commitments

Purchase obligations for goods or services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements amounted to ¥15,901 million as of March 31, 2014 and ¥18,779 million as of March 31, 2015.

Nomura has commitments under resale and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amounted to ¥2,365 billion for resale agreements and ¥771 billion for repurchase agreements as of March 31, 2014 and ¥3,140 billion for resale agreements and ¥1,296 billion for repurchase agreements as of March 31, 2015.

In Japan, there is a market in which participants lend and borrow debt and equity securities without collateral to and from financial institutions. Under these arrangements, Nomura had obligations to return debt and equity securities borrowed without collateral of ¥259 billion and ¥358 billion as of March 31, 2014 and 2015, respectively.

As a member of various securities clearing houses and exchanges, Nomura may be required to assume a certain share of the financial obligations of another member who may default on its obligations to the clearing house or the exchange. These guarantees are generally required under the membership agreements. To mitigate these risks, exchanges and clearing houses often require members to post collateral. The potential for Nomura to make payments under such guarantees is deemed remote.

Contingencies

Investigations, lawsuits and other legal proceedings

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fines, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.

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The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 “*Contingencies*” (“ASC 450”), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company’s financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

For certain of the significant actions and proceedings described below, the Company is currently able to estimate the amount of reasonably possible loss, or range of reasonably possible losses, in excess of amounts recognized as a liability (if any) against such cases. These estimates are based on current information available as of the date of these consolidated financial statement and include, but are not limited to, the specific amount of damages or claims against Nomura in each case. As of June 25, 2015, for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognized as a liability (if any) against these cases is approximately ¥45 billion.

For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

In January 2008, Nomura International plc (“NIP”) was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 (the “Tax Notice”). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court’s decisions in favor of the local tax authorities.

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, the “Fairfield Funds”), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in

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liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) (“BLMIS”). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the U.S. Bankruptcy Court, where it is presently pending. The second suit was brought by the Trustee for the liquidation of BLMIS (the “Madoff Trustee”). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the U.S. Bankruptcy Court. Both actions seek to recover approximately \$35 million.

In March 2011, PT Bank Mutiara Tbk. (“Bank Mutiara”) commenced proceedings in the Commercial Court of the Canton of Zurich against a special purpose entity (“SPE”) established at the request of NIP. These are proceedings to challenge the SPE’s rights over approximately \$156 million in an account held in Switzerland. The SPE, which is consolidated by NIP, has a security interest over the money pursuant to a loan facility with Telltop Holdings Limited, a third party company. Telltop Holdings Limited is currently in liquidation. The SPE does not believe that Bank Mutiara has any enforceable security interest over the funds and is seeking release of the monies. NIP was notified on October 2, 2014 that the Commercial Court has found that the SPE alone is entitled to the funds. Bank Mutiara has appealed this decision. NIP continues vigorously to contest the appeal.

In April 2011, the Federal Home Loan Bank of Boston (“FHLB-Boston”) commenced proceedings in the Superior Court of Massachusetts against numerous issuers, sponsors and underwriters of residential mortgage-backed securities (“RMBS”), and their controlling persons, including Nomura Asset Acceptance Corporation (“NAAC”), Nomura Credit & Capital, Inc. (“NCCI”), Nomura Securities International, Inc. (“NSI”) and Nomura Holding America Inc. (“NHA”). The action alleges that FHLB-Boston purchased RMBS issued by NAAC for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHLB-Boston seeks rescission of its purchases or compensatory damages pursuant to state law. FHLB-Boston alleges that it purchased certificates in four offerings issued by NAAC in the original principal amount of approximately \$406 million. The case is currently in the discovery phase.

In July 2011, the National Credit Union Administration Board (“NCUA”) commenced proceedings in the United States District Court for the Central District of California as liquidating agent of Western Corporate Federal Credit Union (“WesCorp”) against various issuers, sponsors and underwriters of RMBS purchased by WesCorp. The complaint alleges that WesCorp purchased RMBS issued by NAAC and Nomura Home Equity Loan Inc. (“NHEL”), among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that WesCorp purchased certificates in two offerings in the original principal amount of approximately \$83 million and seeks rescission of its purchases or compensatory damages. The court has dismissed NCUA’s claims against NHEL and NCUA has appealed to the Ninth Circuit and the appeal is pending. NCUA’s claim against NAAC is proceeding and is currently in the discovery phase.

In September 2011, the Federal Housing Finance Agency (“FHFA”), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (the “GSEs”), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of RMBS, and their controlling persons, including NAAC, NHEL, NCCI, NSI and NHA, (the Company’s U.S. subsidiaries). The action alleges that the GSEs purchased RMBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleges that the GSEs purchased certificates in seven offerings in the original principal amount of approximately \$2,046 million and seeks rescission of its purchases. The case was tried before the Judge beginning March 16, 2015 and closing arguments were completed on April 9, 2015. On

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May 15, 2015, the court issued a judgment and ordered the defendants to pay \$806 million to GSEs upon GSEs' delivery of the certificates at issue to the defendants. The Company's U.S. subsidiaries filed a Notice of Appeal on June 10, 2015.

In October 2011, the NCUA commenced proceedings in the United States District Court for the District of Kansas as liquidating agent of U.S. Central Federal Credit Union ("U.S. Central") against various issuers, sponsors and underwriters of RMBS purchased by U.S. Central, including NHEL. The complaint alleges that U.S. Central purchased RMBS issued by NHEL, among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that U.S. Central purchased a certificate in one offering in the original principal amount of approximately \$50 million and seeks rescission of its purchase or compensatory damages. The court denied, in part, motions to dismiss filed by the defendants, and the Tenth Circuit Court of Appeals affirmed the trial court's holding; the Supreme Court vacated that decision and remanded the matter to the Tenth Circuit Court of Appeals for reconsideration in light of recent Supreme Court authority. Upon remand, the Tenth Circuit reinstated its decision, and the parties are involved in the discovery process.

In November 2011, NIP was served with a claim filed by the Madoff Trustee appointed for the liquidation of BLMIS in the United States Bankruptcy Court Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from the BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The amount that the Madoff Trustee is currently seeking to recover from NIP is approximately \$21 million.

In August 2012, The Prudential Insurance Company of America and certain of its affiliates filed several complaints in the Superior Court of New Jersey against various issuers, sponsors and underwriters of RMBS, including an action against NHEL, NCCI and NSI. The action against these Nomura subsidiaries has been removed to federal court. The complaint alleges that the plaintiffs purchased over \$183 million in RMBS from five different offerings. The plaintiffs allege that the offering materials contained fraudulent misrepresentations regarding the underwriting practices and quality of the loans underlying the securities. The plaintiffs allege causes of action for fraud, aiding and abetting fraud, negligent misrepresentation, and New Jersey Civil RICO, and seek to recover, among other things, compensatory and treble damages. The Court has denied the motion to dismiss filed by the Company's U.S. subsidiaries and the parties are involved in the discovery process.

In March 2013, Banca Monte dei Paschi di Siena SpA ("MPS") issued a claim in the Italian Courts against two former directors of MPS and NIP. MPS alleges that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (the "Transactions") and alleges that NIP is jointly liable for the unlawful conduct of MPS's former directors. MPS is claiming damages of not less than EUR 963 million. In July 2013, a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim is founded. The level of damages sought by FMPS is not specified. An investigation has also been commenced by the Public Prosecutor's office in Siena, Italy into various allegations against MPS and certain of its former directors, including in relation to the Transactions. Starting on April 15, 2013, the Public Prosecutor in Siena issued seizure orders in relation to the Transactions seeking to seize the Transactions and approximately EUR 1.9 billion of assets said to be held or receivable in various NIP and Nomura Bank International plc ("NBI") accounts in, or managed through, Italy and alleging that the Transactions involved offenses under Italian law. To date, these seizure orders have not been validated by the Italian Courts. The Public Prosecutor lodged an appeal against the Italian Courts' decisions, which was heard at the Supreme Court in Rome on March 25, 2014. The Supreme Court determined that the appeal should be denied in part, but

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that the case should be sent back to the lower court for further consideration in relation to one element of the case. At a hearing on September 17, 2014 where the seizure order was to be reconsidered, the Public Prosecutor's office withdrew its seizure order appeal. This means that the seizure order proceedings in Siena have now concluded with no seizure order in place against NIP or NBI. However, the investigation file has now been transferred to the Public Prosecutor's office in Milan. On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor is seeking to indict MPS, three individuals from MPS's former management, NIP and two NIP individuals for the offences of false accounting and market manipulation in relation to MPS's accounts for 2009. The preliminary hearing at which the court will consider whether or not to grant the indictment is scheduled to start on October 12, 2015. Additionally, NIP commenced a claim against MPS in the English Courts in March 2013. The claim is for declaratory relief confirming that the Transactions remain valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleges in its Counterclaim that NIP is liable to make restitution of a net amount of approximately EUR 1.5 billion, and seeks declarations regarding the illegality and invalidity of the Transactions. NIP filed and served its Reply and Defence to Counterclaim in June 2014 and continues to vigorously defend its position in each of the aforementioned proceedings.

On July 15, 2014, NIP received, with no advance notice, a seizure order dated July 7, 2014 from the Court in Palermo, Sicily which restricted receipt of a coupon payment of EUR 6.9 million that was due from the Region of Sicily ("Sicily") to NIP in connection with certain interest rate derivatives transactions entered into in 2005 and 2006. On July 25, 2014, NIP also received, also with no advance notice, a seizure order dated July 23, 2014 from the Court which placed restrictions on a further EUR 98.3 million of cash and other financial assets, said to be the alleged profit made by NIP in connection with certain transactions entered between 2001 and 2006. NIP's appeals against both seizure orders have been granted and therefore both seizure orders have been annulled by the Courts in Italy. The current transaction with Sicily remains in force. No civil proceedings have been served on NIP.

Nomura Securities Co., Ltd. ("NSC") is the leading securities firm in Japan with approximately 5.26 million client accounts. Accordingly, with a significant number of client transactions, NSC is from time to time party to various Japanese civil litigation and other dispute resolution proceedings with clients relating to investment losses. These include an action commenced against NSC in April 2012 by a corporate client seeking ¥5,102 million in damages for losses on the pre-maturity cash out of 16 series of currency-linked structured notes purchased from NSC between 2003 and 2008, an action commenced in April 2013 by a corporate client seeking ¥10,247 million in damages for losses on currency derivative transactions and the pre-maturity cash out or redemption of 11 series of equity-linked structured notes purchased from NSC between 2005 and 2011, and an action commenced in October 2014 by a corporate client seeking ¥2,143 million in damages for losses on currency derivative transactions conducted between 2006 and 2012. Although the allegations of the clients involved in such actions include the allegation that NSC's explanation was insufficient at the time the contracts were entered into, NSC believes these allegations are without merit.

The Company supports the position of its subsidiaries in each of these claims.

Other mortgage-related contingencies in the U.S.

Certain of the Company's subsidiaries in the U.S. securitized residential mortgage loans in the form of RMBS. These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators (the "originators"). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

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The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower's credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator's guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The total original principal amount of loans for which repurchase claims were received by the relevant subsidiaries within six-years of each securitization is \$3,203 million. The relevant subsidiaries summarily rejected any demand for repurchase received after the expiration of the statute of limitations applicable to breach of representation claims. For those claims received within six years, the relevant subsidiaries reviewed each claim received, and rejected those claims believed to be without merit or agreed to repurchase certain loans for those claims that the relevant subsidiaries determined to have merit. In several instances, following the rejection of repurchase demands, investors instituted actions through the trustee alleging breach of contract. The breach of contract claims that were brought within the six-year statute of limitations for breach of contract actions have survived motions to dismiss and are at early stages. These claims involve substantial legal, as well as factual, uncertainty and the Company cannot provide an estimate of reasonably possible loss at this time, in excess of the existing reserve.

Guarantees—

ASC 460 "*Guarantees*" specifies the disclosures to be made in regards to obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation at inception.

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

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The following table presents information on Nomura’s derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen			
	March 31			
	2014		2015	
	Carrying value	Maximum potential payout / Notional total	Carrying value	Maximum potential payout / Notional total
Derivative contracts ⁽¹⁾⁽²⁾	¥5,155,198	¥195,466,506	¥7,961,476	¥253,243,082
Standby letters of credit and other guarantees ⁽³⁾	276	11,509	291	9,494

- (1) Credit derivatives are disclosed in Note 3 “*Derivative instruments and hedging activities*” and are excluded from derivative contracts.
- (2) Derivative contracts primarily consist of equity, interest rate and foreign exchange contracts.
- (3) Collateral held in connection with standby letters of credit and other guarantees as of March 31, 2014 and March 31, 2015 was ¥6,487 million and ¥7,041 million, respectively.

The following table presents maturity information on Nomura’s derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees as of March 31, 2015.

	Millions of yen					
	Carrying value	Maximum potential payout/Notional				
		Total	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Derivative contracts . . .	¥7,961,476	¥253,243,082	¥92,239,350	¥76,301,785	¥22,716,918	¥61,985,029
Standby letters of credit and other guarantees	291	9,494	13	8	—	9,473

21. Segment and geographic information:

Operating segments—

Nomura’s operating management and management reporting are prepared based on the Retail, the Asset Management, and the Wholesale segments. Nomura structures its business segments based upon the nature of its main products and services, its client base and its management structure.

The accounting policies for segment information materially follow U.S. GAAP, except for the impact of unrealized gains/losses on investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in “*Other*”, based upon Nomura’s allocation methodologies as used by management to assess each segment’s performance.

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Business segments' results are shown in the following tables. *Net interest revenue* is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments' information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
Year ended March 31, 2013					
Non-interest revenue	¥394,294	¥66,489	¥491,773	¥695,695	¥1,648,251
Net interest revenue	3,631	2,448	153,083	(31,467)	127,695
Net revenue	397,925	68,937	644,856	664,228	1,775,946
Non-interest expenses	297,297	47,768	573,199	657,637	1,575,901
Income (loss) before income taxes	¥100,628	¥21,169	¥ 71,657	¥ 6,591	¥ 200,045
Year ended March 31, 2014					
Non-interest revenue	¥505,911	¥77,354	¥637,987	¥183,514	¥1,404,766
Net interest revenue	6,005	3,126	127,110	5,335	141,576
Net revenue	511,916	80,480	765,097	188,849	1,546,342
Non-interest expenses	319,915	53,373	653,299	168,869	1,195,456
Income (loss) before income taxes	¥192,001	¥27,107	¥111,798	¥ 19,980	¥ 350,886
Year ended March 31, 2015					
Non-interest revenue	¥471,565	¥88,802	¥626,228	¥282,542	¥1,469,137
Net interest revenue	4,940	3,552	163,639	(61,777)	110,354
Net revenue	476,505	92,354	789,867	220,765	1,579,491
Non-interest expenses	314,675	60,256	707,671	174,815	1,257,417
Income (loss) before income taxes	¥161,830	¥32,098	¥ 82,196	¥ 45,950	¥ 322,074

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in "Other".

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The following table presents the major components of *Income (loss) before income taxes in “Other”* for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Net gain related to economic hedging transactions	¥ 989	¥ 17,403	¥ 15,120
Realized gain (loss) on investments in equity securities held for operating purposes	1,001	4,428	4,725
Equity in earnings of affiliates	14,401	28,571	42,235
Corporate items	17,652	(38,772)	(20,119)
Other ⁽¹⁾	(27,452)	8,350	3,989
Total	¥ 6,591	¥ 19,980	¥ 45,950

(1) Includes the impact of Nomura’s own creditworthiness.

The table below presents reconciliations of the combined business segments’ results included in the preceding table to Nomura’s reported *Net revenue*, *Non-interest expenses* and *Income before income taxes* in the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015.

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Net revenue	¥1,775,946	¥1,546,342	¥1,579,491
Unrealized gain (loss) on investments in equity securities held for operating purposes	37,685	10,728	24,685
Consolidated net revenue	¥1,813,631	¥1,557,070	¥1,604,176
Non-interest expenses	¥1,575,901	¥1,195,456	¥1,257,417
Unrealized gain (loss) on investments in equity securities held for operating purposes	—	—	—
Consolidated non-interest expenses	¥1,575,901	¥1,195,456	¥1,257,417
Income before income taxes	¥ 200,045	¥ 350,886	¥ 322,074
Unrealized gain (loss) on investments in equity securities held for operating purposes	37,685	10,728	24,685
Consolidated income before income taxes	¥ 237,730	¥ 361,614	¥ 346,759

Geographic information—

Nomura’s identifiable assets, revenues and expenses are generally allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding global nature of Nomura’s activities and services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

The tables below present a geographic allocation of *Net revenue* and *Income (loss) before income taxes* from operations by geographic areas for the years ended March 31, 2013, 2014 and 2015 and *Long-lived assets*

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

associated with Nomura’s operations as of March 31, 2013, 2014 and 2015. Net revenue in “Americas” and “Europe” substantially represents Nomura’s operations in the U.S. and the U.K., respectively. Net revenue and *Long-lived assets* have been allocated based on transactions with external customers while *Income (loss)* before income taxes has been allocated based on the inclusion of intersegment transactions.

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Net revenue⁽¹⁾:			
Americas	¥ 208,962	¥ 262,684	¥ 207,859
Europe	172,761	232,735	201,278
Asia and Oceania	43,265	62,622	86,746
Subtotal	424,988	558,041	495,883
Japan	1,388,643	999,029	1,108,293
Consolidated	<u>¥1,813,631</u>	<u>¥1,557,070</u>	<u>¥1,604,176</u>
Income (loss) before income taxes:			
Americas	¥ 25,730	¥ 29,472	¥ (27,575)
Europe	(93,099)	(48,911)	(23,455)
Asia and Oceania	(12,063)	(5,247)	34,594
Subtotal	(79,432)	(24,686)	(16,436)
Japan	317,162	386,300	363,195
Consolidated	<u>¥ 237,730</u>	<u>¥ 361,614</u>	<u>¥ 346,759</u>
		March 31	
	2013	2014	2015
Long-lived assets:			
Americas	¥ 118,302	¥ 133,147	¥ 146,758
Europe	111,381	93,111	88,928
Asia and Oceania	20,471	16,163	14,891
Subtotal	250,154	242,421	250,577
Japan	294,002	281,780	274,202
Consolidated	<u>¥ 544,156</u>	<u>¥ 524,201</u>	<u>¥ 524,779</u>

(1) There is no revenue derived from transactions with a single major external customer.

22. Supplementary subsidiary guarantee information required under SEC rules:

The Company provides several guarantees of debt of its subsidiaries. The Company has fully and unconditionally guaranteed the securities issued, or to be issued, by Nomura America Finance LLC, which is an indirect, wholly owned finance subsidiary of the Company.

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 annual report on its behalf.

NOMURA HOLDINGS, INC.

By: /s/ KOJI NAGAI

Name: Koji Nagai

Title: Group Chief Executive Officer

Date: June 25, 2015

INDEX OF EXHIBITS

Exhibit Number	Description
1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation)
1.3	Regulations of the Board of Directors of the registrant (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.4	Regulations of the Nomination Committee (English translation) (filed on June 30, 2009 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee (English translation) (filed on June 30, 2009 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.6	Regulations of the Compensation Committee (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among the registrant, The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
4.1	Limitation of Liability Agreement (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽¹⁾
4.2	Limitation of Liability Agreement (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽²⁾
4.3	Limitation of Liability Agreement (English translation) ⁽³⁾
4.4	Limitation of Liability Agreement ⁽⁴⁾
8.1	Subsidiaries of the registrant—See “Item 4.C. Information on the Company—Organizational Structure.”
11.1	Code of Ethics of Nomura Group (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

- (1) The Company and each of Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma and Toshinori Kanemoto entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
- (2) The Company and each of Dame Clara Furse and Michael Lim Choo San entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
- (3) The Company and each of Hiroshi Kimura and Hiroyuki Suzuki entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
- (4) The Company and David Benson entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% or our total assets. We will furnish a copy of any such instrument to the SEC upon request.

(Translation)

**ARTICLES OF INCORPORATION
OF
NOMURA HOLDINGS, INC.
(Nomura Horudingusu Kabushiki Kaisha)**

**CHAPTER I
GENERAL PROVISIONS**

Article 1. (Trade Name)

The name of the Company shall be Nomura Horudingusu Kabushiki Kaisha and shall be expressed in English as Nomura Holdings, Inc.

Article 2. (Purpose)

1. The purpose of the Company shall be, by means of holding shares, to control and manage the business activities of domestic companies which engage in the following businesses and the business activities of foreign companies which engage in the businesses equivalent to the following businesses:

- (1) Financial instruments business prescribed in the Financial Instruments and Exchange Law;
- (2) Banking business prescribed in the Banking Law and trust business prescribed in the Trust Business Law; and
- (3) Any other financial services and any business incidental or related to such financial services.
- (4) Other than as prescribed in the Items above, any other business ancillary or related to survey and research in connection with the economy, financial or capital markets, or infrastructure or undertaking the outsourcing thereof.

2. The Company may conduct any other business incidental to businesses described in paragraph 1 of this Article.

Article 3. (Location of Head Office)

The Company shall have its head office in Chuo-ku, Tokyo.

Article 4. (Method of Giving Public Notices)

The method of public notices of the Company shall be electronic public notice; provided, however, that such notices shall be given by publication in Nihon Keizai Shimbun in cases the method of electronic public notice is not available due to any accidents or compelling reasons.

Article 5. (Governing Bodies)

The Company shall set up, in addition to the shareholders meetings and directors, the following organs;

- (1) board of directors
- (2) Nomination Committee, Audit Committee, and Compensation Committee
- (3) accounting auditors

CHAPTER II
SHARES

Article 6. (Authorized Number of Shares)

The authorized number of shares of the Company shall be 6,000,000,000, and each total number of classes of shares which the Company is authorized to issue shall be as set forth below;

Common stock:	6,000,000,000 shares
Class 1 preferred stock:	200,000,000 shares
Class 2 preferred stock:	200,000,000 shares
Class 3 preferred stock:	200,000,000 shares
Class 4 preferred stock:	200,000,000 shares

Article 7. (Number of Shares Constituting One Unit)

The number of shares constituting one (1) unit of shares of the Company shall be one hundred (100) with respect to common shares and each class of preferred shares, respectively.

Article 8. (Rights Pertaining to Less-than-a-full-unit Shares)

Any shareholder of the Company shall not exercise any right pertaining to shares which do not constitute a full unit of shares (“Less-than-a-full-unit Shares”) he/she has except the following rights;

- (1) rights granted by the items listed in Article 189, Paragraph 2 of the Companies Act.
- (2) a right to make a request pursuant to Article 166, Paragraph 1 of the Companies Act.
- (3) a right for allotment of shares for subscription or stock acquisition rights for subscription in proportion to the number of shares owned by a shareholder.
- (4) a right to make a request pursuant to the following article.

Article 9. (Request for Purchasing Less-than-a-full-unit shares)

Any shareholder of the Company with Less-than-a-full-unit Shares may request the Company to sell shares to that shareholder which will become the number of full unit of shares together with the number of Less-than-a-full-unit Shares owned by the shareholder.

Article 10. (Share Registrar)

1. The Company shall have a share registrar.
2. The share registrar and its place for handling business shall be appointed and designated by a resolution of the board of directors, and public notice thereof shall be given.

Article 11. (Share Handling Regulations)

The handling business relating to shares of the Company shall, except as provided in these “Articles of Incorporation”, be governed by the “Share Handling Regulations” to be established by the board of directors or executive officers under authorities delegated by resolutions of the board of directors.

CHAPTER III
PREFERRED SHARES

Article 12. (Preferred Dividends)

1. The Company shall, fixing March 31 as the record date pursuant to Article 44, Paragraph 1 herein, distribute cash dividends from surplus on preferred shares (“Preferred Dividends”) in such respective amount as prescribed below to holders of preferred shares (“Preferred Shareholders”) or registered pledgees of shares in respect of preferred shares (“Registered Pledgees of Preferred Shares”), in priority to holders of common shares (“Common Shareholders”) and registered pledgees of shares in respect of common shares (“Registered Pledgees of Common Shares”); provided, however, that in the event that Preferred Interim Dividends defined in Article 13 herein have been paid during the fiscal year to which that date belongs, the total amount so paid shall be deducted accordingly.

Class 1 preferred stock and Class 2 preferred stock: Amount per share calculated by multiplying the amount equivalent to subscription money per share by the annual dividend rate specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock, which rate shall not exceed fifteen (15) percent

Class 3 preferred stock and Class 4 preferred stock: Amount per share calculated by multiplying the amount equivalent to subscription money per share by the annual dividend rate specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock, which rate shall not exceed ten (10) percent

2. If the aggregate amount paid to a Preferred Shareholder or Registered Pledgee of Preferred Shares as cash dividends from surplus in any particular fiscal year is less than the relevant Preferred Dividends, the unpaid amount shall not be accumulated in subsequent fiscal years.

3. The Company shall not distribute any dividends from surplus to any Preferred Shareholder or Registered Pledgee of Preferred Shares in excess of the relevant Preferred Dividends; provided, however, that this shall not apply to distributions from surplus in the process of a corporate split (kyushu-bunkatsu) pursuant to Article 758, Item 8(b) or Article 760, Item 7(b) of the Companies Act, or the distribution from surplus in the process of a corporate split (shinsetsu-bunkatsu) pursuant to Article 763, Item 12(b) or Article 765, Paragraph 1, Item 8(b) of that Act.

Article 13. (Preferred Interim Dividends)

In the event that the Company distributes cash dividends from surplus on preferred shares, fixing any of the dates specified in Article 44, Paragraph 1 herein except March 31 as a record date, the Company shall pay cash to Preferred Shareholders or Registered Pledgees of Preferred Shares in priority to Common Shareholders and Registered Pledgees of Common Shares, in the amount specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred shares (“Preferred Interim Dividends”), which amount shall not exceed half of the amount of Preferred Dividends per share; provided, however, that the total amount of Preferred Interim Dividends shall not exceed the total amount of Preferred Dividends.

Article 14. (Distribution of Residual Assets)

1. In the event that the Company distributes its residual assets, the Company shall pay cash to the Preferred Shareholders or Registered Pledgees of Preferred Shares in priority to the Common Shareholders and Registered Pledgees of Common Shares in such respective amount as prescribed below:

Class 1 preferred stock, Class 2 preferred stock, Class 3 preferred stock and Class 4 preferred stock;

Amount per share specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock, given the amount equivalent to subscription money per share

2. The Company shall not make distribution of residual assets other than as provided for in the preceding paragraph to the Preferred Shareholders or Registered Pledgees of Preferred Shares.

Article 15. (Voting Rights)

Any Preferred Shareholder may not exercise voting rights on any matters at meetings of shareholders; provided, however, that the Preferred Shareholders may exercise voting rights on any matters at meetings of shareholders, in the event that no resolution of the board of directors concerning Preferred Shareholders' receiving Preferred Dividends had been made before the notice of convocation for an annual meeting of shareholders was given in respect of each fiscal year, during the period through a resolution of the board of directors or meeting of shareholders for a proposal concerning Preferred Shareholders' receiving Preferred Dividends will be made, from the time of the annual meeting of shareholders if no proposal concerning Preferred Shareholders' receiving Preferred Dividends is submitted to that annual meeting of shareholders, or from the time when the annual meeting of shareholders is concluded if a proposal concerning Preferred Shareholders' receiving Preferred Dividends was dismissed in that annual meeting of shareholders.

Article 16. (Right to Demand Acquisition)

1. Any Class 3 Preferred Shareholder and Class 4 Preferred Shareholder may demand the Company to acquire his/her preferred shares during the period that such Preferred Shareholder is entitled to demand the acquisition as specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock (the "Period to Demand Acquisition"). In the event that such demand is made, the Company shall deliver its common shares to that Preferred Shareholder in exchange for the Company's acquisition of the preferred shares held by that Preferred Shareholder. The number of common shares to be delivered shall equal (A) the number of preferred shares demanded to be acquired by that Preferred Shareholder multiplied by the amount equivalent to subscription money per share divided by (B) the Acquisition Price provided for in Paragraph 2 in this Article. If the number of common shares to be delivered in exchange for the Company's acquisition of such preferred shares includes a fraction less than one (1) share, that fraction shall be handled pursuant to Article 167, Paragraph 3 of the Companies Act.

2. The "Acquisition Price" means the amount initially calculated, given the market price of the Company's common shares, in accordance with the method specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock. That resolution of the board of directors or a determination by executive officer(s) may specify methods to alter or adjust the Acquisition Price. If the Acquisition Price shall be altered in accordance with such resolution or determination, a lower limit to the price to be altered shall be set out. In the event that the Acquisition Price becomes less than such lower limit, that Acquisition Price shall be altered to such lower limit.

Article 17. (Blanket Redemption)

On the day following the last day of the Period to Demand Acquisition, the Company shall redeem all Class 3 preferred shares and Class 4 preferred shares which have not been acquired by the Company on and before the last day of the Period to Demand Acquisition. In this case, the Company shall deliver its common shares to each Preferred Shareholder in exchange for the Company's redemption of such preferred shares. The number of common shares to be delivered shall equal (A) the number of preferred shares held by each Preferred Shareholder multiplied by the amount equivalent to subscription money per share divided by (B) the market price

of the Company's common shares. The details of such redemption shall be specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock. That resolution or determination may specify the method to calculate an upper limit to the number of common shares to be delivered. In the event that the number of common shares to be delivered in exchange for the Company's redemption of such preferred shares includes a fraction less than one (1) share, that fraction shall be handled pursuant to Article 234 of the Companies Act.

Article 18. (Conditions for Redemption)

1. With respect to Class 1 preferred stock, Class 2 preferred stock or Class 4 preferred stock, if any event specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of each class of preferred stock occurs and the day separately specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors arrives, the Company may redeem in whole or in part those preferred shares. In this case, the Company shall, per preferred share of that class, pay each Preferred Shareholder the amount of cash specified, given the amount equivalent to the subscription money, in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors prior to the issuance of the class of preferred stock.

2. In case the Company redeems a part of preferred shares pursuant to the preceding paragraph, such redemption shall be made by means of a lot or pro rata allocation.

3. With respect to Class 1 preferred stock, Class 2 preferred stock, Class 3 preferred stock or Class 4 preferred stock, upon the occurrence of certain events specified in a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors (including the event that the Company's capital adequacy ratio or other measure of regulatory capital falls below a pre-determined threshold, and/or the event that a supervisory agency (or an equivalent body) determines that a write-down, capital injection by a public institution or other equivalent action is necessary for the Company) prior to the issuance of the relevant class of preferred stock, the Company shall redeem in whole or in part any such preferred shares issued with such conditions. In such event, the Company shall deliver common shares of the Company to each relevant Preferred Shareholder in exchange for such preferred shares, in a number determined prior to the issuance of the such preferred shares by a resolution of the board of directors or a determination by executive officer(s) under authorities delegated by a resolution of the board of directors, considering the subscription price of the preferred shares, the market value of the Company's common stock and market conditions. An upper limit for the common stock to be delivered in exchange for the relevant preferred shares may also be set pursuant to such resolution or determination. In the event that the number of common shares to be delivered in exchange for the Company's redemption of such preferred shares includes a fraction of less than one (1) share, that fraction shall be handled pursuant to Article 234 of the Companies Act.

Article 19. (Consolidation or Split of Shares, etc.)

1. The Company shall not consolidate or split any preferred shares, except as otherwise provided in laws or ordinances.

2. The Company shall not allot to the Preferred Shareholders shares without contribution or stock acquisition rights without contribution.

3. The Company shall not grant the Preferred Shareholders rights for allotment of shares for subscription or rights for allotment of stock acquisition rights for subscription.

Article 20. (Order of Priority)

All classes of preferred stocks shall have the same order of priority in respect of the payment of Preferred Dividends and Preferred Interim Dividends and the distribution of residual assets.

CHAPTER IV
MEETINGS OF SHAREHOLDERS

Article 21. (Convocation)

1. An annual meeting of shareholders shall be convened within three (3) months from April 1 each year and an extraordinary meeting of shareholders shall be convened whenever necessary.

2. A meeting of shareholders shall, except as otherwise provided by laws or ordinances, be convened by the director predetermined by the board of directors.

Article 22. (Record Date of an Annual Meeting of Shareholders)

The record date for voting rights at an annual meeting of shareholders shall be March 31 of each year.

Article 23. (Voting by Proxy)

A shareholder may exercise his voting right through a proxy who is a shareholder of the Company having a voting right.

Article 24. (Chairman of Meetings)

A director or executive officer designated in advance by the board of directors shall act as chairman of a meeting of shareholders; provided, however, that when the relevant director or executive officer is unable so to act, another person shall take his/her place in accordance with the order of priority predetermined by a resolution of the board of directors.

Article 25. (Disclosure of Reference Materials for a Meeting of Shareholders on the Internet)

The Company may deem that it has provided shareholders with information which should be stated or shown in reference materials for a meeting of shareholders, business reports, financial statements and consolidated financial statements when it has made a disclosure on the internet in compliance with requirements stipulated by laws and ordinances.

Article 26. (Resolutions)

1. Resolutions of a meeting of shareholders shall, except as otherwise provided by laws or ordinances, be adopted by a majority of the votes of the shareholders who are present thereat and entitled to exercise their voting rights.

2. Any resolution under Article 309, Paragraph 2 of the Companies Act shall be adopted at such meeting at which shareholders holding not less than one-third (1/3) of the voting rights owned by all shareholders of the Company who are entitled to exercise their voting rights shall be present, by a majority of not less than two-thirds (2/3) of the voting rights of the shareholders so present.

Article 27. (Meetings of Class Shareholders)

1. Resolutions of a meeting of class shareholders shall, except as otherwise provided by laws or ordinances, be adopted by a majority of the votes of the shareholders who are present thereat and entitled to exercise their voting rights.

2. Any resolution under Article 324, Paragraph 2 of the Companies Act shall be adopted at such meeting at which shareholders holding not less than one-third (1/3) of the voting rights owned by all shareholders of the Company who are entitled to exercise their voting rights shall be present, by a majority of not less than two-thirds (2/3) of the voting rights of the shareholders so present.

3. The provisions of Article 21, Paragraph 2 and Articles 22 through 25 herein shall apply mutatis mutandis to the meetings of class shareholders.

CHAPTER V
DIRECTORS AND THE BOARD OF DIRECTORS

Article 28. (Number of Directors and Election)

1. The Company shall have not more than twenty (20) directors, who shall be elected at a meeting of shareholders.
2. The resolution for the election referred to in the preceding paragraph shall require the presence of shareholders holding not less than one-third (1/3) of the voting rights out of the total number of the voting rights owned by all the shareholders of the Company who are entitled to exercise their voting rights.
3. No cumulative voting shall be used for the election of directors.
4. One (1) Chairman of the Board of Directors shall be elected from among the directors.

Article 29. (Term of Office)

The term of office of directors shall expire at the time of conclusion of the annual meeting of shareholders with respect to the last fiscal year ending within one (1) year after their election. However, the term of office of any director elected to fill a vacancy shall expire when the term of office of his predecessor would have expired.

Article 30. (Convocation)

1. A meeting of the board of directors shall, except as otherwise provided by laws or ordinances, be convened by the director designated by the board of directors.
2. A notice of convocation referred to in the preceding paragraph shall be given to each director at least two (2) days prior to the date set for the meeting.

Article 31. (Chairman of Meetings)

The director designated by the board of directors shall act as chairman of a meeting of the board of directors.

Article 32. (Resolutions)

1. Resolutions of the board of directors shall be adopted by an affirmative vote of a majority of the directors present which directors present shall constitute a majority of all directors then in office.
2. The Company shall deem that a resolution of the board of directors has been adopted in case the requirements stipulated by Article 370 of the Companies Act have been fulfilled.

Article 33. (Limitation of Liabilities of Directors)

1. The Company may release directors (including former directors) from liabilities for damages due to negligence of their duties to the extent permitted by laws or ordinances by resolutions of the board of directors pursuant to the provision of Article 426, Paragraph 1 of the Companies Act.
2. The Company may execute with directors (excluding a person who serves as an executive director, etc.) an agreement that will limit their liabilities for damages due to negligence of their duties pursuant to the provision of Article 427, Paragraph 1 of the Companies Act. However, the maximum amount of damages under the agreement shall be the higher of either the amount previously determined which shall not be less than 20 million yen or the amount set forth by laws or ordinances.

CHAPTER VI

NOMINATION COMMITTEE, AUDIT COMMITTEE AND COMPENSATION COMMITTEE

Article 34. (Maintenance of Committees)

1. Members who constitute the Nomination Committee, the Audit Committee and the Compensation Committee shall be appointed from the directors by a resolution of the board of directors.
2. The chairman of each committee shall be elected by a resolution of the board of directors.

Article 35. (Authorities of Committees, etc.)

1. The Nomination Committee shall have authorities to determine the particulars of a proposal concerning the election and dismissal of directors to be submitted to a meeting of shareholders.
2. The Audit Committee shall have authorities to perform the following duties;
 - (1) Audit of performance of duties by directors and executive officers and preparing audit reports
 - (2) Determination of the particulars of proposals concerning the election and dismissal of the accounting auditors and proposals concerning non-reelection of the accounting auditors to be submitted to a meeting of shareholders
3. The Compensation Committee shall have authorities to determine the policy with respect to the determination of the particulars of the compensation and other remuneration for each director and executive officer, and the particulars of the compensation and other remuneration for each director and executive officer. In case when an executive officer simultaneously serves as employee of the Company, the foregoing shall apply to the compensation and other remuneration for that employee.

Article 36. (Matters concerning Committees)

Matters concerning each committee shall, in addition as provided by laws or ordinances or by these Articles of Incorporation, be determined by the board of directors.

CHAPTER VII

EXECUTIVE OFFICERS

Article 37. (Executive Officers and Authorities of Execution of Business)

1. The Company shall have not more than forty-five (45) executive officers, who shall be elected by the board of directors.
2. The executive officers shall perform the following duties;
 - (1) Determination of the execution of the operations of the Company that were delegated by a resolution of the board of directors
 - (2) Execution of the operations of the Company

Article 38. (Term of Office)

The term of office of executive officers shall expire at the time of conclusion of the first meeting of board of directors convened after the annual meeting of shareholders concerning the last fiscal year ending within one (1) year after their assumption of office.

Article 39. (Representative Executive Officers and Executive Officers with Special Titles)

1. The Company shall, by a resolution of the board of directors, select representative executive officers from the executive officers.

2. The Company may, by a resolution of the board of directors, appoint one (1) President, one (1) Chairman and one (1) or more Vice Chairmen, Deputy Presidents, or alternatively titled officers from among its executive officers.

Article 40. (Limitation of Liabilities of Executive Officers)

The Company may release executive officers (including former executive officers) from liabilities for damages of due to negligence of their duties to the extent permitted by laws or ordinances by resolutions of the board of directors pursuant to the provision of Article 426, Paragraph 1 of the Companies Act.

Article 41. (Matters concerning Executive Officers)

Matters concerning executive officers shall, in addition as provided by laws or ordinances or by these “Articles of Incorporation”, be determined by the board of directors.

CHAPTER VIII

ACCOUNTS

Article 42. (Fiscal Year)

The fiscal year of the Company shall commence on April 1 of each year and end on March 31 of the following year.

Article 43. (Distribution of Surplus and Acquisition of Own Shares)

The Company shall, by a resolution of the board of directors without obtaining a resolution of a meeting of shareholders, determine the particulars contained in the items of Article 459, Paragraph 1, including distribution of surplus, except as otherwise stipulated by laws or ordinances.

Article 44. (Record Date for Distribution of Surplus)

1. The record dates for dividends of the Company shall be September 30 and March 31 of each year.
2. The Company may, in addition to the dates in the preceding paragraph, fix other dividend record dates and distribute surplus.
3. In case dividends are paid in cash, the Company shall be relieved from the obligation of paying dividends if such dividends remain unreceived for three (3) years after the date of the commencement of payment thereof.

SUPPLEMENTARY PROVISION

(Transitional Measures for Relief of Liabilities of Directors and Executive Officers)

The Company may, by a resolution of the board of directors, release directors and executive officers (including former directors and former executive officers) from liabilities to the extent permitted by laws or ordinances for the acts prescribed in Article 21-17, Paragraph 1 of the Law for Special Exceptions to the Commercial Code (“Special Law”) before its abolishment by the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (Act No. 87 of 2005).

HISTORY

1. The date on which these ARTICLES OF INCORPORATION were first drawn up:

November 27, 1925

2. Dates of amendments

October 20, 1948	November 22, 1972	September 30, 2007
November 30, 1948	November 22, 1973	June 25, 2009
January 15, 1949	November 20, 1975	January 6, 2010
May 26, 1949	December 17, 1976	June 28, 2011
November 26, 1949	December 14, 1978	June 24, 2015
January 27, 1950	December 18, 1981	
March 29, 1950	December 17, 1982	
November 28, 1950	December 22, 1983	
November 27, 1951	December 20, 1984	
November 29, 1952	December 20, 1985	
May 26, 1953	December 19, 1986	
November 24, 1953	December 18, 1987	
May 7, 1954	December 16, 1988	
November 26, 1954	June 28, 1990	
November 25, 1955	June 27, 1991	
April 27, 1956	June 29, 1993	
November 20, 1956	June 29, 1994	
November 25, 1957	June 27, 1996	
November 25, 1958	June 27, 1997	
June 1, 1959	June 29, 1999	
November 26, 1959	June 29, 2000	
November 25, 1960	October 1, 2001	
November 24, 1961	June 26, 2002	
November 24, 1962	June 26, 2003	
November 25, 1963	June 25, 2004	
November 24, 1966	January 4, 2005	
November 25, 1967	June 28, 2005	
November 21, 1968	June 28, 2006	

(Translation)

**SHARE HANDLING REGULATIONS
OF
NOMURA HOLDINGS, INC.**
(Nomura Horudingusu Kabushiki Kaisha)

**CHAPTER I
GENERAL PROVISIONS**

Article 1. (Purpose)

The handling business relating to the shares of the Company and the procedures for exercise of shareholders' right shall be governed by the provision set forth by Japan Securities Depository Center, Inc. (hereinafter referred to as "JASDEC") and the account management institutions including securities company, etc. (hereinafter referred to as "Securities Company, etc."), with which shareholders have their transfer accounts, and by the provision of Article 11 (Share Handling Regulations) of the Articles of Incorporation.

Article 2. (Share Registrar)

The share registrar of the Company and its handling place of business shall be as follows:

(1) Share registrar

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

(2) Its handling place of business

Securities Agency Department,
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

**CHAPTER II
RECORDS TO THE REGISTER OF SHAREHOLDERS**

Article 3. (Records to the Register of Shareholders)

1. Any change of records in the register of shareholders shall be made by notices such as the notice of general shareholders from JASDEC (other than the notice (hereinafter referred to as the "Individual Shareholders Notice") as stipulated in Article 154, Paragraph 3 of the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (hereinafter referred to as the "Transfer Law")).

2. Other than the case as set forth above, in issuance of new shares or in other cases as required by the relevant laws or ordinances, changes in the register of shareholders shall be made without notices from JASDEC.

3. Records in the register of shareholders shall be made with the characters and symbols designated by JASDEC.

Article 4. (Notification relating to the Register of Shareholders)

A shareholder shall register its name and address through Securities Company, etc. and JASDEC in accordance with the procedures provided by JASDEC. The same shall apply to any change thereof.

Article 5. (Representatives of Corporate Shareholders)

If a shareholder is a corporation, one (1) representative of such corporation shall be notified through Securities Company, etc. or JASDEC in accordance with the procedures as provided by JASDEC. The same shall apply to any change thereof.

Article 6. (Representatives of Joint Owned Shares)

Shareholders who jointly own shares shall appoint one (1) representative, and submit a notification thereof through Securities Company, etc. and JASDEC in accordance with the procedures as provided by JASDEC. The same shall apply to any change thereof.

Article 7. (Legal Representative)

A legal representative such as a person having parental authority or a guardian of a shareholder shall notify its name and address through Securities Company, etc. and JASDEC in accordance with the procedures as provided by JASDEC. The same shall apply to any change or removal thereof.

Article 8. (Notification of Address by Foreign Resident Shareholders, etc.)

A shareholder residing in a foreign country or its legal representative shall appoint its standing proxy in Japan, or designate a mailing address in Japan to receive notices. The name and address of the standing proxy or the mailing address to receive notices shall be notified through Securities Company, etc. and JASDEC in accordance with the procedures as provided by JASDEC. The same shall apply to any change or removal thereof.

Article 9. (Confirmation of Notification Made by way of JASDEC)

A notification by shareholders, which is submitted through Securities Company, etc. and JASDEC, shall be deemed as a notification from the shareholder.

Article 10. (Registered Pledges for Shares)

The provisions of this Chapter shall apply *mutatis mutandis* to the registered pledges for shares.

CHAPTER III

IDENTIFICATION OF SHAREHOLDERS

Article 11. (Identification of Shareholders)

1. If a shareholder (including a shareholder to whom the Individual Shareholders Notice is given) claims or exercises other shareholder rights (hereinafter collectively referred to as the "Claims, etc."), such shareholder shall attach or provide an evidence to support that the shareholder is the very person who made such Claims, etc. (hereinafter referred to as the "Evidencing Materials, etc."), unless otherwise verified by the Company that the Claims, etc. were made by the said shareholder.

2. The Claims, etc. made by any shareholder to the Company through the Securities Company, etc. and JASDEC shall be deemed as the Claims, etc. made by such shareholder, and submission of the Evidencing Materials, etc is not required.

3. The Claims, etc. by a proxy shall be made pursuant to the provisions of the preceding two paragraphs with a letter of proxy attached thereto, bearing a signature or the name and seal of the shareholder. In such a letter of proxy, the name and address of a delegate shall be indicated.

4. Provisions of the preceding paragraphs 1 and 2 shall apply *mutatis mutandis* to the proxy.

CHAPTER IV
PROCEDURES FOR EXERCISING SHAREHOLDER’S RIGHTS, ETC.

Article 12. (Minority Shareholders’ Right, etc.)

When a shareholder exercises his/her minority shareholders’ rights etc., defined in Article 147, Paragraph 4 of the Transfer Law, except as otherwise set forth herein, directly towards the Company, that shareholder shall make his request for such exercise by submitting a document bearing the signature or the name and seal along with making a request for an Individual Shareholder’s Notice.

Article 13. (Description of Shareholder Proposals in Reference Materials for General Meeting of Shareholders)

In the event a shareholder submits a proposal in the general meeting of shareholders, the length of the proposal shall be as follows, as determined by the Company in accordance with Article 93, Paragraph 1 of the Regulations for Enforcement of the Companies Act.

- (1) Reasons for proposal
Four hundred (400) characters in length for each proposal
- (2) Matters to be included in reference materials for general meeting of shareholders concerning the proposal for election of officers
Four hundred (400) characters in length for each candidate

Article 14. (Methods of Filing Requests)

When any shareholder exercises rights by an electronic method pursuant to laws or ordinances, such shareholder shall do so on the website of the Company (<http://www.nomuraholdings.com/jp/investor/shareholders/sstep.html>).

CHAPTER V
PURCHASE OF LESS-THAN-A-FULL-UNIT SHARES

Article 15. (Method of Requesting Purchase of Less-than-a-Full-Unit)

In case that purchase of less-than-a-full-unit shares is requested, such request shall be made through Securities Company, etc. and JASDEC in accordance with the procedures as provided by JASDEC.

Article 16. (Determination of Purchase Price)

1. The purchase price per share for a purchase request in accordance with the preceding Article 15 shall be the closing price per share at the Tokyo Stock Exchange, Inc. (“TSE”) on the day on which the purchase request is received at the Share Registrar’s handling place of business; provided, however, that if no sales of the share take place on the said day, or the said day fall on a holiday of the said stock exchange, the purchase price per share shall be the price per share settled at the first sale thereafter.

2. The purchase price shall be the amount obtained by multiplying the purchase price per share referred to in the preceding paragraph by the number of shares requested for purchase.

Article 17. (Payment of Purchase Price)

1. The Company shall pay the amount of the purchase price (hereinafter referred to as the “Purchase Price”) calculated pursuant to the preceding Article 16 after deduction of the handling fees set forth in Article 26, unless

otherwise set forth thereby, the purchase price on the fourth business day from the following day on which the purchase price per share is determined in accordance with the procedure as provided by JASDAC; provided, however, that if the purchase price contains the right to dividend from surplus or stock split, etc., the Company shall pay the Purchase Price no later than the record date thereof.

2. A person requesting share purchase may request payment of the Purchase Price to be transferred to the bank deposit account designated by such person or in cash through Japan Post Bank Co., Ltd.

Article 18. (Transfer of Purchased Shares)

The less-than-a-full-unit shares requested for purchase shall be transferred to the transfer account of the Company on the date of payment or completion of the procedures for payment of the Purchase Price in accordance with the preceding Article 17.

CHAPTER VI

ADDITIONAL PURCHASE OF LESS-THAN-A-FULL-UNIT SHARES

Article 19. (Method of Requesting for Additional Purchase of Less-than-a-full-unit Shares)

In case that a shareholder who holds less-than-a-full-unit shares requests the Company to sell him / her shares in such number that will constitute one (1) unit when added to such less-than-a-unit shares (hereinafter referred to as the “Request for Additional Purchase”), such request shall be made through Securities Company, etc. and JASDEC in accordance with the procedures as provided by JASDEC.

Article 20. (Request for Additional Purchase in Excess of Available Treasury Shares)

If the aggregated number of shares requested in the Request for Additional Purchase on a same day exceeds the number of treasury shares available for transfer by the Company, none of the Request for Additional Purchase on the said day shall come into effect.

Article 21. (Effective Date of Request for Additional Purchase)

A Request for Additional Purchase shall come into effect on the day when the said Request for Additional Purchase is received at the Share Registrar’s handling place of business.

Article 22. (Determination of Purchase Price)

1. The additional purchase price per share of less-than-a-full-unit share shall be the closing price on the TSE on the effective date of the Request for Additional Purchase; provided, however, that if no sales of the share take place on the said day, or the said day fall on a holiday of the said stock exchange, the purchase price per share shall be the price per share settled at the first sale thereafter.

2. The additional purchase price shall be the amount obtained by multiplying the additional purchase price per share referred to in the preceding paragraph by the number of shares requested for purchase.

Article 23. (Transfer of Additionally Purchased Shares)

Application for transfer of treasury shares to the shareholder’s transfer account in a number equal to the number of shares subject to a Request for Additional Purchase shall be made on the day on which it has been confirmed that the sum calculated by adding the handling fees set forth in Article 26 to the additional purchase price has been remitted to the bank deposit account designated by the Company through Securities Company, etc. in accordance with the procedures as provided by JASDEC.

Article 24. (Period of Suspension for Additional Purchase Request)

1. The Company shall suspend the acceptance of Request for Additional Purchase every year from the period starting from the tenth business day prior to and ending on the respective dates listed below:

- (1) March 31;
- (2) September 30; and
- (3) Any other dates as provided by JASDEC, such as the record date of shareholders, etc.

2. Notwithstanding the preceding paragraph, the Company may, when it deems necessary, set additional periods for suspension of the acceptance of Request for Additional Purchase.

CHAPTER VII
SPECIAL TREATMENT OF SPECIAL ACCOUNT

Article 25. (Special Treatment of Special Account)

Identification of a shareholder who opened a special account and other treatments related to the special account shall be in accordance with the procedures as provided by JASDEC as well as by the account management institution of the said special account.

CHAPTER VIII
HANDLING FEES

Article 26. (Handling Fees)

Handling fees with respect to a purchase of less-than-one-unit shares pursuant to Article 15 and a Request for Additional Purchase of less-than-one-unit shares pursuant to Article 19 shall as follows:

An amount obtained in accordance with the following formula as equivalent to the brokerage commission for 100 shares, prorated according to the number of shares so purchased or additionally purchased, for each case of purchase.

(Formula)

The handling fee shall be measured through the way where at first, the purchase price per share determined under Article 16 or the additional purchase price per share determined under Article 22 shall be multiplied by 100 shares (the “assumed total amount”) and then calculated by using the following ratios to the assumed total amount.

The first 1,000,000 yen	1.150%
More than 1,000,000 yen to 5,000,000 yen (inclusive)	0.900%
More than 5,000,000 yen to 10,000,000 yen (inclusive)	0.700%
More than 10,000,000 yen to 30,000,000 yen (inclusive)	0.575%
More than 30,000,000 yen to 50,000,000 yen (inclusive)	0.375%
(If there is any fraction of 1 yen, it shall be disregarded.)	

Provided, however, that if the amount so obtained per 100 shares falls under 2,500 yen, it shall be 2,500 yen.

2. Notwithstanding the preceding paragraph, the Executive Officers designated by the resolution of the Board of Directors are authorized to determine the period the Company does not charge handling fees for a purchase of less-than-a-full-unit shares or an additional purchase of shares up to a whole unit.

Dates of Amendments

January 15, 2002

June 26, 2003

January 4, 2005

June 28, 2006

November 26, 2008

June 24, 2015

June 17, 2002

June 25, 2004

October 1, 2005

June 27, 2007

May 15, 2009

April 1, 2003

October 1, 2004

May 1, 2006

September 25, 2008

January 6, 2010

(Translation)

LIMITATION OF LIABILITY AGREEMENT

NOMURA HOLDINGS, INC. (hereinafter, the “Company”) and _____ (hereinafter, the “Director”) hereby agree to enter into this limitation of liability agreement (hereinafter, the “Agreement”) in accordance with Article 427 Paragraph 1 of the Companies Act and Article 33 Paragraph 2 of the Articles of Incorporation of the Company.

Article 1

On or after the execution of this Agreement, in the event that the Director, in good faith and without gross negligence in performing his or her duties as a director of the Company, incurs liability to compensate the Company under Article 423 Paragraph 1 of the Companies Act (hereinafter, the “Relevant Liability”), the Company shall limit the Director’s Relevant Liability to the higher of 20 million yen or the sum of the following items:

- (1) the total amount of remuneration, bonus or other consideration received, or economic benefit accrued by, the Director while in office as a director of the Company for the performance of his or her duties as a director, in the fiscal year in which the facts causing the Relevant Liability arose; or in any prior fiscal year, whichever is the highest amount, multiplied by two (2); and
- (2) the total amount of retirement bonus or other economic benefit of a similar nature received by the Director from the Company divided by: the number of years served as a director (hereinafter, “Years of Service”), or two (2) where the Years of Service is less than two (2) years.
- (3) the amount determined according to the following categories as set forth in items (a) and (b) below:
 - (a) In the event that, following his or her appointment to office, the Director exercises Company stock acquisition rights (only in cases listed in the items in Article 238, Paragraph 3, excluding those which may have been received by the Director from the Company as compensation for the execution of duty) if any (hereinafter, the “Relevant Stock Acquisition Rights”): the amount calculated by multiplying (i) the current per share price of the Company’s share at the time of exercise of the Relevant Stock Acquisition Rights, less the amount per share that is the purpose of the Relevant Stock Acquisition Rights out of the aggregate sum of the amount provided for in Article 236 Paragraph 1, Item 2 of the Companies Act and the paid-in price as provided for in Article 238, Paragraph 1, Item 3 of the Companies Act (if the amount so calculated is zero or less, then zero), by (ii) the number of shares of the Company delivered to the Director upon exercise of the Relevant Stock Acquisition Rights; or
 - (b) In the event that, following his or her appointment to office, the Director transfers Relevant Stock Acquisition Rights: the amount calculated by multiplying the transfer price of Relevant Stock Acquisition Rights less the paid-in price as provided for in Article 238, Paragraph 1, Item 3 of the Companies Act, by the number of the Relevant Stock Acquisition Rights.

Article 2

The Company may request the Director to provide any information necessary for determining whether or not a Relevant Liability exists and the amount up to which any such Relevant Liability may be limited.

Article 3

1. In the event that a limitation of the Director’s Relevant Liability is applied pursuant to Article 1 of this Agreement, the Director shall not receive any amount of retirement bonus or other economic benefit of a similar nature from the Company, or exercise or transfer Relevant Stock Acquisition Rights without approval at a meeting of the shareholders of the Company.

2. In the event that the Director possesses a certificate of stock acquisition rights representing Relevant Stock Acquisition Rights where a limitation of the Director's Relevant Liability has been applied pursuant to Article 1 of this Agreement, the Director shall be required to deposit such certificate of stock acquisition rights with the Company without delay and shall not be permitted to demand the return of the such certificate without approval at a meeting of the shareholders for such transfer.

Article 4

In the event that the Director becomes an executive director, executive officer or manager or any other employee of the Company, this Agreement shall be of no effect from such time onwards.

Article 5

Any matters not covered under this Agreement shall be resolved through mutual consultation between the Company and the Director.

IN WITNESS WHEREOF, this Agreement shall be executed as of the date below by the parties hereto in duplicate, with each party retaining a counterpart hereof.

[Date]

NOMURA HOLDINGS, INC.

DIRECTOR

LIMITATION OF LIABILITY AGREEMENT

NOMURA HOLDINGS, INC. (hereinafter, the “Company”) and _____ (hereinafter, the “Director”) hereby agree to enter into this limitation of liability agreement (hereinafter, the “Agreement”) in accordance with Article 427 Paragraph 1 of the Companies Act and Article 33 Paragraph 2 of the Articles of Incorporation of the Company.

Article 1

On or after the execution of this Agreement, in the event that the Director, in good faith and without gross negligence in performing his or her duties as a director of the Company, incurs liability to compensate the Company under Article 423 Paragraph 1 of the Companies Act (hereinafter, the “Relevant Liability”), the Company shall limit the Director’s Relevant Liability to the higher of 20 million yen or the sum of the following items:

- (1) the total amount of remuneration, bonus or other consideration received, or economic benefit accrued by, the Director while in office as a director of the Company for the performance of his or her duties as a director, in the fiscal year in which the facts causing the Relevant Liability arose; or in any prior fiscal year, whichever is the highest amount, multiplied by two (2); and
- (2) the total amount of retirement bonus or other economic benefit of a similar nature received by the Director from the Company divided by: the number of years served as a director (hereinafter, “Years of Service”), or two (2) where the Years of Service is less than two (2) years.
- (3) the amount determined according to the following categories as set forth in items (a) and (b) below:
 - (a) In the event that, following his or her appointment to office, the Director exercises Company stock acquisition rights (only in cases listed in the items in Article 238, Paragraph 3, excluding those which may have been received by the Director from the Company as compensation for the execution of duty) if any (hereinafter, the “Relevant Stock Acquisition Rights”): the amount calculated by multiplying (i) the current per share price of the Company’s share at the time of exercise of the Relevant Stock Acquisition Rights, less the amount per share that is the purpose of the Relevant Stock Acquisition Rights out of the aggregate sum of the amount provided for in Article 236 Paragraph 1, Item 2 of the Companies Act and the paid-in price as provided for in Article 238, Paragraph 1, Item 3 of the Companies Act (if the amount so calculated is zero or less, then zero), by (ii) the number of shares of the Company delivered to the Director upon exercise of the Relevant Stock Acquisition Rights; or
 - (b) In the event that, following his or her appointment to office, the Director transfers Relevant Stock Acquisition Rights: the amount calculated by multiplying the transfer price of Relevant Stock Acquisition Rights less the paid-in price as provided for in Article 238, Paragraph 1, Item 3 of the Companies Act, by the number of the Relevant Stock Acquisition Rights.

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The Company may request the Director to provide any information necessary for determining whether or not a Relevant Liability exists and the amount up to which any such Relevant Liability may be limited.

Article 3

1. In the event that a limitation of the Director’s Relevant Liability is applied pursuant to Article 1 of this Agreement, the Director shall not receive any amount of retirement bonus or other economic benefit of a similar nature from the Company, or exercise or transfer Relevant Stock Acquisition Rights without approval at a meeting of the shareholders of the Company.

2. In the event that the Director possesses a certificate of stock acquisition rights representing Relevant Stock Acquisition Rights where a limitation of the Director's Relevant Liability has been applied pursuant to Article 1 of this Agreement, the Director shall be required to deposit such certificate of stock acquisition rights with the Company without delay and shall not be permitted to demand the return of the such certificate without approval at a meeting of the shareholders for such transfer.

Article 4

In the event that the Director becomes an executive director, executive officer or manager or any other employee of the Company, this Agreement shall be of no effect from such time onwards.

Article 5

Any matters not covered under this Agreement shall be resolved through mutual consultation between the Company and the Director.

IN WITNESS WHEREOF, this Agreement shall be executed as of the date below by the parties hereto in duplicate, with each party retaining a counterpart hereof.

[Date]

NOMURA HOLDINGS, INC.

DIRECTOR

Certification

I, Koji Nagai, certify that:

1. I have reviewed this annual report on Form 20-F of Nomura Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 25, 2015

/s/ KOJI NAGAI

Koji Nagai
Group Chief Executive Officer

Certification

I, Shigesuke Kashiwagi, certify that:

1. I have reviewed this annual report on Form 20-F of Nomura Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 25, 2015

/s/ SHIGESUKE KASHIWAGI

Shigesuke Kashiwagi
Chief Financial Officer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Nomura Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2015

/s/ KOJI NAGAI

Koji Nagai
Group Chief Executive Officer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Nomura Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2015

/s/ SHIGESUKE KASHIWAGI

Shigesuke Kashiwagi
Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form F-3 No. 333-186755 and No. 333-191250 and Form S-8 No. 333-134590, No. 333-141988, No. 333-165925, No. 333-173244, No. 333-180506, No. 333-187585, No. 333-195004 and No. 333-203049) and related Prospectus of Nomura Holdings, Inc. of our reports dated June 25, 2015, with respect to the consolidated financial statements of Nomura Holdings, Inc., and the effectiveness of internal control over financial reporting of Nomura Holdings, Inc., included in this Annual Report (Form 20-F) for the year ended March 31, 2015.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 25, 2015