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**FORM 6-K/A**

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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

**Commission File Number: 1-15270**

For the month of June 2024

**NOMURA HOLDINGS, INC.**

(Translation of registrant's name into English)

**13-1, Nihonbashi 1-chome  
Chuo-ku, Tokyo 103-8645  
Japan**

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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On June 25, 2019, Nomura Holdings, Inc. filed its Annual Securities Report for the year ended March 31, 2019 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Act.

Information furnished on this form:

## EXHIBITS

### Exhibit Number

1. [English translation of certain items disclosed in the Annual Securities Report pursuant to the Financial Instruments and Exchange Act for the fiscal year ended March 31, 2019.](#)
2. [English translation of Management's Report on Internal Control over Financial Reporting and Confirmation Letter.](#)

EXPLANATORY NOTE: The registrant furnished with the Securities and Exchange Commission (the "SEC") a report on Form 6-K on July 26, 2019 (the "Original Form 6-K"). The registrant is furnishing this Form 6-K/A in order to amend certain information contained in Exhibit 1 "English translation of certain items disclosed in the Annual Securities Report pursuant to the Financial Instruments and Exchange Act for the fiscal year ended March 31, 2019" and Exhibit 2 "English translation of Management's Report on Internal Control over Financial Reporting and Confirmation Letter" furnished on the Original Form 6-K.

As shown in Exhibits 1 and 2 to this Form 6-K/A, amendments are indicated by "underline" and relate to the following:

- PART I Corporate Information—Item 1. Information on the Company and Its Subsidiaries and Affiliates—1. Selected Financial Data—(1) Selected consolidated financial data for the latest five fiscal years
- PART I Corporate Information—Item 2. Operating and Financial Review—2. Risk Factors
- PART I Corporate Information—Item 2. Operating and Financial Review—3. Operating, Financial and Cash Flow Analyses by Management—(6) Liquidity and Capital Resources—Cash Flows
- PART I Corporate Information—Item 5. Financial Information—CONSOLIDATED STATEMENTS OF CASH FLOWS
- PART I Corporate Information—Item 5. Financial Information—NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—1. Summary of accounting policies
- Management's Report on Internal Control over Financial Reporting —3. [Report of Evaluation]

No other portion of the Original Form 6-K is being amended hereby.

**SIGNATURE**

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

NOMURA HOLDINGS, INC.

Date: June 25, 2024

By: /s/ Yoshifumi Kishida  
Yoshifumi Kishida  
Senior Managing Director

Annual Securities Report Pursuant to the Financial Instruments and Exchange Act for the Fiscal Year Ended March 31, 2019

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

\* Status of Directors and Senior Management in Item 4.4. Status of Corporate Governance and Other is not translated.

## PART I Corporate Information

### Item 1. Information on the Company and Its Subsidiaries and Affiliates

#### 1. Selected Financial Data.

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

Year ended March 31	2015	2016	2017	2018	2019
Total revenue (millions of yen)	1,930,588	1,723,096	1,715,516	1,972,158	1,835,118
Net revenue (millions of yen)	1,604,176	1,395,681	1,403,197	1,496,969	1,116,770
Income (loss) before income taxes (millions of yen)	346,759	165,158	322,795	328,158	(37,701)
Net income (loss) attributable to Nomura Holdings, Inc. (“NHI”) shareholders (millions of yen)	224,785	131,550	239,617	219,343	(100,442)
Comprehensive income (loss) attributable to NHI shareholders (millions of yen)	347,888	32,791	208,995	126,335	(70,136)
Total equity (millions of yen)	2,744,946	2,743,015	2,843,791	2,799,824	2,680,793
Total assets (millions of yen)	41,705,236	40,934,217	42,531,972	40,343,947	40,969,439
Shareholders’ equity per share (yen)	752.40	748.32	790.70	810.31	794.69
Net income (loss) attributable to NHI common shareholders per share—basic (yen)	61.66	36.53	67.29	63.13	(29.90)
Net income (loss) attributable to NHI common shareholders per share—diluted (yen)	60.03	35.52	65.65	61.88	(29.92)
Total NHI shareholders’ equity as a percentage of total assets (%)	6.5	6.6	6.6	6.8	6.4
Return on shareholders’ equity (%)	8.61	4.87	8.73	7.92	(3.73)
Price/earnings ratio (times)	11.45	13.77	10.28	9.75	—
Cash flows from operating activities (millions of yen)	(76,588)	1,237,987	1,304,994	(341,305)	(62,010)
Cash flows from investing activities (millions of yen)	12,337	(23,711)	(118,051)	(296,741)	(420,464)
Cash flows from financing activities (millions of yen)	(178,206)	986,387	(2,130,644)	509,352	769,997
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of the year (millions of yen)	1,316,063	3,476,517	2,537,066	2,354,868	2,687,132
Number of staffs	28,672	28,865	28,186	28,048	27,864
[Average number of temporary staffs, excluded from above]	[4,419]	[4,677]	[4,749]	[4,671]	[4,492]

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

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

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

4 Certain contract employees are included in Number of staffs.

5 Due to the changes in our accounting policy which Nomura adopted on April 1, 2018, certain reclassifications of previously reported amounts have been made to conform to the current year presentation. Please refer to Note 1 “*Basis of accounting and summary of accounting policies*” in our consolidated financial statements included in this annual report for further details.

6 *Price/earnings ratio (times)* is not stated for the year ended March 31, 2019 due to net loss.

7 As discussed in Note 1 “*Summary of Accounting Policies*”, amounts for Cash flows from operating activities, Cash flows from investing activities and Cash flows from financing activities have been restated to correct certain errors identified during the fourth quarter ended March 31, 2024.

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

Year ended March 31,	2015	2016	2017	2018	2019
Operating revenue (millions of yen)	461,912	585,394	437,187	484,396	325,407
Ordinary income (millions of yen)	235,519	353,058	209,221	231,730	95,229
Net income (loss) (millions of yen)	294,816	419,507	205,936	281,006	(12,470)
Common stock (millions of yen)	594,493	594,493	594,493	594,493	594,493
Number of issued shares (thousands of shares)	3,822,563	3,822,563	3,822,563	3,643,563	3,493,563
Shareholders' equity (millions of yen)	2,095,108	2,421,160	2,526,761	2,633,851	2,516,921
Total assets (millions of yen)	6,641,723	7,379,122	6,423,868	6,932,921	7,080,156
Shareholders' equity per share (yen)	569.56	670.77	715.96	776.20	760.13
Dividend per share (yen)	19.00	13.00	20.00	20.00	6.00
The first quarter	—	—	—	—	—
The second quarter	6.00	10.00	9.00	9.00	3.00
The third quarter	—	—	—	—	—
The end of a term (the fourth quarter)	13.00	3.00	11.00	11.00	3.00
Net income (loss) per share (yen)	80.85	116.47	57.82	80.86	(3.71)
Net income per share—diluted (yen)	78.72	113.33	56.44	79.29	—
Shareholders' equity as a percentage of total assets (%)	30.9	32.2	38.8	37.6	35.2
Return on shareholders' equity (%)	15.02	18.97	8.47	11.03	(0.49)
Price/earnings ratio (times)	8.97	4.44	12.26	7.76	—
Payout ratio (%)	23.29	11.16	34.39	24.45	—
Dividend on shareholders' equity (%)	3.35	1.97	2.84	2.64	0.81
Number of staffs	102	111	127	132	165
[Average number of temporary staffs, excluded from above]	[—]	[—]	[—]	[—]	[—]
Total Shareholder Return(%)	109.5	80.8	112.4	103.8	72.2
[Comparison index with the above : TOPIX Total Return Index]	[130.7]	[116.5]	[133.7]	[154.9]	[147.1]
Highest stock price (yen)	757.0	909.2	784.0	756.5	650.0
Lowest stock price (yen)	576.2	442.8	338.8	567.7	393.0

- 1 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.
- 2 Number of staffs represents staffs who work at the Company.
- 3 Stock prices are quoted on the Tokyo Stock Exchange (First Section of the Tokyo Stock Exchange).
- 4 No net income per share—diluted information was provided, as there was net loss per share, although there are dilutive shares for the year ended March 31, 2019.
- 5 No payout ratio or dividend on shareholder's equity information was provided due to the net loss for the year ended March 31, 2019.

### 3. Business Overview.

The Company and its 1,366 consolidated subsidiaries and variable interest entities primarily operate investment and financial services business focusing on securities business as their core business. Nomura provides wide-ranging services to customers for both of financing and investment through the operations in Japan and other major financial capital markets in the world. Such services include securities trading and brokerage, underwriting and distribution, arrangement of public offering and secondary distribution, arrangement of private placement, principal investment, asset management and other broker-dealer and financial business. There are also 13 companies accounted for under the equity method as of March 31, 2019.

The reporting of the business operations and results of the Company and its consolidated subsidiaries are based on business segments referred in Note 22 “*Segment and geographic information*” in our consolidated financial statements included in this annual report. Please refer to the table below in the organizational structure listing the main companies by business segments.

#### Organizational Structure

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

Nomura Holdings, Inc.

##### ***Retail Division***

(Domestic)

Nomura Securities Co., Ltd. and others

##### ***Asset Management Division***

(Domestic)

Nomura Asset Management Co., Ltd. and others

##### ***Wholesale Division***

(Domestic)

Nomura Securities Co., Ltd.

Nomura Financial Products & Services, Inc.

Nomura Asia Pacific Holdings Co., Ltd. and others

(Overseas)

Nomura Holding America Inc.

Nomura Securities International, Inc.

Nomura America Mortgage Finance, LLC

Instinet, Incorporated

Nomura Europe Holdings plc

Nomura International plc

Nomura International (Hong Kong) Limited

Nomura Singapore Limited and others

##### ***Others***

(Domestic)

The Nomura Trust and Banking Co., Ltd.

Nomura Facilities, Inc.

Nomura Capital Partners Co., Ltd.

Nomura Research Institute, Ltd.\*

Nomura Real Estate Holdings, Inc.\*

\*Affiliates

## Item 2. Operating and Financial Review

### 1. 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 order to 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 have focused on ensuring that profits are recorded by all divisions and regions. But by revising the delegation of powers to regions and business divisions, we shifted to a new business execution structure as from May 2019. We are committed to continuing business model transformation in Japan as well as aiming to improve profitability of our overseas operations under Vision C&C slogan, so that we will be able to build a solid foundation to generate profits even in severe market environments.

We will ensure a flexible and robust response to changes in the global operating environment, such as various international financial regulations, demographic changes, digital evolution, and so forth, while closely monitoring rapidly-changing geopolitical situations, for the purpose of maintaining an appropriate financial standing and achieving an effective use of management resources through improved capital efficiency, etc.

The challenges and strategies in each division are as follows:

- **Retail Division**

In Retail Division, under the basic philosophy of "placing our clients at the heart of everything we do," we provided consulting services to become "financial institution a lot of people need" by responding to diversifying needs and wishes. We continue to support elderly clients with their family as we are experiencing aging society and expand client base including next-generation clients for their asset management. Furthermore, we need to concentrate on mass affluent clients for the future. We also focus on providing a broad range of value-added solutions to clients not only through face-to-face consulting services, but also non-face-to-face service such as online investment seminars, call center channels, aiming to earn clients' trust.

- **Asset Management Division**

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

- **Wholesale Division**

In addition to the needs of our clients becoming increasingly more sophisticated, the Wholesale division also faces challenges presented by the technological revolution; which may result in market changes which fundamentally affect the form of our traditional business. In order to keep step with such changes as well as to ensure our ability to provide our clients with added value, we will continue to seek the enhancement of our connectivity across Global Markets, Investment Banking and other Divisions around the globe as part of our sustained efforts to provide highly sought-after products and services to the markets.

Global Markets has been focusing on delivering differentiated and competitive products and solutions to our clients by leveraging our global capabilities in trading, research, and global distribution. We aim to provide uninterrupted liquidity to our clients across asset classes and markets, and strive to offer best-in-class market access and execution services. Additionally, Global Markets will gear up for the digital transformation of our business.

In Investment Banking, we will continue to support our clients' cross-border M&A ambitions, facilitate their fundraising activities both in Japan and other geographies, as well as provide the full product suite of our Solutions Business as our clients continue to pursue the globalization of their business activities.

- **Merchant Banking Division**

The Merchant Banking Division will primarily provide equity as a new solution for business reorganizations and revitalizations, business succession as well as management buyouts to cater to the increasingly diversified and sophisticated needs of our clients. The Merchant Banking Division will, under proper management of risk, focus on support for improving the enterprise value of portfolio companies, and will contribute to expansion of the private equity market.



## **Risk Management and Compliance, etc.**

At the Nomura Group, the type of risk and maximum amount of permissible risk for the purpose of achieving strategic objectives and business plans based on management philosophy is set forth as the Risk Appetite. We will continue to develop a risk management framework which ensures financial soundness, enhances corporate value, and is strategically aligned to the business plan and incorporated in decision making by senior management.

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

Nomura Group established the Nomura Founding Principles and Corporate Ethics Day in 2015. Commemorated annually, this day aims to remind all of our executive officers and employees of the lessons learned from the incident and to renew our determination to prevent similar incidents from recurring in the future and further improve public trust through various measures. We will strive to maintain a sound corporate culture through these initiatives. We have also further enhanced and reinforced our internal control framework, which includes measures to prevent insider trading and solicitation of unfair dealing, by ensuring that all of our executive officers and employees continually maintain the highest level of business ethics expected from professionals engaged in the capital markets.

However, in March 2019, amidst discussions regarding the criteria for designation to and exit from the upper section of the exchange at the Advisory Group to Review the TSE Cash Equity Market Structure, there were inappropriate information transfers regarding such criteria at Nomura Securities Co., Ltd. (“NSC”) (“this matter”).

As for this matter, on May 28th, Japan Financial Services Agency (“JFSA”) issued a business improvement order against Nomura Holdings Inc. (“NHI”) and NSC in terms of management framework and control on information.

Prior to the issuance of business improvement order, on May 24th, we publicized an outline of remediation action plan which was approved by the Board of Directors and contains structural reorganization as well as establishing a framework to tightly control the information that could materially affect investment decisions.

On June 3rd, NHI and NSC submitted reports on their business improvement measures to JFSA in accordance with the business improvement order.

By fully implementing the remediation action plan, we will further strengthen our internal control framework and work together as one firm to regain the trust of our clients, shareholders and all other concerned parties.

## 2. 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. In addition, 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. Furthermore, unfavorable demographic trends, such as the long-term trends of population aging and population decline faced by Japan, are expected to continue to put downward pressure on demand in the businesses in which we operate, including, in particular, our retail business. Even in the absence of a prolonged market or economic downturn, changes in market volatility 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.

*Governmental fiscal and monetary policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations*

We engage in our business globally through domestic and international offices. Governmental fiscal, monetary and other policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations. In addition, any changes to the monetary policy of the Bank of Japan or central banks in major economies worldwide, which could potentially be followed by volatility of interest rate or yields may negatively affect our ability to provide asset management products to our clients as well as our and our clients' trading and investment activities, as exemplified by decreased returns for fixed income products in the prolonged low interest rate environment in Japan.

*Brexit may adversely affect our business on various fronts*

As a result of the national referendum took place on June 23, 2016, the United Kingdom ("U.K.") is due to leave the European Union ("EU") ("Brexit") sometime in the near future. Although, under the current agreement between the U.K. and the EU in accordance with the Article 50(3) of the Treaty on the European Union, Brexit is required to occur by the end of October 2019 at the latest, the final timing of Brexit is still uncertain, and Brexit may not occur at all. Moreover, if Brexit does occur, the final form and substance of Brexit remain undecided, and many other uncertainties still remain.

Because we conduct a substantial level of business throughout Europe where London is our regional hub, Brexit may adversely affect our business on various fronts. Currently, our regulated activities in European region are carried out mainly through Nomura International plc ("NIP"), our broker-dealer arm established in London. NIP has access to the entire European Economic Area ("EEA") through providing cross-border services under the relevant EU single market legislation known as "passporting rights". If Brexit happens without any agreement between the U.K. and the EU in respect of continuation of access for financial services, including passporting rights, NIP may lose access to the EEA and, as a result, our revenue and profitability from business in the European region may be adversely affected. This situation would also similarly apply to other group entities operating in the European region.

In order to address such potential impact on our business, we have established a new broker-dealer entity, Nomura Financial Products Europe GmbH ("NFPE") as a licensed broker-dealer in the Federal Republic of Germany. As a German entity, NFPE is eligible for passporting rights after Brexit, if it occurs. However, as discussed below, a number of uncertainties affecting our business in the European region will remain regardless of establishment of NFPE.

For example, the form and substance of the final agreement over Brexit between the U.K. and the EU may adversely affect our business in the European region. Moreover, if no agreement is reached, Brexit may occur in a disorderly manner, which may adversely affect financial stability both in the U.K. and the wider European region. Any market turmoil and increased volatility due to a disorderly Brexit may adversely affect our business, with potentially severe liquidity and operational pressures on our financial position, particularly in the short term. If the U.K. and EU agree on a longer transition period for maintaining the status quo until final agreement for a future relationship becomes effective, this may affect the behavior of market participants and their potential response to Brexit. For example, market participants may postpone or cancel transactions or other activities that they would otherwise engage in, which may adversely affect our revenues and profitability.

Depending on the content of any future agreement between the U.K. and the EU, the wider financial system and regulatory and supervisory regime in European region may also be substantially changed, which could adversely affect our business as well. Euro-denominated financial transactions in the market, which are currently centralized in London, in particular may be affected by any regulatory regime emerging after Brexit in terms of the physical location for financial market infrastructure, liquidity provision and pricing. Operating conditions for financial institutions and financial market infrastructures may also become more stringent for all market participants depending on the content of any such new regulatory or supervisory regime.

These potential changes in the relevant regulatory or supervisory regimes in the wider financial system may accelerate fragmentation of the financial markets and, as a result, we may be adversely affected due to increasing operating costs, which could impact on our profitability. Such increased operating costs may result from a number of factors, including the introduction or modification of regulatory requirements such as regulatory capital, liquidity, governance, risk management control and overall entity structure planning.

Overall, Brexit poses a high level of potentially prolonged uncertainties both politically and economically, mainly in the U.K. and the EU. There may also be certain extraterritorial effects in markets outside of the region. These uncertainties, together with other potential developments such as rising trade tensions, may add further downward pressure to the world economic growth and global financial stability and, as a result, we may see lower liquidity in financial markets, an unexpected increase in volatility across various asset classes, higher funding costs, a trend towards increasing risk averseness in investment activities and negative business sentiment, all of which may adversely affect our business.

*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. Also, any changes in our clients' investment preference on their asset portfolios, including shifting investment assets to stable assets such as deposits and/or passive funds, which bring relatively low commission rates, may reduce our revenue as well.

*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.

*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 underliers, 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 not kept assets and sold them, or have short positions, an upturn in prices of the assets could expose us to potentially significant losses. Although we continue to mitigate these position risks with a variety of hedging techniques, we may also incur losses if the value of these assets are fluctuated or if the financial system is overly stressed and the markets move in a way we have not anticipated.

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

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

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect our profitability due to decrease in client transactions. Assuming a one-notch and two-notch downgrade of our credit ratings on March 31, 2019, absent other changes, we estimate that the aggregate fair value of assets required to be posted as additional collateral in connection with our derivative contracts would have been approximately ¥6.2 billion and ¥51.4 billion, respectively.

*Transition from IBORs to alternative rate indices may adversely affect our business*

We trade interest rate swaps and other derivatives and underwrite bonds and loans which refer to Interbank Offered Rates ("IBORs") such as the London Interbank Offered Rate ("LIBOR"). Following the LIBOR manipulation scandal in 2012, the Chief Executive of the U.K. Financial Conduct Authority ("FCA"), which regulates LIBOR, announced on July 27, 2017 that FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021, and indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Since then, the Financial Stability Board ("FSB") has observed structural declines in liquidity of the interbank short term funding including IBORs. The regulators and the finance industry have responded and are discussing the development of alternatives to IBORs and how to transfer existing contracts and products to such alternative rates. Some IBORs are expected to be replaced by the end of 2021. Such transfers will involve the development of new calculation methods for alternative rates, revisions to relevant contracts and modifications to the application of accounting principles to the relevant transactions. These changes could require us to incur additional costs and subject us to risks associated with systematic reform, operational application and client disclosure, or adversely impact the pricing, volatility and liquidity of financial products including derivatives, bonds and loans which refer IBORs as floating rate. Therefore, our business, financial condition and results of operations could be impacted materially adversely and/or we could be subject to disputes, litigation or other actions with counterparties or relative participants.

We have established a firmwide IBOR transition program to manage the transition away from these IBORs. However, the regulatory and industry responses to these developments are the subject of significant uncertainty, and we may not be successful in managing this transition without potentially serious disruption to our business.

*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 losses due to market fluctuations on asset-backed securities such as residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS").

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

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

*Our hedging strategies may not prevent losses*

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

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

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

*Market risk may increase other risks that we face*

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

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

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

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

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

We may have to recognize impairment charges, as well as other losses associated with subsequent transactions, with regard to the amount of goodwill, tangible and intangible assets and, if recognized, such changes may adversely affect our financial condition and results of operations. For example, during the year ended March 31, 2019, we recognized an impairment loss on goodwill in our Wholesale segment attributable to previous overseas acquisitions of ¥81,372 million.

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

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

### *We may be unable to access unsecured or secured funding*

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

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

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

### *We may be unable to sell assets*

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

### *Lowering of our credit ratings could impact our funding*

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

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

Event risk refers to potential losses we may suffer through unpredictable events that cause large unexpected market price movements such as natural or man-made disasters, epidemics, acts of terrorism, armed conflicts or political instability, as well as adverse events specifically affecting our business activities or counterparties. These events include not only significant events such as the Great East Japan Earthquake in March 2011, the increasing tensions on Korean Peninsula following North Korean nuclear tests in 2017, and sudden and unexpected developments in global trade or security policies such as tensions between the United States and China in 2018 and 2019 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 financial institutions and hedge funds 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, non-Japanese firms and online securities 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, and our competitors will be able to cooperate more closely with their affiliated commercial banks. As a result, securities subsidiaries of commercial banks and non-Japanese firms with increased competitiveness have been affecting our market shares in the sales and trading, investment banking and retail businesses. In recent years, the rise of online securities firms has further intensified the competition. In order to address such changes in the competitive landscape, we have taken certain measures, including the establishment of a business alliance with a social networking and messaging service provider. However, these measures may not be successful in growing or maintaining our market share in this increasingly fierce competitive environment, and we may lose business or transactions to our competitors, harming our business and results of operations.

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

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

*Our global business strategies have not resulted in the anticipated outcome to date, and we may not be able to successfully rebuild them*

We continue to believe there are significant opportunities in the international markets, but there is also significant competition associated with such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Under such competitive environment, as a means to bolster our international operations, we acquired certain Lehman Brothers operations in Europe, the Middle East and Asia in 2008 and we have invested significant management resources to maintain and develop our operations in these regions and the U.S. After the acquisition, however, market structures have changed drastically due to the scaling back of market-related businesses by European financial institutions and the monetary easing policies by central banks of each country, resulting in decline in whole market liquidity. In light of this challenging business environment, we have endeavored to reallocate our management resources to optimize our global operations and thereby improve our profitability. However, due in part to the challenging environment facing these businesses, the bulk of which are within our Wholesale segment, performance has been weaker than expected, and we recognized an impairment loss of ¥81,372 million in the fiscal year ended March 31, 2019 attributable to the Wholesale segment. If we are not able to successfully restructure and revitalize these businesses, included as described below, our global businesses, financial condition and results of operations may be further materially and adversely affected.

On April 4, 2019, we announced our plans to rebuild our global business platform, under which we aim to simplify our operating model, transform our business portfolio and pivot towards client businesses and growth areas. However, we may be unable to successfully execute this strategy. Even if we are able to successfully execute this strategy, we may be required to incur greater expenses than expected, or to commit greater financial, management and other resources to this strategy than expected, which could adversely affect our business and results of operations. Moreover, the assumptions and expectations upon which this strategy is based may not be correct, which could lead to us realizing fewer benefits than expected or could even harm our business and results of operations overall. For example, we may not correctly select business lines to streamline, which could lead to us missing or otherwise being unable to take advantage of a potential opportunity. Furthermore, to the extent we reduce compensation or headcount as part of this strategy, our ability to attract and retain the employees needed to successfully run our businesses could be adversely affected. We may also be unsuccessful in designing a streamlined management structure, which could harm our ability to properly control or supervise our many businesses across the world.



## 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, personnel, 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 our reputation if caused by an operational risk.

Operational risk is inherent in all our products, activities, processes and systems which therefore can potentially have a direct financial impact on us or an indirect financial impact through a disruption to our business, regulatory sanctions, loss of clients, reputational damage or damage to the health and safety of our management and employees. While we have established a robust framework to manage and mitigate the impact of operational risks within us, prevention of the following key specific types of key operational risks occurring remains challenging:

<u>Event Category</u>	<u>Definition</u>
<b>Internal Fraud</b>	Intentional breach of laws, rules, regulations or internal policies and procedures.
<b>Mis-selling</b>	Offering of products and services which are not commensurate with the client's knowledge, experience, asset status and investment purpose as well as his/her ability to make judgment regarding risk management, or failure to provide sufficient information about the risks associated with the products and services offered.
<b>Regulatory non-Compliance</b>	Violation of financial and other applicable laws, rules or regulations and internal rules governing the firm's business activities and personnel.
<b>Information Management Failure</b>	Activity which may lead to leakage or damage of the firm's data including client and sensitive information, or failure to maintain a sufficient control environment to prevent such events.
<b>Cyber Attack</b>	Unauthorized intrusion, theft, modification and destruction of data, failure or malfunction of information systems and execution of illegal computer programs, committed via the Internet through malicious use of information communication networks and information systems.
<b>System Outages</b>	Significant system defects, including system outages or malfunction.
<b>Business Continuity Management Failure</b>	Failure to maintain effective business continuity due to insufficient measures and preparations against major natural or man-made disaster.
<b>Outsourcing Management Failure</b>	Failure to maintain effective management of outsourced processes including continuous monitoring by the owner of the process and oversight from control functions.

### **We have identified a material weakness in our internal control over financial reporting and, despite our efforts to remediate, may identify further material weaknesses in the future**

The Company identified a material weakness in our internal control over financial reporting during the quarter ended March 2024 in relation to certain classification and presentation matters within the consolidated statement of cash flows as included within our consolidated financial statements, which has resulted in the need to restate the consolidated statement of cash flows in certain of the Company's annual and interim consolidated financial statements. The Company has identified and is in the process of implementing a number of remediation actions, which are also being tested, to address this material weakness and intended to mitigate the risk of similar errors occurring in the future within the consolidated statement of cash flows. Nonetheless, additional material weaknesses or other issues may arise in the future resulting in the Company not being able to provide financial information in our consolidated financial statements and elsewhere in an accurate, timely and reliable manner or requiring additional restatements of our consolidated financial statements or other aspects of our periodic reporting. This may undermine confidence in our published financial information and other reported information by users of our consolidated financial statements, including holders of our securities, resulting in reductions in the price of our common stock and/or ADRs as well as limit our access to capital markets, impact client or counterparty appetite to enter into transactions with us and subject us to potential regulatory investigations and sanctions, each of which may materially and adversely affect our business, results of operations and financial condition. See Note 1. "Summary of accounting policies" in the consolidated financial statements for further details of the nature of the errors identified within the consolidated statement of cash flows and Exhibit 2 "Management's Report on Internal Control over Financial Reporting" for further details on the material weakness identified and our remediation actions to address this material weakness.

### **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 our employees, directors or officers, or any third party, could engage in misconduct that may adversely affect our business. Misconduct by an employee, director or officer includes conduct such as 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 non-public information relating to us or our clients, such as insider trading and the recommendation of trades based on such information, as well as other crimes, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us.

For example, on March 5, 2019, a researcher at Nomura Research Institute, Ltd. ("NRI"), our equity-method affiliate, revealed information that there was a high possibility that the standard for designating the top market of the Tokyo Stock Exchange (the "TSE") would fall to ¥25 billion, which had been under review at the TSE, to a chief strategist (the "NSC Strategist") in the research division of Nomura Securities Co., Ltd. ("NSC"). The researcher at NRI was a member of the Advisory Group to Review the TSE Equity Market Structure and received this information in such capacity. On the same day and the next day, the NSC Strategist communicated the information to certain people including members of Japanese stock sales team of

NSC and Nomura International (Hong Kong) Limited, some of whom provided the information to their institutional investor clients. Although these our providing the information did not represent a violation of law, they were inappropriate conducts and impaired the implicit trust placed in us and our employees by other market participants. Following a special internal investigation conducted by external experts, on May 24, 2019, we announced a remediation plan and the reduction of compensation of certain of our executives and those of NSC. On May 28, 2019, the FSA issued a business improvement order to us and to NSC, requiring us to clarify responsibility for this incident, develop and submit a detailed improvement plan, and report periodically on the implementation and effectiveness of measures for improvement. However, our remediation plan may not be successful in preventing similar future incidents due to misconduct by third parties and other factors. Furthermore, the extent of the damage by such business improvement order to our reputation and our business is not certain at this point.

Although we have precautions in place to detect and prevent such misconduct in the future, the measures we have implemented or may 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 appropriately address conflicts of interest could adversely affect our business**

We are a global financial institution that provides 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 arise 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, conflicts of interest can also arise where a transaction within the Nomura Group and/or a transaction with another client conflict or compete, 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 such 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 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. See Note 21 “*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.

##### *Our exposure to legal liability is significant*

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

During a prolonged market downturn or upon the occurrence of an event that adversely affects the market, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. In addition, even legal transactions might be subject to adverse public reaction according to the particular details of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

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

The financial services industry is subject to extensive regulation. We are subject to increasing regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. In addition, while regulatory complexities increase, possibilities of extra-territorial application of a regulation in one jurisdiction to business activities outside of such jurisdiction may also increase. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities and/or affect our profitability, through net capital, client protection and market conduct requirements. In addition, on top of traditional finance-related legislation, the scope of laws and regulations applying to, and/or impacting on, our operations may become wider depending on the situation of the wider international political and economic environment or policy approaches taken by governmental authorities in respect of regulatory application or law enforcement. In particular, the number of investigations and proceedings against the financial services industry by governmental and self-regulatory organizations has increased substantially and the consequences of such investigations and proceedings have become more severe in recent years, and we are subject to face the risk of such investigations and proceedings. For example, the U.S. Department of Justice (the “DOJ”) conducted an investigation regarding residential mortgage-backed securities securitized by some of our U.S. subsidiaries prior to 2009. On October 15, 2018, the U.S. subsidiaries settled the investigation with the DOJ and agreed to pay USD 480 million. Although we have policies in place to prevent violations of such laws and regulations, we may not always be able to prevent violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create, which may negatively affect our business opportunities and ability to secure human resources. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions. In addition, certain market participants may refrain from investing in or entering into transactions with us if we engage in business activities in regions subject to international sanctions, even if our activities do not constitute violations of sanctions laws and regulations.

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

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

Furthermore, the exact details of the implementation of proposals for regulatory change and its impact on us will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards.

New regulations or revisions to existing regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Such new regulations or revisions to existing regulations include the so-called Basel III package formulated by the Basel Committee on Banking Supervision (“Basel Committee”) and the finalized Basel III reforms published in December 2017. Furthermore, in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for domestic systemically important banks (“D-SIBs”), and, in December 2015, the FSA identified us as a D-SIB and imposed a surcharge of 0.5% on our required capital ratio after March 2016 with 3-year transitional arrangement. In addition, FSB published the final standard requiring global systemically important banks (“G-SIBs”) to maintain a certain level of total loss-absorbing capacity (“TLAC”) upon their failure in November 2015. Under the FSA’s policy implementing the TLAC framework in Japan as updated in April 2018, the TLAC requirements in Japan apply not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. Based on the revised policy, in March 2019, the FSA published the notices and guidelines of TLAC regulations in Japan. According to these notices and guidelines, Nomura will be subject to the TLAC requirements in Japan from March 31, 2021 although Nomura is not identified as a G-SIB as of the date of this annual report. These changes in regulations may increase our funding costs or require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could adversely affect our operating or financing activities or the interests of our shareholders.

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

We recognize deferred tax assets in our consolidated balance sheets as a possible benefit of tax relief in the future. If we experience or forecast future operating losses, if tax laws or enacted tax rates in the relevant tax jurisdictions in which we operate change, or if there is a change in accounting standards in the future, we may reduce the deferred tax assets recognized in our consolidated balance sheets. As a result, it could adversely affect our financial condition and results of operations. See Note 16 “*Income taxes*” in our consolidated financial statements included in this annual report for further information regarding the deferred tax assets that we currently recognize.

#### **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 to protect the confidentiality of personal information and take steps to safeguard such information in compliance with applicable laws, rules and regulations, were any material unauthorized disclosure of personal information to occur, our business could be adversely affected. For example, we could be subject to administrative fines in case there is any violation of applicable personal data protection laws, rules and regulations or be subject to complaints and lawsuits for damages from clients if they are adversely affected due to the unauthorized disclosure of their personal information (including leakage of such information by an external service provider). In addition, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives. Any damage to our reputation caused by such unauthorized disclosure could lead to a decline in new clients and/or a loss of existing clients, as well as to increased costs and expenses incurred for public relations campaigns designed to prevent or mitigate damage to our corporate or brand image or reputation.

#### **System failure, the information leakage and the cost of maintaining sufficient cybersecurity could adversely affect our business**

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

While we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future. For example, in June 2018, one of our foreign subsidiaries experienced a spear phishing incident that resulted in the unauthorized access to the firm’s desktop network, requiring us to immediately launch an internal investigation to assess and remediate the incident, notify the appropriate authorities of its occurrence and communicate with clients and other individuals whose data may have been impacted. The investigation is still ongoing and the extent and potential magnitude of this incident, including whether any client information has been impacted, have yet to be determined. As a result of this incident, we may suffer financial loss through reputational damage, legal liability and enforcement actions and through the cost of additional resources not only to remediate this incident but also to enhance and strengthen the cyber security of other Nomura group companies, all of which could negatively affect our financial conditions and results of operations.

#### **Natural disaster, terrorism, military dispute and infectious disease could adversely affect our business**

We have developed a contingency plan for addressing unexpected situations. However, disaster, terrorism, military dispute or infectious disease afflicting our management and employees could exceed the assumptions of our plan, and could adversely affect our business.

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

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

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

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

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

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

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

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

### 3. Operating, Financial and Cash Flow Analyses by Management

#### (1) Operating Results.

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

#### Business Environment

##### *Japan*

The Japanese economy had its ups and downs. Japan’s real gross domestic product (“GDP”) rose a solid 2.2% quarter-on-quarter, annualized, in April-June 2018, and fell 2.5% in July-September. After returning to growth of 1.6% in October-December, it rose 2.1% in January-March 2019, but we think actual economic activity was on the weak side in January-March as other economic indicators were weak. Until April-June 2018, the economy was led by an increase in exports backed by growth in the global economy, and domestic demand was solid overall. However, thereafter, the ability of exports to drive the economy weakened as the global economy entered a cyclical softening phase and prospects for the economy became increasingly cloudy as U.S.-China trade tensions intensified. In July-September, demand in Japan weakened overall as many natural disasters occurred, and in particular, exports fell as the Kansai International Airport stopped functioning for a while from the effects of a typhoon. In October-December, GDP likely rose in large part in reaction to the natural disaster-driven decline in July-September, but the reaction was not that strong. In January-March 2019, exports were weak, particularly to Asia, and the slowdown in the global economy continued to weigh on economic activity in Japan. Employment conditions were relatively favorable over this period, with the unemployment rate at a low level, but wage growth remained low and consumer confidence worsened. Consumer durable sales held up through the end of 2018, possibly in consideration of the consumption tax increase scheduled for October 2019, but consumer spending in the New Year was weak, in tandem with the decline in share prices. Corporate capital expenditure plans were comparatively strong owing to demand for labor-saving technology in response to personnel shortages, but they became more cautious amid uncertainty about global economic conditions and leading indicators of capital spending have weakened since autumn of 2018.

With respect to corporate earnings, recurring profits appear to have risen slightly compared with the year ended March 31, 2018, as a slowdown in business activity became clear in Japan and overseas. It appears that profit growth for industrial machinery, particularly factory automation (“FA”) systems, which was strong in the year ended March 31, 2018, softened or turned to a profit decline as appetite for capital expenditure fell, mainly in China, in response to trade friction between the US and China. Profits were also dragged down by the recognition of unrealized losses on equity securities resulting from changes in the market value of stock holdings and by special factors including dealing with improper inspections and quality issues. Sectors that did well appear to have been trading companies, where resource operations were strong owing to buoyant crude oil and other resource prices, and non-resource operations also held up, including lifestyle/consumer-related businesses; chemicals, which benefited from higher market prices of semiconductor silicon, graphite electrodes, and other products; electronic parts, as automotive and other products did well; and semiconductor production equipment, owing to a large order backlog. Recurring profits at major companies (those in the Russell/Nomura Large Cap Index) rose an estimated 1.1% year-on-year in the fiscal year ended March 31, 2019. Profit grew for the third straight year, but profit growth slowed sharply from 15.3% year-on-year in the fiscal year ended March 31, 2018. Return on equity (“ROE”) was 9.3% for the year ended March 31, 2019, falling short of 10.3% for the year ended March 31, 2018, which was the highest level in 37 years.

In the equity market, investors became more risk averse on the back of U.S.-China trade friction and other uncertainties in the market environment and a widening in credit spreads, among other factors. Japanese equities started off the year ended March 31, 2019, by rallying from a selloff at the end of March 2018, but zig-zagged the rest of the first half of the fiscal year against a backdrop of an uncertain market environment reflecting the U.S.-China trade friction, European political concerns, and prospects for the global economy. In September, the U.S. proposed fresh trade negotiations with China, raising expectations for improved U.S.-China relations. The Nikkei Stock Average closed at 24,245.76 on October 1, 2018, the highest it had been at since November 1991. However, thereafter, Japanese stocks were weighed down by an increase in U.S. long-term interest rates in response to tightening financial conditions as the U.S. Federal Reserve Board (FRB) normalized U.S. monetary policy. Through end of 2018, major equity markets around the world corrected, including the Nikkei Stock Average, which fell below 20,000 at one point. That said, the FRB indicated it would put a halt to monetary tightening, and toward the end of the year ended March 31, 2019, expectations for progress with U.S.-China trade talks increased. Buttressed by these factors, major equity markets around the world rallied toward the end of the fiscal year. The Tokyo Stock Price Index (the "TOPIX"), a representative equity index, was 1,591.64 at end of March 2019, down 7.3% from 1,716.30 at end of March 2018. The Nikkei Stock Average was 21,205.81 at the end of March 2019, down 1.2% from 21,454.30 at the end of March 2018.

On the bond market, with the Bank of Japan (BOJ) maintaining its framework for quantitative and qualitative monetary easing with yield curve control, the yield on newly issued 10-year Japanese government debt securities was largely in the range of -0.10% to 0.15%. More specifically, from April to mid-July 2018, the yield on newly issued 10-year Japanese government debt securities was largely in the tight range of 0.2% to 0.6%. When the yield on newly issued 10-year Japanese government debt securities rose above 0.1% in February 2018, the BOJ conducted market operations to cap rising interest rates, indicating it did not want interest rates to sharply exceed 0.1%. Then in mid-July, the yield on newly issued 10-year Japanese government debt securities rose to around 0.1% in response to news reports that the BOJ was considering a more flexible monetary policy, and the BOJ decided at its July 30-31 Monetary Policy Meeting to expand the range of allowable movement for the yield on 10-year Japanese government debt securities to -0.2% to 0.2%, from -0.1% to 0.1%. Soon after, interest rate increases picked up, yields at one point on August 2, rose to 0.145%, but with the BOJ conducting an emergency long-term Japanese government debt securities purchase operation, returned to around 0.1%. In mid-September and beyond, the upward trend strengthened for the yield on newly issued 10-year Japanese government debt securities along with rising overseas interest rates, and in early October, the yield briefly marked 0.155%, but equity prices fell in the U.S. on concerns the FRB's interest rate hike stance was too strong relative to underlying economic activity, and from mid-November, U.S. long-term interest rates turned to a downtrend and accordingly the yield on newly issued 10-year Japanese government debt securities fell. At the U.S. FOMC meeting on December 18-19, the FRB maintained its interest rate hike policy, and Japan's interest rates fell further, to around 0%, along with overseas interest rates, on concerns of a slowdown in the economy. At the start of 2019, the FRB indicated that it would focus on the economy, after which equity prices turned upward and long-term interest rates were spurred downward, with the yield on newly issued 10-year Japanese government debt securities at end of March falling briefly to -0.1%.

In foreign exchange markets, USD/JPY, which started at \$1 = ¥106-¥107 in the fiscal year ended March 31, 2019, moderately moved in the direction of a strong dollar/weak yen in response to continued policy interest rate hikes by the FRB, and in October was around ¥114-¥115. That said, rises in the USD/JPY rate were weighed down by intensification of U.S.-China trade frictions. Furthermore, in October and beyond crude oil prices fell sharply, in December U.S. equities corrected, and, with investors generally becoming more risk averse, the yen strengthened rapidly at the end of 2018 and start of 2019. In particular, when Japanese markets were closed on January 3, and partly owing to thin trading, the USD/JPY rate was briefly at ¥104-¥105, among other erratic movements. Thereafter, USD/JPY rose moderately, but upside became limited in January 2019 and beyond, after the FRB made it clear it would hold off on interest rate hikes for the time being, and USD/JPY ended March 2019 at ¥110.86.



Meanwhile, EUR/JPY started at €1 = ¥130-¥131 in the fiscal year ended March 31, 2019, but fell to ¥125-¥126 in May, with the economy slowing and the emergence of populist political parties in the eurozone. Thereafter, economic data for the eurozone showed signs of recovery, but political concerns in Turkey and other factors led to the EUR/JPY trading in a tight range with limited upside for a while. Furthermore, increased uncertainty toward the end of the fiscal year surrounding the U.K.'s exit from the EU and the European Central Bank (ECB)'s postponement of rate hike plans resulted in EUR/JPY continuing to be capped on the upside and ending March 2019 at €1 = ¥124.35.

### *Overseas*

The global economy grew in both industrialized and emerging-market nations, but the pace of growth slowed. Financial markets were destabilized by concerns over protectionist policies, including the U.K.'s negotiations to leave the EU and U.S.-China trade friction. Major central banks largely put on hold moves to tighten monetary policy. The U.S. FRB more or less raised interest rates at a pace of once every three months, but decided at the March 2019 meeting to leave policy interest rates unchanged. The BOJ maintained its large-scale quantitative easing policy, and the ECB suspended its asset purchase program at the end of December 2018 but via forward guidance indicated that it would keep policy rates unchanged at least through the end of 2019. At the same time in emerging-market nations, the Chinese economy increasingly slowed owing to policies to reduce debt, trade tensions with the U.S., and deterioration of business conditions in the IT sector. High growth continued in India, but signs of slowing in consumer spending emerged. Uncertainties also grew in resource-rich and oil-producing nations.

In the U.S., interest rates fell sharply as the FRB effectively stopped raising rates. In September 2018, FOMC projections for the federal funds rate in 2021 were 3.375%, higher than the projections for the longer run of 3.000%, but thereafter the FRB lowered its rate hike outlook and, in March 2019, FOMC projections for the federal funds rate in 2021 were 2.625%, below the projection for the longer run of 2.750%. At the same time, the FRB decided not to raise rates in March 2019, and rate hikes that had continued at a pace of once a quarter in 2018 stopped in December 2018 at a target range of 2.25%-2.50%. The FRB also decided in March 2019 to end by mid-2019 the balance sheet compression that had continued throughout 2018 as part of a monetary policy normalization effort. The trigger for the sharp change in FRB policy was the sharp drop in equity prices in the second half of 2018. In 2018, the U.S. and China exchanged the imposition of additional tariffs and retaliatory tariffs, raising concerns over trade frictions in the market. U.S. equity prices fell sharply toward the end of 2018. In 2019, the equity market recovered with the FRB turning to a dovish stance, as mentioned above, and the U.S. briefly putting off tariff hikes. Real GDP grew 2.9% in 2018, up from 2.2% growth in 2017. Inflation rose 1.9% year on year in March 2019, down from an increase of 2.4% in March 2018. The Dow Jones Industrial Average rose 7.6% to 25,929 at the end of March 2019, from 24,103 at the end of March 2018. The yield on 10-year U.S. Treasuries fell 33bp to 2.41% at the end of March 2019, from 2.74% at the end of March 2018.

The euro area economy slowed down from July-September 2018. The largest economy in the eurozone, Germany, was adversely affected by the slowdown in the Chinese economy and reduced demand for autos in key eurozone countries. Brexit was initially scheduled for March 29, 2019, and inventory investment demand accompanying Brexit concerns briefly rose in the eurozone in January-March 2019, but companies in the area became more cautious about economic prospects. The ECB announced in December 2018 that it would scale back monetary easing by taking monthly net asset purchases under the quantitative easing policy to zero at end of 2018, but in March 2019, it said it would make no change to policy interest rates at least through the end of 2019 in view of a slowdown in the German economy. With the ECB taking a cautious stance on rate hikes for the time being, the yield on 10-year German government bonds fell below zero in late March 2019 for the first time since autumn of 2016. In the U.K., the withdrawal agreement Prime Minister Theresa May reached with the EU in November 2018 to realize a smooth departure from the EU for the U.K. was rejected by the lower house of the U.K. Parliament three times, and the Brexit date was postponed to the end of October 2019, from the initial schedule of March 29, 2019.

In Asia, real GDP grew 6.6% in China in 2018, down from 6.8% in 2017. This is mainly attributable to capital expenditures and domestic consumption slowing in the second half of the year owing to monetary tightening. Monetary policy switched to an easing stance in the second half of 2018, and large-scale tax cuts were carried out targeting businesses and households. However, the outlook is for weak growth in exports and capital expenditures. If economic slowdown concerns increase, the market would be likely to increasingly anticipate additional measures to be taken to stimulate consumer spending and additional infrastructure spending. In other Asian countries, U.S.-China trade frictions and uncertainty about external conditions have weighed on economic activity, but solid economic growth has continued, centered on domestic demand.

## Executive Summary

Although the global economy continued to recover during the fiscal year ended March 31, 2019, the pace of expansion slowed in some countries and regions. In the U.S., acceleration in real Gross Domestic Product (“GDP”) growth continued from 2017. Personal consumption and government spending grew against a backdrop of tax reforms and fiscal expansion, and capital expenditures were also solid. At the same time, the Federal Reserve Board (FRB) shifted course and now plans to refrain from tightening monetary policy further in 2019 in response to disruption in financial markets. In China, credit creation slowed as a result of the government’s efforts to reduce debt, and trade frictions between the U.S. and China made corporations less eager to engage in capital expenditures. Consumer spending also slowed, for example in automobile sales, which faltered after the end of the government’s policies promoting automobile purchases. In Europe as well, exports to China weakened owing to the slowdown in Chinese economic growth. A slump in automobile sales after the introduction of stricter exhaust emission regulations also weighed on the European economy. In the U.K., the opaque outlook for Brexit continued to suppress corporate appetites for investment.

Similarly, Japan’s economy continued to expand, but at a slower pace. Exports were sluggish as a result of the slowdown in global economies, particularly in China. Personal consumption was also low, in part because of a string of natural disasters including heavy rains, typhoons, and earthquakes, which also disrupted supply chains and otherwise affected corporate production activity. Corporate capital expenditures were nevertheless solid, bolstered by labor-saving investments by companies facing personnel shortages. We estimate that profit growth in the fiscal year ended March 31, 2019, at major corporations slowed sharply versus the previous fiscal year, mainly owing to the slowdown in the economy. Market volatility was high at times during the second half of the fiscal year in response to trade friction between the U.S. and China and changes in U.S. monetary policy.

From a regulatory perspective, in addition to the implementation of Basel III requirements relating to capital ratio, liquidity ratio, and leverage ratio, Nomura has been identified as one of Domestic Systemically Important Banks. Nomura will continue to monitor closely and take necessary measures in responding to wide-ranging reforms as part of the global tightening of financial regulations. Also, under circumstances characterized by normalization of monetary policies by central banks as well as uncertainty created by Brexit, Nomura is contemplating and implementing appropriate measures by paying necessary attention to the changes in global operating environment.

While our environment is changing drastically, Nomura Group has settled litigations and booked impairment of goodwill related to acquisitions made in the past. Based on our basic philosophy of “placing our clients at the heart of everything we do,” we have continued to transform our domestic business model of Retail Division, and have worked on improving the profitability of our international operations. These initiatives are all intended to establish a business foundation that will enable the firm to grow in a sustainable manner in any business environment. Also, in April 2019, the firm established Future Innovation Company, an organization that spans all divisions, in order to leverage innovations including digital tools and build a platform for providing new services to clients.

We generated net revenue of ¥1,116.8 billion for the year ended March 31, 2019, a 25.4% decrease from the previous fiscal year. Non-interest expenses decreased by 1.2% to ¥1,154.5 billion, income (loss) before income taxes was ¥(37.7) billion, and net income (loss) attributable to the shareholders of Nomura Holdings, Inc. was ¥(100.4) billion. Return on equity (“ROE”) was negative 3.7%. Diluted EPS<sup>(1)</sup> for the year ended March 31, 2019 was negative ¥29.92, a decrease from ¥61.88 for the year ended March 31, 2018.

We have decided to pay a dividend of ¥3 per share to shareholders of record as of March 31, 2019. As a result, the total annual dividend was ¥6 per share.

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

In our Retail Division, net revenue for the year ended March 31, 2019 decreased by 17.8% from the previous fiscal year to ¥339.5 billion. Non-interest expenses decreased by 6.4% to ¥290.0 billion. As a result, income before income taxes decreased by 52.0% to ¥49.5 billion. Under the basic philosophy of “placing our clients at the heart of everything we do,” we provided consulting services to become “the most trusted partner” by understanding and meeting their diversified demands and needs. Last fiscal year, uncertain market environment weighed on investor sentiment, Investment trusts and stocks remained sluggish. As we made substantial organizational changes for elder clients, Net inflows of cash and securities recorded positive through 9 consecutive months. We are continuously working hard to improve the customer satisfaction by improving the products and services.

In our Asset Management Division, net revenue for the year ended March 31, 2019 decreased by 23.2% from the previous fiscal year to ¥97.8 billion. Non-interest expenses increased by 4.1% to ¥63.7 billion. As a result, income before income taxes decreased by 48.3% to ¥34.2 billion. In the investment trust business, ETFs, funds developed in response to financial institutions’ demands, and funds specialized for SMA or fund wrap service contributed to the increase in assets under management. In the investment advisory business, we saw cash inflow into high yield related products in overseas despite outflow in domestic pensions. As a result, assets under management increased from the end of the previous fiscal year as of March 31, 2019. However, revenues decreased compared to the previous quarter, partially effected by the valuation of American Century Investments, our strategic partner.

In our Wholesale Division, net revenue for the year ended March 31, 2019 decreased by 22.4% from the previous fiscal year to ¥555.4 billion. Non-interest expenses increased by 8.5% to ¥666.8 billion. As a result, income (loss) before income taxes was ¥(111.4) billion. In Global Markets, the year ended March 2019 was a particularly tough year across the street, characterized by geopolitical uncertainty and persistent low volatility, leading to low client volumes and directionless markets that prevailed most part of the year. In this environment, Global Markets declined sequentially, particularly in the Fixed Income businesses. Equities business and Structured franchise made some notable contributions but was moderate compared with the previous fiscal year. For Investment Banking, revenues declined year on year as the global fee pool contracted. However, strong cross-regional and interdepartmental collaboration helped deliver firmness in our M&A and ECM (equity-related fundraising business) businesses and supported revenue performance. In Japan, we continued to provide our clients with various products and solutions as well as participated in numerous high profile transactions such as Takeda’s acquisition of Shire and SoftBank’s global IPO. In the International regions, we leveraged our global connectivity to successfully execute major cross-border M&A transactions for our clients as well as provided our clients with various interest rate and foreign exchange solutions as increased market volatility resulted in greater demand, helping offset softer performances in financing related businesses.

## Results of Operations

### Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2017, 2018 and 2019.

	Millions of yen, except percentages		
	Year ended March 31		
	2017	2018	2019
Non-interest revenues:			
Commissions	¥ 327,129	¥ 373,313	¥ 293,069
Fees from investment banking	92,580	101,663	101,521
Asset management and portfolio service fees	216,479	245,616	245,519
Net gain on trading	475,587	442,885	342,964
Gain (loss) on private equity investments	1,371	(869)	1,007
Gain (loss) on investments in equity securities	7,708	2,683	(6,983)
Other	153,626	221,192	81,057
Total Non-interest revenues	1,274,480	1,386,483	1,058,154
Net interest revenue	128,717	110,486	58,616
Net revenue	1,403,197	1,496,969	1,116,770
Non-interest expenses	1,080,402	1,168,811	1,154,471
Income (loss) before income taxes	322,795	328,158	(37,701)
Income tax expense	80,229	103,866	57,010
Net income (loss)	¥ 242,566	¥ 224,292	¥ (94,711)
Less: Net income attributable to noncontrolling interests	2,949	4,949	5,731
Net income (loss) attributable to NHI shareholders	¥ 239,617	¥ 219,343	¥ (100,442)
Return on equity	8.7%	7.9%	(3.7)%

*Net revenue* decreased by 25% from ¥1,496,969 million for the year ended March 31, 2018 to ¥1,116,770 million for the year ended March 31, 2019. This decrease is primarily driven by *Commissions* and *Net gain on trading* in Retail and Wholesale Division. *Commissions* decreased by 21% from ¥373,313 million for the year ended March 31, 2018 to ¥293,069 million for the year ended March 31, 2019 primarily due to a decrease in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* primarily led by M&A and ECM, such as acquisition of Shire Plc by Takeda Pharmaceutical Co. and IPO of Softbank Corp was largely unchanged from ¥101,663 million for the year ended March 31, 2018 to ¥101,521 million for the year ended March 31, 2019. *Asset management and portfolio service fees* was largely unchanged from ¥245,616 million for the year ended March 31, 2018 to ¥245,519 million for the year ended March 31, 2019, although assets under management increased by positive net inflows into private placement trust for financial institutions and investment trusts for discretionary investments. *Net gain on trading* decreased by 23% from ¥442,885 million for the year ended March 31, 2018 to ¥342,964 million for the year ended March 31, 2019, driven by decreases in both Fixed Income and Equity business. *Net gain on trading* also included total gains of ¥0.2 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities primarily due to a widening of Nomura's credit spreads during the fiscal year. *Gain (loss) on private equity investments* were ¥(869) million for the year ended March 31, 2018 and ¥1,007 million for the year ended March 31, 2019. *Other* decreased by 63% from ¥221,192 million for the year ended March 31, 2018 to ¥81,057 million for the year ended March 31, 2019, primarily driven by a decrease in American Century Investments related revenue and the absence of gains from the liquidation of an investment in a foreign entity and the sale of our controlling financial interest in Asahi Fire and Marine Insurance Co., Ltd recognized in the previous year.

*Net revenue* increased by 7% from ¥1,403,197 million for the year ended March 31, 2017 to ¥1,496,969 million for the year ended March 31, 2018. This increase is primarily driven by higher contribution from *Commissions* and *Asset management and portfolio service fees* in Retail and Asset Management. *Commissions* increased by 14% from ¥327,129 million for the year ended March 31, 2017 to ¥373,313 million for the year ended March 31, 2018 primarily due to an increase in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* increased by 10% from ¥92,580 million for the year ended March 31, 2017 to ¥101,663 million for the year ended March 31, 2018 primarily due to increase in revenue from M&A and our solution business associated with fund raising. *Asset management and portfolio service fees* increased by 13% from ¥216,479 million for the year ended March 31, 2017 to ¥245,616 million for the year ended March 31, 2018 primarily due to an increase in assets under management driven by positive net inflows into ETFs and investment trusts for discretionary investments. *Net gain on trading* decreased by 7% from ¥475,587 million for the year ended March 31, 2017 to ¥442,885 million for the year ended March 31, 2018, primarily driven by slower performance in our Fixed Income business and losses recognized in connection with a specific margin loan transaction. *Net gain on trading* also included total losses of ¥0.5 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities primarily due to a tightening of Nomura's credit spreads during the fiscal year. Gain (loss) on private equity investments were ¥1,371 million for the year ended March 31, 2017 and ¥(869) million for the year ended March 31, 2018. *Other* increased by 44% from ¥153,626 million for the year ended March 31, 2017 to ¥221,192 million for the year ended March 31, 2018, primarily driven by gains from the liquidation of an investment in a foreign entity and gains from the sale of our controlling financial interest in Asahi Fire and Marine Insurance Co., Ltd.

*Net interest revenue* was ¥128,717 million for the year ended March 31, 2017, ¥110,486 million for the year ended March 31, 2018 and ¥58,616 million for the year ended March 31, 2019. *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, 2019, interest revenue, including a dividend from our investment in American Century Investments increased by 33%, and interest expense increased by 51% from the year ended March 31, 2018. As a result, *Net interest revenue* for the year ended March 31, 2019 decreased by ¥51,870 million from the year ended March 31, 2018. For the year ended March 31, 2018, interest revenue, including a dividend from American Century Investments, increased by 33%, and interest expense increased by 52% from the year ended March 31, 2017. As a result, Net interest revenue for the year ended March 31, 2018 increased by ¥18,231 million from the year ended March 31, 2017.

*Gain (loss) on investments in equity securities* was ¥7,708 million for the year ended March 31, 2017, ¥2,683 million for the year ended March 31, 2018 and ¥(6,983) million for the year ended March 31, 2019. This includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

*Non-interest expenses* for the year ended March 31, 2019 decreased by 1% from ¥1,168,811 million for the year ended March 31, 2018 to ¥1,154,471 million, due to the absence of provisions in connection with legacy transactions in the Americas recorded slightly over ¥30.0 billion in the previous year and due to lower bonus payment offset by goodwill impairment charge of ¥81,372 million attributable to Wholesale.

*Non-interest expenses* for the year ended March 31, 2018 increased by 8% from ¥1,080,402 million for the year ended March 31, 2017 to ¥1,168,811 million primarily due to an increase in compensation and benefits in connection with deferred compensation and provisions of slightly over ¥30.0 billion in connection with legacy transactions in the Americas.

*Income (loss) before income taxes* was ¥322,795 million for the year ended March 31, 2017, ¥328,158 million for the year ended March 31, 2018 and ¥(37,701) million for the year ended March 31, 2019.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Nomura's domestic effective statutory tax rate was approximately 31% for the fiscal year ended March 31, 2017, 2018 and 2019, respectively. 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, 2019 was ¥57,010 million, representing an effective tax rate of a negative 151.2%. The significant factors causing the difference between the effective tax rate of a negative 151.2% and the effective statutory tax rate of 31% was the effect of non-deductible expenses which decreased the effective tax rate by 110.3%, partially offset by non-taxable revenue which increased the effective tax rate by 16.8%.

*Income tax expense* for the year ended March 31, 2018 was ¥103,866 million, representing an effective tax rate of 31.7%. The significant factors causing the difference between the effective tax rate of 31.7% and the effective statutory tax rate of 31% was the effect of changes in foreign tax laws which increased the effective tax rate by 23.5%, partially offset by changes in deferred tax valuation allowances, which decreased the effective tax rate by 22.8%.

*Income tax expense* for the year ended March 31, 2017 was ¥80,229 million, representing an effective tax rate of 24.9%. The significant factors causing the difference between the effective tax rate of 24.9% and the effective statutory tax rate of 31% were changes in deferred tax valuation allowance which decreased the effective tax rate by 10.8% but partially offset by non-deductible expenses which increased the effective tax rate by 2.9%.

*Net income (loss) attributable to NHI shareholders* was ¥239,617 million for the year ended March 31, 2017, ¥219,343 million for the year ended March 31, 2018 and ¥(100,442) million for the year ended March 31, 2019. Our return on equity for the year ended March 31, 2017, 2018 and 2019 was 8.7%, 7.9% and a negative 3.7%, 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. Realized gain on investments in equity securities held for operating purposes, our share of equity in the earnings of affiliates, corporate items and other financial adjustments (including operating result of Merchant Banking Division) are included as “Other” operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling item outside of our segment information. The following segment information should be read in conjunction with Item 4.B “Business Overview” of this annual report and Note 22 “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 22 “*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		
	2017	2018	2019
Non-interest revenue	¥369,503	¥406,295	¥331,743
Net interest revenue	4,931	6,613	7,737
Net revenue	374,434	412,908	339,480
Non-interest expenses	299,642	309,771	289,990
Income before income taxes	¥ 74,792	¥103,137	¥ 49,490

*Net revenue* decreased by 18% from ¥412,908 million for the year ended March 31, 2018 to ¥339,480 million for the year ended March 31, 2019 as a result of a decrease in retail investors’ transactions of stocks and investment trusts under the uncertain market condition weighed on investor sentiment.

*Net revenue* increased by 10% from ¥374,434 million for the year ended March 31, 2017 to ¥412,908 million for the year ended March 31, 2018 as a result of an increase in retail investors’ transactions of stocks and investment trusts under the strong market condition.

*Non-interest expenses* decreased by 6% from ¥309,771 million for the year ended March 31, 2018 to ¥289,990 million for the year ended March 31, 2019, primarily due to a decrease in compensation and benefit and system-related expenses with the termination of system depreciation.

*Non-interest expenses* increased by 3% from ¥299,642 million for the year ended March 31, 2017 to ¥309,771 million for the year ended March 31, 2018, primarily due to an increase in system-related expenses.

*Income before income taxes* were ¥74,792 million for the year ended March 31, 2017, ¥103,137 million for the year ended March 31, 2018, and ¥49,490 million for the year ended March 31, 2019.

The following table shows the breakdown of Retail non-interest revenues for the year ended March 31, 2018 and 2019.

	Millions of yen	
	Year ended March 31	
	2018	2019
Commissions	¥ 192,715	¥ 142,764
Brokerage commissions	82,210	60,167
Commissions for distribution of investment trusts	87,055	57,880
Other commissions	23,450	24,717
Net gain on trading	91,469	55,829
Fees from investment banking	25,951	33,981
Asset management fees	93,582	95,384
Others	2,578	3,785
Non-interest revenues	¥ 406,295	¥ 331,743

*Commissions* decreased by 26% from ¥192,715 million for the year ended March 31, 2018 to ¥142,764 million for the year ended March 31, 2019, primarily due to a decrease in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Net gain on trading* decreased by 39% from ¥91,469 million for the year ended March 31, 2018 to ¥55,829 million for the year ended March 31, 2019, primarily due to a decrease in income related to foreign equities. *Fees from investment banking* increased by 31% from ¥25,951 million for the year ended March 31, 2018 to ¥33,981 million for the year ended March 31, 2019, primarily led by ECM, such as IPO of Softbank Corp. *Asset management fees* increased by 2% from ¥93,582 million for the year ended March 31, 2018 to ¥95,384 million for the year ended March 31, 2019. *Others* increased by 47% from ¥2,578 million for the year ended March 31, 2018 to ¥3,785 million for the year ended March 31, 2019.

#### Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2018 and 2019. 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, 2018				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 66.3	¥ 13.7	¥ (11.9)	¥ 7.6	¥ 75.7
Bonds	17.6	31.5	(30.1)	(1.1)	17.9
Stock investment trusts	8.8	3.9	(3.5)	(0.1)	9.1
Bond investment trusts	7.3	0.8	(0.5)	(0.5)	7.1
Overseas mutual funds	1.3	0.1	(0.1)	(0.1)	1.2
Others	6.4	0.8	(0.6)	0.1	6.7
Total	¥ 107.7	¥ 50.8	¥ (46.7)	¥ 5.9	¥ 117.7



	Trillions of yen				
	Year ended March 31, 2019				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 75.7	¥ 22.5	¥ (21.4)	¥ (4.9)	¥ 71.9
Bonds	17.9	29.2	(27.2)	(1.1)	18.8
Stock investment trusts	9.1	2.9	(2.7)	(0.3)	9.0
Bond investment trusts	7.1	0.3	(0.7)	0.1	6.8
Overseas mutual funds	1.2	—	(0.1)	0.0	1.1
Others	6.7	0.9	(0.6)	0.1	7.1
<b>Total</b>	<b>¥ 117.7</b>	<b>¥ 55.8</b>	<b>¥ (52.7)</b>	<b>¥ (6.1)</b>	<b>¥ 114.7</b>

Retail client assets decreased by ¥3.0 trillion from ¥117.7 trillion as of March 31, 2018 to ¥114.7 trillion as of March 31, 2019. The balances of our clients' equity and equity-related products decreased by ¥3.8 trillion from ¥75.7 trillion as of March 31, 2018 to ¥71.9 trillion as of March 31, 2019, mainly due to the deterioration of Japanese equity market and increase of net outflows. The balances of our clients' investment trusts decreased by ¥0.5 trillion from ¥17.4 trillion as of March 31, 2018 to ¥16.9 trillion as of March 31, 2019.

Retail client assets increased by ¥10.0 trillion from ¥107.7 trillion as of March 31, 2017 to ¥117.7 trillion as of March 31, 2018. The balances of our clients' equity and equity-related products increased by ¥9.4 trillion from ¥66.3 trillion as of March 31, 2017 to ¥75.7 trillion as of March 31, 2018, mainly due to the turnaround of Japanese equity market and increase of net inflows. The balances of our clients' investment trusts had been flat and was ¥17.4 trillion as of March 31, 2018.

### Asset Management

Our Asset Management Division is conducted principally through Nomura Asset Management Co., Ltd. ("NAM"). We earn portfolio management fees through the development and management of investment trusts, which are distributed through Nomura Securities Co., Ltd. ("NSC"), other brokers and banks. We also provide investment advisory services for pension funds and other institutional clients. Net revenue 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		
	2017	2018	2019
Non-interest revenue	¥ 90,025	¥ 118,545	¥ 89,607
Net interest revenue	9,402	8,792	8,238
Net revenue	99,427	127,337	97,845
Non-interest expenses	57,094	61,167	63,660
Income before income taxes	¥ 42,333	¥ 66,170	¥ 34,185

*Net revenue* decreased by 23% from ¥127,337 million for the year ended March 31, 2018 to ¥97,845 million for the year ended March 31, 2019, primarily due to American Century Investments related losses, while cash inflow in the investment trust business and investment advisory business contributed to the increase in assets under management and business performance improved.

*Net revenue* increased by 28% from ¥99,427 million for the year ended March 31, 2017 to ¥127,337 million for the year ended March 31, 2018, primarily due to a large increase in assets under management and contributions from American Century Investments related gains.

*Non-interest expenses* increased by 4% from ¥61,167 million for the year ended March 31, 2018 to ¥63,660 million for the year ended March 31, 2019, mainly due to an increase in system-related expenses.

*Non-interest expenses* increased by 7% from ¥57,094 million for the year ended March 31, 2017 to ¥61,167 million for the year ended March 31, 2018, due to an increase in compensation and benefits and commissions and floor brokerage followed by a revenue increase.

*Income before income taxes* were ¥42,333 million for the year ended March 31, 2017, ¥66,170 million for the year ended March 31, 2018 and ¥34,185 million for the year ended March 31, 2019.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2018 and 2019.

	Billions of yen				
	Year ended March 31, 2018				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 47,425	¥ 30,778	¥ (28,788)	¥ 2,966	¥ 52,381
Nomura Funds Research and Technologies Co., Ltd.	2,839	700	(913)	139	2,765
Nomura Corporate Research and Asset Management Inc.	2,357	942	(613)	(2)	2,684
Combined total	52,621	32,420	(30,314)	3,103	57,830
Shared across group companies	(8,262)	(2,017)	2,665	(201)	(7,815)
Total	¥ 44,359	¥ 30,403	¥ (27,649)	¥ 2,902	¥ 50,015

	Billions of yen					
	Year ended March 31, 2019					
	Balance at beginning of year	Adjustment in beginning balance	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 52,381	¥ —	¥ 24,988	¥ (23,850)	¥ (148)	¥ 53,371
Nomura Funds Research and Technologies Co., Ltd.	2,765	(2,765)	—	—	—	—
Nomura Corporate Research and Asset Management Inc.	2,684	—	902	(732)	157	3,011
Combined total	57,830	(2,765)	25,890	(24,582)	9	56,382
Shared across group companies	(7,815)	2,649	(1,187)	1,521	(176)	(5,008)
Total	¥ 50,015	¥ (116)	¥ 24,703	¥ (23,061)	¥ (167)	¥ 51,374

Notes: Nomura Funds Research and Technologies Co., Ltd. was reclassified to Other segment as a result of our organizational structure change in April 2018.

Assets under management were ¥51.4 trillion as of March 31, 2019, a ¥7.0 trillion increase from March 31, 2017 (increased due to positive net inflows of ¥4.4 trillion and market appreciation of ¥2.6 trillion) and a ¥1.4 trillion increase from March 31, 2018 (increased due to positive net inflows of ¥1.6 trillion and market depreciation of ¥0.2 trillion). In our investment trust business, there was a continued inflow into equity funds such as ETFs.

The following table presents NAM's share, in terms of net asset value, of the Japanese publicly offered investment trusts market as of March 31, 2017, 2018 and 2019.

	March 31		
	2017	2018	2019
Total of publicly offered investment trusts	26%	27%	28%
Stock investment trusts	23%	25%	26%
Bond investment trusts	44%	44%	45%

The investment trust assets included in assets under management by NAM were ¥35.6 trillion as of March 31, 2019, a ¥1.5 trillion, 4% increase from March 31, 2018. This increase is due to positive net inflows of ¥2.2 trillion and market depreciation of ¥0.7 trillion. The balances of investment trusts, such as TOPIX Exchange Traded Fund and Nikkei 225 Exchange Traded Fund increased.

The investment trust assets included in assets under management by NAM were ¥34.1 trillion as of March 31, 2018, a ¥4.8 trillion, 16% increase from March 31, 2017. This increase is due to positive net inflows of ¥3.3 trillion and market appreciation of ¥1.5 trillion. The balances of investment trusts, for example TOPIX Exchange Traded Fund and Nikkei 225 Exchange Traded Fund, and foreign stock investment trusts such as Nomura India Investment Fund increased.

## 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		
	2017	2018	2019
Non-interest revenue	¥564,877	¥587,474	¥496,484
Net interest revenue	174,379	127,859	58,904
Net revenue	739,256	715,333	555,388
Non-interest expenses	577,809	614,745	666,787
Income (loss) before income taxes	¥161,447	¥100,588	¥(111,399)

*Net revenue* decreased by 22% from ¥715,333 million for the year ended March 31, 2018 to ¥555,388 million for the year ended March 31, 2019. Fixed Income revenues decreased year on year due to lower performance mainly in rates products because of uncertain markets, also Equities revenues decreased due to lower client activities and Investment Banking revenues decreased year on year despite the contribution from M&A and ECM, such as acquisition of Shire Plc by Takeda Pharmaceutical Co. and IPO of Softbank Corp.

*Net revenue* increased by 3% from ¥739,256 million for the year ended March 31, 2017 to ¥715,333 million for the year ended March 31, 2018. Equities reported higher revenues because client activities recovered in the active market throughout the year despite losses recognized in connection with a specific margin loan and Investment Banking revenues increased due to an increase in large M&A transactions in Japan, while Fixed Income revenues decreased year on year mainly due to lower performance in rates products because of low volatility in the markets.

*Non-interest expenses* increased by 8% from ¥614,745 million for the year ended March 31, 2018 to ¥666,787 million for the year ended March 31, 2019, primarily due to goodwill impairment recognized on December 2018, and one-off expenses related to revision of business portfolio.

*Non-interest expenses* increased by 6% from ¥577,809 million for the year ended March 31, 2017 to ¥614,745 million for the year ended March 31, 2018, primarily due to commissions and floor brokerage expenses as a result of increased transaction volumes in Equities and an increase in compensation and benefit.

*Income (loss) before income taxes* were ¥161,447 million for the year ended March 31, 2017, ¥100,588 million for the year ended March 31, 2018 and ¥(111,399) million for the year ended March 31, 2019.

The following table presents a breakdown of net revenue for Wholesale for the year ended March 31, 2017, 2018 and 2019.

	Millions of yen		
	Year ended March 31		
	2017	2018	2019
<b>Wholesale net revenue:</b>			
Global Markets net revenue	¥634,210	¥603,197	¥453,044
Investment Banking net revenue	105,046	112,136	102,344
Net revenue	<u>¥739,256</u>	<u>¥715,333</u>	<u>¥555,388</u>

Nomura established Client Financing and Solutions (“CFS”) in April, 2018. In CFS, Global Markets and Investment Banking co-work and revenue generated from CFS is allocated to Global Markets and Investment Banking in a certain manner. Accordingly, we reclassified a part of net revenue which previously belonged to Global Markets to Investment Banking.

#### *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-adding 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.

*Net revenue* decreased by 25% from ¥603,197 million for the year ended March 31, 2018 to ¥453,044 million for the year ended March 31, 2019. In our Fixed Income businesses, *Net revenue* decreased from ¥341,594 million for the year ended March 31, 2018 to ¥232,835 million for the year ended March 31, 2019 primarily due to lower performance mainly in rates products because of uncertain markets. In our Equities business, *Net revenue* decreased from ¥261,603 million for the year ended March 31, 2018 to ¥220,209 million for the year ended March 31, 2019 due to lower client’s activities under uncertain markets.

*Net revenue* decreased by 5% from ¥634,210 million for the year ended March 31, 2017 to ¥603,197 million for the year ended March 31, 2018. In our Fixed Income businesses, *Net revenue* decreased from ¥401,889 million for the year ended March 31, 2017 to ¥341,594 million for the year ended March 31, 2018 primarily due to lower performance in rates products as a result of lower client activity because of low volatility in the markets. In our Equities business, *Net revenue* increased from ¥232,321 million for the year ended March 31, 2017 to ¥261,603 million for the year ended March 31, 2018 despite losses recognized in connection with a specific margin loan. Our revenue increased year on year mainly due to clients activities recovered in the active stock market throughout the year.

The net revenue figures in Global Markets discussed are non-GAAP financial measures prepared on a management accounting basis that are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Global Markets as an individual business line, which we believe can help enhance the understanding of underlying trends in Global Markets.

### *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.

*Net revenue* decreased by 9% from ¥112,136 million for the year ended March 31, 2018 to ¥102,344 million for the year ended March 31, 2019, despite the contribution from M&A and ECM, such as acquisition of Shire Plc by Takeda Pharmaceutical Co. and IPO of Softbank Corp on the back of successful collaboration across regions and divisions.

*Net revenue* increased by 7% from ¥105,046 million for the year ended March 31, 2017 to ¥112,136 million for the year ended March 31, 2018, primarily due to an increase in large M&A transactions in Japan despite losses recognized in connection with a specific margin loan.

The net revenue figures in Investment Banking discussed are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Investment Banking as an individual business line, which we believe can help enhance the understanding of underlying trends in Investment Banking.

## **Other Operating Results**

Other operating results include net gain (loss) related to economic hedging transactions, realized gain on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 22 “*Segment and geographic information*” in our consolidated financial statements included within this annual report.

*Income (loss) before income taxes* in Other operating results were ¥37,607 million for the year ended March 31, 2017, ¥56,365 million for the year ended March 31, 2018 and ¥(2,773) million for the year ended March 31, 2019.

Other operating results for the year ended March 31, 2019 include the negative impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥183 million and losses from changes in counterparty credit spreads of ¥725 million.

Other operating results for the year ended March 31, 2018 include the positive impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥630 million and gains from changes in counterparty credit spreads of ¥6,846 million.

Other operating results for the year ended March 31, 2017 include the positive impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥16,574 million and gains from changes in counterparty credit spreads of ¥8,756 million.

## **Cyber Security Incident**

In June 2018, one of our foreign subsidiaries experienced a cyber incident that resulted in the unauthorized access to certain of its systems including client information. We may suffer financial loss through reputational damage, legal liability and enforcement actions against us, and expect to incur increased costs for our operations generally, resulting from and in connection with the remediation of this incident and to strengthen and enhance cyber security within other Nomura group companies.

## **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 22 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

## **Cash flows**

Please refer to Item 2 “3. Operating, Financial and Cash Flow Analyses by Management”, “(6) Liquidity and Capital Resources.”

## (2) Trading Activities

Assets and liabilities for trading purposes

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

Risk management of trading activity

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

- 1) Assumption on VaR
  - Confidence level: 99%
  - Holding period: One day
  - Consideration of price movement among the products

- 2) Records of VaR

	Billions of yen	
	March 31, 2018	March 31, 2019
Equity	1.2	1.1
Interest rate	3.1	2.8
Foreign exchange	3.2	1.9
Subtotal	7.5	5.8
Diversification benefit	(1.1)	(1.3)
VaR	6.4	4.5

	Billions of yen		
	Year ended March 31, 2019		
	Maximum	Minimum	Average
VaR	10.6	3.1	4.6

### **(3) Critical accounting policies and estimates**

#### *Use of estimates*

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

#### *Fair value for financial instruments*

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

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

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

#### Level 1:

Observable valuation inputs that reflect quoted prices (unadjusted) for identical financial instruments traded in active markets at the measurement date.

#### Level 2:

Valuation inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the financial instrument.

#### Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

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

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

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

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



Level 3 financial assets as a proportion of total financial assets, carried at fair value on a recurring basis were 5% as of March 31, 2019 as listed below:

	Billions of yen				
	March 31, 2019				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total
Financial assets measured at fair value (Excluding derivative assets)	¥6,932	¥ 8,313	¥ 627	¥ —	¥15,872
Derivative assets	16	14,786	127	(14,077)	852
<b>Total</b>	<b>¥6,948</b>	<b>¥23,099</b>	<b>¥ 754</b>	<b>¥ (14,077)</b>	<b>¥16,724</b>

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, 2018	
	Assets	Liabilities
Listed derivatives	¥ 74	¥ 146
OTC derivatives	950	588
	<b>¥ 1,024</b>	<b>¥ 734</b>

	Billions of yen	
	March 31, 2019	
	Assets	Liabilities
Listed derivatives	¥ 103	¥ 241
OTC derivatives	749	574
	<b>¥ 852</b>	<b>¥ 815</b>

The following table presents the fair value of OTC derivative assets and liabilities as of March 31, 2019 by remaining contractual maturity.

	Billions of yen						
	March 31, 2019						
	Years to Maturity					Cross-maturity netting <sup>(1)</sup>	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	¥ 1,246	¥1,254	¥965	¥648	¥ 2,896	¥ (6,260)	¥ 749
OTC derivative liabilities	1,370	1,123	779	607	2,531	(5,836)	574

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

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

### *Goodwill*

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment at a reporting unit level during the fourth quarter of each fiscal year, or more frequently during interim periods if events or circumstances indicate there may be impairment. Nomura's reporting units are at the same level as or 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, 2019, Nomura recognized impairment losses on goodwill of ¥81,372 million within the Wholesale segment. Nomura performed an impairment test based on recent Wholesale performance and changes in the operating environment, and impaired goodwill within the Wholesale segment. As a result, the balance of goodwill within the Wholesale segment as of March 31, 2019 was ¥nil. These impairment losses were recorded within *Non-interest expense—Other* in the consolidated statements of income. The fair values were determined based on a discounted cash flow method.

### **Assets and Liabilities Associated with Investment and Financial Services Business**

#### *Exposure to Certain Financial Instruments and Counterparties*

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

#### *Leveraged Finance*

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2019.

	<u>Millions of yen</u>		
	<u>March 31, 2019</u>		
	<u>Funded</u>	<u>Unfunded</u>	<u>Total</u>
Europe	¥12,223	¥ 96,388	¥108,611
Americas	10,926	191,343	202,269
Asia and Oceania	6,997	3,015	10,012
Total	<u>¥30,146</u>	<u>¥290,746</u>	<u>¥320,892</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 7 “*Securizations and Variable Interest Entities*” in our consolidated financial statements included in this annual report.

#### **Accounting Developments**

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

#### (4) 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, 2019.

	<u>Millions of yen</u> <u>March 31, 2019</u>
<b>Deferred tax assets</b>	
Depreciation, amortization and valuation of fixed assets	¥ 20,008
Investments in subsidiaries and affiliates	25,243
Valuation of financial instruments	71,806
Accrued pension and severance costs	29,711
Other accrued expenses and provisions	44,803
Operating losses	369,286
Other	9,213
Gross deferred tax assets	<u>570,070</u>
Less—Valuation allowances	<u>(444,916)</u>
Total deferred tax assets	<u>125,154</u>
<b>Deferred tax liabilities</b>	
Investments in subsidiaries and affiliates	133,936
Valuation of financial instruments	41,770
Undistributed earnings of foreign subsidiaries	2,039
Valuation of fixed assets	10,109
Other	6,843
Total deferred tax liabilities	<u>194,697</u>
<b>Net deferred tax assets (liabilities)</b>	<u>¥ (69,543)</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.

## **(5) Quantitative and Qualitative Disclosures about Market Risk**

### **Risk Management**

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

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

### **Risk Appetite**

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

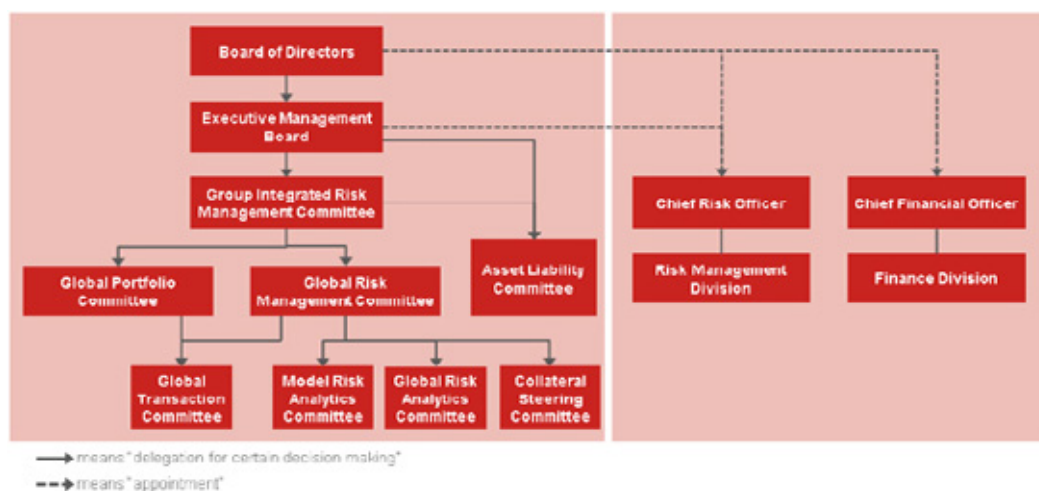
The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy and balance sheet measures, liquidity risk, market and credit risk, operational risk, compliance risk and model risk. It is subject to regular monitoring and breach escalation as appropriate by the owner of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

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

## Risk Management Governance and Oversight

### Committee Governance

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



#### *Board of Directors ("BoD")*

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

#### *Executive Management Board ("EMB")*

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

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

#### *Group Integrated Risk Management Committee ("GIRMC")*

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

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

#### *Global Risk Management Committee (“GRMC”)*

Upon delegation from the GIRMC, the GRMC deliberates on or determines, based on strategic risk allocation and risk appetite determined by the GIRMC, important matters concerning market, credit, operational risk 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. *(Please note that Global Risk Management Committee has been abolished on June 24th 2019 after Risk Management Governance review and its function is replaced to CRO, GIRMC or GPC respectively.)*

#### *Global Portfolio Committee (“GPC”)*

Upon delegation from the GIRMC, the GPC deliberates on or determines all matters in relation to the management of a specific portfolio, for the purpose of achieving a risk profile consistent with the risk allocation and risk appetite of Nomura. The portfolio consists of businesses and products that fall within at least one of the three following categories: event financing, term financing and asset-based financing.

#### *Asset Liability Committee (“ALCO”)*

Upon delegation from the EMB and 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 CRO, the GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The primary responsibility of these Model Risk Management Committees 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 Global Risk Management Committee, on a regular basis. *(Please note that Global Risk Management Committee has been abolished on June 24th 2019 after Risk Management Governance review and its function is replaced to CRO.)*

#### *Global Transaction Committee (“GTC”)*

Upon delegation from the GRMC and the GPC, the GTC deliberates on or determines individual transactions in line with Nomura’s risk appetite determined by GIRMC and thereby assures the sound and effective management of Nomura’s businesses. *(Please note that Global Risk Management Committee has been abolished on June 24th 2019 after Risk Management Governance review and its function is replaced to GPC only.)*

#### *Collateral Steering Committee (“CSC”)*

Upon delegation from CRO, 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. *(Please note that Global Risk Management Committee has been abolished on June 24th 2019 after Risk Management Governance review and its function is replaced to CRO.)*

#### *Chief Risk Officer (“CRO”)*

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

#### *Chief Financial Officer (“CFO”)*

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

### *Risk Management Division*

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

### Risk Policy Framework

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

### Monitoring, Reporting and Data Integrity

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

### **Management of Financial Resources**

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

### Risk-weighted assets

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

### Economic Capital

Nomura's internal measure of the capital required to support its business is the Nomura Capital Allocation Target ("NCAT"). NCAT is measured as the amount of capital required to absorb maximum potential losses over a one-year time horizon, computed by the risk model at the 99.95th percentile, or the equivalent Expected Shortfall. NCAT consists of Portfolio NCAT and Non-Portfolio NCAT. Portfolio NCAT consists of market risk, credit risk, event risk, principal finance risk, private equity risk and investment securities risk. Non-Portfolio NCAT consists of business risk and operational risk. NCAT is aggregated by taking into account the correlation among its various components. 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.



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

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

### **Market Risk Management**

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

#### Market Risk Management Process

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

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

## Value at Risk

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

### *VaR Methodology Assumptions*

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

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

### *VaR Backtesting*

The performance of Nomura's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura's VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura's Risk Management Division. One-day trading losses did not exceed the 99% VaR estimate at the Nomura Group level on any occasion for the twelve months ended March 31, 2019.

### *Limitations and Advantages of VaR*

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

## Stress Testing

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

## Non-Trading Risk

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

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the fair value of Nomura's equity investments held for operating purposes, which allows to determine a correlation factor. Based on this analysis for each 10% change in the TOPIX, the fair value of Nomura's operating equity investments held for operating purposes can be expected to change by ¥11,717 million at the end of March 2018 and ¥10,043 million at the end of March 2019. The TOPIX closed at 1,716.30 points at the end of March 2018 and at 1,591.64 points at the end of March 2019. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura's expectations because of price fluctuations of individual equities.

## **Credit Risk Management**

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

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

## Credit Risk Management Framework

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

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; and
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

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

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

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

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

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

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

## Credit Limits and Risk Measures

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

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

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

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

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

## Wrong Way Risk

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

## Stress Testing

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

## Risk Mitigation

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

## Credit Risk to Counterparties in Derivatives Transaction

The credit exposures arising from Nomura's trading-related derivatives as of March 31, 2019 are summarized in the table below, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura's CRM.

Credit Rating	Billions of yen									
	Years to Maturity					Cross-Maturity Netting <sup>(1)</sup>	Total Fair Value (a)	Collateral obtained (b)	Replacement cost <sup>(3)</sup> (a)-(b)	
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years					
AAA	¥ 20	¥ 38	¥ 37	¥ 8	¥ 68	¥ (147)	¥ 24	¥ 1	¥ 23	
AA	149	191	149	61	387	(722)	215	26	189	
A	759	710	452	238	951	(2,918)	192	61	131	
BBB	235	201	145	95	572	(956)	292	58	234	
BB and lower	46	46	49	20	55	(114)	102	250	0	
Other <sup>(2)</sup>	37	68	133	226	863	(1,403)	(76)	11	0	
Sub-total	1,246	1,254	965	648	2,896	(6,260)	749	407	577	
Listed	101	126	2	—	—	(126)	103	147	0	
Total	¥ 1,347	¥ 1,380	¥ 967	¥ 648	¥ 2,896	¥ (6,386)	¥ 852	¥ 554	¥ 577	

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

## Country Risk

At Nomura, country risk is defined as the risk of loss arising from country-specific events (such as political, economic, legal and other events) that affect counterparties and/or issuers within that country, causing those counterparties and/or issuers to be unable to meet financial obligations. Nomura's country risk framework acts as a complement to other risk management areas and encompasses a number of tools including, but not limited to, country limits, which restrict credit exposure concentration to any given country. Other tools to manage country risk include country ratings as well as country risk policies and procedures that describe responsibilities and delegation for decision-making.

Nomura's credit portfolio remains well-diversified by country and concentrated towards highly-rated countries. Over 95% of the exposure was from investment-grade rated countries. The breakdown of top 10 country exposures is as follows:

<b>Top 10 Country Exposures<sup>(1)</sup></b>	<b>Billions of Yen</b> <b>(As of March 31, 2019)</b>
Japan	2,867
United States	2,562
United Kingdom	500
India	242
Germany	217
Kuwait	196
Singapore	158
Luxembourg	117
Saudi Arabia	106
Korea	99

(1) The table represents the Top 10 country exposures as of March 31, 2019 based on country of origin, combining counterparty and inventory exposures, offset by credit valuation adjustment hedges:

- Counterparty exposures include cash and cash equivalents held at banks, margin balances placed at central clearing counterparties, the positive fair value, after collateral received, of derivative transactions and securities financing transactions, the fair value of funded loans and the notional amount of unfunded loans.

- Inventory exposures include the positive fair value of debt and equity securities, equity and credit derivatives, using the net of long versus short positions.

### **Operational Risk Management**

Operational risk is the risk of loss arising 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 Defense

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

- 1) 1st Line of Defense: The business which owns and manages its risks
- 2) 2nd Line of Defense: The Operational Risk Management ("ORM") function, which defines and co-ordinates Nomura's operational risk, framework and its implementation, and provides challenge to the 1st Line of Defense
- 3) 3rd Line of Defense: Internal 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*

- Event Reporting: This process is used to identify and report any event which resulted in or had the potential to result in a loss or gain or other impact associated with inadequate or failed internal processes, people and systems, or from external events.
- Risk and Control Self-Assessment (“RCSA”): This process is used to identify the inherent risks the business faces, the key controls associated with those risks and relevant actions to mitigate the residual risks. Global ORM are responsible for developing the RCSA process and supporting the business in its implementation.
- Key Risk Indicators (“KRI”): KRIs are metrics used to monitor the business’ exposure to operational risk and trigger appropriate responses as thresholds are breached.
- Scenario Analysis: The process used to assess and quantify potential high impact, low likelihood operational risk events. During the process actions may be identified to enhance the control environment which are then tracked via the Operational Risk Management Framework.

*Outputs*

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

Regulatory Capital Calculation for Operational Risk

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

Nomura uses consolidated net revenue as gross income, however for certain consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each business segment as defined in Nomura’s management accounting data to each business line defined in the Standardized Approach 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 of financial loss, incorrect decision making, or damage to the firm's credibility arising from Model errors or incorrect or inappropriate Model application.

To effectively manage the Firm's Model Risk, Nomura has established a Model Risk Management Framework to govern the development, ownership, validation, approval, usage, ongoing monitoring, and periodic review of the Firm's Models. The framework is supported by a set of policies and procedures that articulate process requirements for the various elements of the model lifecycle, including monitoring of model risk with respect to the Firm's appetite.

New models and material changes to approved models must be independently validated prior to official use. Thresholds to assess the materiality of model changes are defined in Model Risk Management's procedures. During independent validation, validation teams analyze a number of factors to assess a model's suitability, identify model limitations, and quantify the associated model risk, which is ultimately mitigated through the imposition of approval conditions, such as usage conditions, model reserves and capital adjustments. Approved models are subject to Model Risk Management's annual re-approval process and ongoing performance monitoring to assess their continued suitability. Appropriately delegated Model Risk Management Committees provide oversight, challenge, governance, and ultimate approval of validated Models.

### **Risk Measures and Controls**

#### Limit Frameworks

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

#### New Business Risk Management

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

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

The new business approval process continues to seek assuring the sound and effective management to better meet the various changes observed in the market environment.

## Stress Testing

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

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

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

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

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

## **(6) Liquidity and Capital Resources**

### **Funding and Liquidity Management**

#### *Overview*

We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board ("EMB"). Nomura's liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and 30-day periods, respectively, without raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

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

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

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2019, our liquidity portfolio was ¥4,870.5 billion which sufficiently met liquidity requirements under the stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2018 and 2019 and averages maintained for the years ended March 31, 2018 and 2019. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2018	March 31, 2018	Average for year ended March 31, 2019	March 31, 2019
Cash, cash equivalents and time deposits <sup>(1)</sup>	¥ 2,116.6	¥1,902.9	¥ 2,280.3	¥2,113.1
Government debt securities	2,393.8	2,354.7	2,553.0	2,424.6
Others <sup>(2)</sup>	237.1	370.8	301.1	332.8
Total liquidity portfolio	¥ 4,747.5	¥4,628.4	¥ 5,134.4	¥4,870.5

(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, 2018 and 2019 and averages maintained for the years ended March 31, 2018 and 2019. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2018	March 31, 2018	Average for year ended March 31, 2019	March 31, 2019
Japanese Yen	¥ 1,498.8	¥1,309.6	¥ 1,696.8	¥1,570.7
U.S. Dollar	2,160.4	2,103.6	2,231.0	1,961.7
Euro	629.7	690.4	734.0	898.8
British Pound	308.4	379.9	325.2	265.7
Others <sup>(1)</sup>	150.2	144.9	147.4	173.6
Total liquidity portfolio	¥ 4,747.5	¥4,628.4	¥ 5,134.4	¥4,870.5

(1) Includes other currencies such as the Australian dollar, the Canadian 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 19 “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, 2018 and 2019.

	Billions of yen	
	March 31, 2018	March 31, 2019
NHI and NSC <sup>(1)</sup>	¥ 901.3	¥ 1,142.9
Major broker-dealer subsidiaries	2,538.1	2,473.5
Bank subsidiaries <sup>(2)</sup>	719.4	799.4
Other affiliates	469.6	454.7
Total liquidity portfolio	¥ 4,628.4	¥ 4,870.5

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

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

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

In addition to our liquidity portfolio, we had ¥2,268.1 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2019 was ¥7,138.6 billion, which represented 283.4% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2018	March 31, 2019
Net liquidity value of other unencumbered assets	¥ 2,167.9	¥ 2,268.1
Liquidity portfolio	4,628.4	4,870.5
Total	¥ 6,796.3	¥ 7,138.6

## 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 structured notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt increased to 43.6% of total long-term debt outstanding as of March 31, 2019 from 43.3% as of March 31, 2018.

### 3.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2018 and 2019.

	Billions of yen	
	March 31, 2018	March 31, 2019
Short-term bank borrowings	¥ 143.6	¥ 107.0
Other loans	176.2	231.4
Commercial paper	179.3	313.0
Deposits at banking entities	925.8	1,149.1
Certificates of deposit	11.1	11.1
Debt securities maturing within one year	671.0	707.2
<b>Total short-term unsecured debt</b>	<b>¥ 2,107.0</b>	<b>¥ 2,518.8</b>

### 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, 2018 and 2019.

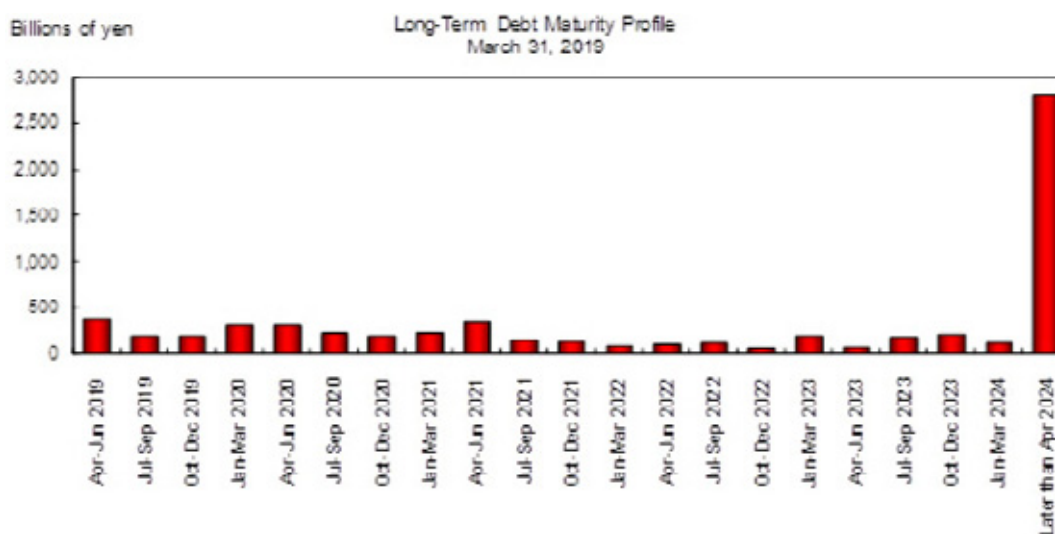
	Billions of yen	
	March 31, 2018	March 31, 2019
Long-term deposits at banking entities	¥ 214.5	¥ 232.5
Long-term bank borrowings	2,567.6	2,727.5
Other loans	118.6	87.9
Debt securities <sup>(1)</sup>	2,318.2	3,435.6
<b>Total long-term unsecured debt</b>	<b>¥ 5,218.9</b>	<b>¥ 6,483.5</b>

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

### 3.3 Maturity Profile

We also seek to maintain an average maturity for our plain vanilla debt securities and borrowings greater than or equal to three years. The average maturity for our plain vanilla debt securities and borrowings with maturities longer than one year was 4.0 years as of March 31, 2019. A significant amount of our structured loans and structured notes are linked to interest rates, currencies, equities, commodities, or related indices. These maturities are evaluated based on internal models and monitored by Global Treasury. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. The model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings by the model.

On this basis, the average maturity of our structured loans and structured notes with maturities longer than one year was 8.0 years as of March 31, 2019. The average maturity of our entire long-term debt with maturities longer than one year including plain vanilla debt securities and borrowings, was 6.0 years as of March 31, 2019.



### 3.4 Secured Funding

We typically fund our trading activities through secured borrowings, repurchase agreements and Japanese “Gensaki Repo” transactions. We believe such funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Our secured funding capabilities depend on the quality of the underlying collateral and market conditions. While we have shorter term secured financing for highly liquid assets, we seek longer terms for less liquid assets. We also seek to lower the refinancing risks of secured funding by transacting with a diverse group of global counterparties and delivering various types of securities collateral. In addition, we reserve an appropriate level of liquidity portfolio for the refinancing risks of secured funding maturing in the short term for less liquid assets. For more detail of secured borrowings and repurchase agreements, see Note 5 “*Collateralized transactions*” in our consolidated financial statements.

### 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. We call this risk analysis our Maximum Cumulative Outflow (“MCO”) framework.

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

- Stressed scenario—To maintain adequate liquidity during a severe market-wide liquidity event without raising funds through unsecured financing or through the liquidation of assets for a year; and
- Acute stress scenario—To maintain adequate liquidity during a severe market-wide liquidity event coupled with credit concerns regarding Nomura’s liquidity position, without raising funds through unsecured funding or through the liquidation of assets for 30 days.

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, 2019, 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;
- Fluctuation of funding needs under normal business circumstances;
- Cash deposits and free collateral roll-off in a stress event;
- Widening of haircuts on outstanding repo funding;
- Additional collateralization requirements of clearing banks and depositories;
- Drawdown on loan commitments;
- Loss of liquidity from market losses;
- Assuming a two-notch downgrade of our credit ratings, the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts; and
- Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

## *6. Contingency Funding Plan*

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

### *Liquidity Regulatory Framework*

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

The first objective is to promote short-term resilience of a financial institution’s liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for 30 days. The Committee developed the Liquidity Coverage Ratio (“LCR”) to achieve this objective.

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

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

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Average of Nomura’s LCRs for the three months ended March 31, 2019 was 198.4%, and Nomura was compliant with requirements of the above notices. As for the NSFR, it is not yet implemented in Japan.



## 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 years ended March 31, 2018 and 2019, we recorded net cash outflows from operating activities and investing activities and net cash inflow from financing 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, 2018 and 2019. As discussed in Note 1 "Summary of accounting policies", amounts for the years ended March 31, 2018 and 2019 have been restated to correct certain errors identified during the fourth quarter ended March 31, 2024.

	Billions of yen	
	Year Ended March 31	
	2018 (Restated)	2019 (Restated)
Net cash used in operating activities	¥ (341.3)	¥ (62.0)
Net income (loss)	224.3	(94.7)
Trading assets and private equity and debt investments	(219.4)	923.6
Trading liabilities	227.3	(143.1)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(453.2)	(3,274.9)
Securities borrowed, net of securities loaned	763.3	1,987.3
<u>Margin loans and receivables</u>	(920.7)	474.4
<u>Other net operating cash flow reconciling items</u>	37.1	65.4
Net cash used in investing activities	(296.7)	(420.5)
Net cash inflows/ (outflows) from time deposits	(108.8)	17.8
<u>Net cash outflows from loans</u>	(232.0)	(392.2)
Net cash inflows from non-trading debt securities	82.0	29.5
<u>Other net investing cash outflows</u>	(37.9)	(75.6)
Net cash provided by financing activities	509.4	770.0
Net cash inflows from long-term borrowings	467.4	469.0
Net cash inflows from short-term borrowings	269.6	74.0
<u>Net cash inflows/ (outflows) from deposits received at banks</u>	(8.4)	254.3
<u>Other net financing cash outflows</u>	(219.2)	(27.3)
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	(53.5)	44.7
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(182.2)	332.3
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of the year	2,537.1	2,354.9
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of the year	¥ 2,354.9	¥ 2,687.1

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, 2019, our cash, cash equivalents, restricted cash and restricted cash equivalents increased by ¥332.3 billion to ¥2,687.1 billion. Net cash of ¥770.0 billion was provided by financing activities due to net cash inflows of ¥469.0 billion from Net cash inflows Long-term borrowings. Net cash of ¥420.5 billion was used in investing activities due to net cash outflow of ¥392.2 billion from Net cash outflows from loans. As part of trading activities, while there were net cash inflows of ¥780.5 billion due to a decrease in Trading assets and Private equity and debt investments in combination with cash outflows due to a decrease in Trading liabilities, they were offset by net cash outflows of ¥1,287.5 billion 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. Also, there were net cash inflows of ¥474.4 billion from cash inflows due to a decrease in Margin loans and receivables. As a result, net cash of ¥62.0 billion was used in operating activities.

For the year ended March 31, 2018, our cash, cash equivalents, restricted cash and restricted cash equivalents decreased by ¥182.2 billion to ¥2,354.9 billion. Net cash of ¥509.4 billion was provided by financing activities due to net cash inflows of ¥467.4 billion from Net cash inflows Long-term borrowings. Net cash of ¥296.7 billion was used in investing activities due to net cash outflow of ¥232.0 billion from Net cash outflows from loans. As part of trading activities, while there were net cash outflows of ¥7.9 billion from cash inflows due to an increase in Trading liabilities in combination with cash outflows due to an increase in Trading assets and Private equity investments, they were offset by ¥310.1 billion of net cash inflows from repo transactions and securities borrowed and loaned transactions such as Securities purchased under agreements to resell, Securities sold under agreements to repurchase and Securities borrowed, net of Securities loaned. Also, there were net cash outflows of ¥920.7 billion from cash outflows due to an increase in Margin loans and receivables. As a result, net cash of ¥341.3 billion was used in operating activities.

## Balance Sheet and Financial Leverage

Total assets as of March 31, 2019, were ¥40,969.4 billion, an increase of ¥625.5 billion compared with ¥40,343.9 billion as of March 31, 2018, reflecting primarily an increase in Securities purchased under agreements to resell. Total liabilities as of March 31, 2019, were ¥38,288.6 billion, an increase of ¥744.5 billion compared with ¥37,544.1 billion as of March 31, 2018, reflecting primarily an increase in Long-term borrowings. NHI shareholders' equity as of March 31, 2019 was ¥2,631.1 billion, a decrease of ¥118.3 billion compared with ¥2,749.3 billion as of March 31, 2018,

primarily due to an decrease in *Retained earnings*.

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

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

The following table presents NHI shareholders' equity, total assets, adjusted assets and leverage ratios as of March 31, 2018 and 2019.

	<u>Billions of yen, except ratios</u>	
	<u>March 31</u>	
	<u>2018</u>	<u>2019</u>
NHI shareholders' equity	¥ 2,749.3	¥ 2,631.1
Total assets	40,343.9	40,969.4
Adjusted assets <sup>(1)</sup>	24,106.2	23,662.5
Leverage ratio <sup>(2)</sup>	14.7x	15.6x
Adjusted leverage ratio <sup>(3)</sup>	8.8x	9.0x

(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:

	<u>Billions of yen</u>	
	<u>March 31</u>	
	<u>2018</u>	<u>2019</u>
Total assets	¥40,343.9	¥40,969.4
Less:		
Securities purchased under agreements to resell	9,853.9	13,194.5
Securities borrowed	6,383.8	4,112.4
Adjusted assets	<u>¥24,106.2</u>	<u>¥23,662.5</u>

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

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

Total assets increased by 1.6% reflecting primarily an increase in *Securities purchased under agreements to resell*. Total NHI shareholders' equity decreased by 4.3% reflecting primarily a decrease in *Retained earnings*. As a result, our leverage ratio increased from 14.7 times as of March 31, 2018 to 15.6 times as of March 31, 2019.

Adjusted assets decreased primarily due to a decrease in *Trading assets*. As a result, our adjusted leverage ratio was 8.8 times as of March 31, 2018 and 9.0 times as of March 31, 2019.

### Consolidated Regulatory Capital Requirements

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

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31, 2019, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 17.11%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 18.28% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 18.60% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. (required level including applicable minimum consolidated capital buffers as of March 31, 2019 is 7.61% for the common equity Tier 1 capital ratio, 9.11% for the Tier 1 capital ratio and 11.11% for the consolidated capital adequacy ratio).

The following table presents the Company's consolidated capital adequacy ratios as of March 31, 2018 and March 31, 2019.

	<u>Billions of yen, except ratios</u>	
	<u>March 31</u>	
	<u>2018</u>	<u>2019</u>
Common equity Tier 1 capital	¥ 2,500.0	¥ 2,439.7
Tier 1 capital	2,666.4	2,605.9
Total capital	2,732.5	2,651.9
<b>Risk-Weighted Assets</b>		
Credit risk-weighted assets	7,736.3	7,527.4
Market risk equivalent assets	4,748.3	4,211.1
Operational risk equivalent assets	2,637.7	2,513.1
Total risk-weighted assets	<u>¥15,122.3</u>	<u>¥14,251.6</u>
<b>Consolidated Capital Adequacy Ratios</b>		
Common equity Tier 1 capital ratio	16.53%	17.11%
Tier 1 capital ratio	17.63%	18.28%
Consolidated capital adequacy ratio	18.06%	18.60%

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

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

#### **Consolidated Leverage Ratio Requirements**

In March 2015, the FSA set out the publication of "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), as well as amendments to revising "Specification of items which a final designated parent company should disclose on documents to show the status of its sound management" (2010 FSA Regulatory Notice No. 132; "Notice on Pillar 3 Disclosure"). In March 2019, the FSA set out requirements for the calculation and disclosure and minimum requirement of 3% of a consolidated leverage ratio, through the publication of "Notice of the Establishment of Standards for Determining Whether the Adequacy of Leverage, the Supplementary Measure to the Adequacy of Equity Capital of a Final Designated Parent Company and its Subsidiary Corporations, etc. is Appropriate Compared to the Assets Held by the Final Designated Parent Company and its Subsidiary Corporations, etc., under Paragraph 1, Article 57-17 of the Financial Instruments and Exchange Act" (2019 FSA Regulatory Notice No. 13; "Notice on Consolidated Leverage Ratio"), as well as amendments to revising "Notice on Pillar 3 Disclosure". We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with the Notices. And we have started calculating a consolidated leverage ratio from March 31, 2019 in accordance with the Notice on Pillar 3 Disclosure, Notice on Consolidated Leverage Ratio and other related Notices. Management receives and reviews this consolidated leverage ratio on a regular basis. As of March 31 2019, our consolidated leverage ratio was 5.03%.

#### **Regulatory changes which affect us**

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

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

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

In November 2015, the FSB issued the final TLAC standard for G-SIBs. The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalization capacity available in resolution for authorities to implement an orderly resolution. In response to the FSB’s publication of the TLAC standard, in April 2016, the FSA published its policy to develop the TLAC framework in Japan applicable to Japanese G-SIBs and, in April 2018, revised such policy to apply the TLAC requirements in Japan not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. In the revised policy, the Japanese G-SIBs and Nomura (“TLAC Covered SIBs”) would be subject to the TLAC requirements in Japan. On March 2019, the FSA published the notices and revised the guidelines of TLAC regulations. Although Nomura is not identified as a G-SIB as of the date of this annual report, the TLAC Covered SIBs, including Nomura, will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, Nomura will be required to meet a minimum TLAC requirement of holding TLAC in an amount at least 16% of our consolidated risk-weighted assets as from March 31, 2021 and at least 18% as from March 31, 2024 as well as at least 6% of the applicable Basel III leverage ratio denominator from March 31, 2021 and at least 6.75% from March 31, 2024.

Furthermore, according to the FSA’s revised policy published in April 2018, which is subject to change based on future international discussions, the preferred resolution strategy for the TLAC Covered SIBs is Single Point of Entry (“SPE”) resolution, in which resolution powers are applied to the top of a group by a single national resolution authority (i.e. the FSA), although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant the TLAC Covered SIBs in crisis.

To implement this SPE resolution strategy effectively, the FSA requires holding companies of the TLAC Covered SIBs (“Domestic Resolution Entities”) to (i) meet the minimum external TLAC requirements and (ii) cause their material subsidiaries that are designated as systemically important by the FSA, including but not limited to certain material sub-groups as provided in the FSB’s TLAC standard, to maintain a certain level of capital and debt recognized by the FSA as having loss-absorbing and recapitalization capacity, or Internal TLAC.

In addition, the TLAC Covered SIBs’ Domestic Resolution Entities will be allowed to count the amount equivalent to 2.5% of their consolidated risk-weighted assets from the implementation date of the TLAC requirements in Japan (March 31, 2021 for Nomura) and 3.5% of their consolidated risk-weighted assets from 3 years after the implementation date (March 31, 2024 for Nomura) as our external TLAC, considering the Japanese Deposit Insurance Fund Reserves.

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

### Credit Ratings

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

As of May 31, 2019, the credit ratings of the Company and NSC were as follows.

<u>Nomura Holdings, Inc.</u>	<u>Short-term Debt</u>	<u>Long-term Debt</u>
S&P Global Ratings	A-2	A-
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>
S&P Global Ratings	A-1	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-

## **(7) 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 7 "*Securitizations and Variable Interest Entities*" in our consolidated financial statements included in this annual report.

## **(8) 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.
- As a member of certain central clearing counterparties, Nomura is committed to provide liquidity facilities through entering into reverse repo transactions backed by government and government agency debt securities with those counterparties in a situation where a default of another clearing member occurs.

### *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 9 "Leases" in our consolidated financial statements contains further detail on our operating leases and capital leases. Note 11 "Borrowings" in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 21 "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, 2019.

	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	¥ 5,764	¥ 11	¥ 335	¥ 5,417	¥ 1
Long-term borrowings <sup>(1)</sup>	7,891,271	801,209	1,661,322	1,333,816	4,094,924
Contractual interest payments <sup>(2)</sup>	872,708	124,898	189,528	144,279	414,003
Operating lease commitments	106,553	16,207	22,309	15,324	52,713
Capital lease commitments <sup>(3)</sup>	42,197	3,862	7,898	7,600	22,837
Purchase obligations <sup>(4)</sup>	69,003	21,985	34,310	12,708	—
Commitments to extend credit <sup>(5)</sup>	2,694,368	1,737,305	97,933	225,151	633,979
Commitments to invest	14,413	865	2	362	13,184
<b>Total</b>	<b>¥11,696,277</b>	<b>¥ 2,706,342</b>	<b>¥ 2,013,637</b>	<b>¥ 1,744,657</b>	<b>¥ 5,231,641</b>

- (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, 2019.
- (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.
- (5) Contingent liquidity facilities to central clearing counterparties are included.

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

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥1,071 billion for reverse repurchase agreements and ¥719 billion for repurchase agreements as of March 31, 2019.

#### 4. Significant Contracts.

Not applicable.

## Item 4. Company Information

### 1. Share Capital Information

#### (1) Total Number of Shares

##### A. Number of Authorized Share Capital

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

#### (Note)

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

##### B. Issued Shares

Type	Number of Issued Shares as of March 31, 2019	Number of Issued Shares as of June 25, 2019	Trading Markets	Description
Common Stock	3,493,562,601	3,493,562,601	Tokyo Stock Exchange <sup>(2)</sup> Nagoya Stock Exchange <sup>(2)</sup> Singapore Exchange New York Stock Exchange	1 unit is 100 shares
Total	3,493,562,601	3,493,562,601	—	—

(1) Shares that may have increased from exercise of stock options between June 1, 2019 and June 25, 2019 are not included in the number of issued shares as of June 25, 2019.

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

## (2) Stock Options

## A. Stock Acquisition Right

Name of Stock Acquisition Rights ("SARs")	Number of SARs	Number of Common Stock under SARs (March 31, 2019)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2019)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.45	2,171	217,100	130,600	From April 20, 2014 to April 19, 2019	1
SARs No.46	7,088	708,800	658,900	From April 20, 2015 to April 19, 2020	1
SARs No.47	5,869	586,900	533,800	From April 20, 2016 to April 19, 2021	1
SARs No.48	8,458	845,800	750,800	From April 20, 2017 to April 19, 2022	1
SARs No.49	846	84,600	84,600	From October 20, 2015 to April 19, 2021	1
SARs No.50	1,162	116,200	116,200	From October 20, 2016 to April 19, 2022	1
SARs No.51	9,965	996,500	968,500	From November 13, 2014 to November 12, 2019	298
SARs No.52	1,405	140,500	81,800	From April 20, 2014 to April 19, 2019	1
SARs No.53	5,634	563,400	528,400	From April 20, 2015 to April 19, 2020	1
SARs No.54	7,268	726,800	657,100	From April 20, 2016 to April 19, 2021	1
SARs No.55	26,812	2,681,200	2,681,200	From November 19, 2015 to November 18, 2020	821
SARs No.56	7,455	745,500	712,400	From April 20, 2015 to April 19, 2020	1
SARs No.57	10,266	1,026,600	1,005,000	From April 20, 2016 to April 19, 2021	1
SARs No.58	17,232	1,723,200	1,619,400	From April 20, 2017 to April 19, 2022	1
SARs No.59	4,336	433,600	428,200	From March 31, 2015 to March 30, 2020	1
SARs No.60	5,942	594,200	565,500	From March 31, 2016 to March 30, 2021	1
SARs No.61	21,596	2,159,600	2,079,100	From March 31, 2017 to March 30, 2022	1
SARs No.62	26,757	2,675,700	2,675,700	From November 18, 2016 to November 17, 2021	738
SARs No.63	8,897	889,700	875,800	From April 20, 2016 to April 19, 2021	1
SARs No.64	15,341	1,534,100	1,449,300	From April 20, 2017 to April 19, 2022	1
SARs No.65	24,962	2,496,200	2,388,700	From April 20, 2018 to April 19, 2023	1

Name of Stock Acquisition Rights ("SARs")	Number of SARs	Number of Common Stock under SARs (March 31, 2019)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2019)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.68	25,688	2,568,800	2,568,800	From November 18, 2017 to November 17, 2022	802
SARs No.69	15,246	1,524,600	1,460,700	From April 20, 2017 to April 19, 2022	1
SARs No.70	26,017	2,601,700	2,434,100	From April 20, 2018 to April 19, 2023	1
SARs No.71	55,976	5,597,600	4,520,700	From April 20, 2019 to April 19, 2024	1
SARs No.72	4,817	481,700	481,700	From October 30, 2016 to October 29, 2021	1
SARs No.73	1,054	105,400	105,400	From April 30, 2017 to April 29, 2022	1
SARs No.74	25,364	2,536,400	2,536,400	From November 11, 2018 to November 10, 2023	593
SARs No.75	20,898	2,089,800	1,900,100	From April 20, 2018 to April 19, 2023	1
SARs No.76	43,953	4,395,300	3,485,800	From April 20, 2019 to April 19, 2024	1
SARs No.77	45,088	4,508,800	4,479,000	From April 20, 2020 to April 19, 2025	1
SARs No.78	8,538	853,800	849,700	From April 20, 2021 to April 19, 2026	1
SARs No.79	8,513	851,300	847,400	From April 20, 2022 to April 19, 2027	1
SARs No.80	1,362	136,200	136,200	From April 20, 2023 to April 19, 2028	1
SARs No.81	1,362	136,200	136,200	From April 20, 2024 to April 19, 2029	1
SARs No.82	4,538	453,800	453,800	From October 30, 2017 to October 29, 2022	1
SARs No.83	639	63,900	63,900	From April 30, 2018 to April 29, 2023	1
SARs No.84	25,255	2,525,500	2,521,500	From November 17, 2019 to November 16, 2024	684
SARs No.85	25,552	2,555,200	2,552,200	From November 20, 2020 to November 19, 2025	573

B. Rights plan

None

C. Other plan

None

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

<u>Date</u>	<u>Increase/(Decrease) of Issued Shares</u>	<u>Total Issued Shares</u>	<u>Increase/(Decrease) of Common Stock (thousand yen)</u>	<u>Common Stock (thousand yen)</u>	<u>Increase/(Decrease) of Additional paid-in capital (thousand yen)</u>	<u>Additional paid-in capital (thousand yen)</u>
December 17, 2018 <sup>(1)</sup>	(150,000,000)	3,493,562,601	—	594,492,852	—	559,676,228

(1) The decrease is due to the cancellation of treasury stock.

(4) Shareholders

	As of March 31, 2019								Shares Representing Less than One Unit (Shares)
	Unit Shareholders (100 shares per 1 unit)								
	Domestic Shareholders				Foreign Shareholders				
	<u>Governments and Municipal Governments</u>	<u>Financial Institutions</u>	<u>Securities Companies</u>	<u>Other Corporations</u>	<u>Other than individuals</u>	<u>Individuals</u>	<u>Individuals and Others</u>	<u>Total</u>	
Number of Shareholders	—	175	79	3,066	802	271	345,779	350,172	—
Number of Units Held	—	7,792,443	1,832,307	1,412,870	11,922,033	7,871	11,952,524	34,920,048	1,557,801
Percentage of Units Held (%)	—	22.32	5.25	4.05	34.14	0.02	34.22	100.00	—

(1) Out of 182,411,802 treasury stocks, 1,824,118 units are included in *Individuals and Others* while 2 shares are in *Shares Representing Less than One Unit (Shares)*.

(2) *Other Corporations* includes 20 units held by Japan Securities Depository Center, Inc.

## (5) Major Shareholders

Name	Address	As of March 31, 2019	
		Shares Held (thousand shares)	Percentage of Issued Shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-Ku, Tokyo, Japan	180,391	5.44
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	160,284	4.84
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	68,101	2.05
Northern Trust Co. (AVFC)			
Re Silchester International Investors International Value Equity Trust	50 Bank Street Canary Wharf London E14 5NT, UK	64,983	1.96
JP Morgan Chase Bank 385151	25 Bank Street Canary Wharf London E14 5JP, UK	62,963	1.90
State Street Bank West Client-treaty 505234	1776 Heritage Drive, North Quincy, MA 02171 U.S.A.	54,126	1.63
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	46,435	1.40
Northern Trust Co. (AVFC)			
Re U.S. Tax Exempted Pension Funds	50 Bank Street Canary Wharf London E14 5NT, UK	46,059	1.39
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	45,498	1.37
SSBTC Client Omnibus Account	One Lincoln Street Boston MA USA 02111	42,902	1.29
Total		771,742	23.27

- (1) The Company has 182,411 thousand shares of treasury stock as of March 31, 2019 which is not included in the Major Shareholders list above.
- (2) For *Shares Held* in the above, amounts less than thousand shares are discarded.
- (3) According to a statement on Schedule 13G (Amendment No.4) filed by BlackRock, Inc. with the SEC on February 5, 2019, BlackRock, Inc. owned 213,734,270 shares, representing 6.10% of the issued shares of the Company's common stock. However, the Company has not confirmed the status of these shareholdings as of March 31, 2019.

Name	Address	As of December 31, 2018	
		Shares Held (thousand shares)	Percentage of Issued Shares (%)
BLACK ROCK, INC.	55 EAST 52nd STREET NEW YORK, NY 10055	213,734	6.10

(6) Voting Rights

A. Outstanding Shares

	As of March 31, 2019		
	Number of Shares	Number of Votes	Description
Stock without voting right	—	—	—
Stock with limited voting right (Treasury stocks, etc.)	—	—	—
Stock with limited voting right (Others)	—	—	—
Stock with full voting right (Treasury stocks, etc.)	(Treasury stocks) Common stock 182,411,800	—	—
	(Crossholding stocks) Common stock 1,005,000	—	—
Stock with full voting right (Others)	Common stock 3,308,588,000	33,085,880	—
Shares less than 1 unit	Common stock 1,557,801	—	Shares less than 1 unit (100 shares)
<b>Total Shares Issued</b>	<b>3,493,562,601</b>	<b>—</b>	<b>—</b>
<b>Voting Rights of Total Shareholders</b>	<b>—</b>	<b>33,085,880</b>	<b>—</b>

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

B. Treasury Stocks

Name	Address	As of March 31, 2019			Percentage of Issued Shares (%)
		Directly held shares	Indirectly held shares	Total	
<b>(Treasury Stocks)</b>					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan	182,411,800	—	182,411,800	5.22
<b>(Crossholding Stocks)</b>					
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishishinjuku, Shinjuku-Ku, Tokyo, Japan	1,000,000	—	1,000,000	0.03
Nomura Japan Corporation	2-1-3, Nihonbashihoridomecho, Chuo-Ku, Tokyo, Japan	5,000	—	5,000	0.00
<b>Total</b>	—	<b>183,416,800</b>	<b>—</b>	<b>183,416,800</b>	<b>5.25</b>

## (7) Restricted Stock Units

Series of RSU	Grant date	Number of RSU (March 31, 2019)	Number of RSU in the Preceding Month to Filing of this Report (May 31, 2019)	Period of payment
RSU No.1	2018.5.14	15,301,000	—	2019.4.20~2019.5.19
RSU No.2	2018.5.14	15,229,200	15,174,800	2020.4.20~2020.5.19
RSU No.3	2018.5.14	15,274,000	15,219,900	2021.4.20~2021.5.19
RSU No.4	2018.5.14	1,242,800	1,234,800	2022.4.20~2022.5.19
RSU No.5	2018.5.14	1,237,800	1,230,000	2023.4.20~2023.5.19
RSU No.6	2018.5.14	116,800	116,800	2024.4.20~2024.5.19
RSU No.7	2018.5.14	116,600	116,600	2025.4.20~2025.5.19
RSU No.8	2019.5.16	—	10,689,100	2020.4.20~2020.5.19
RSU No.9	2019.5.16	—	10,637,400	2021.4.20~2021.5.19
RSU No.10	2019.5.16	—	10,653,000	2022.4.20~2022.5.19
RSU No.11	2019.5.16	—	838,400	2023.4.20~2023.5.19
RSU No.12	2019.5.16	—	834,500	2024.4.20~2024.5.19
RSU No.13	2019.5.16	—	67,200	2025.4.20~2025.5.19
RSU No.14	2019.5.16	—	66,600	2026.4.20~2026.5.19

Please see “4. Status of Corporate Governance and Other” for detail of the plan.

**2. Stock Repurchase**

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

## (1) Stock Repurchase resolved by Shareholders' Meeting

None

## (2) Stock Repurchase resolved by Board of Directors

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (April 26, 2018) (Purchase period from May 16, 2018 to March 29, 2019)	100,000,000	70,000,000,000
Stock repurchased prior to April 1, 2018	—	—
Stock repurchased from April 1, 2018 to March 31, 2019	100,000,000	51,702,988,850
Total shares and amounts resolved	—	18,297,011,150
Percentage not repurchased at year end (%)	—	26.1
Repurchases made in the period	—	—
Percentage not repurchased at the date of submission of this annual report (%)	—	26.1

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (June 18, 2019) (Purchase period from June 19, 2019 to March 31, 2020)	300,000,000	150,000,000,000
Stock repurchased prior to April 1, 2018	—	—
Stock repurchased from April 1, 2018 to March 31, 2019	—	—
Total shares and amounts resolved	300,000,000	150,000,000,000
Percentage not repurchased at year end (%)	100.0	100.0
Repurchases made in the period	—	—
Percentage not repurchased at the date of submission of this annual report (%)	100.0	100.0



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

	<u>Number of Shares</u>	<u>Total Amount (Yen)</u>
Stock repurchased during the year ended March 31, 2019 <sup>(1)</sup>	20,867	10,645,440
Stock repurchased during the period <sup>(2)</sup>	1,986	795,095

(1) Acceptance of requests for purchasing less-than-a-full-unit-shares.

(2) Repurchases from June 1, 2019 to the reporting date of this annual report are not included.

(4) Disposal and retention of repurchased stock

	<u>Year ended March 31, 2019</u>		<u>Stock repurchased during the period<sup>(2)</sup></u>	
	<u>Number of shares</u>	<u>Total amount of disposal (yen)</u>	<u>Number of shares</u>	<u>Total amount of disposal (yen)</u>
Disposal through offering	—	—	—	—
Cancellation	150,000,000	89,915,970,000	—	—
Transfer through merger, share exchange and corporate division	—	—	—	—
Others <sup>(1)</sup>	17,894,180	10,817,001,044	13,243,664	6,079,635,610
Treasury stocks	182,411,802	—	169,170,124	—

(1) Others are for purchasing less-than-a-full-unit-shares and disposal for exercise of stock acquisition rights and allotment of RSU.

(2) Repurchases or disposals and allotments from June 1, 2019 to the reporting date of this annual report are not included.

### 3. Dividend 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.

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

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

Additionally, we will aim for a total payout ratio, which includes dividends and share buybacks, of at least 50 percent.

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.

**(Dividends for the year ended March 31, 2019)**

In line with its dividend policy for the year ended March 31, 2019, the Company paid a dividend of ¥3 per share to shareholders of record as of September 30, 2018. Based on the same dividend policy, we paid a dividend of ¥3 yen per share to shareholders of record as of March 31, 2019. As a result, the annual dividend totaled ¥6 per share.

The details of dividends from retained earnings in the year ended March 31, 2019 are as follows.

<u>Decision date</u>	<u>Record date</u>	<u>Total dividend value (millions of yen)</u>	<u>Dividend per share (yen)</u>
Board of Directors October 31, 2018	September 30, 2018	10,148	3.00
Board of Directors April 25, 2019	March 31, 2019	9,933	3.00

## **4. Status of Corporate Governance and Other**

### **(1) Status of Corporate Governance**

#### **Underlying Concept of Corporate Governance**

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

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

In 2001, when the Company adopted a holding company structure and was listed on the New York Stock Exchange (NYSE), the Company installed Outside Directors and established the Internal Controls Committee as a voluntary institutional design, as well as the Compensation Committee (comprised of a majority of Outside Directors) and the Advisory Board of eminent persons from outside the Company.

Beginning in 2003, the Company has further strengthened and increased the transparency of the Company’s oversight functions by converting to a Company with Three Board Committees and establishing the Nomination, Audit and Compensation Committees, which are all comprised of a majority of Outside Directors. At the same time, considerable authority for the execution of business functions has been delegated to the Company’s Executive Officers to expedite the decision-making process within the Nomura Group.

In addition, the Company is striving to fulfill its responsibility to all stakeholders by establishing the “Code of Ethics of Nomura Group” in 2004 as a code of conduct to be observed by each director, officer and employee of the Nomura Group.

The “Code of Ethics of Nomura Group” can be accessed from the Company’s website.  
(<https://www.nomuraholdings.com/company/basic/ethics.pdf>)

In November 2015, recognizing the perspectives of various stakeholders beginning with shareholders and clients, the Company established the “Nomura Holdings Corporate Governance Guidelines” for the purpose of contributing to realizing effective corporate governance as a structure for transparent/fair and timely/decisive decision-making.

The “Nomura Holdings Corporate Governance Guidelines” can be accessed from the Company’s website  
([http://www.nomuraholdings.com/company/cg/data/cg\\_guideline.pdf](http://www.nomuraholdings.com/company/cg/data/cg_guideline.pdf)).

In addition, apart from meetings of the Board of Directors, meetings of Outside Directors have been established to discuss matters such as matters regarding the business and corporate governance of the Company, and further, by welcoming experts from Asia to the Advisory Board, the Company is developing its governance toward becoming “Asia’s global investment bank.”

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

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

A Company with Three Board Committees establishes nomination, audit and compensation committees, which are each to be comprised of a majority of Outside Directors, and in addition to striving to enhance management oversight and improve transparency by separating management oversight and business execution functions, it is a structure that makes it possible to strive to expedite the decision-making process by broadly delegating authority for the execution of business functions from the Board of Directors to the Executive Officers. Further, the Company believes that a Company with Three Board Committees is the most compatible with the corporate governance standards which form a part of the NYSE (which the company is listed on) Listed Company Manual.

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

**<The Board of Directors and Committees>**

The main role of the Company's Board of Directors is management oversight and the purpose of the Board of Directors of the Company is to strive for the Company's sustainable growth and maximization of corporate value over the mid to long-term. The Board of Directors, in addition to ensuring the fairness and transparency of the management, determines the "Fundamental Management Policy," and appointments of executive officers that manage the Company such as the Group CEO and important business execution decisions are made based on such policy.

The Board of Directors of the Company, to perform its management oversight functions appropriately, has a general rule that the majority of the Board of Directors must be Outside Directors. Six out of the current ten Directors of the Company's Board of Directors are Outside Directors, and to enable active discussion from diversified perspectives, the Board of Directors is composed of members with diversity, such as nationality, gender and professional background, and with expertise such as accounting and corporate management.

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

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

(1) Nomination Committee

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

(2) Audit Committee

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

(3) Compensation Committee

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

**<Business Execution Framework>**

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

(1) Executive Management Board

This Board is chaired by the Group Chief Executive Officer ("Group CEO") Koji Nagai and also consists of the Group Co-Chief Operating Officers ("Group Co-COO") Kentaro Okuda and Toshio Morita, and other persons designated by the Group CEO. The Executive Management Board deliberates and determines management strategies, business plans, budgets, allocation of management resources, and other important matters related to the management of the Nomura Group.

(2) Group Integrated Risk Management Committee

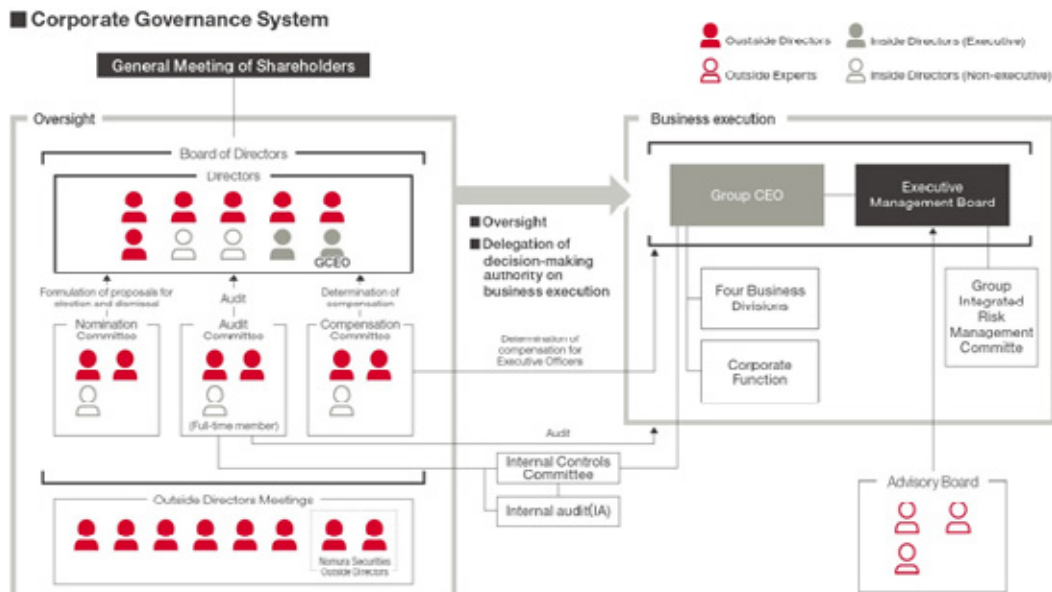
This committee is chaired by the Group CEO Koji Nagai and also consists of the Group Co-COOs Kentaro Okuda and Toshio Morita, Division Heads (responsible for execution of business in each division), Chief Risk Officer (CRO), Chief Financial Officer (CFO), Co-CRO and other persons designated by the Group CEO. The Executive Management Board has delegated authority to the Group Integrated Risk Committee to deliberate and determine important matters concerning enterprise risk management of the Nomura Group. Furthermore, concerning individual matters with high importance based on position-risk management, the "Global Risk Management Committee" has been established under the Group Integrated Risk Management Committee to deliberate and decide on such matters. Other than this, concerning risk management, by taking measures such as establishing conference bodies for deliberations concerning liquidity risk management and a specialized department to carry out information gathering and data analysis regarding risk management, an appropriate management structure based also on activities such as international discussions is being built. Please refer to Item 2 "Operating and Financial Review", "(5) Quantitative and Qualitative Disclosures about Market Risk" of the Section 3. "Operating, Financial and Cash Flow Analysis by Management" for other information relating to the status of the risk management system.

### (3) Internal Controls Committee

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

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

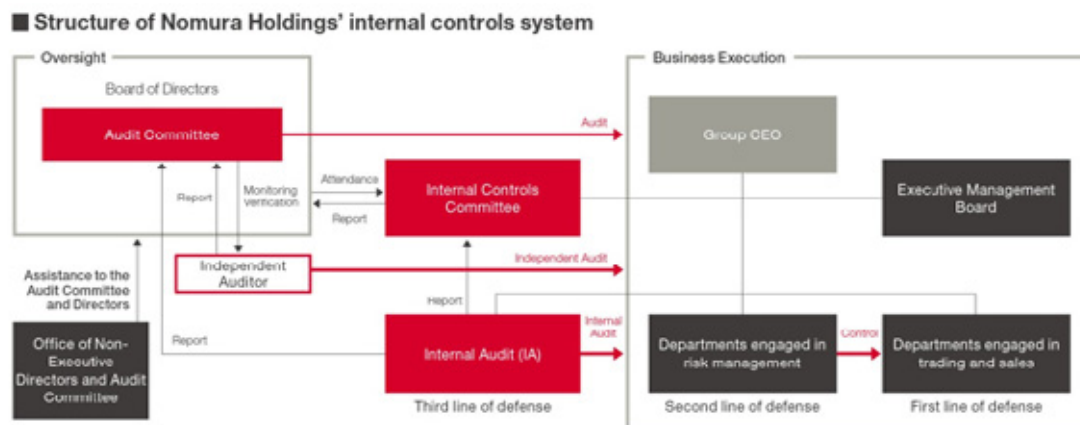
In addition to the above, an “Advisory Board”, consisting of external leaders with extensive expertise, has been established as a consultative panel for the Executive Management Board to utilize outside opinions in planning the Company’s management strategies.



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

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

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



Note: Internal Controls Committee: The Committee deliberates and determines matters regarding the establishment and evaluation of internal controls for the Nomura Group's business management structure as well as matters regarding the improvement of corporate behavior. Upon the consent of the Audit Committee, the Committee approves the internal audit plan, the budget regarding the internal audit, and elects and dismisses the Head of the Internal Audit Division. The Committee is comprised of Group CEO, person(s) assigned by Group CEO, member(s) of Audit Committee designated by the Audit Committee and Director(s) designated by Board of Directors.

## **Regulations regarding the Number of Directors**

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

## **Requirements for a Resolution to Appoint Directors**

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

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

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

## **Decision-Making Body for Dividends, etc.**

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

### **Release for Directors and Executive Officers**

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

### **Limitation of Liability Agreement**

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

### **Preferred Stock**

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



### (3) Status of audit

The provisions of (56) a (b) and d (a) ii) in the “Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.” Form No. 2 as amended by “Cabinet Office Ordinance for Partial Revision of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.” (Cabinet Office Ordinance No. 3 of January 31, 2019) have been early adopted from the annual securities report for the current fiscal year.

#### 1. Status of Audit committee

The Audit Committee is composed of three members including Mari Sono, a Certified Public Accountant, and Noriaki Shimazaki, a Financial Expert pursuant to the US Sarbanes-Oxley Act of 2002, both of whom have a considerable degree of knowledge regarding finance and accounting. The Audit Committee carries out an audit concerning the legality, validity, and efficiency of the execution by the Directors and Executive Officers of their duties and prepares audit reports based on the audit policy and implementation plan formulated by the Audit Committee, utilizing the Accounting Auditor and organizational units within the Company.

The Company established the Office of Non-Executive Directors and Audit Committee as a department dedicated to supporting the duties of the Audit Committee and Directors. To ensure the independence of the Office of Non-Executive Directors and Audit Committee from business execution, its employees are evaluated by either the Audit Committee or an Audit Committee member designated by the Audit Committee, and the consent of either the Audit Committee or an Audit Committee member designated by the Audit Committee is required for the hiring, transfer, or discipline of such employees. Furthermore, in order to increase the effectiveness of audits by the Audit Committee, a full-time director who does not concurrently serve as an executive officer may be appointed as necessary as a full-time Audit Committee member or an “Audit Mission Director.”

The Audit Committee met 17 times during the fiscal year. Each of its members attended all meetings and considered execution by the Directors, Executive Officers, etc. of their duties as well as establishment and operation of internal control systems. The Audit Committee also offers comments and proposals in the form of Observations of the Audit Committee regarding matters deemed to be especially important in regular reports on execution of duties submitted to the Board of Directors, and exchanges views with Directors who are not members of the Audit Committee. Additionally, the Audit Committee works closely with the Accounting Auditor and the Internal Audit Division to share information and exchange views on auditing issues and other matters through the Audit Committee and regular meetings.

In collaboration with external experts, the Audit Committee conducted an investigation into the leak of privileged information on plans to reorganize the Tokyo Stock Exchange sections that occurred at Nomura Securities and, based on the results of this investigation, submitted recommendations to the Board of Directors. The investigation confirmed that efforts to instill awareness of standards of conduct are still inadequate. Remediation measures have been developed based on the relevant recommendations, and the Audit Committee will carefully monitor and verify implementation of such measures and the situation regarding improvement of internal controls in the Nomura Group.

A full-time Audit Committee member shares duties with other Audit Committee members and attends or observes at important meetings including meetings of the Internal Controls Committee, the Executive Management Board, and the Group Integrated Risk Management Committee. The member also audits the status of business execution and related matters by means including interviewing Executive Officers, Senior Managing Directors, and key personnel of departments related to internal controls, and reports his or her findings to the Audit Committee. Moreover, the member strives to enhance the audit activities of the Nomura Group by serving as a director of major subsidiaries and monitoring the status of business execution and related matters at such companies.

#### 2. Status of internal audit

##### Organization, personnel and procedures for internal audits

In order to ensure effective and adequate internal controls, in addition to the establishment of the Group Internal Audit Department which is independent from the business execution functions, specialized internal audit departments have been similarly established at major affiliated subsidiaries, and internal audits are being conducted within the Nomura Group with approximately 200 staffs. In order to utilize audit resources effectively and efficiently, the Nomura Group’s Internal Audit Division endeavors to develop and implement the internal audit plans by carrying out risk assessments of each business and operation that is subject to an internal audit and determine the allocation of audit resources depending on the type and/or degree of inherent risks.

The implementation status of the internal audit is reported to the Internal Controls Committee, which is chaired by the Group CEO and includes a member of the Audit Committee, and the matters discussed at the Internal Controls Committee are also reported to the Board of Directors.

Cooperation in conducting internal audits, audits by the Audit Committee and accounting audits, and their relationship with the Internal Controls Division

The Audit Committee is coordinating with the Internal Audit Division by receiving reports from the Senior Managing Director in charge of internal audits or Audit Committee members, regarding matters such as the maintenance, operational status and implementation status of the internal audit structure, and concerning any matters worthy of special mention, such matters are included in the periodic reports from the Audit Committee to the Board of Directors. Through such reports, the Outside Directors recognize challenges, etc., based on the internal audits and provide advice, etc., as necessary, to executives.

In addition, the Audit Committee members may make recommendations to Executive Officers concerning, in relation to internal audits, changes to the implementation plan, implementation of additional audits or the formulation of improvement measures.

Further, the Audit Committee, as internal audits should promote the organization's value improvement and integrity through the improvement of business operations, to be able to make determinations concerning the appropriateness of an audit's scope and the sufficiency of audit personnel, may request the Head of the Internal Audit Division to provide suitable reports. The implementation plans and formulation of the budget in relation to internal audits, as well as the election and dismissal of the Head of the Internal Audit Division, in addition to requiring the approval of the Internal Controls Committee, in order to strengthen the independence of the Internal Audit Division from the business execution functions, the consent of the Audit Committee, or a member of the Audit Committee designated by the Audit Committee is required.

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

In addition, the Audit Committee Members receive reports directly from the accounting auditors as necessary, and the Head of Audit Committee and the full-time Audit Committee Members hold regular meetings with the accounting auditors and the executive officers in charge of internal audits to share and exchange opinions on matters such as the recognition of auditing issues, thereby enhancing the auditing activities of Nomura Group.

3. Status of accounting audit

a. Name of auditing firm

Ernst & Young ShinNihon LLC

b. Duration of the auditor's assignment

Since 1973

c. The certified accountants who executed the audit work

<u>Names of the accountants</u>	<u>Names to which the accountants belong to</u>
Designated and Operating Partner Noboru Miura	Ernst & Young ShinNihon LLC
Designated and Operating Partner Toyohiro Fukata	Ernst & Young ShinNihon LLC
Designated and Operating Partner Toru Nakagiri	Ernst & Young ShinNihon LLC
Designated and Operating Partner Kenjiro Tsumura	Ernst & Young ShinNihon LLC

Note: Years of the accountants' assignment is omitted due to less than seven years.

d. Composition of the assistants assigned to the audit work

Certified public accountants: 25 persons  
Others: 112 persons

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

e. Accounting Auditor Selection Policy and Reasons

The Audit Committee confirmed and verified the status of execution of the Accounting Auditor's duties by speaking directly with the Accounting Auditor concerning such execution and hearing opinions from the Finance Division and the Internal Audit Division within the Company. Having identified no facts relevant to the Dismissal or Non-Reappointment Policy with Regard to Accounting Auditor, the Audit Committee deemed it appropriate to reappoint the Accounting Auditor.

f. Dismissal or Non-Reappointment Policy with Regard to Accounting Auditor

1. If any of the items stipulated under Article 340, Paragraph 1 of the Companies Act apply to the Accounting Auditor, the Audit Committee shall consider dismissal of the Accounting Auditor, and if dismissal is determined to be reasonable, the Audit Committee will dismiss the Accounting Auditor by unanimous consent of all members of the Audit Committee. In such event, an Audit Committee Member appointed by the Audit Committee shall report the dismissal of the Accounting Auditor and reasons for dismissal at a general meeting of shareholders to be convened immediately after the dismissal.
2. In cases where the Audit Committee determines that the Accounting Auditor has issues in terms of fairness, or that maintenance of a more appropriate audit structure is needed, a proposal on dismissal or non-reappointment of the Accounting Auditor will be submitted to the annual general meeting of shareholders.

g. Evaluation of Accounting Auditor by the Audit Committee

The Audit Committee evaluated the Accounting Auditor in accordance with evaluation criteria determined by the Audit Committee.

Having confirmed matters including the Accounting Auditor's compliance with relevant laws and regulations and independence, quality control systems deemed appropriate for the Accounting Auditor to establish and operate, and audit status within the Company, the Audit Committee recognizes that the Accounting Auditor has specialized knowledge of financial product evaluation, US GAAP, etc. and global networks required to audit the Company, and that appropriate audits were conducted during the fiscal year.

4. Audit fees, etc.

a. Details of fees to Ernst & Young ShinNihon LLC

	(in millions of yen)			
	Year ended March 31, 2018		Year ended March 31, 2019	
	Audit	Non-audit	Audit	Non-audit
Company	¥ 839	¥ 190	¥ 856	¥ 41
Consolidated subsidiaries	380	57	406	54
<b>Total</b>	<b>¥ 1,219</b>	<b>¥ 247</b>	<b>¥ 1,262</b>	<b>¥ 95</b>

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

b. Details of fees to Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC (Except a.)

	(in millions of yen)			
	Year ended March 31, 2018		Year ended March 31, 2019	
	Audit	Non-audit	Audit	Non-audit
Company	¥ —	¥ 2	¥ —	¥ 3
Consolidated subsidiaries	1,855	558	2,035	530
<b>Total</b>	<b>¥ 1,855</b>	<b>¥ 560</b>	<b>¥ 2,035</b>	<b>¥ 533</b>

Ernst & Young ShinNihon LLC is a member firm of Ernst & Young. Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC also provide a various type of services, such as supporting tax filings and tax compliances with the Company and its consolidated subsidiaries.

c. Other details of significant fees based on audit attestation

Not applicable

d. Approval of audit fees

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

e. Agreement by audit committee on audit fee

The Audit Committee has received necessary documents and reports from the Chief Financial Officer (“CFO”), relevant internal divisions, and the Accounting Auditor, and has confirmed the structure of the Accounting Auditor’s audit team, audit plan, audit status, the status of the maintenance of the structure for controlling quality of the audit firm, and the basis for the calculation of estimated remuneration, etc. Additionally, the Audit Committee conducts pre-approval procedures in accordance with Article 202 of the Sarbanes-Oxley Act of 2002, etc. Based on the result of such confirmations and procedures, the Audit Committee has verified the compensation, etc. of the Accounting Auditor and determined that it is at a reasonable level to maintain and improve audit quality, and has given the Companies Act Article 399 Paragraph 1 consent.

#### **(4) Compensation**

##### **1 Compensation program**

###### **1 Compensation policy**

We have developed our compensation policy for both senior management 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 Nomura's compensation framework

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

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

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

## 3 Determination process for fixed and variable compensations

Fixed and variable compensations are determined based on various aspects such as internal and market-based peer comparisons, local and regional labor market standards and practices, besides some KPIs listed below sections. The total compensation amount determined here makes the percentage of variable compensation which is linked to organizational and individual performance.

### (a) Fixed compensation

Fixed compensation is primarily consisted of base salary and other allowances.

Base salary is determined by reflecting individual role, responsibility, knowledge, skills, competencies, experience, etc. Other allowances are determined by reflecting the local labor market standards and practices.

### (b) Variable compensation

Variable compensation is consisted of cash bonuses and deferred compensation, which are performance-linked compensations.

In determining performance-linked compensation, following indicators are referred: Income before income taxes, Net income attributable to NHI shareholders (Diluted), Cash dividends, and share prices. In addition to referring these financial indicators, the total compensation is determined by comprehensively considering individual responsibility and performance, as well as trends of global competitors and industry-wide compensation movements.

#### (b -1) 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 are adhered to when deciding on proportions of cash bonuses.

## (b -2) 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 the price of the Company's stock and imposing certain vesting conditions, 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 Japanese Financial Stability Board which recommends, among other things, a deferral period of three or more years.

All current deferred compensation awards except Plan A 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 are met.

The following table summarizes the main features of the key types of deferred compensation awards currently granted by Nomura to senior management and employees. Unless otherwise stated, deferred compensation awards are generally reduced, forfeited or clawed back in the event of termination of employment, material conduct issues, material downturns in performance of the Nomura Group and/or a material failure of risk management.

<u>Type of award</u>	<u>Key features</u>
<b>Restricted Stock Unit ("RSU") awards</b>	<ul style="list-style-type: none"><li>• Settled in the Company's common stock.</li><li>• Graded vesting period generally over three years.</li><li>• Extended vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform in Nomura.</li><li>• New type of award introduced in 2018 as the primary type of deferred compensation award in Nomura. Granted in May 2018 in respect of the prior fiscal year.</li></ul>
<b>Notional Stock Unit ("NSU") awards</b>	<ul style="list-style-type: none"><li>• Linked to the price of Company's common stock and cash-settled.</li><li>• Graded vesting period generally over three years. Extended vesting period of up to seven years for certain senior management and employees based on the role they perform in Nomura in order to meet local regulatory requirements.</li><li>• Used in countries where equity-settled RSU awards are less favorably treated from a tax or other perspective.</li><li>• Following the introduction of RSU awards, NSU awards are less commonly used in Nomura.</li><li>• Granted in May each year in respect of the prior fiscal year and also quarterly to new employees as a recruitment incentive to replace awards forfeited from prior employers.</li></ul>
<b>Stock Acquisition Right ("SAR") Plan A awards</b>	<ul style="list-style-type: none"><li>• Exercisable into 100 of the Company's common stock.</li><li>• Exercise price not less than the fair value of the Company's common stock on grant date.</li><li>• Cliff vesting period of two years.</li><li>• Expire approximately seven years after grant date.</li><li>• Not subject to claw back.</li><li>• Granted in November each year in respect of various performance periods.</li></ul>

Following the introduction of Restricted Stock Unit ("RSU") awards in 2018 as the primary type of deferred compensation award to be used by Nomura, certain core deferral awards and all supplemental awards are no longer used by Nomura.

For fiscal years ended March 31, 2017 and prior fiscal years, we granted SAR Plan B awards as a type of core deferral award to certain senior management which are stock unit awards linked to price of the Company's common stock pursuant to several stock unit plans designed to replicate the structure of restricted stock awards commonly used in the United States and Europe. These awards are physically-settled upon exercise into the Company's common stock, have an exercise price of ¥1 per share and graded vesting generally over three years with certain longer vesting or holding periods where required under local regulations, and are subject to forfeiture, reduction or clawback in the same way as the above awards.

For fiscal years ended March 31, 2011 through to March 31, 2017, we granted supplemental deferral awards comprising Collared Notional Stock Unit ("CSU") awards and Notional Index Unit ("NIU") awards. CSU awards are linked to the price of the Company's stock subject to a cap and a floor and NIU awards are linked to a world stock index quoted by Morgan Stanley Capital International. Both types of award are cash-settled with graded vesting generally over three years with certain longer vesting periods where required by local regulations, and are subject to forfeiture, reduction or clawback in the same way as the above awards.

Following the introduction of RSU awards, no new SAR Plan B, CSU or NIU awards were granted in May 2018 in respect of the fiscal year ended March 31, 2018. However, existing unvested awards continue to vest in accordance with their original contractual terms.

(b -3) Consistency with risk management and linkage to performance

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

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



## 2 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 <sup>(1)</sup>	Millions of yen			
		Year ended March 31, 2019			
		Basic Compensation <sup>(2)(3)</sup>	Bonus	Deferred Compensation <sup>(4)</sup>	Total
Directors	10	¥ 251	¥ —	¥ 42	¥ 293
(Outside Directors included in above)	(8)	(127)	(—)	(—)	(127)
Executive Officers	8	607	—	466	1,073
Total	18	¥ 858	¥ —	¥ 508	¥ 1,366

- (1) The number of people includes 2 Directors who retired in June 2018. There were 8 Directors and 8 Executive Officers as of March 31, 2019. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.
- (2) Basic compensation of ¥858 million includes other compensation (such as commuter pass allowances) of ¥1.12 million.
- (3) In addition to basic compensation of Executive Officers, ¥24 million of corporate housing costs, such as housing allowance and related tax adjustments, were provided.
- (4) Deferred compensation (such as RSU, SAR Plan A and B) granted during and prior to the fiscal year ended March 31, 2019 is recognized as expense in the financial statements for the fiscal year ended March 31, 2019.
- (5) Subsidiaries of the Company paid ¥49 million to Outside Directors as compensation etc. for their directorship at those subsidiaries for the year ended March 31, 2019.
- (6) The Company abolished retirement bonuses to Directors in 2001.

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

Name	Company	Category	Millions of yen							
			Fixed Remuneration (Basic Compensation)			Variable Compensation <sup>(1)</sup>				
			Base Salary	Equity Compensation (RSUs)	Total	Cash Bonus	Deferred Compensation (RSUs, etc.)	Total	Total	
Koji Nagai <sup>(2)</sup>	Nomura	Director, Representative Executive Officer (Group CEO)	¥102	¥ 17	¥119	¥—	¥ —	¥—	¥119	

- (1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2019.  
(2) In addition to basic compensation, ¥24 million of corporate housing costs, such as housing allowance and related tax adjustments, were provided.

## 3. Status of indicators referred in determining performance-linked compensation

Performance-linked compensation has been determined based on the mechanism described in above sections and certain indicators. Changes of the indicators between actuals of previous fiscal year and current year are referred in determining the performance-linked compensation as well as other qualitative information, compensation trends among competitors and industry.

Please refer to Item 1.1. “*Selected Financial Data*” for the actual values of the referring indicators.

### 3 Compensation governance and control

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 Compensation Committee was held 4 times during the fiscal year to review and determine policies, framework, and individual compensation of directors and executive officers. To ensure effective discussion and determination at the Compensation Committee, executive officers are invited. Regarding the members of the Compensation Committee, please refer to Item 4.4. “*Directors and Senior Management*”.

The Compensation Committee’s activities during the fiscal year are following, revision of Nomura’s deferred compensation framework and variable compensation were discussed and determined on April 26, 2018. In addition, on June 22, 2018, after the appointment of directors at the annual shareholder meeting, the Compensation Committee reviewed and confirmed our compensation policy and determined fixed compensation for new directors. On August 20, 2018, the Company held a Joint Committee of Nomination and Compensation in order to discuss a succession plan for Group CEO and revision of the institutional design of major subsidiaries. On March 29, 2019, the fixed remuneration was determined for newly appointed executive officers as of April 1.

## (5) Status of Equity Investment

### 1. Standards and concepts for classification of equity investment

The pure investment purpose is to obtain profits mainly from capital gain or dividends income.

### 2. Equity investment not for pure investment purpose

#### a. Method of verifying holding policies and the reasonableness of holding, and the content of assessment by the Board of Directors regarding the appropriateness of holding individual shares

The basic policy for strategic shareholdings and the methods to verify the reasonableness of the holding are as follows.

- \* Regarding strategic shareholdings held by the Nomura Group, the Company and its core subsidiaries shall consider the risks and costs involved in holding such shares and perspectives of business strategy, such as opportunities to increase the revenues of the Company's businesses through the expansion of transactions or business alliances with the company whose shares are held, and shall hold such shares only if such shareholdings will contribute to maintaining/enhancing the corporate value of the Nomura Group.
- \* The Board of Directors shall establish Strategic Shareholdings Consideration Committee for the purpose of conducting continuous considerations with respect to the purpose of the holding of strategic shareholdings within the Nomura Group.
- \* After consideration of the holding status of strategic shareholdings along the lines of the policy by the Strategic Shareholdings Consideration Committee, concerning stocks whose sale has been determined to be reasonable, the Company shall proceed with the sale of such stocks while taking into consideration the impact on the market and other circumstances.
- \* The Board of Directors shall assess the content of what was considered at the Strategic Shareholdings Consideration Committee.

At the Board of Directors meeting, based on the results of discussions at the Strategic Shareholdings Consideration Committee, Nomura verified the appropriateness of holding strategic shareholdings by confirming the ratio of strategic holdings to Nomura's total capital and the status of continual reduction of strategic holdings.

#### b. Number of the different securities and amount on balance sheet

	<u>Securities</u> Number of the different securities	<u>Millions of yen</u> Amount on balance sheet
Non-listed securities	162	16,317
Listed securities	114	94,701

(Securities whose number of shares increased during the fiscal year ended March 31, 2019)

	<u>Securities</u> Number of the different securities	<u>Millions of yen</u> Acquisition cost for the increase in number of shares	<u>Reason for the increase in number of shares</u>
Non-listed securities	—	—	N/A
Listed securities	—	—	N/A

(Securities whose number of shares decreased during the fiscal year ended March 31, 2019)

	<u>Securities</u> Number of the different securities	<u>Millions of yen</u> Proceeds from sale of shares
Non-listed securities	15	87
Listed securities	6	432

c. Information on number of shares, amount on balance sheet, etc. by security

Name of security	Year ended March 31, 2019		Year ended March 31, 2018		Purpose and quantitative effect of holding	Holder of the Company's shares
	in thousand shares	Millions of yen	in thousand shares	Millions of yen		
	Number of shares	Amount on balance sheet	Number of shares	Amount on balance sheet		
TOYOTA MOTOR CORPORATION	3,553	23,048	3,553	24,249	B	Yes
Asahi Group Holdings, Ltd.	2,650	13,065	2,650	15,018	B	No
DENTSU INC.	2,400	11,220	2,400	11,208	B	Yes
Japan Exchange Group, Inc.	4,429	8,738	4,429	8,725	B	No
Resona Holdings, Inc.	7,905	3,792	7,905	4,443	B	No
The Chiba Bank, Ltd.	5,693	3,422	5,693	4,868	C	Yes
Nankai Electric Railway Co., Ltd.	663	2,026	663	1,768	B	No
Mitsui Fudosan Co., Ltd.	516	1,436	516	1,332	B	No
The Gunma Bank, Ltd.	3,168	1,327	3,168	1,913	C	Yes
HIROSE ELECTRIC CO., LTD.	110	1,282	110	1,612	B	Yes
NIPPON EXPRESS CO., LTD.	206	1,269	206	1,467	B	Yes
THE SHIZUOKA BANK, LTD.	1,500	1,265	1,500	1,509	C	No
Takashimaya Company, Limited	690	1,016	1,379	1,408	B	Yes
Nippon Television Holdings, Inc.	548	910	548	1,033	B	Yes
Heiwa Corporation	400	885	400	856	B	No
Nishi-Nippon Financial Holdings, Inc.	922	867	922	1,138	C	Yes
The Hiroshima Bank, Ltd.	1,500	846	1,500	1,202	C	No
ULVAC, Inc.	247	790	247	1,474	B	No
C.Uyemura & Co., Ltd.	114	742	114	938	B	No
The Musashino Bank, Ltd.	313	692	313	1,051	C	Yes
Kyushu Financial Group, Inc.	1,395	628	1,395	734	C	No
The Aomori Bank, Ltd.	204	599	204	657	C	No
The Juroku Bank, Ltd.	262	588	262	742	C	Yes
JAPAN SECURITIES FINANCE CO., LTD.	1,000	584	1,000	653	B	Yes
Suruga Bank Ltd.	1,136	583	1,136	1,669	C	Yes
The Awa Bank, Ltd.	200	563	1,000	682	C	Yes
The Iyo Bank, Ltd.	934	547	934	748	C	Yes
Hibino Corporation	200	536	200	329	B	No
Hokuhoku Financial Group, Inc.	413	476	413	596	C	Yes
HOKKO CHEMICAL INDUSTRY CO., LTD.	836	468	836	610	C	Yes
North Pacific Bank, Ltd.	1,670	463	1,670	593	C	Yes
Seven & i Holdings Co., Ltd.	109	456	109	498	B	No
DSB Co., Ltd.	1,071	441	1,071	694	A	Yes
Mebuki Financial Group, Inc.	1,519	430	1,519	621	C	No
BROTHER INDUSTRIES, LTD.	200	410	200	495	B	No
GS Yuasa Corporation	168	365	840	487	B	No
Tokyo Kiraboshi Financial Group, Inc.	218	342	218	553	C	Yes
NSK Ltd.	325	337	325	463	B	No
The Bank of Iwate, Ltd.	100	327	100	421	C	No
The Hachijuni Bank, Ltd.	693	318	693	395	C	No
TOMONY Holdings, Inc.	723	304	723	342	C	Yes
NIPPON SHOKUBAI CO., LTD.	40	289	40	289	B	Yes
The Bank of Nagoya, Ltd.	78	277	78	307	C	Yes
Tokuyama Corporation	100	261	100	339	B	No
The Yamanashi Chuo Bank, Ltd.	187	256	935	410	C	Yes
Fukuoka Financial Group, Inc.	88	216	439	252	C	No
AT-Group Co., Ltd.	105	213	105	295	B	No
Sintokogio, Ltd.	210	200	210	233	B	Yes
The Eighteenth Bank, Limited	66	182	664	181	C	Yes
THK CO., LTD.	65	178	65	286	B	No
Senshu Ikeda Holdings, Inc.	626	178	626	250	C	No
The Miyazaki Bank, Ltd.	62	173	62	206	C	Yes
ICOM INCORPORATED	78	172	78	204	B	No
Daishi Hokuetsu Financial Group, Inc.	54	170	109	252	C	No
Japan Transcity Corporation	368	164	368	173	B	Yes
Meito Sangyo Co., Ltd.	106	161	106	168	B	Yes
ALPHA SYSTEMS INC.	59	156	N/A	N/A	B	No

FUJI CO., LTD.	77	147	77	174	C	Yes
The Ogaki Kyoritsu Bank, Ltd.	62	142	N/A	N/A	C	Yes
OHASHI TECHNICA INC.	100	139	100	174	B	No
The Aichi Bank, Ltd.	N/A	N/A	38	203	C	No
Nihon Yamamura Glass Co., Ltd.	N/A	N/A	880	166	B	No

(Note)

1. Shares held in trust are not considered as the shares held by issuer company.
2. It is difficult to describe the effects of quantitative retention because of the diversified reasons. Please refer (5) 2a.
3. N/A means that the amount of securities on the balance sheet is not more than 1% of Shareholders' equity of the Company and not in top 60.
4. Purpose and quantitative effect of holding
  - A: For the partnership in the securities business, mainly in Retail Division
  - B: To create business opportunities, and to maintain, strengthen, and expand business relationships, mainly in Wholesale Division
  - C: To create business opportunities, maintain, strengthen, and expand business relationships and relationships with local economies, mainly in Retail Division

### 3. Equity investments for pure investment purpose

	Year ended March 31, 2019		Year ended March 31, 2018	
	Securities Number of the different securities	Millions of yen Amount on balance sheet	Securities Number of the different securities	Millions of yen Amount on balance sheet
Non-listed securities	1	300	1	300
Listed securities	4	6,053	5	8,514

	Year ended March 31, 2019		
	Dividends received	Gains on sale	Gains on valuation
Non-listed securities	—	—	—
Listed securities	109	—	4,060

## Item 5. Financial Information

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

- (1) Pursuant to Article 95 of “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976), the consolidated financial statements were prepared in accordance with the accounting principles which are required in order to issue American Depositary Shares (“ADS”), i.e., the accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- (2) The consolidated financial statements were prepared by making necessary adjustments to the financial statements of each consolidated company which were prepared in accordance with the accounting principles generally accepted in each country. Such adjustment has been made to comply with above-mentioned principles in (1).
- (3) The unconsolidated financial statements of the Company were prepared based on the “Ordinance on Terminology, Forms and Preparation Methods of Financial Statements” (Ministry of Finance Ordinance No. 59, 1963) (the “Ordinance”). Also, the financial statements of the Company are prepared in accordance with Article 127 of the Ordinance.

### 2. Audit Certificate

Under Article No.193-2-1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed audits of the consolidated and unconsolidated financial statements for the year ended March 31, 2019.

Under Article No. 24-2-1 of the Financial Instruments and Exchange Act, the registrant filed the amended Annual Securities Report, which Ernst & Young ShinNihon LLC performed audits of the restated consolidated financial statements.

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

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

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	Note	Millions of yen	
		March 31	
		2018	2019
<b>ASSETS</b>			
Cash and cash deposits:			
Cash and cash equivalents		¥ 2,354,639	¥ 2,686,659
Time deposits		315,445	289,753
Deposits with stock exchanges and other segregated cash		288,962	285,457
Total cash and cash deposits		<u>2,959,046</u>	<u>3,261,869</u>
Loans and receivables:			
Loans receivable (including ¥554,137 million and ¥664,585 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 8	2,462,503	2,544,218
Receivables from customers (including ¥13 million and ¥8,318 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 4	442,343	449,706
Receivables from other than customers		973,867	892,283
Allowance for doubtful accounts	*8	(3,514)	(4,169)
Total loans and receivables		<u>3,875,199</u>	<u>3,882,038</u>
Collateralized agreements:			
Securities purchased under agreements to resell (including ¥1,186,096 million and ¥647,545 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2	9,853,898	13,194,543
Securities borrowed		6,383,845	4,112,416
Total collateralized agreements		<u>16,237,743</u>	<u>17,306,959</u>
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥5,486,551 million and ¥5,200,360 million in 2018 and 2019, respectively; including ¥7,047 million and ¥10,273 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 3	14,962,690	14,355,712
Private equity investments (including ¥4,416 million and ¥4,047 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2	17,466	30,077
Total trading assets and private equity investments		<u>14,980,156</u>	<u>14,385,789</u>
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥397,834 million and ¥416,052 million in 2018 and 2019, respectively)		338,984	349,365
Non-trading debt securities	*2	485,891	460,661
Investments in equity securities	*2	150,760	138,447
Investments in and advances to affiliated companies	*8, 20	408,034	436,220
Other (including ¥176,029 million and ¥151,233 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 10	908,134	748,091
Total other assets		<u>2,291,803</u>	<u>2,132,784</u>
Total assets		<u>¥40,343,947</u>	<u>¥40,969,439</u>

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



**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**

	Note	Millions of yen	
		March 31	
		2018	2019
<b>LIABILITIES AND EQUITY</b>			
Short-term borrowings (including ¥372,188 million and ¥362,612 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 11	¥ 743,497	¥ 841,758
Payables and deposits:			
Payables to customers	*4	1,176,773	1,229,083
Payables to other than customers		1,239,540	1,146,336
Deposits received at banks	*2	1,151,342	1,392,619
Total payables and deposits		<u>3,567,655</u>	<u>3,768,038</u>
Collateralized financing:			
Securities sold under agreements to repurchase (including ¥435,905 million and ¥159,430 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2	14,759,010	15,036,503
Securities loaned (including ¥133,375 million and ¥131,677 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2	1,524,363	1,229,595
Other secured borrowings		413,621	418,305
Total collateralized financing		<u>16,696,994</u>	<u>16,684,403</u>
Trading liabilities	*2, 3	8,202,936	8,219,811
Other liabilities (including ¥25,482 million and ¥15,011 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 10	950,534	858,867
Long-term borrowings (including ¥2,857,835 million and ¥3,576,293 million measured at fair value by applying the fair value option in 2018 and 2019, respectively)	*2, 11	7,382,507	7,915,769
Total liabilities		<u>37,544,123</u>	<u>38,288,646</u>
Commitments and contingencies (Note 21)	*21		
Equity:	*18		
Nomura Holdings, Inc. (“NHI”) shareholders’ equity:			
Common stock			
No par value shares;			
Authorized—6,000,000,000 shares in 2018 and 2019			
Issued—3,643,562,601 shares in 2018 and 3,493,562,601 shares in 2019			
Outstanding—3,392,937,486 shares in 2018 and 3,310,800,799 shares in 2019		594,493	594,493
Additional paid-in capital		675,280	687,761
Retained earnings		1,696,890	1,486,825
Accumulated other comprehensive income	*17	(59,356)	(29,050)
Total NHI shareholder’s equity before treasury stock		<u>2,907,307</u>	<u>2,740,029</u>
Common stock held in treasury, at cost—250,625,115 shares in 2018 and 182,761,802 shares in 2019		(157,987)	(108,968)
Total NHI shareholders’ equity		<u>2,749,320</u>	<u>2,631,061</u>
Noncontrolling interests		50,504	49,732
Total equity		<u>2,799,824</u>	<u>2,680,793</u>
Total liabilities and equity		<u>¥40,343,947</u>	<u>¥40,969,439</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 typically have any recourse to Nomura beyond the assets held in the VIEs. See Note 7 "*Securitizations and Variable Interest Entities*" for further information.

	<b>Billions of yen</b>	
	<b>March 31</b>	
	<b>2018</b>	<b>2019</b>
Cash and cash deposits	¥ 23	¥ 20
Trading assets and private equity investments	1,186	1,273
Other assets	91	126
<b>Total assets</b>	<b>¥ 1,300</b>	<b>¥ 1,419</b>
Trading liabilities	¥ 22	¥ 23
Other liabilities	2	3
Borrowings	953	1,035
<b>Total liabilities</b>	<b>¥ 977</b>	<b>¥ 1,061</b>

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

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Note	Millions of yen	
		Year ended March 31	
		2018	2019
<b>Revenue:</b>			
Commissions	*4	¥ 373,313	¥ 293,069
Fees from investment banking	*4	101,663	101,521
Asset management and portfolio service fees	*4	245,616	245,519
Net gain on trading	*2, 3	442,885	342,964
Gain (loss) on private equity investments		(869)	1,007
Interest and dividends		585,675	776,964
Gain (loss) on investments in equity securities		2,683	(6,983)
Other	*4, 10	221,192	81,057
Total revenue		1,972,158	1,835,118
Interest expense		475,189	718,348
Net revenue		1,496,969	1,116,770
<b>Non-interest expenses:</b>			
Compensation and benefits		530,641	497,065
Commissions and floor brokerage	*4	99,868	82,637
Information processing and communications		184,781	166,865
Occupancy and related depreciation		67,895	64,940
Business development expenses		36,762	36,915
Other	*10	248,864	306,049
Total non-interest expenses		1,168,811	1,154,471
Income (loss) before income taxes		328,158	(37,701)
Income tax expense	*16	103,866	57,010
Net income (loss)		¥ 224,292	¥ (94,711)
Less: Net income attributable to noncontrolling interests		4,949	5,731
Net income (loss) attributable to NHI shareholders		¥ 219,343	¥ (100,442)
<b>Yen</b>			
<b>Per share of common stock:</b>			
Basic—			
Net income (loss) attributable to NHI shareholders per share		¥ 63.13	¥ (29.90)
Diluted—			
Net income (loss) attributable to NHI shareholders per share		¥ 61.88	¥ (29.92)

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	
	2018	2019
Net income (loss)	¥ 224,292	¥ (94,711)
Other comprehensive income (loss):		
Change in cumulative translation adjustments:		
Change in cumulative translation adjustments	(77,067)	36,031
Deferred income taxes	14,263	(1,852)
Total	(62,804)	34,179
Defined benefit pension plans:		
Pension liability adjustment	(10,124)	(23,431)
Deferred income taxes	3,307	161
Total	(6,817)	(23,270)
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	(38,717)	—
Deferred income taxes	12,216	—
Total	(26,501)	—
Own credit adjustments:		
Own credit adjustments	(2,867)	25,135
Deferred income taxes	383	(4,988)
Total	(2,484)	20,147
Total other comprehensive income (loss)	(98,606)	31,056
Comprehensive income (loss)	125,686	(63,655)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(649)	6,481
Comprehensive income (loss) attributable to NHI shareholders	¥ 126,335	¥ (70,136)

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	
	2018	2019
<b>Common stock</b>		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of year	<u>594,493</u>	<u>594,493</u>
<b>Additional paid-in capital</b>		
Balance at beginning of year	681,329	675,280
Stock-based compensation awards	(5,465)	12,481
Changes in ownership interests in subsidiaries	(584)	—
Balance at end of year	<u>675,280</u>	<u>687,761</u>
<b>Retained earnings</b>		
Balance at beginning of year	1,663,234	1,696,890
Cumulative effect of change in accounting principle <sup>(1)</sup>	—	1,564
Net income (loss) attributable to NHI shareholders	219,343	(100,442)
Cash dividends	(68,703)	(20,080)
Gain (loss) on sales of treasury stock	(5,043)	(1,191)
Cancellation of treasury stock	(111,941)	(89,916)
Balance at end of year	<u>1,696,890</u>	<u>1,486,825</u>
<b>Accumulated other comprehensive income (loss)</b>		
<b>Cumulative translation adjustments</b>		
Balance at beginning of year	47,767	(15,596)
Net change during the year	(63,363)	33,429
Balance at end of year	<u>(15,596)</u>	<u>17,833</u>
<b>Defined benefit pension plans</b>		
Balance at beginning of year	(41,020)	(47,837)
Pension liability adjustment	(6,817)	(23,270)
Balance at end of year	<u>(47,837)</u>	<u>(71,107)</u>
<b>Non-trading securities</b>		
Balance at beginning of year	20,344	—
Net unrealized gain (loss) on non-trading securities	(20,344)	—
Balance at end of year	<u>—</u>	<u>—</u>
<b>Own credit adjustments</b>		
Balance at beginning of year	6,561	4,077
Own credit adjustments	(2,484)	20,147
Balance at end of year	<u>4,077</u>	<u>24,224</u>
Balance at end of year	<u>(59,356)</u>	<u>(29,050)</u>

**NOMURA HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)**

	Millions of yen	
	Year ended March 31	
	2018	2019
<b>Common stock held in treasury</b>		
Balance at beginning of year	(182,792)	(157,987)
Repurchases of common stock	(109,096)	(51,714)
Sales of common stock	0	0
Common stock issued to employees	21,398	10,817
Cancellation of treasury stock	111,941	89,916
Other net change in treasury stock	562	—
Balance at end of year	<u>(157,987)</u>	<u>(108,968)</u>
<b>Total NHI shareholders' equity</b>		
Balance at end of year	<u>2,749,320</u>	<u>2,631,061</u>
<b>Noncontrolling interests</b>		
Balance at beginning of year	53,875	50,504
Cash dividends	(1,955)	(2,685)
Net income attributable to noncontrolling interests	4,949	5,731
Accumulated other comprehensive income (loss) attributable to noncontrolling interests		
Cumulative translation adjustments	559	750
Net unrealized gain (loss) on non-trading securities	(6,157)	—
Purchase/sale (disposition) of subsidiary shares, etc., net	(9,392)	1,183
Other net change in noncontrolling interests	8,625	(5,751)
Balance at end of year	<u>50,504</u>	<u>49,732</u>
<b>Total equity</b>		
Balance at end of year	<u>¥ 2,799,824</u>	<u>¥ 2,680,793</u>

(1) Represents the adjustment to initially apply Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers.”

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	
	2018 (Restated)	2019 (Restated)
<b>Cash flows from operating activities:</b>		
Net income (loss)	¥ 224,292	¥ (94,711)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	71,579	57,924
<u>Provision for credit losses</u>	49	1,157
Impairment of goodwill	—	81,372
Stock-based compensation	9,650	21,814
(Gain) loss on investments in equity securities	(2,683)	6,983
(Gain) loss on investments in subsidiaries and affiliates	(66,982)	5,719
Equity in earnings of affiliates, net of dividends received	(21,226)	(19,043)
Loss on disposal of office buildings, land, equipment and facilities	3,747	2,455
Deferred income taxes	60,259	21,565
Changes in operating assets and liabilities:		
Deposits with stock exchanges and other segregated cash <sup>(2)</sup>	(72,069)	13,752
Trading assets and private equity investments <sup>(1)</sup>	(219,400)	923,595
Trading liabilities <sup>(1)</sup>	227,302	(143,141)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(453,239)	(3,274,866)
Securities borrowed, net of securities loaned	763,297	1,987,331
<u>Margin loans and receivables</u>	(920,738)	474,391
Payables <sup>(1)</sup>	209,460	(63,683)
Bonus accrual	(2,957)	(46,602)
Accrued income taxes, net	(5,842)	8,241
Other, net	(145,804)	(26,263)
Net cash used in operating activities <sup>(2)</sup>	<u>(341,305)</u>	<u>(62,010)</u>
<b>Cash flows from investing activities:</b>		
<u>Payments for placements of time deposits</u>	(287,509)	(214,787)
<u>Proceeds from redemption or maturity of time deposits</u>	178,671	232,600
Payments for purchases of office buildings, land, equipment and facilities	(285,161)	(319,090)
Proceeds from sales of office buildings, land, equipment and facilities	224,220	262,908
<u>Payments for purchases of equity investments</u>	(8,185)	(5,466)
<u>Proceeds from sales of equity investments</u>	13,727	3,725
<u>Net cash outflows from loans receivable at banks</u>	(107,214)	(72,441)
<u>Payments for purchases or origination of other non-trading loans</u>	(743,333)	(1,012,570)
<u>Proceeds from sales or repayments of other non-trading loans</u>	618,784	693,115
<u>Net cash outflows from interbank money market loans</u>	(292)	(278)
<u>Payments for purchases of non-trading debt securities</u>	(186,557)	(140,936)
<u>Proceeds from sales or maturity of non-trading debt securities</u>	268,613	170,388
<u>Divestitures, net of cash disposed of</u>	(13,125)	—
<u>Payments for purchases of investments in affiliated companies</u>	(1,000)	(13,093)
<u>Proceeds from sales of investments in affiliated companies</u>	44,849	4,803
Other, net	(13,229)	(9,342)
Net cash used in investing activities	<u>(296,741)</u>	<u>(420,464)</u>
<b>Cash flows from financing activities:</b>		
<u>Proceeds from issuances of long-term borrowings</u>	2,425,471	2,170,646
<u>Payments for repurchases or maturity of long-term borrowings</u>	(1,958,093)	(1,701,634)
<u>Proceeds from issuances of short-term borrowings</u>	965,095	1,501,738
<u>Payments for repurchases or maturity of short-term borrowings</u>	(695,484)	(1,427,749)
<u>Net cash outflows from interbank money market borrowings</u>	(53,898)	(6,982)
<u>Net cash inflows (outflows) from other secured borrowings</u>	(1,188)	78,150
<u>Net cash inflows (outflows) from deposits received at banks</u>	(8,445)	254,260
<u>Proceeds from sales of common stock</u>	764	313
<u>Payments for repurchases of common stock</u>	(109,096)	(51,714)
Payments for cash dividends	(70,199)	(47,475)
<u>Contributions from noncontrolling interests</u>	23,522	24,416
<u>Distributions to noncontrolling interests</u>	(9,097)	(23,972)
Net cash provided by financing activities	<u>509,352</u>	<u>769,997</u>

Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents <sup>(2)</sup>	(53,504)	44,741
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents <sup>(2)</sup>	(182,198)	332,264
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of year <sup>(2)</sup>	2,537,066	2,354,868
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of year <sup>(2)</sup>	<u>¥ 2,354,868</u>	<u>¥ 2,687,132</u>
Supplemental information:		
Cash paid during the year for—		
Interest	¥ 473,758	¥ 700,855
Income tax payments, net	<u>¥ 49,449</u>	<u>¥ 27,204</u>

- (1) Due to changes in accounting policy which Nomura adopted on April 1, 2018, certain reclassifications of amounts previously reported have been made to conform to the current year presentation. 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
- (2) In accordance with ASU 2016-18 “*Restricted Cash*” which Nomura adopted on April 1, 2018, certain reclassification of amounts previously reported as cash, cash equivalents, restricted cash and restricted cash equivalents for the years ended March 31, 2018 have been made to conform to the current year presentation.



The following table presents a reconciliation of *cash and cash equivalents*, and restricted cash and restricted cash equivalents reported in *deposits with stock exchanges and other segregated cash* within the consolidated balance sheets to the total of the same such amounts shown in the statements of cash flows above. Restricted cash and restricted cash equivalents are amounts where access, withdrawal or usage by Nomura is substantively prohibited by a third party entity outside of the Nomura group.

	<u>Millions of yen</u>	
	<u>Year ended March 31</u>	
	<u>2018</u>	<u>2019</u>
Cash and cash equivalents reported in <i>Cash and cash equivalents</i>	¥2,354,639	¥2,686,659
Restricted cash and restricted cash equivalents reported in <i>Deposits with stock exchanges and other segregated cash</i>	229	473
<b>Total cash, cash equivalent, restricted cash and restricted cash equivalents</b>	<b>¥2,354,868</b>	<b>¥2,687,132</b>

Restatement of above comparatives

See Note 1 “*Summary of Accounting Policies*” to these consolidated financial statements included in this annual report for further information on the nature of this restatement.

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

NOMURA HOLDINGS, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1. Basis of accounting and summary of accounting policies:**

**Restatement of historical annual consolidated financial statements**

*Nature of errors*

During the quarter ended March 31, 2024, the Company identified classification and presentation errors within the consolidated statements of cash flows as reported in historical annual financial statements. These classification errors related to the incorrect classification of cash flows arising from certain non-trading loans, other financial and non-financial transactions within operating rather than investing or financing activities. These presentation errors related to the presentation of certain cash flows from non-trading debt securities, short-term borrowings and other financial and non-financial transactions on a net rather than gross basis. None of these errors impact the consolidated balance sheets, consolidated statements of income or consolidated statements of comprehensive income and therefore do not impact previously reported earnings per share amounts.

The Company has concluded that certain of these errors are material and therefore the Company has restated comparative amounts included in the consolidated statements of cash flows during the years ended March 31, 2018, and March 31, 2019 to correct the identified classification and presentation errors.

The following tables present the impact of correction of each of these errors on prior amounts as previously reported in specific line items in the consolidated statement of cash flows and the restated amounts for the years ended March 31, 2018, and March 31, 2019.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Year ended March 31, 2019

Millions of yen

As Previously Reported			As Restated	
Line item	Amount	Adjustment	Line item	Amount
<i>[Line item not previously reported]</i>	—	1,157	Provision for credit losses	1,157
Time deposits	21,832	(21,832)	<i>[Line item removed]</i>	—
Trading assets and private equity investments	925,384	(1,789)	Trading assets and private equity investments	923,595
Other secured borrowings	1,198	(1,198)	<i>[Line item removed]</i>	—
Loans and receivables, net of allowance for doubtful accounts	157,599	316,792	Margin loans and receivables	474,391
Other, net	(32,288)	6,025	Other, net	(26,263)
Net cash used in operating activities	(361,165)	299,155	Net cash used in operating activities	(62,010)
<i>[Line item not previously reported]</i>	—	(214,787)	Payments for placements of time deposits	(214,787)
<i>[Line item not previously reported]</i>	—	232,600	Proceeds from redemption or maturity of time deposits	232,600
Proceeds from sales of investments in equity securities	519	(519)	<i>[Line item removed]</i>	—
<i>[Line item not previously reported]</i>	—	(5,466)	Payments for purchases of equity investments	(5,466)
<i>[Line item not previously reported]</i>	—	3,725	Proceeds from sales of equity investments	3,725
Increase in loans receivable at banks, net	(74,048)	1,607	Net cash outflows from loans receivable at banks	(72,441)
<i>[Line item not previously reported]</i>	—	(1,012,570)	Payments for purchases or origination of other non-trading loans	(1,012,570)
<i>[Line item not previously reported]</i>	—	693,115	Proceeds from sales or repayments of other non-trading loans	693,115
<i>[Line item not previously reported]</i>	—	(278)	Net cash outflows from interbank money market loans	(278)
Decrease in non-trading debt securities, net	29,452	—	Payments for purchases of non-trading debt securities	(140,936)
			Proceeds from sales or maturity of non-trading debt securities	170,388
Decrease (increase) in investments in affiliated companies, net	(8,290)	—	Payments for purchases of investments in affiliated companies	(13,093)
			Proceeds from sales of investments in affiliated companies	4,803
Other, net	(3,954)	(5,388)	Other, net	(9,342)
Net cash used in investing activities	(112,503)	(307,961)	Net cash used in investing activities	(420,464)
Increase in long-term borrowings	2,142,212	28,434	Proceeds from issuances of long-term borrowings	2,170,646
Decrease in long-term borrowings	(1,625,516)	(76,118)	Payments for repurchases or maturity of long-term borrowings	(1,701,634)
Increase (decrease) in short-term borrowings, net	85,900	(85,900)	<i>[Line item removed]</i>	—
<i>[Line item not previously reported]</i>	—	(6,982)	Net cash outflows from interbank money market borrowings	(6,982)
<i>[Line item not previously reported]</i>	—	78,150	Net cash inflows (outflows) from other secured borrowings	78,150
Increase (decrease) in deposits received at banks, net	257,471	(3,211)	Net cash inflows (outflows) from deposits received at banks	254,260
<i>[Line item not previously reported]</i>	—	24,416	Contributions from noncontrolling interests	24,416
<i>[Line item not previously reported]</i>	—	(23,972)	Distributions to noncontrolling interests	(23,972)
Net cash provided by financing activities	761,191	8,806	Net cash provided by financing activities	769,997

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Year ended March 31, 2018

Millions of yen

As Previously Reported			As Restated	
Line item	Amount	Adjustment	Line item	Amount
<i>[Line item not previously reported]</i>	—	49	Provision for credit losses	49
Time deposits	(100,642)	100,642	<i>[Line item removed]</i>	—
Trading assets and private equity investments	(239,330)	19,930	Trading assets and private equity investments	(219,400)
Other secured borrowings	79,121	(79,121)	<i>[Line item removed]</i>	—
Loans and receivables, net of allowance for doubtful accounts	(1,006,581)	85,843	Margin loans and receivables	(920,738)
Other, net	(122,846)	(22,958)	Other, net	(145,804)
Net cash used in operating activities	(445,690)	104,385	Net cash used in operating activities	(341,305)
<i>[Line item not previously reported]</i>	—	(287,509)	Payments for placements of time deposits	(287,509)
<i>[Line item not previously reported]</i>	—	178,671	Proceeds from redemption or maturity of time deposits	178,671
Payments for purchases of investments in equity securities	(61)	61	<i>[Line item removed]</i>	—
Proceeds from sales of investments in equity securities	932	(932)	<i>[Line item removed]</i>	—
<i>[Line item not previously reported]</i>	—	(8,185)	Payments for purchases of equity investments	(8,185)
<i>[Line item not previously reported]</i>	—	13,727	Proceeds from sales of equity investments	13,727
Increase in loans receivable at banks, net	(105,387)	(1,827)	Net cash outflows from loans receivable at banks	(107,214)
<i>[Line item not previously reported]</i>	—	(743,333)	Payments for purchases or origination of other non-trading loans	(743,333)
<i>[Line item not previously reported]</i>	—	618,784	Proceeds from sales or repayments of other non-trading loans	618,784
<i>[Line item not previously reported]</i>	—	(292)	Net cash outflows from interbank money market loans	(292)
Decrease in non-trading debt securities, net	80,634	(80,634)	<i>[Line item removed]</i>	—
<i>[Line item not previously reported]</i>	—	(186,557)	Payments for purchases of non-trading debt securities	(186,557)
<i>[Line item not previously reported]</i>	—	268,613	Proceeds from sales or maturity of non-trading debt securities	268,613
Business combinations or disposals, net	(13,125)	—	Acquisitions, net of cash acquired	—
Decrease (increase) in investments in affiliated companies, net	43,849	—	Divestitures, net of cash disposed of	(13,125)
Other, net	(2,073)	(11,156)	Payments for purchases of investments in affiliated companies	(1,000)
Net cash used in investing activities	(56,172)	(240,569)	Proceeds from sales of investments in affiliated companies	44,849
Increase in long-term borrowings	2,314,609	110,862	Other, net	(13,229)
Decrease in long-term borrowings	(1,964,657)	6,564	Net cash used in investing activities	(296,741)
Increase (decrease) in short-term borrowings, net	215,001	(215,001)	Proceeds from issuances of long-term borrowings	2,425,471
<i>[Line item not previously reported]</i>	—	965,095	Payments for repurchases or maturity of long-term borrowings	(1,958,093)
<i>[Line item not previously reported]</i>	—	(695,484)	<i>[Line item removed]</i>	—
<i>[Line item not previously reported]</i>	—	(53,898)	Proceeds from issuances of short-term borrowings	965,095
<i>[Line item not previously reported]</i>	—	(1,188)	Payments for repurchases or maturity of short-term borrowings	(695,484)
Increase (decrease) in deposits received at banks, net	(13,254)	4,809	Net cash outflows from interbank money market borrowings	(53,898)
<i>[Line item not previously reported]</i>	—	23,522	Net cash inflows (outflows) from other secured borrowings	(1,188)
<i>[Line item not previously reported]</i>	—	(9,097)	Net cash inflows (outflows) from deposits received at banks	(8,445)
Net cash provided by financing activities	373,168	136,184	Contributions from noncontrolling interests	23,522
			Distributions to noncontrolling interests	(9,097)
			Net cash provided by financing activities	509,352

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Therefore, the Company and other entities in which it has a controlling financial interest (collectively “Nomura”) prepares consolidated financial statements in accordance with the accounting principles, procedures and presentations which are required in order to issue ADS, i.e., U.S. generally accepted accounting principles (“U.S. GAAP”), pursuant to Article 95 of “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976). The following paragraphs describe the major differences between U.S. GAAP applied by Nomura and accounting principles generally accepted in Japan (“Japanese GAAP”) for the year ended March 31, 2019. Where the effect of these major differences are significant to Income before income taxes, Nomura discloses as (higher) or (lower) below the amount by which Income before income taxes based on U.S. GAAP was higher or lower than Japanese GAAP, respectively.

#### Scope of consolidation—

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

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

#### Unrealized gains and losses on investments in equity securities—

Under U.S. GAAP applicable to broker-dealers, minority investments in equity securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. Income before income taxes prepared under U.S. GAAP, therefore, was ¥1,898 million (higher) and ¥7,017 million (lower) for the years ended March 31, 2018 and 2019, respectively.

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

Under U.S. GAAP applicable to broker-dealers, investments in equity securities for other than operating purposes are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. Income before income taxes prepared under U.S. GAAP, therefore, was ¥1,789 million (higher) and ¥2,874 million (lower) for the years ended March 31, 2018 and 2019, respectively. The investments in equity securities for other than operating purposes are included in *Other assets-Other* in the consolidated balance sheets.

#### Unrealized gains and losses on non-trading debt securities—

Under U.S. GAAP applicable to broker-dealers, unrealized gains and losses on non-trading debt securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, unrealized gains and losses on non-trading debt securities, net of applicable income taxes, are reported in other comprehensive income. Income before income taxes prepared under U.S. GAAP, therefore, was ¥2,766 million (lower) and ¥1,889 million (higher) for the years ended March 31, 2018 and 2019, respectively.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Retirement and severance benefits—

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

#### Amortization of goodwill and equity method goodwill—

Under U.S. GAAP, goodwill is not amortized and is tested for impairment periodically. Under Japanese GAAP, goodwill is amortized over a certain period of less than 20 years using the straight-line method. Therefore, under U.S. GAAP, *Income before income taxes* was ¥6,948 million (higher) and ¥33,928 million (lower) for the years ended March 31, 2018 and 2019, respectively.

#### Changes in the fair value of derivative contracts—

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

#### Fair value for financial assets and financial liabilities—

Under U.S. GAAP, the fair value option may be elected for eligible financial assets and liabilities which would otherwise be carried on a basis other than fair value (“the fair value option”). Where the fair value option is elected, the financial asset or liability is carried at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, the fair value option is not permitted. Therefore, under U.S. GAAP, *Income before income taxes* was ¥9,639 million (higher) and ¥26,077 million (lower) for the years ended March 31, 2018 and 2019, respectively. In addition, non-marketable equity securities which are carried at fair value in the consolidated financial statements shall be carried at cost less impairment losses under Japanese GAAP.

#### Offsetting of amounts related to certain contracts—

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

#### Stock issuance costs—

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

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

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

#### Stock-based and other compensation awards—

Under U.S. GAAP, Restricted Stock Units (“RSUs”) are classified as equity awards, and the total compensation cost is measured based on the fair value of the Company’s common stock on the grant date. Under Japanese GAAP, the total compensation cost of RSUs is measured by the amount of monetary compensation liabilities which is granted to management and employees. Therefore, under U.S. GAAP, *Income before income taxes* was ¥3,076 million (higher) for the year ended March 31, 2019.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Description of business—

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

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

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

#### Basis of consolidated financial statements—

These consolidated financial statements include the financial statements of the Company and other entities in which it has a controlling financial interest. Nomura initially determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity (“VIE”) under Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 810 “Consolidation” (“ASC 810”). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Nomura consolidates VIEs where Nomura is the primary beneficiary, which is where Nomura holds variable interests that provide power over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses meeting a significance test, provided that Nomura is not acting as a fiduciary for other interest holders.

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

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

Certain entities in which Nomura has a financial interest are investment companies under ASC 946 “Financial Services—Investment Companies” (“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.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 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 both cases, fair value is generally 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.

The fair value of financial assets and financial liabilities of consolidated VIEs which meet the definition of collateralized financing entities are both measured using the more observable fair value of the financial assets and financial liabilities.

#### Transfers of financial assets—

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

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



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Foreign currency translation—

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

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

#### Revenue from services provided to clients—

Nomura earns revenue through fees and commissions from providing financial services to customers across all three business divisions. These services primarily include trade execution and clearing services, financial advisory services, asset management services, underwriting services, syndication services and distribution services.

Revenues are recognized when or as the customer obtains control of the service provided by Nomura which depends on when each of the key distinct substantive promises made by Nomura within the contract with the customer ("performance obligations") are satisfied. Such performance obligations are generally satisfied at a particularly point in time or, if certain criteria are met, over a period of time.

Revenues from providing trade execution and clearing services are reported in the consolidated statements of income within *Revenue—Commissions*, revenues from financial advisory services, underwriting services and syndication services are reported in *Revenue—Fees from investment banking* and revenues from asset management services are reported in *Revenue—Asset management and portfolio service fees*.

Costs to obtain or fulfill the underlying contract to provide services to a customer are deferred as assets if certain criteria are met. These deferred costs, which are reported in the consolidated balance sheets within *Other assets* are released to the consolidated statements of income when the related revenue from providing the service is also recognized or earlier if there is evidence that the costs are not recoverable and therefore impaired.

#### Trading assets and trading liabilities—

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Collateralized agreements and collateralized financing—**

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

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

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

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

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

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

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

*Trading balances of secured borrowings* consist of liabilities related to transfers of financial assets that are accounted for as secured financing transactions rather than sales under ASC 860 "*Transfers and Servicing*" ("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 7 "*Securitizations and Variable Interest Entities*" and Note 11 "*Borrowings*" for further information regarding these transactions.

NOMURA HOLDINGS, INC.

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 5 “*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.

Exchange traded and centrally cleared OTC derivatives typically involve daily variation margin payments and receipts which reflect changes in the fair value of the related derivative. Such variation margin amounts are accounted for as either a partial settlement of the derivative or as a separate cash collateral receivable or payable depending on the legal form of the arrangement.

*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.

## NOMURA HOLDINGS, INC.

### 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 immaterial as of March 31, 2018 and March 31, 2019.

See Note 8 “*Financing receivables*” for further information.

#### Other receivables—

*Receivables from customers* include amounts receivable on client securities transactions, amounts receivable from customers for securities failed to deliver and receivables for commissions. *Receivables from other than customers* include amounts receivable from brokers and dealers for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥419,161 million and ¥345,850 million as of March 31, 2018 and March 31, 2019, 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, 2018 and 2019.

	<b>Millions of yen</b>	
	<b>March 31</b>	
	<b>2018</b>	<b>2019</b>
Land	¥ 67,103	¥ 49,474
Office buildings	98,966	103,423
Equipment and facilities	45,164	75,206
Software	127,678	121,245
Construction in progress	73	17
Total	<u>¥338,984</u>	<u>¥349,365</u>

## NOMURA HOLDINGS, INC.

### 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 or the term of the lease.

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

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

Depreciation and amortization charges of both owned and capital lease assets are reported within *Non-interest expenses—Information processing and communications* in the amount of ¥58,300 million and ¥45,818 million, and in *Non-interest expenses—Occupancy and related depreciation* in the amount of ¥13,279 million and ¥12,106 million for the years ended March 31, 2018 and 2019, respectively.

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

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

#### **Investments in equity securities—**

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

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets—Investments in equity securities* in the consolidated balance sheets, with changes in fair value reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥111,297 million and ¥39,463 million, respectively, as of March 31, 2018 and ¥97,904 million and ¥40,543 million, respectively, as of March 31, 2019.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Other non-trading debt and equity securities—**

Certain non-trading subsidiaries within Nomura 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. Realized gains and losses on non-trading securities are reported within *Revenue—Other* in the consolidated statements of income.

See Note 6 “*Non-trading securities*” for further information.

**Short-term and long-term borrowings—**

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

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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. Structured borrowings are borrowings that have similar characteristics as structured notes.

All structured notes issued by Nomura on or after April 1, 2008 and certain structured borrowings issued by Nomura on or after April 1, 2018 are carried at fair value on a recurring basis through election of the fair value option. This blanket election for structured notes and certain structured borrowings are 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 11 “*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 16 “*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”) and Restricted Stock Units (“RSUs”) which are expected to be settled by the delivery of the Company’s common stock are classified as equity awards. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

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

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

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

See Note 14 “*Deferred compensation awards*” 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 12 “*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 the same level as or 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 10 "*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 15 "*Restructuring initiatives*" for further information.

**Employee benefit plans—**

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

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

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

See Note 13 "*Employee benefit plans*" for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

New accounting pronouncements adopted during the current year—

The following table presents a summary of new accounting pronouncements relevant to Nomura which have been adopted during the year ended March 31, 2019:

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”	<ul style="list-style-type: none"> <li>• Eliminates certain disclosure requirements from ASC 820, including transfers between Level 1 and Level 2 and valuation processes for Level 3 financial instruments.</li> <li>• Clarifies the disclosure requirement for the timing of redemption of investment in NAV and the uncertainty measurement.</li> <li>• Introduces new disclosure requirements, including changes in unrealized gains and losses for the reporting period included in other comprehensive income (“OCI”) for recurring Level 3 financial instruments held at the reporting date.</li> </ul>	<p>Nomura early adopted the eliminated and clarified disclosure requirements from October 1, 2018.</p> <p>Nomura plans to adopt the new disclosure requirements from April 1, 2020.</p>	<p>No material impacts on consolidated statements but certain disclosures about fair value measurement are removed or amended. See Note 2 “Fair Value Measurements” where these amended disclosures have been made.</p>
ASU 2014-09, “Revenue from Contracts with Customer” <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Replaces existing revenue recognition guidance in ASC 605 “Revenue Recognition” and certain industry-specific revenue recognition guidance with a new prescriptive model for recognition of revenue for services provided to customers.</li> <li>• Introduces specific guidance for the treatment of variable consideration, non-cash consideration, significant financing arrangements and amounts payable to the customer.</li> <li>• Revises existing guidance for principal-versus-agency determination.</li> <li>• Requires revenue recognition and measurement principles to be applied to sales of nonfinancial and in substance nonfinancial assets to noncustomers.</li> <li>• Specifies the accounting for costs to obtain or fulfill a customer contract.</li> <li>• Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers.</li> </ul>	<p>Modified retrospective adoption from April 1, 2018.</p>	<p>¥1,564 million adjustment to <i>Retained earnings</i>, ¥517 million adjustment to <i>Payables to other than customers</i>, ¥1,750 million adjustment to <i>Other long-term assets</i>, and ¥703 million to <i>Deferred tax assets</i> due to change in timing of recognition of revenues from sales of certain investment funds upon adoption on April 1, 2018. Other transitional changes were not significant.<sup>(2)(3)</sup></p>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-15, “ <i>Classification of Certain Cash Receipts and Cash Payments</i> ” and ASU 2016-18, “ <i>Restricted Cash</i> ”	<ul style="list-style-type: none"> <li>• Amends the classification of certain cash receipts and cash payments in the statement of cash flows.</li> <li>• Requires movements in restricted cash and restricted cash equivalents to be presented as part of cash and cash equivalents in the statement of cash flows.</li> <li>• Requires new disclosures on the nature and amount of restricted cash and restricted cash equivalents.</li> </ul>	Full retrospective adoption from April 1, 2018.	¥473 million of restricted cash and restricted cash equivalents are now presented with cash and cash equivalents in the statements of cash flows during the year ended March 31, 2019 and similar reclassifications have been made in comparative periods presented. See the reconciliation table provided with the statements of cash flows for further details.
ASU 2017-07, “ <i>Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost</i> ”	<ul style="list-style-type: none"> <li>• Clarifies the service cost component of net periodic pension cost to be reported in the same income statement line item as compensation costs arising from other services.</li> <li>• Clarifies only the service cost component is eligible for capitalization as an asset when applicable.</li> </ul>	Full retrospective adoption from April 1, 2018.	¥1,020 million reclassification from <i>Compensation and benefits to Other expenses</i> . Impacts on comparative periods presented were immaterial.

(1) As subsequently amended by ASU 2015-14 “*Revenue from Contracts with Customers—Deferral of the Effective Date*”, ASU 2016-08 “*Revenue from Contracts with Customers—Principal versus Agent Considerations*”, ASU 2016-10 “*Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing*” and certain other Accounting Standard Updates.

(2) Nomura collects and remits cash margin between institutional investors and central clearing houses in its execution and clearing services of exchange-traded derivative transactions. Cash margin remitted to central clearing houses was historically reflected on Nomura’s consolidated balance sheets as an asset of Nomura and liability to the investors. However, with effect from April 1, 2018, in connection with this adoption, Nomura no longer recognizes such asset and liability amounts on Nomura’s consolidated group balance sheet if certain criteria are met. Nomura has restated previously reported amounts of *Receivables from other than customers*, which decreased by ¥237,000 million and *Payables to other than customers*, which decreased by ¥237,000 million, respectively, to conform to the current presentation.

(3) See Note 4 “*Revenue from services provided to customers*” for new disclosures of revenues from services have been made and for further details of the impact of adoption of the new guidance.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future accounting developments—

The following table presents a summary of new authoritative accounting pronouncements relevant to Nomura which will be adopted on or after April 1, 2019 and which may have a material impact on these financial statements:

<u>Pronouncement</u>	<u>Summary of new guidance</u>	<u>Expected adoption date and method of adoption</u>	<u>Effect on these consolidated statements</u>
ASU 2016-02, “Leases” <sup>(1)</sup>	<ul style="list-style-type: none"> <li>• Replaces ASC 840 “Leases”, the current guidance on lease accounting, and revised the definition of a lease.</li> <li>• Requires all lessees to recognize a right of use asset and corresponding lease liability on balance sheet.</li> <li>• Lessor accounting is largely unchanged from current guidance.</li> <li>• Simplifies the accounting for sale leaseback and “build-to-suit” leases.</li> <li>• Requires extensive new qualitative and quantitative footnote disclosures on lease arrangements.</li> </ul>	Modified retrospective adoption from April 1, 2019. <sup>(2)</sup>	¥169,277 million increase in <i>Other Asset—Office buildings, land, equipment, and facilities</i> , and ¥163,685 million increase in <i>Other liabilities</i> as a result of recognizing operating leases on the consolidated balance sheet as of April 1, 2019. ¥5,592 million increase in <i>Retained earnings</i> of April 1, 2019 mainly due to changes in certain lease classifications.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-13, “ <i>Measurement of Credit Losses on Financial Instruments</i> ” <sup>(3)</sup>	<ul style="list-style-type: none"> <li>• Introduces a new model for recognition and measurement of credit losses against certain financial instruments such as loans, debt securities and receivables which are not carried at fair value with changes in fair value recognized through earnings. The model also applies to off balance sheet credit exposures such as written loan commitments, standby letters of credit and issued financial guarantees not accounted for as insurance, which are not carried at fair value through earnings.</li> <li>• The new model based on lifetime current expected credit losses (CECL) measurement, to be recognized at the time an in-scope instrument is originated, acquired or issued.</li> <li>• Replaces existing incurred credit losses model under current GAAP.</li> <li>• Requires enhanced qualitative and quantitative disclosures around credit risk, the methodology used to estimate and monitor expected credit losses and changes in estimates of expected credit losses.</li> </ul>	Modified retrospective adoption from April 1, 2020. <sup>(4)</sup>	Currently evaluating the potential impact but an overall increase in allowances for credit losses are expected to be recognized which will impact earnings in subsequent reporting periods.

(1) As subsequently amended by ASU 2018-01 “*Land Easement Practical Expedient for Transition to Topic 842*”, ASU 2018-10 “*Codification Improvements to Topic 842, Leases*”, ASU 2018-11 “*Leases (Topic 842): Targeted Improvements*”, ASU 2018-20 “*Leases (Topic 842): Narrow-Scope Improvements for Lessors*”, and ASU 2019-01 “*Leases (Topic 842): Codification Improvements*.”

(2) Nomura plans to use certain practical expedients permitted by ASC 842 including adopting the new requirements through a cumulative-effect adjustment to retained earnings on adoption date.

(3) As subsequently amended by ASU 2018-19 “*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*”, ASU 2019-04 “*Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*”, and ASU 2019-05 “*Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*.”

(4) Unless Nomura early adopts which is considered unlikely as of the date of these consolidated financial statements.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 2. Fair value measurements:

##### The fair value of financial instruments

A significant amount of Nomura's financial instruments is measured at fair value. Financial assets measured 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 measured 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 "*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 the principal market for the relevant financial assets or financial liabilities, or in the absence of a principal market, the most advantageous market.

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

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

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

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

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

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



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The level of adjustments is largely judgmental and is based on an assessment of the factors that management believe other market participants would use in determining the fair value of similar financial instruments. The type of adjustments taken, the methodology for the calculation of these adjustments, and the valuation inputs for these calculations are reassessed periodically to reflect current market practice and the availability of new information.

For example, the fair value of certain financial instruments includes adjustments for credit risk; both with regards to counterparty credit risk on positions held and Nomura's own creditworthiness on positions issued. Credit risk on financial assets is significantly mitigated by credit enhancements such as collateral and netting arrangements. Any net credit exposure is measured using available and applicable valuation inputs for the relevant counterparty. The same approach is used to measure the credit exposure on Nomura's financial liabilities as is used to measure counterparty credit risk on Nomura's financial assets.

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The Global Model Validation Group ("MVG") within Nomura's Risk Management Department reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about a model's suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

As explained above, any changes in fixed income, equity, foreign exchange and commodity markets can impact Nomura's estimates of fair value in the future, potentially affecting trading gains and losses. Where financial contracts have longer maturity dates, Nomura's estimates of fair value may involve greater subjectivity due to the lack of transparent market data.

#### **Fair value hierarchy**

All financial instruments measured at fair value, including those measured 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:

Observable valuation inputs that reflect quoted prices (unadjusted) for identical financial instruments traded in active markets at the measurement date.

##### Level 2:

Valuation inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the financial instrument.

##### Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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

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

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

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

NOMURA HOLDINGS, INC.

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, 2018 and 2019 within the fair value hierarchy.

	Billions of yen				
	March 31, 2018				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting <sup>(1)</sup>	Balance as of March 31, 2018
<b>Assets:</b>					
Trading assets and private equity investments <sup>(2)</sup>					
Equities <sup>(3)</sup>	¥1,741	¥ 907	¥ 21	¥ —	¥ 2,669
Private equity investments <sup>(3)</sup>	—	3	3	—	6
Japanese government securities	2,205	—	—	—	2,205
Japanese agency and municipal securities	—	188	1	—	189
Foreign government, agency and municipal securities	2,980	1,234	6	—	4,220
Bank and corporate debt securities and loans for trading purposes	—	1,186	139	—	1,325
Commercial mortgage-backed securities (“CMBS”)	—	2	2	—	4
Residential mortgage-backed securities (“RMBS”)	—	2,803	0	—	2,803
Real estate-backed securities	—	—	63	—	63
Collateralized debt obligations (“CDOs”) and other <sup>(4)</sup>	—	62	24	—	86
Investment trust funds and other	271	67	1	—	339
Total trading assets and private equity investments	7,197	6,452	260	—	13,909
Derivative assets <sup>(5)(13)</sup>					
Equity contracts	2	973	36	—	1,011
Interest rate contracts	16	8,009	71	—	8,096
Credit contracts	0	498	17	—	515
Foreign exchange contracts	0	5,447	48	—	5,495
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(14,094)	(14,094)
Total derivative assets	19	14,927	172	(14,094)	1,024
Subtotal	¥7,216	¥21,379	¥ 432	¥ (14,094)	¥ 14,933
Loans and receivables <sup>(6)</sup>	—	484	70	—	554
Collateralized agreements <sup>(7)</sup>	—	1,181	5	—	1,186
Other assets					
Non-trading debt securities	133	353	—	—	486
Other <sup>(2)(3)</sup>	463	15	169	—	647
Total	¥7,812	¥23,412	¥ 676	¥ (14,094)	¥ 17,806
<b>Liabilities:</b>					
Trading liabilities					
Equities	¥1,146	¥ 191	¥ 1	¥ —	¥ 1,338
Japanese government securities	2,263	—	—	—	2,263
Japanese agency and municipal securities	—	1	—	—	1
Foreign government, agency and municipal securities	2,786	590	—	—	3,376
Bank and corporate debt securities	—	391	0	—	391
Residential mortgage-backed securities (“RMBS”)	—	1	—	—	1
Collateralized debt obligations (“CDOs”) and other <sup>(4)</sup>	—	3	0	—	3
Investment trust funds and other	71	25	0	—	96
Total trading liabilities	6,266	1,202	1	—	7,469
Derivative liabilities <sup>(5)(13)</sup>					
Equity contracts	1	1,080	37	—	1,118
Interest rate contracts	9	7,427	124	—	7,560
Credit contracts	0	410	15	—	425
Foreign exchange contracts	0	5,066	21	—	5,087
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(13,457)	(13,457)
Total derivative liabilities	11	13,983	197	(13,457)	734
Subtotal	¥6,277	¥15,185	¥ 198	¥ (13,457)	¥ 8,203
Short-term borrowings <sup>(8)</sup>	¥ —	¥ 355	¥ 17	¥ —	¥ 372

Payables and deposits <sup>(9)</sup>	—	0	(1)	—	(1)
Collateralized financing <sup>(7)</sup>	—	566	3	—	569
Long-term borrowings <sup>(8)(10)(11)</sup>	18	2,403	429	—	2,850
Other liabilities <sup>(12)</sup>	293	33	1	—	327
<b>Total</b>	<u>¥6,588</u>	<u>¥18,542</u>	<u>¥ 647</u>	<u>¥ (13,457)</u>	<u>¥ 12,320</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen				
	March 31, 2019				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting <sup>(1)</sup>	Balance as of March 31, 2019
<b>Assets:</b>					
Trading assets and private equity investments <sup>(2)</sup>					
Equities <sup>(3)</sup>	¥1,392	¥ 1,065	¥ 13	¥ —	¥ 2,470
Private equity investments <sup>(3)</sup>	—	—	26	—	26
Japanese government securities	1,987	—	—	—	1,987
Japanese agency and municipal securities	—	214	1	—	215
Foreign government, agency and municipal securities	2,650	1,544	5	—	4,199
Bank and corporate debt securities and loans for trading purposes	—	1,128	160	—	1,288
Commercial mortgage-backed securities (“CMBS”)	—	1	2	—	3
Residential mortgage-backed securities (“RMBS”)	—	2,761	3	—	2,764
Real estate-backed securities	—	—	69	—	69
Collateralized debt obligations (“CDOs”) and other <sup>(4)</sup>	—	55	19	—	74
Investment trust funds and other	349	53	1	—	403
Total trading assets and private equity investments	<u>6,378</u>	<u>6,821</u>	<u>299</u>	<u>—</u>	<u>13,498</u>
Derivative assets <sup>(5)</sup>					
Equity contracts	1	806	44	—	851
Interest rate contracts	12	8,610	10	—	8,632
Credit contracts	2	500	31	—	533
Foreign exchange contracts	0	4,870	42	—	4,912
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(14,077)	(14,077)
Total derivative assets	<u>16</u>	<u>14,786</u>	<u>127</u>	<u>(14,077)</u>	<u>852</u>
Subtotal	<u>¥6,394</u>	<u>¥21,607</u>	<u>¥ 426</u>	<u>¥ (14,077)</u>	<u>¥ 14,350</u>
Loans and receivables <sup>(6)</sup>	—	544	129	—	673
Collateralized agreements <sup>(7)</sup>	—	615	33	—	648
Other assets					
Non-trading debt securities	138	323	—	—	461
Other <sup>(2)(3)</sup>	416	10	166	—	592
Total	<u>¥6,948</u>	<u>¥23,099</u>	<u>¥ 754</u>	<u>¥ (14,077)</u>	<u>¥ 16,724</u>
<b>Liabilities:</b>					
Trading liabilities					
Equities	¥1,622	¥ 198	¥ 0	¥ —	¥ 1,820
Japanese government securities	1,264	—	—	—	1,264
Japanese agency and municipal securities	—	3	—	—	3
Foreign government, agency and municipal securities	2,906	927	0	—	3,833
Bank and corporate debt securities	—	319	0	—	319
Residential mortgage-backed securities (“RMBS”)	—	0	—	—	0
Collateralized debt obligations (“CDOs”) and other <sup>(4)</sup>	—	3	—	—	3
Investment trust funds and other	121	42	—	—	163
Total trading liabilities	<u>5,913</u>	<u>1,492</u>	<u>0</u>	<u>—</u>	<u>7,405</u>
Derivative liabilities <sup>(5)</sup>					
Equity contracts	1	867	52	—	920
Interest rate contracts	6	8,228	64	—	8,298
Credit contracts	3	422	39	—	464
Foreign exchange contracts	—	4,820	22	—	4,842
Commodity contracts	1	0	0	—	1
Netting	—	—	—	(13,710)	(13,710)
Total derivative liabilities	<u>11</u>	<u>14,337</u>	<u>177</u>	<u>(13,710)</u>	<u>815</u>
Subtotal	<u>¥5,924</u>	<u>¥15,829</u>	<u>¥ 177</u>	<u>¥ (13,710)</u>	<u>¥ 8,220</u>
Short-term borrowings <sup>(8)</sup>	¥ —	¥ 332	¥ 31	¥ —	¥ 363
Payables and deposits <sup>(9)</sup>	—	0	0	—	0
Collateralized financing <sup>(7)</sup>	—	291	—	—	291
Long-term borrowings <sup>(8)(10)(11)</sup>	11	3,024	535	—	3,570

Other liabilities <sup>(12)</sup>	276	22	0	—	298
Total	<u>¥6,211</u>	<u>¥19,498</u>	<u>¥ 743</u>	<u>¥ (13,710)</u>	<u>¥ 12,742</u>

- (1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.
- (2) Certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. As of March 31, 2018 and March 31, 2019, the fair values of these investments which are included in *Trading assets and private equity investments* were ¥47 billion and ¥36 billion, respectively. As of March 31, 2018 and March 31, 2019, the fair values of these investments which are included in *Other assets—Others* were ¥2 billion and ¥2 billion, respectively.
- (3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (4) Includes collateralized loan obligations (“CLOs”) and asset-backed securities (“ABS”) such as those secured on credit card loans, auto loans and student loans.
- (5) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (6) Includes loans for which the fair value option has been elected.
- (7) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
- (8) Includes structured notes for which the fair value option has been elected.
- (9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
- (10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
- (11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
- (12) Includes loan commitments for which the fair value option has been elected.
- (13) Due to the changes in our accounting policy which Nomura adopted on April 1, 2018, certain reclassifications of previously reported amounts have been made to conform to the current year presentation. Please refer to Note 1. “*Summary of accounting policies*” for further details.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 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, 2018 and 2019, 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.

*Private equity investments*—The determination of fair value of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (“DCF”) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital (“WACC”). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (“EV/EBITDA”) ratios, Price/Earnings (“PE”) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. The liquidity discount includes considerations for various uncertainties in the model and inputs to valuation. 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.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Government, agency and municipal securities*—The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

*Bank and corporate debt securities*—The fair value of bank and corporate debt securities is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar debt securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used for DCF valuations are yield curves, asset swap spreads, recovery rates and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable or market-corroborated. Certain bank and corporate debt securities will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or credit spreads or recovery rates of the issuer used in DCF valuations are unobservable.

*Commercial mortgage-backed securities (“CMBS”) and Residential mortgage-backed securities (“RMBS”)*—The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

*Real estate-backed securities*—The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or 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.



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Investment trust funds and other*—The fair value of investment trust funds is primarily determined using NAV per share. Publicly traded funds which are valued using a daily NAV per share are classified in Level 1 of the fair value hierarchy. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified in Level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The fair value of certain other investments reported within *Investment trust funds and other* is determined using DCF valuation techniques. These investments are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as credit spreads of issuer and correlation.

*Derivatives—Equity contracts*—Nomura enters into both exchange-traded and OTC equity derivative transactions such as index and equity options, equity basket options and index and equity swaps. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded equity derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded equity derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC equity derivatives is determined through option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include equity prices, dividend yields, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC equity derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex equity derivatives are classified in Level 3 where dividend yield, volatility or correlation valuation inputs are significant and unobservable.

*Derivatives—Interest rate contracts*—Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements, swaptions, caps and floors. Where these derivatives are traded in active markets and the exchange price is representative of fair value, the fair value of exchange-traded interest rate derivatives is determined using an unadjusted exchange price and classified in Level 1 of the fair value hierarchy. The fair value of exchange-traded interest rate derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC interest rate derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange ("FX") rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC interest rate derivatives are classified in Level 3 where interest rate, volatility or correlation valuation inputs are significant and unobservable.

*Derivatives—Credit contracts*—Nomura enters into OTC credit derivative transactions such as credit default swaps and credit options on single names, indices or baskets of assets. The fair value of OTC credit derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, credit spreads, recovery rates, default probabilities, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC credit derivatives are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC credit derivatives are classified in Level 3 where credit spread, recovery rate, volatility or correlation valuation inputs are significant and unobservable.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*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 interest rates, volatility or correlation valuation inputs are significant and unobservable.

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.

*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).

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, prepayment rates, default probabilities and loss severities. 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. 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 yields, prepayment rates, default probabilities, loss severities, volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

*Long-term borrowings ("Secured financing transactions")*—Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 "Transfer and Servicing" ("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.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Level 3 financial instruments**

The valuation of Level 3 financial assets and liabilities is dependent on certain significant valuation inputs which are unobservable. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, non-executable broker quotes or little publicly released information.

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be measured using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered as an unobservable valuation input. Other techniques for determining an appropriate value for unobservable input may consider information such as consensus pricing data among certain market participants, historical trends, extrapolation from observable market data and other information Nomura would expect market participants to use in valuing similar instruments.

Use of reasonably possible alternative valuation input assumptions to value Level 3 financial instruments will significantly influence fair value determination. Ultimately, the uncertainties described above about input assumptions imply that the fair value of Level 3 financial instruments is a judgmental estimate. The specific valuation for each instrument is based on management's judgment of prevailing market conditions, in accordance with Nomura's established valuation policies and procedures.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Quantitative and qualitative information regarding significant unobservable inputs

The following tables present quantitative and qualitative information about the significant unobservable valuation inputs used by Nomura to measure the fair value of financial instruments classified in Level 3 as of March 31, 2018 and 2019. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy. Changes in each of these significant unobservable valuation inputs used by Nomura will impact upon the fair value measurement of the financial instrument. The following tables also therefore qualitatively summarize how an increase in those significant unobservable valuation inputs to a different amount might result in a higher or lower fair value measurement at the reporting date and summarize the interrelationship between significant unobservable valuation inputs where more than one is used to measure fair value.

Financial Instrument	March 31, 2018						Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>			
Assets:								
Trading assets and private equity investments								
Equities	¥21	DCF	Liquidity discounts	27.5 – 75.0%	68.3%	Lower fair value	Not applicable	
Foreign government, agency and municipal securities	6	DCF	Credit spreads	0.0 – 6.7%	0.8%	Lower fair value	Not applicable	
Bank and corporate debt securities and loans for trading purposes	139	DCF	Credit spreads Recovery rates	0.1 – 19.6% 0.0 – 98.0%	4.1% 74.7%	Lower fair value Higher fair value	No predictable interrelationship	
Commercial mortgage-backed securities (“CMBS”)	2	DCF	Yields	6.6 – 8.9%	7.7%	Lower fair value	Not applicable	
Real estate-backed securities	63	DCF	Yields Loss severities	6.2 – 23.9% 0.0 – 70.8%	16.3% 8.1%	Lower fair value Lower fair value	No predictable interrelationship	
Collateralized debt obligations (“CDOs”) and other	24	DCF	Yields Prepayment rates Default probabilities Loss severities	6.0 – 24.0% 20.0% 1.0 – 2.0% 40.0 – 100.0%	13.1% 20.0% 2.0% 91.6%	Lower fair value Lower fair value Lower fair value Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates	

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2018

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
<b>Derivatives, net:</b>							
Equity contracts	¥(1)	Option models	Dividend yield Volatilities Correlations	0.0 – 11.5% 7.3 – 64.0% (0.84) – 0.95	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Interest rate contracts	(53)	DCF/ Option models	Interest rates Volatilities Volatilities Correlations	0.2 – 3.0% 11.2 – 15.7% 28.0 – 71.2 bp (0.67) – 0.98	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Credit contracts	2	DCF/ Option models	Credit spreads Recovery rates Volatilities Correlations	0.0 – 122.1% 0.0 – 90.0% 35.0 – 83.0% 0.34 – 0.82	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Foreign exchange contracts	27	DCF/ Option models	Interest rates Volatilities Volatilities Correlations	0.2 – 2.6% 2.4 – 23.7% 237.0 – 280.0 bp (0.25) – 0.80	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Loans and receivables	70	DCF	Credit spreads	0.0 – 9.5%	4.0%	Lower fair value	Not applicable
Collateralized agreements	5	DCF	Repo rate	3.5%	3.5%	Lower fair value	Not applicable
<b>Other assets</b>							
Other <sup>(6)</sup>	169	DCF	WACC Growth rates Liquidity discounts	11.4% 2.5% 10.0%	11.4% 2.5% 10.0%	Lower fair value Higher fair value Lower fair value	No predictable interrelationship
		Market multiples	EV/EBITDA ratios PE ratios Price/Book ratios Liquidity discounts	3.3 – 7.8 x 7.5 – 126.4 x 0.0 – 2.2 x 10.0 – 30.0%	5.7 x 23.0 x 0.6 x 29.0%	Higher fair value Higher fair value Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
<b>Liabilities:</b>							
Short-term borrowings	17	DCF/ Option models	Volatilities Correlations	7.3 – 50.9% (0.84) – 0.95	— —	Higher fair value Higher fair value	No predictable interrelationship
Collateralized financing	3	DCF	Repo rate	3.5%	3.5%	Lower fair value	Not applicable
Long-term borrowings	429	DCF/ Option models	Volatilities Volatilities Correlations	7.3 – 50.9% 33.5 – 62.3 bp (0.84) – 0.98	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2019

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
<b>Assets:</b>							
Trading assets and private equity investments							
Equities	¥13	DCF	Liquidity discounts	75.0%	75.0%	Lower fair value	Not applicable
Private equity investments	26	Market multiples	EV/EBITDA ratios	7.7 x	7.7 x	Higher fair value	Not applicable
Foreign government, agency and municipal securities	5	DCF	Credit spreads Recovery rates	0.0 – 9.1% 4.0 – 36.0%	0.6% 31.6%	Lower fair value Higher fair value	No predictable interrelationship
Bank and corporate debt securities and loans for trading purposes	160	DCF	Credit spreads Recovery rates	0.0 – 15.0% 0.0 – 99.1%	4.1% 72.2%	Lower fair value Higher fair value	No predictable interrelationship
Residential mortgage backed securities (“RMBS”)	3	DCF	Yields Prepayment rates Loss severities	0.0 – 78.4% 6.5 – 15.0% 9.1 – 100.0%	13.2% 10.5% 81.1%	Lower fair value Lower fair value Lower fair value	No predictable interrelationship
Real estate-backed securities	69	DCF	Yields Loss severities	5.5 – 19.7% 0.0 – 55.2%	12.5% 6.6%	Lower fair value Lower fair value	No predictable interrelationship
Collateralized debt obligations (“CDOs”) and other	19	DCF	Yields Prepayment rates Default probabilities Loss severities	2.7 – 19.0% 20.0% 1.0 – 2.0% 31.5 – 100.0%	13.1% 20.0% 2.0% 83.7%	Lower fair value Lower fair value Lower fair value Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2019

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Impact of increases in significant unobservable valuation inputs <sup>(3)(4)</sup>	Interrelationships between valuation inputs <sup>(5)</sup>
<b>Derivatives, net:</b>							
Equity contracts	¥(8)	Option models	Dividend yield	0.0 – 8.0%	—	Higher fair value	No predictable interrelationship
			Volatilities	6.7 – 74.2%	—	Higher fair value	
			Correlations	(0.80) – 0.98	—	Higher fair value	
Interest rate contracts	(54)	DCF/ Option models	Interest rates	0.0 – 2.4%	—	Higher fair value	No predictable interrelationship
			Volatilities	10.6 – 15.2%	—	Higher fair value	
			Volatilities	24.2 – 66.8 bp	—	Higher fair value	
			Correlations	(0.76) – 1.00	—	Higher fair value	
Credit contracts	(8)	DCF/ Option models	Credit spreads	0.0 – 21.4%	—	Higher fair value	No predictable interrelationship
			Recovery rates	0.0 – 100.6%	—	Higher fair value	
			Volatilities	16.2 – 83.0%	—	Higher fair value	
			Correlations	0.27 – 0.75	—	Higher fair value	
Foreign exchange contracts	20	Option models	Interest rates	(0.4) – 2.4%	—	Higher fair value	No predictable interrelationship
			Volatilities	1.7 – 35.5%	—	Higher fair value	
			Volatilities	209.0 – 245.0 bp	—	Higher fair value	
			Correlations	(0.25) – 0.80	—	Higher fair value	
Loans and receivables	129	DCF	Credit spreads	0.0 – 12.3%	3.6%	Lower fair value	Not applicable
Collateralized agreements	33	DCF	Repo rate	3.5 – 8.4%	7.0%	Lower fair value	Not applicable
<b>Other assets</b>							
Other <sup>(6)</sup>	166	DCF	WACC	10.2%	10.2%	Lower fair value	No predictable interrelationship
			Growth rates	2.5%	2.5%	Higher fair value	
			Liquidity discounts	10.0%	10.0%	Lower fair value	
		Market multiples	EV/EBITDA ratios	4.7 – 13.8 x	8.2 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			PE Ratios	8.9 – 32.4 x	15.5 x	Higher fair value	
			Price/Book ratios	0.3 – 2.7 x	0.8 x	Higher fair value	
			Liquidity discounts	10.0 – 50.0%	30.6%	Lower fair value	
<b>Liabilities:</b>							
Short-term borrowings	31	DCF/ Option models	Volatilities	6.7 – 54.5%	—	Higher fair value	No predictable interrelationship
			Correlations	(0.75) – 0.91	—	Higher fair value	
Long-term borrowings	535	DCF/ Option models	Volatilities	6.7 – 54.5%	—	Higher fair value	No predictable interrelationship
			Volatilities	32.5 – 60.9 bp	—	Higher fair value	
			Correlations	(0.75) – 0.98	—	Higher fair value	

- (1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
- (2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
- (3) The above table only considers the impact of an increase in each significant unobservable valuation input on the fair value measurement of the financial instrument. However, a decrease in the significant unobservable valuation input would have the opposite effect on the fair value measurement of the financial instrument. For example, if an increase in a significant unobservable valuation input would result in a lower fair value measurement, a decrease in the significant unobservable valuation input would result in a higher fair value measurement.
- (4) The impact of an increase in the significant unobservable input on the fair value measurement for a derivative assumes Nomura is long risk to the input e.g., long volatility. Where Nomura is short such risk, the impact of an increase would have a converse effect on the fair value measurement of the derivative.
- (5) Consideration of the interrelationships between significant unobservable inputs is only relevant where more than one unobservable valuation input is used to determine the fair value measurement of the financial instrument.
- (6) Valuation technique(s) and unobservable valuation inputs in respect of equity securities reported within *Other assets* in the consolidated balance sheets.



## 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 valuation inputs used by Nomura for financial instruments classified in Level 3.

*Derivatives—Equity contracts*—The significant unobservable inputs are dividend yield, volatilities and correlations. The range of dividend yields varies as some companies do not pay any dividends, for example due to a lack of profits or as a policy during a growth period, and hence have a zero dividend yield while others may pay high dividends, 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. All significant unobservable inputs are spread across the 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 the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong.

*Derivatives—Foreign exchange contracts*—The 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 mainly due to the lower end of the range arising from currencies that trade in narrow ranges e.g. versus the U.S. Dollar while the higher end comes from currencies with a greater range of movement such as emerging market currencies. 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.

*Short-term borrowings and Long-term borrowings*—The significant unobservable inputs are yields, prepayment rates, default probabilities, loss severities, 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.

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, 2018 and 2019. Financial instruments classified in Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable valuation inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable valuation inputs.

For the years ended March 31, 2018 and 2019, gains and losses related to Level 3 assets and liabilities did not have a material impact on Nomura's liquidity and capital resources management.

	Billions of yen									
	Year ended March 31, 2018									
	Balance as of April 1, 2017	Total gains (losses) recognized in net revenue <sup>(1)</sup>	Total gains (losses) recognized in other comprehensive income	Purchases / issues <sup>(2)</sup>	Sales / redemptions <sup>(2)</sup>	Settlements	Foreign exchange movements	Transfers into Level 3	Transfers out of Level 3	Balance as of March 31, 2018
Assets:										
Trading assets and private equity investments										
Equities	¥ 34	¥ 1	¥ —	¥ 22	¥ (36)	¥ —	¥ (1)	¥ 8	¥ (7)	¥ 21
Private equity investments	13	1	—	1	(9)	—	1	0	(4)	3
Japanese agency and municipal securities	1	0	—	—	0	—	—	—	—	1
Foreign government, agency and municipal securities	3	1	—	79	(84)	—	0	8	(1)	6
Bank and corporate debt securities and loans for trading purposes	108	13	—	152	(144)	—	(6)	33	(17)	139
Commercial mortgage-backed securities ("CMBS")	1	0	—	5	(2)	—	0	—	(2)	2
Residential mortgage-backed securities ("RMBS")	0	0	—	1	(1)	—	0	—	—	0
Real estate-backed securities	41	1	—	101	(78)	—	(2)	—	—	63
Collateralized debt obligations ("CDOs") and other	27	(8)	—	46	(45)	—	(1)	11	(6)	24
Investment trust funds and other	0	0	—	42	(43)	—	0	2	0	1
Total trading assets and private equity investments	228	9	—	449	(442)	—	(9)	62	(37)	260
Derivatives, net <sup>(3)</sup>										
Equity contracts	(6)	2	—	—	—	(2)	0	5	0	(1)
Interest rate contracts	(22)	14	—	—	—	(7)	1	(5)	(34)	(53)
Credit contracts	(10)	(1)	—	—	—	16	1	(4)	0	2
Foreign exchange contracts	23	(3)	—	—	—	6	(2)	2	1	27
Total derivatives, net	(15)	12	—	—	—	13	0	(2)	(33)	(25)
Subtotal	¥ 213	¥ 21	¥ —	¥ 449	¥ (442)	¥ 13	¥ (9)	¥ 60	¥ (70)	¥ 235
Loans and receivables	¥ 66	¥ (14)	¥ —	¥ 33	¥ (44)	¥ —	¥ (4)	¥ 39	¥ (6)	¥ 70
Collateralized agreements	5	0	—	—	—	—	0	—	—	5
Other assets										
Other	163	15	0	4	(6)	—	(7)	0	0	169
Total	¥ 447	¥ 22	¥ 0	¥ 486	¥ (492)	¥ 13	¥ (20)	¥ 99	¥ (76)	¥ 479
Liabilities:										
Trading liabilities										

Equities	¥	1	¥	0	¥	—	¥	3	¥	(1)	¥	—	¥	0	¥	1	¥	(3)	¥	1
Bank and corporate debt securities		0		0		—		0		0		—		0		0		0		0
Collateralized debt obligations (“CDOs”) and other		1		0		—		1		(2)		—		0		—		—		0
Investment trust funds and other		0		0		—		0		0		—		0		0		0		0
Total trading liabilities	¥	2	¥	0	¥	—	¥	4	¥	(3)	¥	—	¥	0	¥	1	¥	(3)	¥	1
Short-term borrowings		70		0		0		89		(105)		—		(1)		1		(37)		17
Payables and deposits		0		0		—		(1)		0		—		—		—		—		(1)
Collateralized financing		3		—		—		3		(3)		—		0		—		—		3
Long-term borrowings		410		13		4		258		(150)		—		(1)		56		(127)		429
Other liabilities		1		1		—		1		0		—		0		0		0		1
Total	¥	486	¥	14	¥	4	¥	354	¥	(261)	¥	—	¥	(2)	¥	58	¥	(167)	¥	450

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Billions of yen												
Year ended March 31, 2019												
	Balance as of April 1, 2018	Total gains (losses) recognized in net revenue <sup>(1)</sup>	Total gains (losses) recognized in other comprehensive income	Purchases / issues <sup>(2)</sup>	Sales / redemptions <sup>(2)</sup>	Settlements	Foreign exchange movements	Transfers into Level 3	Transfers out of Level 3	Balance as of March 31, 2019		
<b>Assets:</b>												
Trading assets and private equity investments												
Equities	¥ 21	¥ (3)	¥ —	¥ 5	¥ (13)	¥ —	¥ 1	¥ 5	¥ (3)	¥ 13		
Private equity investments	3	(1)	—	24	(2)	—	0	2	—	26		
Japanese agency and municipal securities	1	0	—	1	(1)	—	—	—	—	1		
Foreign government, agency and municipal securities	6	0	—	15	(16)	—	0	3	(3)	5		
Bank and corporate debt securities and loans for trading purposes	139	8	—	99	(100)	—	4	63	(53)	160		
Commercial mortgage-backed securities (“CMBS”)	2	0	—	1	(2)	—	0	1	—	2		
Residential mortgage-backed securities (“RMBS”)	0	0	—	9	0	—	0	—	(6)	3		
Real estate-backed securities	63	(2)	—	217	(212)	—	3	—	—	69		
Collateralized debt obligations (“CDOs”) and other	24	4	—	56	(68)	—	1	7	(5)	19		
Investment trust funds and other	1	0	—	4	(4)	—	0	—	—	1		
<b>Total trading assets and private equity investments</b>	<b>260</b>	<b>6</b>	<b>—</b>	<b>431</b>	<b>(418)</b>	<b>—</b>	<b>9</b>	<b>81</b>	<b>(70)</b>	<b>299</b>		
Derivatives, net <sup>(3)</sup>												
Equity contracts	(1)	(2)	—	—	—	(2)	0	(7)	4	(8)		
Interest rate contracts	(53)	(25)	—	—	—	0	0	10	14	(54)		
Credit contracts	2	(6)	—	—	—	(4)	0	(1)	1	(8)		
Foreign exchange contracts	27	(13)	—	—	—	3	1	(1)	3	20		
Commodity contracts	—	0	—	—	—	0	0	—	—	0		
<b>Total derivatives, net</b>	<b>(25)</b>	<b>(46)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3)</b>	<b>1</b>	<b>1</b>	<b>22</b>	<b>(50)</b>		
<b>Subtotal</b>	<b>¥ 235</b>	<b>¥ (40)</b>	<b>¥ —</b>	<b>¥ 431</b>	<b>¥ (418)</b>	<b>¥ (3)</b>	<b>¥ 10</b>	<b>¥ 82</b>	<b>¥ (48)</b>	<b>¥ 249</b>		
Loans and receivables	¥ 70	¥ 0	¥ —	¥ 53	¥ (27)	¥ —	¥ 3	¥ 37	¥ (7)	¥ 129		
Collateralized agreements	5	0	—	—	—	—	0	28	—	33		
Other assets												
Other	169	(11)	—	6	(3)	—	5	0	—	166		
<b>Total</b>	<b>¥ 479</b>	<b>¥ (51)</b>	<b>¥ —</b>	<b>¥ 490</b>	<b>¥ (448)</b>	<b>¥ (3)</b>	<b>¥ 18</b>	<b>¥ 147</b>	<b>¥ (55)</b>	<b>¥ 577</b>		
<b>Liabilities:</b>												
Trading liabilities												
Equities	¥ 1	¥ 0	¥ —	¥ 20	¥ (20)	¥ —	¥ 0	¥ 0	¥ (1)	¥ 0		
Foreign government, agency and municipal securities	—	0	—	1	(1)	—	0	0	—	0		
Bank and corporate debt securities	0	0	—	0	0	—	0	0	0	0		

Collateralized debt obligations (“CDOs”) and other	0	0	—	0	0	—	0	—	—	—
Investment trust funds and other	0	0	—	0	0	—	0	0	0	—
Total trading liabilities	¥ 1	¥ 0	¥ —	¥ 21	¥ (21)	¥ —	¥ 0	¥ 0	¥ (1)	¥ 0
Short-term borrowings	17	(2)	0	39	(27)	—	0	25	(25)	31
Payables and deposits	(1)	(1)	—	0	0	—	—	—	—	0
Collateralized financing	3	—	—	—	(3)	—	0	—	—	—
Long-term borrowings	429	(23)	2	194	(99)	—	0	75	(85)	535
Other liabilities	1	0	—	0	(1)	—	0	0	—	0
Total	¥ 450	¥ (26)	¥ 2	¥ 254	¥ (151)	¥ —	¥ 0	¥ 100	¥ (111)	¥ 566

- (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) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2018 and 2019, 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.

	<u>Billions of yen</u>	
	<u>2018</u>	<u>2019</u>
	<u>Unrealized gains / (losses)<sup>(1)</sup></u>	
<b>Assets:</b>		
Trading assets and private equity investments		
Equities	¥ 0	¥ (4)
Private equity investments	1	(1)
Japanese agency and municipal securities	—	0
Foreign government, agency and municipal securities	—	0
Bank and corporate debt securities and loans for trading purposes	3	1
Commercial mortgage-backed securities (“CMBS”)	0	0
Residential mortgage-backed securities (“RMBS”)	0	0
Real estate-backed securities	1	0
Collateralized debt obligations (“CDOs”) and other	0	(4)
Investment trust funds and other	0	0
Total trading assets and private equity investments	<u>5</u>	<u>(8)</u>
Derivatives, net <sup>(2)</sup>		
Equity contracts	(1)	(11)
Interest rate contracts	(16)	(18)
Credit contracts	1	(12)
Foreign exchange contracts	(9)	(10)
Commodity contracts	—	0
Total derivatives, net	<u>(25)</u>	<u>(51)</u>
Subtotal	<u>¥ (20)</u>	<u>¥ (59)</u>
Loans and receivables	0	0
Collateralized agreements	0	0
Other assets		
Other	14	(12)
Total	<u>¥ (6)</u>	<u>¥ (71)</u>
<b>Liabilities:</b>		
Trading liabilities		
Equities	¥ 0	¥ 0
Foreign government, agency and municipal securities	—	0
Bank and corporate debt securities	0	0
Collateralized debt obligations (“CDOs”) and other	0	—
Investment trust funds and other	0	—
Total trading liabilities	<u>¥ 0</u>	<u>¥ 0</u>
Short-term borrowings	1	(1)
Payables and deposits	—	(1)
Collateralized financing	0	—
Long-term borrowings	40	(18)
Other liabilities	0	—
Total	<u>¥ 41</u>	<u>¥ (20)</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 with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Transfers into or out of Level 3 of the fair value hierarchy

##### *Transfers out of Level 3*

During the year ended March 31, 2018, a total of ¥43 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥17 billion of *Bank and corporate debt securities and loans for trading purposes*, which were transferred because certain credit spreads and recovery rates became observable or less significant. During the same period, a total of ¥167 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily of ¥127 billion of *Long term borrowings* and ¥37 billion of *Short term borrowings*, which were transferred because certain volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2018, the total amount of ¥33 billion of net derivative assets were transferred out of Level 3. This comprised primarily ¥34 billion of net interest rate derivative assets, which were transferred because certain interest rate, volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2019, a total of ¥77 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥53 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities, which were transferred because certain credit spreads and recovery rate valuation inputs became observable or less significant. During the same period, a total of ¥111 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥85 billion of *Long term borrowings* and ¥25 billion of *Short term borrowings*, which were transferred because certain volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2019, the total amount of ¥22 billion of net derivative liabilities were transferred out of Level 3. This comprised primarily ¥14 billion of net interest rate derivative liabilities, which were transferred because certain interest rate, volatility and correlation valuation inputs became observable or less significant.

##### *Transfers into Level 3*

During the year ended March 31, 2018, a total of ¥101 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥39 billion of *Loans and receivables* which were transferred because certain credit spreads became unobservable or more significant. Losses on these *Loans and receivables* which were recognized in the period when the transfers into Level 3 occurred were ¥14 billion. ¥33 billion of *Bank and corporate debt securities and loans for trading purposes* which were transferred because certain credit spread and recovery rate valuation inputs became unobservable or more significant and ¥11 billion of *Collateralized debt obligations (“CDOs”) and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became unobservable or more significant. The amount of gains and losses on these transfers reported in *Bank and corporate debt securities and loans for trading purposes* and *Collateralized debt obligations (“CDOs”)* which were recognized in the period when the transfer into Level 3 occurred was not significant. During the same period, a total of ¥58 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥56 billion of *Long-term borrowings*, principally structured notes which were transferred because certain volatility and correlation valuation inputs became unobservable or more significant. The amount of gains and losses on these transfers reported in *Long-term borrowings* which were recognized in the period when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2018, the total amount of net derivative liabilities which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the period when the transfer into Level 3 occurred was also not significant.

During the year ended March 31, 2019, a total of ¥146 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥63 billion of *Bank and corporate debt securities and loans for trading purposes*, which were transferred because certain credit spreads and recovery rate valuation inputs became unobservable or more significant. ¥37 billion of *Loans and receivables* which were transferred because certain credit spreads became unobservable or more significant. ¥28 billion of *Collateralized agreements* which were transferred because certain repo rates used became unobservable or more significant. The amount of gains and losses on these transfers reported in *Bank and corporate debt securities and loans for trading purposes*, *Loans and receivables* and *Collateralized agreements* which were recognized in the period when the transfers into Level 3 occurred was not significant. During the same period, a total of ¥100 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥75 billion of *Long-term borrowings*, principally structured notes and ¥25 billion of *Short-term borrowings* which were transferred because certain volatility and correlation valuation inputs became unobservable or more significant. The amount of gains and losses on these transfers reported in *Long-term borrowings* and *Short-term borrowings* which were recognized in the period when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2019, the total amount of net derivative assets which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the period when the transfer into Level 3 occurred was also not significant.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Investments in investment funds that calculate NAV per share**

In the normal course of business, Nomura invests in non-consolidated funds which meet the definition of investment companies or are similar in nature and which do not have readily determinable fair values. For certain of these investments, Nomura uses NAV per share as the basis for valuation as a practical expedient. Some of these investments are redeemable at different amounts from NAV per share.



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2018 and 2019. Investments are presented by major category relevant to the nature of Nomura's business and risks.

	Billions of yen			
	March 31, 2018			
	Fair value	Unfunded commitments <sup>(1)</sup>	Redemption frequency (if currently eligible) <sup>(2)</sup>	Redemption notice <sup>(3)</sup>
Hedge funds	¥ 25	¥ —	Monthly	Same day-90 days
Venture capital funds	1	2	—	—
Private equity funds	22	11	—	—
Real estate funds	1	—	—	—
<b>Total</b>	<b>¥ 49</b>	<b>¥ 13</b>		

	Billions of yen			
	March 31, 2019			
	Fair value	Unfunded commitments <sup>(1)</sup>	Redemption frequency (if currently eligible) <sup>(2)</sup>	Redemption notice <sup>(3)</sup>
Hedge funds	¥ 16	¥ —	Monthly	Same day-90 days
Venture capital funds	2	2	—	—
Private equity funds	17	10	—	—
Real estate funds	3	1	—	—
<b>Total</b>	<b>¥ 38</b>	<b>¥ 13</b>		

- (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 is unknown 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 is unknown for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

*Private equity funds:*

These investments are made mainly in various sectors in Europe, U.S. 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. Some of these investments contain restrictions against transfers of the investments to third parties.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Fair value option for financial assets and financial liabilities**

Nomura measures certain eligible financial assets and liabilities at fair value through the election of the fair value option permitted by ASC 815 “*Derivatives and Hedging*” (“ASC 815”) and ASC 825 “*Financial Instruments*” (“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. Certain subsidiaries elect the fair value option for structured loans and straight bonds issued on or after April 1, 2018.
- Financial liabilities reported within *Long-term borrowings* recognized in transactions which are accounted for as secured financing transactions under ASC 860. Nomura elects the fair value option for these financial liabilities to mitigate volatility through earnings that otherwise would arise had this election not been made. Even though Nomura usually has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheets and continue to be carried at fair value, with changes in fair value recognized through earnings.

Interest and dividends arising from financial instruments for which the fair value option has been elected are recognized within *Interest and dividends*, *Interest expense* or *Net gain on trading*.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2018 and 2019.

	Billions of yen	
	Year ended March 31	
	2018	2019
	Gains/(Losses) <sup>(1)</sup>	
<b>Assets:</b>		
Trading assets and private equity investments <sup>(2)</sup>		
Trading assets	¥ 0	¥ 0
Private equity investments	(1)	1
Loans and receivables	(14)	(2)
Collateralized agreements <sup>(3)</sup>	1	2
Other assets <sup>(2)</sup>	11	(26)
<b>Total</b>	<u>¥ (3)</u>	<u>¥ (25)</u>
<b>Liabilities:</b>		
Short-term borrowings <sup>(4)</sup>	¥ (1)	¥ 28
Collateralized financing <sup>(3)</sup>	0	0
Long-term borrowings <sup>(4)(5)</sup>	(39)	(38)
Other liabilities <sup>(6)</sup>	(4)	3
<b>Total</b>	<u>¥ (44)</u>	<u>¥ (7)</u>

(1) Includes gains and losses reported primarily within *Net gain on trading* 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.

As of March 31, 2018 and 2019, Nomura held an economic interest of 40.14% and 39.52% in American Century Companies, Inc., respectively. The investment is measured at fair value on a recurring basis through election of the fair value option and is reported within *Other assets—Other* in the consolidated balance sheets.

There was no significant impact on financial assets for which the fair value option was elected attributable to instrument-specific credit risk.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques using a rate which incorporates observable changes in its credit spread.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in the valuation adjustment for Nomura’s own credit worthiness applied to certain financial liabilities for which the fair value option has been elected recognized in other comprehensive income during the years and cumulatively, and amounts reclassified to earnings from accumulated other comprehensive income on early settlement of such financial liabilities during the years ended March 31, 2018 and 2019.

	Billions of Yen	
	Year ended March 31	
	2018	2019
Changes recognized as a credit (debit) to other comprehensive income	¥ (3)	¥ 25
Credit (debit) Amounts reclassified to earnings	0	(1)
Cumulative credit (debit) balance recognized in accumulated other comprehensive income	7	32

As of March 31, 2018, 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 ¥0 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 ¥58 billion less than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

As of March 31, 2019, 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 ¥0 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 ¥50 billion less than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

**Investment by Investment companies**

Nomura carries all of investments by investment companies under ASC946 “*Financial Services—Investment Companies*” (“ASC946”) at fair value, with changes in fair value recognized through the consolidated statements of income. During the year ended March 31, 2019, Nomura Capital Partners 1 Investment Limited Partnership was added as an investment company under ASC946.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**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 16% of total assets as of March 31, 2018 and 16% as of March 31, 2019.

The following tables present geographic allocations of Nomura’s trading assets related to government, agency and municipal securities as of March 31, 2018 and 2019. See Note 3 “*Derivative instruments and hedging activities*” for further information regarding the concentration of credit risk for derivatives.

	Billions of yen									
	March 31, 2018									
	Japan	U.S.	EU	Other	Total <sup>(1)</sup>					
Government, agency and municipal securities	¥	2,394	¥	2,168	¥	1,512	¥	540	¥	6,614

	Billions of yen									
	March 31, 2019									
	Japan	U.S.	EU	Other	Total <sup>(1)</sup>					
Government, agency and municipal securities	¥	2,202	¥	1,723	¥	1,897	¥	579	¥	6,401

- (1) Other than above, there were ¥344 billion and ¥318 billion of government, agency and municipal securities reported within *Other assets—Non-trading debt securities* in the consolidated balance sheets as of March 31, 2018 and 2019, 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.

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*.

NOMURA HOLDINGS, INC.

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, 2018 and 2019.

	Billions of yen				
	March 31, 2018 <sup>(1)</sup>				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
<b>Assets:</b>					
Cash and cash equivalents	¥ 2,355	¥ 2,355	¥2,355	¥ —	¥ —
Time deposits	315	315	—	315	—
Deposits with stock exchanges and other segregated cash	289	289	—	289	—
Loans receivable <sup>(2)</sup>	2,461	2,461	—	1,946	515
Securities purchased under agreements to resell	9,854	9,854	—	9,849	5
Securities borrowed	6,384	6,383	—	6,383	—
<b>Total</b>	<b>¥21,658</b>	<b>¥ 21,657</b>	<b>¥2,355</b>	<b>¥18,782</b>	<b>¥ 520</b>
<b>Liabilities:</b>					
Short-term borrowings	¥ 743	¥ 743	¥ —	¥ 726	¥ 17
Deposits received at banks	1,151	1,151	—	1,151	—
Securities sold under agreements to repurchase	14,759	14,759	—	14,756	3
Securities loaned	1,524	1,524	—	1,524	—
Long-term borrowings	7,383	7,417	18	6,939	460
<b>Total</b>	<b>¥25,560</b>	<b>¥ 25,594</b>	<b>¥ 18</b>	<b>¥25,096</b>	<b>¥ 480</b>

	Billions of yen				
	March 31, 2019 <sup>(1)</sup>				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
<b>Assets:</b>					
Cash and cash equivalents	¥ 2,687	¥ 2,687	¥2,687	¥ —	¥ —
Time deposits	290	290	—	290	—
Deposits with stock exchanges and other segregated cash	285	285	—	285	—
Loans receivable <sup>(2)</sup>	2,542	2,541	—	1,941	600
Securities purchased under agreements to resell	13,195	13,195	—	13,162	33
Securities borrowed	4,112	4,111	—	4,111	—
<b>Total</b>	<b>¥23,111</b>	<b>¥ 23,109</b>	<b>¥2,687</b>	<b>¥19,789</b>	<b>¥ 633</b>
<b>Liabilities:</b>					
Short-term borrowings	¥ 841	¥ 841	¥ —	¥ 811	¥ 30
Deposits received at banks	1,393	1,393	—	1,393	—
Securities sold under agreements to repurchase	15,037	15,037	—	15,037	—
Securities loaned	1,230	1,230	—	1,230	—
Long-term borrowings	7,916	7,931	12	7,353	566
<b>Total</b>	<b>¥26,417</b>	<b>¥ 26,432</b>	<b>¥ 12</b>	<b>¥25,824</b>	<b>¥ 596</b>

(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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**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, 2018, there were no significant amount of assets and liabilities which were measured at fair value on a nonrecurring basis.

As of March 31, 2019, goodwill allocated to the Wholesale segment 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 wholly impaired. 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. See Note 10 “*Other assets—Other/Other liabilities*” for further information regarding goodwill.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**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*.

NOMURA HOLDINGS, INC.

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 as of March 31, 2018 and 2019. 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, 2018			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 13,472	¥ (11,467)	¥ (1,653)	¥ 352

	Billions of yen			
	March 31, 2019			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 13,332	¥ (11,602)	¥ (1,507)	¥ 223

**Derivative activities**

The following tables quantify the volume of Nomura's derivative activity as of March 31, 2018 and 2019 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.

	Total Notional <sup>(1)</sup>	Billions of yen	
		March 31, 2018 <sup>(4)</sup>	
		Derivative assets Fair value	Derivative liabilities Fair value <sup>(1)</sup>
Derivatives used for trading and non-trading purposes <sup>(2)(3)</sup> :			
Equity contracts	¥ 39,203	¥ 1,011	¥ 1,118
Interest rate contracts	2,940,234	8,072	7,550
Credit contracts	31,624	515	425
Foreign exchange contracts	362,658	5,494	5,087
Commodity contracts	60,883	1	1
<b>Total</b>	<b>¥3,434,602</b>	<b>¥ 15,093</b>	<b>¥ 14,181</b>
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,184	¥ 24	¥ 1
Foreign exchange contracts	93	1	—
<b>Total</b>	<b>¥ 1,277</b>	<b>¥ 25</b>	<b>¥ 1</b>
<b>Total derivatives</b>	<b>¥3,435,879</b>	<b>¥ 15,118</b>	<b>¥ 14,182</b>

**NOMURA HOLDINGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

	Total Notional <sup>(1)</sup>	Billions of yen	
		March 31, 2019	
		Derivative assets Fair value	Derivative liabilities Fair value <sup>(1)</sup>
Derivatives used for trading and non-trading purposes <sup>(2)(3)</sup> :			
Equity contracts	¥ 45,721	¥ 851	¥ 920
Interest rate contracts	2,243,179	8,612	8,290
Credit contracts	35,343	533	464
Foreign exchange contracts	310,677	4,912	4,842
Commodity contracts	241	1	1
<b>Total</b>	<b>¥2,635,161</b>	<b>¥ 14,909</b>	<b>¥ 14,517</b>
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,002	¥ 20	¥ —
Foreign exchange contracts	146	0	—
<b>Total</b>	<b>¥ 1,148</b>	<b>¥ 20</b>	<b>¥ —</b>
<b>Total derivatives</b>	<b>¥2,636,309</b>	<b>¥ 14,929</b>	<b>¥ 14,517</b>

- (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 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 securities.
- (3) As of March 31, 2018 and 2019, 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.
- (4) Due to the changes in our accounting policy which Nomura adopted on April 1, 2018, certain reclassifications of previously reported amounts have been made to conform to the current year presentation. Please refer to Note 1. “*Summary of accounting policies*” for further details.

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

*Offsetting of derivatives*

Counterparty credit risk associated with derivative financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce the risk of loss, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. In certain cases, Nomura may agree for such collateral to be posted to a third-party custodian under a control agreement that enables Nomura to take control of such collateral in the event of counterparty default. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, OTC derivative transactions are typically documented under industry standard master netting agreements which reduce Nomura’s credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain OTC centrally-cleared and exchange-traded derivatives, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing party or exchange. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparties and in certain jurisdictions, Nomura may enter into derivative transactions which are not documented under a master netting agreement. Similarly, even when derivatives are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include derivative transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, exchanges and pension funds.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

The following table presents information about offsetting of derivatives and related collateral amounts in the consolidated balance sheets as of March 31, 2018 and 2019 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, 2018 <sup>(6)</sup>		March 31, 2019	
	Derivative assets	Derivative liabilities <sup>(1)</sup>	Derivative assets	Derivative liabilities <sup>(1)</sup>
Equity contracts				
OTC settled bilaterally	¥ 748	¥ 769	¥ 636	¥ 611
Exchange-traded	263	349	215	309
Interest rate contracts				
OTC settled bilaterally	6,938	6,522	7,295	6,946
OTC centrally-cleared	1,142	1,020	1,327	1,341
Exchange-traded	16	9	10	3
Credit contracts				
OTC settled bilaterally	390	300	355	283
OTC centrally-cleared	125	125	176	178
Exchange-traded	—	—	2	3
Foreign exchange contracts				
OTC settled bilaterally	5,495	5,087	4,912	4,842
OTC centrally-cleared	—	—	—	—
Commodity contracts				
OTC settled bilaterally	—	—	—	—
Exchange-traded	1	1	1	1
Total gross derivative balances <sup>(2)</sup>	¥ 15,118	¥ 14,182	¥ 14,929	¥ 14,517
Less: Amounts offset in the consolidated balance sheets <sup>(3)</sup>	(14,094)	(13,457)	(14,077)	(13,710)
Total net amounts reported on the face of the consolidated balance sheets <sup>(4)</sup>	¥ 1,024	¥ 725	¥ 852	¥ 807
Less: Additional amounts not offset in the consolidated balance sheets <sup>(5)</sup>				
Financial instruments and non-cash collateral	¥ (228)	¥ (72)	¥ (115)	¥ (86)
Net amount	¥ 796	¥ 653	¥ 737	¥ 721

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (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, 2018, 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 ¥150 billion and ¥276 billion, respectively. As of March 31, 2019, the gross balance of such derivative assets and derivative liabilities was ¥277 billion and ¥374 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, 2018, Nomura offset a total of ¥1,201 billion of cash collateral receivables against net derivative liabilities and ¥1,838 billion of cash collateral payables against net derivative assets. As of March 31, 2019, Nomura offset a total of ¥1,259 billion of cash collateral receivables against net derivative liabilities and ¥1,626 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, 2018, a total of ¥167 billion of cash collateral receivables and ¥391 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives. As of March 31, 2019, a total of ¥140 billion of cash collateral receivables and ¥407 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives.
- (6) During the year ended March 31, 2018, the rules of a specific central clearing house were amended such that daily variation margin payments and receipts against specific types of derivative now legally represent partial settlement of the derivative rather than margin. These payments and receipts are accounted for as partial settlement of the derivative rather than cash collateral. In addition, due to the changes in our accounting policy which Nomura adopted on April 1, 2018, certain reclassifications of previously reported amounts have been made to conform to the current year presentation. Please refer to Note 1. “*Summary of accounting policies*” for further details.

*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*.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents amounts included in the consolidated statements of income for the years ended March 31, 2018 and 2019 related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen	
	Year ended March 31	
	2018	2019
Derivatives used for trading and non-trading purposes <sup>(1)(2)</sup> :		
Equity contracts	¥ 106	¥ (32)
Interest rate contracts	(257)	104
Credit contracts	129	(19)
Foreign exchange contracts	49	(50)
Commodity contracts	22	10
<b>Total</b>	<b>¥ 49</b>	<b>¥ 13</b>

- (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, 2018 and 2019, 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.

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 for the years ended March 31, 2018 and 2019 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	
	2018	2019
Derivatives designated as hedging instruments:		
Interest rate contracts	¥ (1)	¥ 6
Foreign exchange contracts	9	—
<b>Total</b>	<b>¥ 8</b>	<b>¥ 6</b>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen	
	Year ended March 31	
	2018	2019
Hedged items:		
Long-term borrowings	¥ 1	¥ (6)
Non-trading debt securities	(9)	—
Total	<u>¥ (8)</u>	<u>¥ (6)</u>

*Net investment hedges*

Nomura designates foreign currency forwards, etc., 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 designated as net investment hedges included in the consolidated statements of comprehensive income for the years ended March 31, 2018 and 2019.

	Billions of yen	
	Year ended March 31	
	2018	2019
Hedging instruments:		
Foreign exchange contracts	¥ (11)	¥ 7
Total	<u>¥ (11)</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, 2018 and 2019.
- (2) ¥1 billion of gain on net investment hedges, which have been deferred in the preceding years, was recognized during the year ended March 31, 2018.

*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, 2018, was ¥406 billion with related collateral pledged of ¥314 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2018, 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 ¥3 billion.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2019, was ¥486 billion with related collateral pledged of ¥410 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2019, 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 ¥3 billion.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**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, 2018 and 2019.

	Billions of yen						
	March 31, 2018						
	Carrying value (Asset) / Liability <sup>(1)</sup>	Total	Maximum potential payout/Notional				Notional Purchased credit protection
			Years to maturity				
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default swaps	¥ (123)	¥ 9,271	¥ 2,106	¥3,780	¥2,262	¥ 1,123	¥ 6,975
Credit default indices	(72)	4,842	864	1,300	2,045	633	3,052
Other credit risk related portfolio products	3	306	230	52	17	7	200
Total	¥ (192)	¥14,419	¥ 3,200	¥5,132	¥4,324	¥ 1,763	¥ 10,227

	Billions of yen						
	March 31, 2019						
	Carrying value (Asset) / Liability <sup>(1)</sup>	Total	Maximum potential payout/Notional				Notional Purchased credit protection
			Years to maturity				
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default swaps	¥ (47)	¥ 9,206	¥ 2,346	¥3,402	¥2,469	¥ 989	¥ 6,555
Credit default indices	(117)	5,735	612	1,644	2,849	630	4,330
Other credit risk related portfolio products	14	231	31	82	115	3	165
Total	¥ (150)	¥15,172	¥ 2,989	¥5,128	¥5,433	¥ 1,622	¥ 11,050

(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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present information about Nomura’s written credit derivatives by external credit rating of the underlying asset. Ratings are based on S&P Global Ratings (“S&P”), or if not rated by S&P, based on Moody’s Investors Service. 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, 2018						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other <sup>(1)</sup>	Total
Single-name credit default swaps	¥466	¥928	¥2,763	¥3,476	¥1,369	¥ 269	¥ 9,271
Credit default indices	135	44	1,779	1,949	736	199	4,842
Other credit risk related portfolio products	16	—	4	68	118	100	306
Total	¥617	¥972	¥4,546	¥5,493	¥2,223	¥ 568	¥14,419

	Billions of yen						
	March 31, 2019						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other <sup>(1)</sup>	Total
Single-name credit default swaps	¥520	¥915	¥2,537	¥3,411	¥1,439	¥ 384	¥ 9,206
Credit default indices	35	72	1,582	2,663	1,068	315	5,735
Other credit risk related portfolio products	—	—	1	139	25	66	231
Total	¥555	¥987	¥4,120	¥6,213	¥2,532	¥ 765	¥15,172

(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, 2019 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. Revenue from services provided to customers**

**Revenues by types of service**

The following table presents revenue earned by Nomura from providing services to customers by relevant line item in Nomura's consolidated statement of income for the year ended March 31, 2019.

	<u>Millions of yen</u> <u>Year ended March 31</u> <u>2019</u>
Commissions	¥ 293,069
Fees from investment banking	101,521
Asset management and portfolio service fees	245,519
Other revenue	54,284
<b>Total</b>	<b>¥ 694,393</b>

Amounts reported in *Commissions* is principally recognized from Trade execution and clearing services provided to the customers, and about half of which is reported in Retail Division and the remaining balance is mainly reported in Wholesale Division. *Fees from investment banking* is recognized from Financial advisory services as well as Underwriting and syndication services provided to the customers, and is predominantly reported in Wholesale Division and the remaining balance is mainly reported in Retail Division. *Asset management and portfolio service fees* is recognized from Asset management services provided to the customers, and is predominantly reported in Asset Management Division and the remaining balance is mainly reported in Retail Division. *Other* is primarily reported in Other segment.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents summary information regarding the key methodologies, assumptions and judgments used in recognizing revenue for each of the primary types of service provided to customers, including the nature of underlying performance obligations within each type of service and whether those performance obligations are satisfied at a point in time or over a period of time. For performance obligations recognized over time, information is also provided to explain the nature of the input or output method used to recognize revenue over time.

<u>Type of service provided to customers</u>	<u>Overview of key services provided</u>	<u>Key revenue recognition policies, assumptions and significant judgments</u>
Trade execution and clearing services	<ul style="list-style-type: none"> <li>• Buying and selling of securities on behalf of customers</li> <li>• Clearing of securities and derivatives on behalf of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Execution and clearing commissions recognized at a point in time, namely trade date.</li> <li>• Commissions recognized net of soft dollar credits provided to customers where Nomura is acting as agent in providing investment research and similar services to the customer.</li> </ul>
Financial advisory services	<ul style="list-style-type: none"> <li>• Provision of financial advice to customers in connection with a specific forecasted transaction or transactions</li> <li>• Provision of financial advice not in connection with a specific forecasted transaction or transactions such as general corporate intelligence and similar research</li> <li>• Issuance of fairness opinions</li> <li>• Structuring complex financial instruments for customers</li> </ul>	<ul style="list-style-type: none"> <li>• Fees contingent on the success of an underlying transaction are variable consideration recognized when the underlying transaction has been completed since only at such point is it probable that a significant reversal of revenue will not occur.</li> <li>• Retainer and milestone fees are recognized either over the period to which they relate or are deferred until consummation of the underlying transaction depending on whether the underlying performance obligation is satisfied at a point in time or over time.</li> <li>• Judgment is required to make this determination with factors influencing this determination including, but not limited to, whether the fee is in connection with an engagement designed to achieve a specific transaction or outcome for the customer (such as the purchase or sale of a business), the nature and extent of benefit to be provided to the customer prior to, and in addition to such specific transaction or outcome and the fee structure for the engagement.</li> <li>• Retainer and milestone fees recognized over time are normally recognized on a straight-line basis over the term of the contract based on time elapsed.</li> </ul>
Asset management services	<ul style="list-style-type: none"> <li>• Management of funds, investment trusts and other investment vehicles</li> <li>• Provision of investment advisory services</li> <li>• Distribution of fund units</li> <li>• Providing custodial and administrative services to customers</li> </ul>	<ul style="list-style-type: none"> <li>• Management fees earned by Nomura in connection with managing a fund, investment trust or other vehicle generally recognized on a straight-line basis based on time elapsed.</li> <li>• Performance-based fees are variable consideration recognized when the performance metric has been determined since only at such point is it probable that a significant reversal of revenue will not occur.</li> <li>• Distribution fees are recognized at a point in time when the fund units have been sold to third party investors.</li> <li>• Custodial and administrative fees recognized on a straight-line basis over time based on time elapsed.</li> </ul>
Underwriting and syndication services	<ul style="list-style-type: none"> <li>• Underwriting of debt, equity and other financial instruments on behalf of customers</li> <li>• Distributing securities on behalf of issuers</li> <li>• Arranging loan financing for customers</li> <li>• Syndicating loan financing on behalf of customers</li> </ul>	<ul style="list-style-type: none"> <li>• Underwriting and syndication revenues recognized at a point in time when the underlying transaction is complete.</li> <li>• Commitment fees where drawn down of the facility is deemed remote recognized on a straight-line basis over the life of the facility based on time elapsed.</li> <li>• Underwriting and syndication costs recognized either as a reduction of revenue or on a gross basis depending on whether Nomura is acting as principal or agent for such amounts.</li> </ul>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Where revenue is recognized at a point on time, payments of fees are typically received at the same time as when the performance obligation is satisfied, or within several days or months after satisfying a performance obligation. In relation to revenue recognized over time, payments of fees are typically received every month, three months or six months.

The underlying contracts entered into by Nomura in order to provide the services described above typically do not have significant financing components within the contracts either provided to or from Nomura. If such components did not exist in a contract, Nomura has made an accounting policy permitted by ASC 606 “*Revenue from Contracts with Customers*” (“ASC 606”) not to adjust for the effects of a significant financing component where the financing is effectively for a period of one year or less. Such contracts also typically do not contain rights of return or similar features for the customer.

Nomura adopted ASU 2014-09 “*Revenue from Contracts with Customers*” by modified retrospective adoption from April 1, 2018. As a result of revised principal-versus-agency guidance, *Revenue—Commissions* and *Non-interest expenses—Commissions and floor brokerage* were decreased by ¥17,297 million as a change in the presentation of certain trade execution revenues and associated costs from a gross to a net basis in the consolidated statement of income for the year ended March 31, 2019. Impact from earlier recognition of certain asset management distribution fees on adoption date is noted in Note 1. “*Summary of accounting policies: New accounting pronouncements adopted during the current year*” and there was no material impact in consolidated income statement for the year ended March 31, 2019.

Other than above, there were no material impacts in our consolidated financial statements.

**Customer contract balances**

When Nomura or the customer performs in accordance with the terms of a customer contract, a contract asset, customer contract receivable or contract liability is recognized in Nomura’s consolidated balance sheet.

A contract asset represents accrued revenue recognized by Nomura for completing or partially completing a performance obligation, namely a right of Nomura to receive consideration for providing the service to the customer, which is conditioned on something other than the passage of time. A customer contract receivable is an unconditional right of Nomura to receive consideration in exchange for providing the service. Both contract assets and customer contract receivables are reported in *Receivables from Customers* within Nomura’s consolidated balance sheet. A contract liability is any liability recognized in connection with a customer contract, including obligations to provide refunds and obligations to provide a service in the future for which consideration has already been received or is due to be received. Contract liabilities are reported in *Payables to Customers* within Nomura’s consolidated balance sheet.

The following table presents the balances of customer contract receivables, contract assets and contract liabilities in scope of ASC 606 as of April 1, 2018 and March 31, 2019. The amount of contract assets as of April 1, 2018 and March 31, 2019 were immaterial.

	Millions of yen	
	April 1, 2018	March 31, 2019
Customer contract receivables	¥ 68,927	¥ 78,226
Contract liabilities <sup>(1)</sup>	3,792	4,971

(1) Contract liabilities primarily rise from investment advisory services and recognized in connection with the term of the contract based on time elapsed.

The balance of contract liabilities as of April 1, 2018 were recognized as revenue for the year ended March 31, 2019. Nomura recognized ¥1,334 million of revenue from performance obligations satisfied in previous periods for the year ended March 31, 2019.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Transaction price allocated to the remaining performance obligations**

As permitted by ASC 606, Nomura has chosen not to disclose information about remaining performance obligations that have original expected durations of one year or less as of March 31, 2019.

Nomura retains no significant transactions for which individual estimated contract period exceeds one year. In addition, considerations arising from contracts with customers do not comprise any significant amount that is not included in transaction price.

**Customer contract costs**

As permitted by ASC 340 “*Other Assets and Deferred Costs*,” Nomura has elected to expense all costs to obtain customer contracts where such amounts would be otherwise expensed within one year or less. As a result, the amount of deferred costs to obtain or fulfill customer contracts as of April 1, 2018 and March 31, 2019 were not significant.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 5. Collateralized transactions:

Nomura enters into collateralized transactions, including reverse repurchase agreements, repurchase agreements, securities borrowing transactions, securities lending transactions, other secured borrowings and similar transactions mainly to meet clients' needs, finance trading inventory positions and obtain securities for settlements.

Reverse repurchase agreements, repurchase agreements, securities borrowing transactions and securities lending transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain centrally-cleared reverse repurchase and repurchase agreements, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing counterparty. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparty and in certain jurisdictions, Nomura may enter into reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions which are not documented under a master netting agreement. Similarly, even when these transactions are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that the close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, agent banks and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

In all of these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In most cases, Nomura is permitted to use the securities received to enter into repurchase agreements, enter into securities lending transactions or to cover short positions with counterparties. In repurchase and reverse repurchase agreements, the value of collateral typically exceeds the amount of cash transferred. Collateral is generally in the form of securities. Securities borrowing transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities lending transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities either received from or provided to the counterparty. Additional cash or securities are exchanged as necessary, to ensure that such transactions are adequately collateralized throughout the life of the transactions.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Offsetting of certain collateralized transactions**

Reverse repurchase agreements and repurchase agreements, securities borrowing and lending transactions with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

The following tables present information about offsetting of these transactions in the consolidated balance sheets as of March 31, 2018 and 2019, 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 tables.

	Billions of yen			
	March 31, 2018			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance <sup>(1)</sup>	¥ 29,975	¥ 6,681	¥ 34,880	¥ 2,130
Less: Amounts offset in the consolidated balance sheets <sup>(2)</sup>	(20,121)	(305)	(20,121)	(305)
Total net amounts of reported on the face of the consolidated balance sheets <sup>(3)</sup>	¥ 9,854	¥ 6,376	¥ 14,759	¥ 1,825
Less: Additional amounts not offset in the consolidated balance sheets <sup>(4)</sup>				
Financial instruments and non-cash collateral	(8,657)	(5,247)	(11,886)	(674)
Cash collateral	(33)	—	3	—
Net amount	¥ 1,164	¥ 1,129	¥ 2,876	¥ 1,151



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen			
	March 31, 2019			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance <sup>(1)</sup>	¥ 32,312	¥ 4,087	¥ 34,154	¥ 1,512
Less: Amounts offset in the consolidated balance sheets <sup>(2)</sup>	(19,117)	—	(19,117)	—
Total net amounts of reported on the face of the consolidated balance sheets <sup>(3)</sup>	¥ 13,195	¥ 4,087	¥ 15,037	¥ 1,512
Less: Additional amounts not offset in the consolidated balance sheets <sup>(4)</sup>				
Financial instruments and non-cash collateral	(11,445)	(2,580)	(10,443)	(1,198)
Cash collateral	(26)	—	—	—
Net amount	¥ 1,724	¥ 1,507	¥ 4,594	¥ 314

- (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, 2018, 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 ¥1,039 billion and ¥2,827 billion, respectively. As of March 31, 2018, 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 ¥1,049 billion and ¥177 billion, respectively. As of March 31, 2019, 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 ¥749 billion and ¥3,575 billion, respectively. As of March 31, 2019, 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 ¥1,398 billion and ¥209 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)

**Maturity analysis of repurchase agreements and securities lending transactions**

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by remaining contractual maturity of the agreement as of March 31, 2019. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen					Total
	March 31, 2019					
	Overnight and open <sup>(1)</sup>	Up to 30 days	30 - 90 days	90 days - 1 year	Greater than 1 year	
Repurchase agreements	¥ 14,657	¥15,827	¥2,031	¥ 1,302	¥ 337	¥34,154
Securities lending transactions	996	157	159	155	45	1,512
Total gross recognized liabilities <sup>(2)</sup>	¥ 15,653	¥15,984	¥2,190	¥ 1,457	¥ 382	¥35,666

- (1) Open transactions do not have an explicit contractual maturity date and are terminable on demand by Nomura or the counterparty.
- (2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

**Securities transferred in repurchase agreements and securities lending transactions**

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by class of securities transferred by Nomura to counterparties as of March 31, 2019. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen		
	March 31, 2019		
	Repurchase agreements	Securities lending transactions	Total
Equities and convertible securities	¥ 149	¥ 1,223	¥ 1,372
Japanese government, agency and municipal securities	742	—	742
Foreign government, agency and municipal securities	26,730	21	26,751
Bank and corporate debt securities	2,330	98	2,428
Commercial mortgage-backed securities (“CMBS”)	25	—	25
Residential mortgage-backed securities (“RMBS”) <sup>(1)</sup>	4,001	—	4,001
Collateralized debt obligations (“CDOs”) and other	162	—	162
Investment trust funds and other	15	170	185
Total gross recognized liabilities <sup>(2)</sup>	¥ 34,154	¥ 1,512	¥ 35,666

- (1) Includes ¥3,860 billion of U.S. government sponsored agency mortgage pass through securities and collateralized mortgage obligations.
- (2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

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, 2018 and 2019.

	Billions of yen	
	March 31	
	2018	2019
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	¥ 48,434	¥ 46,924
The portion of the above that has been sold (reported within <i>Trading liabilities</i> in the consolidated balance sheets) or repledged	40,420	38,551

**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, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
<b>Trading assets:</b>		
Equities and convertible securities	¥ 156,429	¥ 135,927
Government and government agency securities	956,089	984,429
Bank and corporate debt securities	65,864	61,547
Commercial mortgage-backed securities (“CMBS”)	1	0
Residential mortgage-backed securities (“RMBS”)	2,618,336	2,535,244
Collateralized debt obligations (“CDOs”) and other <sup>(1)</sup>	30,497	42,607
Investment trust funds and other	7,689	14,926
	<u>¥3,834,905</u>	<u>¥3,774,680</u>
Non-trading debt securities	23,566	1,031
Investments in and advances to affiliated companies	¥ 12,042	¥ 501

(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, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
Loans and receivables	¥ 15,573	¥ 42,544
Trading assets and private equity	1,456,140	1,589,483
Office buildings, land, equipment and facilities	5,585	5,371
Non-trading debt securities	192,046	142,092
Other	112	151
	<u>¥1,669,456</u>	<u>¥1,779,641</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 11 “*Borrowings*” for further information regarding trading balances of secured borrowings.

**6. Non-trading securities:**

As Nomura disposed of the interest in its insurance subsidiary, there are no unrealized gains and losses of non-trading securities recognized in other comprehensive income as of March 31, 2018 and 2019.

For the year ended March 31, 2018, non-trading securities of ¥40,643 million were disposed of resulting in ¥3,040 million of realized gains and ¥1,688 million of realized losses. Total proceeds received from these disposals were ¥41,994 million. Related gains and losses were computed using the average method.

There were no transfers of non-trading securities to trading assets for the year ended March 31, 2018.

Where the fair value of non-trading securities held by the insurance subsidiary has declined below amortized cost, these were assessed to determine whether the decline in fair value is other-than-temporary in nature. Nomura considered 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 existed, for equity securities, the security was written down to fair value, with the entire difference between fair value and amortized cost recognized within *Revenue—Other* in the consolidated statements of income. For debt securities, an other-than-temporary impairment loss was also recognized within *Revenue—Other* in the consolidated statements of income if Nomura intends to sell the debt security or it was more likely than not that Nomura would be required to sell the debt security before recovery of amortized cost. If Nomura did not intend to sell the debt security and it was not more likely than not that Nomura would be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss was recognized through earnings and any non-credit loss component was recognized within *Other comprehensive income (loss)*.

For the year ended March 31, 2018, other-than-temporary impairment losses recognized for non-trading equity securities and reported within *Revenue—Other* were ¥30 million. For the year ended March 31, 2018, credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities was ¥186 million.

For the year ended March 31, 2018, the non-credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities and reported within *Other comprehensive income (loss)* were not significant. Other gross unrealized losses of non-trading securities were considered temporary.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. 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, 2018 and 2019, Nomura received cash proceeds from SPEs in new securitizations of ¥116 billion and ¥174 billion, respectively, and the associated gain (loss) on sale was not significant. For the years ended March 31, 2018 and 2019, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,785 billion and ¥1,308 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥1,065 billion and ¥991 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥4,918 billion and ¥4,488 billion as of March 31, 2018 and 2019, respectively. Nomura’s retained interests were ¥288 billion and ¥138 billion as of March 31, 2018 and 2019, respectively. For the years ended March 31, 2018 and 2019, Nomura received cash flows of ¥64 billion and ¥20 billion, respectively, from the SPEs on the retained interests held in the SPEs.

Nomura does not provide financial support to SPEs beyond its contractual obligations as of March 31, 2018 and 2019.

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, 2018 and 2019.

	Billions of yen					
	March 31, 2018					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥ —	¥ 288	¥ —	¥288	¥ 288	¥ 0
Bank and corporate debt securities	—	—	—	—	—	—
CMBS and RMBS	—	—	0	0	0	0
Total	¥ —	¥ 288	¥ 0	¥288	¥ 288	¥ 0

	Billions of yen					
	March 31, 2019					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥ —	¥ 138	¥ —	¥138	¥ 138	¥ 0
Bank and corporate debt securities	—	—	—	—	—	—
CMBS and RMBS	—	0	0	0	0	0
Total	¥ —	¥ 138	¥ 0	¥138	¥ 138	¥ 0

As of March 31, 2019, predominantly all of the retained interests held by Nomura were valued using observable prices.

NOMURA HOLDINGS, INC.

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, 2018 and 2019. 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	
	2018	2019
<b>Assets</b>		
Trading assets		
Equities	¥ 1	¥ —
Debt securities	20	—
CMBS and RMBS	—	—
Loans	1	15
<b>Total</b>	<b>¥ 22</b>	<b>¥ 15</b>
<b>Liabilities</b>		
Long-term borrowings	¥ 21	¥ 15

**Variable Interest Entities (“VIEs”)**

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities.

If Nomura has an interest in a VIE that provides Nomura with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses that could be significant to the VIE, Nomura is the primary beneficiary of the VIE and must consolidate the entity, provided that Nomura does not meet separate tests confirming that it is acting as a fiduciary for other interest holders. Nomura’s consolidated VIEs include those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura’s aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary beneficiary.

The power to make the most significant decisions may take a number of different forms in different types of VIEs. For transactions such as securitizations, investment funds, and CDOs, Nomura considers collateral management and servicing to represent the power to make the most significant decisions. Accordingly, Nomura does not consolidate such types of VIEs for which it does not act as collateral manager or servicer unless Nomura has the right to replace the collateral manager or servicer or to require liquidation of the entity.

For many transactions, such as where VIEs are used for re-securitizations of residential mortgage-backed securities, there are no significant economic decisions made on an ongoing basis and no single investor has the unilateral ability to liquidate the VIE. In these cases, Nomura focuses its analysis on decisions made prior to the initial closing of the transaction, and considers factors such as the nature of the underlying assets held by the VIE, the involvement of third party investors in the design of the VIE, the size of initial third party investment and the amount and level of any subordination of beneficial interests issued by the VIE which will be held by Nomura and third party investors. Nomura has sponsored numerous re-securitization transactions and in many cases has determined that it is not the primary beneficiary on the basis that control over the most significant decisions relating to these entities are shared with third party investors. In some cases, however, Nomura has consolidated such VIEs, for example, where it was determined that third party investors were not involved in the design of the VIEs, including where the size of third party investment was not significant at inception of the transaction.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the classification of consolidated VIEs' assets and liabilities in these consolidated financial statements as of March 31, 2018 and 2019. Most of these assets and liabilities are related to consolidated SPEs which securitize corporate convertible securities, mortgages and mortgage-backed securities. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not typically have any recourse to Nomura beyond the assets held in the VIEs.

	Billions of yen	
	March 31	
	2018	2019
<b>Consolidated VIE assets</b>		
Cash and cash equivalents	¥ 23	¥ 20
Trading assets		
Equities	712	780
Debt securities	436	426
CMBS and RMBS	4	43
Investment trust funds and other	12	5
Derivatives	20	17
Private equity investments	2	2
Office buildings, land, equipment and facilities	25	55
Other	66	71
<b>Total</b>	<u>¥1,300</u>	<u>¥1,419</u>
<b>Consolidated VIE liabilities</b>		
Trading liabilities		
Derivatives	22	23
Borrowings		
Short-term borrowings	124	151
Long-term borrowings	829	884
Other	2	3
<b>Total</b>	<u>¥ 977</u>	<u>¥1,061</u>

Nomura continuously reassesses its initial evaluation of whether it is the primary beneficiary of a VIE based on current facts and circumstances as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by Nomura and by other parties, and the variable interests owned by Nomura and other parties.

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura's variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests as of March 31, 2018 and 2019. 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, 2018		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 35	¥ —	¥ 35
Debt securities	110	—	110
CMBS and RMBS	2,775	—	2,775
Investment trust funds and other	174	—	174
Derivatives	—	—	—
Private equity investments	13	—	13
Loans	455	—	455
Other	17	—	17
Commitments to extend credit and other guarantees	—	—	71
Total	¥ 3,579	¥ —	¥ 3,650

	Billions of yen		
	March 31, 2019		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 29	¥ —	¥ 29
Debt securities	109	—	109
CMBS and RMBS	2,654	—	2,654
Investment trust funds and other	153	—	153
Derivatives	—	—	—
Private equity investments	12	—	12
Loans	593	—	593
Other	11	—	11
Commitments to extend credit and other guarantees	—	—	84
Total	¥ 3,561	¥ —	¥ 3,645



## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 8. Financing receivables:

In the normal course of business, Nomura extends financing to clients primarily in the form of loans and collateralized agreements such as reverse repurchase agreements and securities borrowing transactions. These financing receivables are recognized as assets on Nomura's consolidated balance sheets and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

##### *Collateralized agreements*

*Collateralized agreements* consist of reverse repurchase agreements reported as *Securities purchased under agreements to resell* and securities borrowing transactions reported as *Securities borrowed* in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers, or borrowing these securities with cash collateral. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Reverse repurchase agreements are generally recognized in the consolidated balance sheets at the amount for which the securities were originally acquired with applicable accrued interest. Securities borrowing transactions are generally recognized in the consolidated balance sheets at the amount of cash collateral advanced. No allowance for credit losses is generally recognized against these transactions due to the strict collateralization requirements.

##### *Loans receivable*

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and unsecured loans extended by licensed banking entities within Nomura such as The Nomura Trust & Banking Co., Ltd. and Nomura Bank International plc. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are loans provided to clients in connection with securities brokerage business. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value ("LTV") ratio. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these loans is not significant as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients extended by non-licensed banking entities within Nomura. Corporate loans include loans secured by real estate or securities, as well as unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In addition to the loans above, Nomura has advances to affiliated companies which are loans provided to related parties of Nomura. As these loans are generally not secured, Nomura is exposed to the risk of default of the counterparty.

The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets as of March 31, 2018, and 2019 by portfolio segment.

	Millions of yen		
	March 31, 2018		
	Carried at amortized cost	Carried at fair value <sup>(1)</sup>	Total
Loans receivable			
Loans at banks	¥ 491,559	¥ —	¥ 491,559
Short-term secured margin loans	429,075	—	429,075
Inter-bank money market loans	1,385	—	1,385
Corporate loans	986,347	554,137	1,540,484
Total loans receivable	¥ 1,908,366	¥ 554,137	¥ 2,462,503
Advances to affiliated companies	—	—	—
Total	¥ 1,908,366	¥ 554,137	¥ 2,462,503

	Millions of yen		
	March 31, 2019		
	Carried at amortized cost	Carried at fair value <sup>(1)</sup>	Total
Loans receivable			
Loans at banks	¥ 565,603	¥ —	¥ 565,603
Short-term secured margin loans	334,389	5,088	339,477
Inter-bank money market loans	1,699	—	1,699
Corporate loans	977,942	659,497	1,637,439
Total loans receivable	¥ 1,879,633	¥ 664,585	¥ 2,544,218
Advances to affiliated companies	—	—	—
Total	¥ 1,879,633	¥ 664,585	¥ 2,544,218

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option.

There were no significant purchases nor sales of loans receivable during the year ended March 31, 2018. During the same period, there were no significant reclassifications of loans receivable to trading assets.

There were no significant purchases nor sales of loans receivable during the year ended March 31, 2019. During the same period, there were no significant reclassifications of loans receivable to trading assets.

NOMURA HOLDINGS, INC.

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 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, 2018 and 2019.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Millions of yen							
	Year ended March 31, 2018							
	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	¥ 968	¥ —	¥ —	¥ 473	¥ 0	¥1,441	¥ 2,110	¥ 3,551
Provision for credit losses	172	—	—	(26)	—	146	24	170
Charge-offs	0	—	—	—	0	0	—	0
Other <sup>(1)</sup>	—	—	—	(30)	—	(30)	(177)	(207)
Ending balance	¥1,140	¥ —	¥ —	¥ 417	¥ —	¥1,557	¥ 1,957	¥ 3,514

	Millions of yen							
	Year ended March 31, 2019							
	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	¥1,140	¥ —	¥ —	¥ 417	¥ —	¥1,557	¥ 1,957	¥ 3,514
Provision for credit losses	7	364	—	434	—	805	30	835
Charge-offs	(95)	—	—	(0)	—	(95)	(102)	(197)
Other <sup>(1)</sup>	—	6	—	17	—	23	(6)	17
Ending balance	¥1,052	¥ 370	¥ —	¥ 868	¥ —	¥2,290	¥ 1,879	¥ 4,169

(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, 2018 and 2019.

	Millions of yen				
	March 31, 2018				
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Total
<b>Allowance by impairment methodology</b>					
Evaluated individually	¥ —	¥ —	¥ —	¥ 417	¥ 417
Evaluated collectively	1,140	—	—	0	1,140
Total allowance for credit losses	¥ 1,140	¥ —	¥ —	¥ 417	¥ 1,557
<b>Loans by impairment methodology</b>					
Evaluated individually	¥ 2,800	¥ 162,017	¥ 1,385	¥978,501	¥1,144,703
Evaluated collectively	488,759	267,058	—	7,846	763,663
Total loans	¥491,559	¥ 429,075	¥ 1,385	¥986,347	¥1,908,366

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Millions of yen				
	March 31, 2019				
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Total
Allowance by impairment methodology					
Evaluated individually	¥ —	¥ 370	¥ —	¥ 868	¥ 1,238
Evaluated collectively	1,052	—	—	—	1,052
Total allowance for credit losses	<u>¥ 1,052</u>	<u>¥ 370</u>	<u>¥ —</u>	<u>¥ 868</u>	<u>¥ 2,290</u>
Loans by impairment methodology					
Evaluated individually	¥ 2,792	¥ 166,148	¥ 1,699	¥976,096	¥1,146,735
Evaluated collectively	562,811	168,241	—	1,846	732,898
Total loans	<u>¥565,603</u>	<u>¥ 334,389</u>	<u>¥ 1,699</u>	<u>¥977,942</u>	<u>¥1,879,633</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, 2018, 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.

As of March 31, 2019, 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, 2018, 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.

As of March 31, 2019, 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 amounts of TDRs which occurred during the years ended March 31, 2018 and 2019 were 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, 2018 and 2019.

	Millions of yen				
	March 31, 2018				
	AAA-BBB	BB-CCC	CC-D	Others <sup>(1)</sup>	Total
Secured loans at banks	¥152,137	¥106,385	¥—	¥ 46,948	¥ 305,470
Unsecured loans at banks	186,089	—	—	—	186,089
Short-term secured margin loans	—	—	—	429,075	429,075
Unsecured inter-bank money market loans	1,385	—	—	—	1,385
Secured corporate loans	273,894	701,761	—	3,555	979,210
Unsecured corporate loans	—	—	—	7,137	7,137
Advances to affiliated companies	—	—	—	—	—
Total	¥613,505	¥808,146	¥—	¥486,715	¥1,908,366

	Millions of yen				
	March 31, 2019				
	AAA-BBB	BB-CCC	CC-D	Others <sup>(1)</sup>	Total
Secured loans at banks	¥149,048	¥127,309	¥—	¥ 54,545	¥ 330,902
Unsecured loans at banks	233,201	1,500	—	—	234,701
Short-term secured margin loans	—	—	—	334,389	334,389
Unsecured inter-bank money market loans	1,699	—	—	—	1,699
Secured corporate loans	474,305	439,156	—	4,025	917,486
Unsecured corporate loans	16,467	311	—	43,678	60,456
Advances to affiliated companies	—	—	—	—	—
Total	¥874,720	¥568,276	¥—	¥436,637	¥1,879,633

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents a definition of each of the internal ratings used in the Nomura Group.

<b>Rating Range</b>	<b>Definition</b>
AAA	Highest credit quality. An obligor or facility has extremely strong capacity to meet its financial commitments. 'AAA range' is the highest credit rating assigned by Nomura. Extremely low probability of default.
AA	Very high credit quality category. An obligor or facility has very strong capacity to meet its financial commitments. Very low probability of default but above that of 'AAA range.'
A	High credit quality category. An obligor or facility has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher-rated categories. Low probability of default but higher than that of 'AA range.'
BBB	Good credit quality category. An obligor or facility has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments. Medium probability of default but higher than that of 'A range.'
BB	Speculative credit quality category. An obligor or facility is less vulnerable in the near term than other lower-ratings. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the inadequate capacity to meet its financial commitments. Medium to high probability of default but higher than that of 'BBB range.'
B	Highly speculative credit quality category. An obligor or facility is more vulnerable than those rated 'BB range', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the issuer's or obligor's capacity or willingness to meet its financial commitments. High probability of default—more than that of 'BB range.'
CCC	Substantial credit risk. An obligor or facility is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Strong probability of default—more than that of 'B range.'
CC	An obligor or facility is currently highly vulnerable to nonpayment (default category).
C	An obligor or facility is currently extremely vulnerable to nonpayment (default category).
D	Failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations.

Nomura reviews internal ratings at least once a year by using available credit information of obligors including financial statements and other information. Internal ratings are also reviewed more frequently for high-risk obligors or problematic exposures and any significant credit event of obligors will trigger an immediate credit review process.

**9. 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*.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the types of assets which Nomura leases under operating leases as of March 31, 2018 and 2019.

	Millions of yen					
	March 31					
	2018			2019		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Real estate <sup>(1)</sup>	¥ 3,053	¥ (1,657)	¥ 1,396	¥ 2,771	¥ (1,498)	¥ 1,273
Aircraft	24,989	(54)	24,935	55,130	(310)	54,820
Total	¥28,042	¥ (1,711)	¥ 26,331	¥57,901	¥ (1,808)	¥ 56,093

(1) Cost, accumulated depreciation and net carrying amounts include amounts relating to real estate space utilized by Nomura.

Nomura recognized rental income of ¥1,377 million and ¥2,292 million for the years ended March 31, 2018 and 2019, respectively in the consolidated statements of income within *Revenue—Other*.

The future minimum lease payments to be received on noncancellable operating leases as of March 31, 2019 were ¥48,564 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	¥ 48,564	¥ 4,500	¥ 4,500	¥4,500	¥4,462	¥4,255	¥ 26,347

**Nomura as lessee**

Nomura leases its office spaces, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancelable operating lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities in Japan and overseas under noncancellable operating lease agreements. Rental expenses, net of sublease rental income, for the years ended March 31, 2018 and 2019 were ¥44,202 million and ¥44,564 million, respectively.

The following table presents the future minimum lease payments under noncancellable operating leases with remaining terms exceeding one year as of March 31, 2019:

	Millions of yen	
	March 31	
	2019	
Total minimum lease payments	¥ 106,553	
Less: Sublease rental income	(9,742)	
Net minimum lease payments	¥ 96,811	

The future minimum lease payments above are scheduled as below as of March 31, 2019:

	Millions of yen						
	Total	Years of payment					
		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	¥106,553	¥16,207	¥13,280	¥9,029	¥8,012	¥7,312	¥ 52,713

Nomura leases certain equipment and facilities in Japan and overseas under capital lease agreements. If the lease is classified as a capital lease, Nomura recognizes the real estate at the lower of its fair value or present value of minimum lease payments, which is reported within *Other Assets—Office buildings, land, equipment and facilities* in the consolidated balance sheets. The amounts of capital lease assets as of March 31, 2018 and 2019 were ¥28,653 million and ¥26,561 million, respectively and accumulated depreciations on such capital lease assets as of March 31, 2018 and 2019 were ¥8,791 million and ¥8,272 million, respectively.



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the future minimum lease payments under capital leases as of March 31, 2019:

	<u>Millions of yen</u> <u>March 31</u> <u>2019</u>
Total minimum lease payments	¥ 42,197
Less: Amount representing interest	(25,507)
Present value of net lease payments	<u>¥ 16,690</u>

**NOMURA HOLDINGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The future minimum lease payments above are scheduled as below as of March 31, 2019:

	Millions of yen						
	Total	Years of payment					
		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	¥ 42,197	¥ 3,862	¥ 3,953	¥3,945	¥3,818	¥3,782	¥ 22,837

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utilities and tax increases.

**10. 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, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
<b>Other assets—Other:</b>		
Securities received as collateral	¥301,072	¥282,656
Goodwill and other intangible assets	99,455	19,792
Deferred tax assets	16,135	15,026
Investments in equity securities for other than operating purposes <sup>(1)</sup>	192,819	175,015
Prepaid expenses	14,561	14,544
Other	284,092	241,058
Total	<u>¥908,134</u>	<u>¥748,091</u>
<b>Other liabilities:</b>		
Obligation to return securities received as collateral	¥301,072	¥282,656
Accrued income taxes	34,181	11,898
Other accrued expenses and provisions	448,423	401,408
Other	166,858	162,905
Total	<u>¥950,534</u>	<u>¥858,867</u>

(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 ¥63,132 million and ¥129,687 million respectively, as of March 31, 2018, and ¥45,712 million and ¥129,303 million respectively, as of March 31, 2019. These securities are carried at fair value, with changes in fair value recognized within *Revenue—Other* in the consolidated statements of income.

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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2018 and 2019.

Millions of yen									
Year ended March 31, 2018									
Beginning of year			Changes during year				End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Acquisition	Impairment	Other <sup>(1)</sup>	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥ 91,753	¥ (11,817)	¥ 79,936	¥ 2,504	¥ —	¥ (4,390)	¥ 89,492	¥ (11,442)	¥ 78,050
Other	471	—	471	—	—	2	473	—	473
<b>Total</b>	<b>¥ 92,224</b>	<b>¥ (11,817)</b>	<b>¥ 80,407</b>	<b>¥ 2,504</b>	<b>¥ —</b>	<b>¥ (4,388)</b>	<b>¥ 89,965</b>	<b>¥ (11,442)</b>	<b>¥ 78,523</b>

Millions of yen									
Year ended March 31, 2019									
Beginning of year			Changes during year				End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Acquisition	Impairment <sup>(2)</sup>	Other <sup>(1)</sup>	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥ 89,492	¥ (11,442)	¥ 78,050	¥ —	¥ (81,372)	¥ 3,322	¥ 92,814	¥ (92,814)	¥ —
Other	473	—	473	—	—	1	474	—	474
<b>Total</b>	<b>¥ 89,965</b>	<b>¥ (11,442)</b>	<b>¥ 78,523</b>	<b>¥ —</b>	<b>¥ (81,372)</b>	<b>¥ 3,323</b>	<b>¥ 93,288</b>	<b>¥ (92,814)</b>	<b>¥ 474</b>

(1) Includes currency translation adjustments.

(2) For the year ended March 31, 2019, Nomura recognized impairment losses on goodwill of ¥81,372 million within the Wholesale segment. Nomura performed an impairment test based on recent Wholesale performance and changes in the operating environment, and impaired goodwill within the Wholesale segment. As a result, the balance of goodwill within the Wholesale segment as of March 31, 2019 was ¥nil. These impairment losses were recorded within *Non-interest expense—Other* in the consolidated statements of income. The fair values were determined based on a DCF method.

**NOMURA HOLDINGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents finite-lived intangible assets by type as of March 31, 2018 and 2019.

	Millions of yen					
	March 31, 2018			March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships	¥ 62,577	¥ (51,066)	¥ 11,511	¥ 64,381	¥ (54,686)	¥ 9,695
Other	1,030	(162)	868	1,050	(280)	770
<b>Total</b>	<b>¥ 63,607</b>	<b>¥ (51,228)</b>	<b>¥ 12,379</b>	<b>¥ 65,431</b>	<b>¥ (54,966)</b>	<b>¥ 10,465</b>

Amortization expenses for the years ended March 31, 2018 and 2019 were ¥3,324 million and ¥2,504 million, respectively. Estimated amortization expenses for the next five years are shown below.

Year ending March 31	Millions of yen Estimated amortization expense
2020	¥ 3,328
2021	3,154
2022	2,660
2023	188
2024	181

The amounts of indefinite-lived intangibles, which primarily includes trademarks, were ¥8,553 million and ¥8,853 million as of March 31, 2018 and 2019, respectively.

**11. Borrowings:**

The following table presents short-term and long-term borrowings of Nomura as of March 31, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
<b>Short-term borrowings<sup>(1)</sup>:</b>		
Commercial paper	¥ 179,291	¥ 313,000
Bank borrowings	108,801	77,101
Other	455,405	451,657
Total	<b>¥ 743,497</b>	<b>¥ 841,758</b>
<b>Long-term borrowings:</b>		
Long-term borrowings from banks and other financial institutions <sup>(2)</sup>	¥2,929,128	¥3,109,606
Bonds and notes issued <sup>(3)</sup> :		
Fixed-rate obligations:		
Japanese yen denominated	917,154	925,215
Non-Japanese yen denominated	1,127,503	1,048,497
Floating-rate obligations:		
Japanese yen denominated	725,235	848,470
Non-Japanese yen denominated	174,205	265,154
Index / Equity-linked obligations:		
Japanese yen denominated	850,291	978,438
Non-Japanese yen denominated	631,674	715,891
	<b>4,426,062</b>	<b>4,781,665</b>
Subtotal	<b>7,355,190</b>	<b>7,891,271</b>
Trading balances of secured borrowings	27,317	24,498
Total	<b>¥7,382,507</b>	<b>¥7,915,769</b>

(1) Includes secured borrowings of ¥96,840 million as of March 31, 2018 and ¥173,690 million as of March 31, 2019.

(2) Includes secured borrowings of ¥111,147 million as of March 31, 2018 and ¥65,517 million as of March 31, 2019.

(3) Includes secured borrowings of ¥888,088 million as of March 31, 2018 and ¥910,224 million as of March 31, 2019.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*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	
	2018	2019
Debt issued by the Company	¥2,869,462	¥2,869,376
Debt issued by subsidiaries—guaranteed by the Company	2,232,635	2,590,768
Debt issued by subsidiaries—not guaranteed by the Company <sup>(1)</sup>	2,280,410	2,455,625
Total	<u>¥7,382,507</u>	<u>¥7,915,769</u>

(1) Includes trading balances of secured borrowings.

As of March 31, 2018, fixed-rate long-term borrowings mature between 2018 and 2067 at interest rates ranging from 0.00% to 17.00%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2018 and 2048 at interest rates ranging from 0.00% to 5.74%. Index / Equity-linked obligations mature between 2018 and 2048 at interest rates ranging from 0.00% to 40.00%.

As of March 31, 2019, fixed-rate long-term borrowings mature between 2019 and 2067 at interest rates ranging from 0.00% to 24.40%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2019 and 2049 at interest rates ranging from 0.00% to 6.78%. Index / Equity-linked obligations mature between 2019 and 2049 at interest rates ranging from 0.00% to 30.30%.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Certain borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the borrower at specified dates prior to maturity and include various equity-linked or other index-linked instruments.

Nomura enters into swap agreements to manage its exposure to interest rates and foreign exchange rates. Principally, debt securities and notes issued are effectively converted to LIBOR-based floating rate obligations through such swap agreements. The carrying value of the long-term borrowings includes adjustments to reflect fair value hedges.

Following table presents the effective weighted-average interest rates of borrowings, including the effect of fair value hedges as of March 31, 2018 and 2019.

	<u>March 31</u>	
	<u>2018</u>	<u>2019</u>
Short-term borrowings	0.55%	1.00%
Long-term borrowings	1.13%	1.33%
Fixed-rate obligations	1.25%	1.28%
Floating-rate obligations	1.19%	1.57%
Index / Equity-linked obligations	0.79%	0.86%

*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, 2019:

<u>Year ending March 31</u>	<u>Millions of yen</u>
2020	¥ 801,209
2021	1,030,671
2022	630,651
2023	632,196
2024	701,620
2025 and thereafter	4,094,924
Subtotal	<u>7,891,271</u>
Trading balances of secured borrowings	24,498
Total	<u>¥ 7,915,769</u>

*Borrowing facilities*

As of March 31, 2018 and 2019, Nomura had unutilized borrowing facilities of ¥nil and ¥nil, respectively.

*Subordinated borrowings*

As of March 31, 2018 and 2019, subordinated borrowings were ¥428,200 million and ¥418,200 million, respectively.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. 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 (loss) 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 (loss) 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 (loss) attributable to NHI shareholders per share (basic and diluted) for the years ended March 31, 2018 and 2019.

	Millions of yen except per share data presented in yen	
	Year ended March 31	
	2018	2019
Basic—		
Net income (loss) attributable to NHI shareholders	¥ 219,343	¥ (100,442)
Weighted average number of shares outstanding	3,474,593,441	3,359,564,840
Net income (loss) attributable to NHI shareholders per share	¥ 63.13	¥ (29.90)
Diluted—		
Net income (loss) attributable to NHI shareholders	¥ 219,266	¥ (100,525)
Weighted average number of shares outstanding	3,543,602,532	3,359,566,740
Net income (loss) attributable to NHI shareholders per share	¥ 61.88	¥ (29.92)

Net income (loss) 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, 2018 and 2019 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 and affiliates, which would have minimal impact on EPS for the years ended March 31, 2018 and 2019.

Antidilutive stock options and other stock-based compensation plans to purchase or deliver 13,035,600 and 104,496,000 of the Company’s common shares were not included in the computation of diluted EPS for the years ended March 31, 2018 and 2019, respectively.

*Subsequent Events*

On April 25, 2019, the Company adopted a resolution to grant Restricted Stock Units (“RSUs”). See Note 14 “*Deferred compensation awards*” for further information.

On June 18, 2019, the Company adopted a resolution to set up a share buyback program. See Note 18 “*Shareholders’ equity*” for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**13. 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 ¥10,305 million and ¥12,762 million as of March 31, 2018 and 2019, 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, 2018 and 2019. Nomura’s measurement date is March 31 for defined benefit plans of Japanese entities.

	<b>Millions of yen</b>	
	<b>Year ended March 31</b>	
	<b>2018</b>	<b>2019</b>
Service cost	¥ 9,565	¥11,270
Interest cost	2,258	2,180
Expected return on plan assets	(6,066)	(6,068)
Amortization of net actuarial losses	2,979	3,831
Amortization of prior service cost	(1,061)	(1,059)
Net periodic benefit cost	<u>¥ 7,675</u>	<u>¥10,154</u>

Prior service cost is amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized over the average remaining service period of active participants, which is 15 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, 2018 and 2019.

	Millions of yen			
	As of or for the year ended March 31			
	2018		2019	
<b>Change in projected benefit obligation:</b>				
Projected benefit obligation at beginning of year	¥	269,736	¥	287,983
Service cost		9,565		11,270
Interest cost		2,258		2,180
Actuarial gain		17,004		25,855
Benefits paid		(10,581)		(11,953)
Acquisition, divestitures and other		1		88
Projected benefit obligation at end of year	¥	287,983	¥	315,423
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	¥	233,945	¥	234,050
Actual return on plan assets		5,128		3,574
Employer contributions		4,139		4,484
Benefits paid		(9,162)		(9,223)
Fair value of plan assets at end of year	¥	234,050	¥	232,885
Funded status at end of year		(53,933)		(82,538)
Amounts recognized in the consolidated balance sheets	¥	(53,933)	¥	(82,538)

The accumulated benefit obligation (“ABO”) was ¥287,983 million and ¥315,423 million as of March 31, 2018 and 2019, 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, 2018 and 2019.

	Millions of yen			
	March 31			
	2018		2019	
<b>Plans with ABO in excess of plan assets:</b>				
PBO	¥	53,933	¥	82,538
ABO		53,933		82,538
Fair value of plan assets		—		—
<b>Plans with PBO in excess of plan assets:</b>				
PBO	¥	53,933	¥	82,538
ABO		53,933		82,538
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, 2019.

	<u>Millions of yen</u> <u>For the year ended</u> <u>March 31, 2019</u>
Net actuarial loss	¥ 109,422
Net prior service cost	(5,518)
Total	<u>¥ 103,904</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, 2020</u>
Net actuarial loss	¥ 5,319
Net prior service cost	(1,114)
Total	<u>¥ 4,205</u>

*Assumptions*

The following table presents the weighted-average assumptions used to determine projected benefit obligations of Japanese entities' plans as of March 31, 2018 and 2019.

	<u>March 31</u>	
	<u>2018</u>	<u>2019</u>
Discount rate	0.8%	0.6%
Rate of increase in compensation levels	1.7%	1.6%

The following table presents the weighted-average assumptions used to determine the net periodic benefit cost of Japanese entities' plans as of March 31, 2018 and 2019.

	<u>Year ended March 31</u>	
	<u>2018</u>	<u>2019</u>
Discount rate	0.9%	0.8%
Rate of increase in compensation levels	2.5%	1.7%
Expected long-term rate of return on plan assets	2.6%	2.6%

Nomura generally determines the discount rates for its defined benefit plans by referencing indices for long-term, high-quality debt securities and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plans' liabilities.

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

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 15% in equities (including private equity investments), 44% in debt securities, 25% in life insurance company general accounts, and 16% in other investments. Investment allocations are generally reviewed and revised at the time of the actual revaluation that takes place every five years or when there is a significant change in the portfolio assumptions.

For details of the levels of inputs used to measure the fair value of plan assets, see Note 2 “Fair value measurements”.

The following tables present information about the fair value of plan assets of Japanese entities’ plans as of March 31, 2018 and March 31, 2019 within the fair value hierarchy.

	Millions of yen			Balance as of March 31, 2018
	Level 1	Level 2	Level 3	
<b>Pension plan assets:</b>				
Equities	¥ 27,001	¥ —	¥ —	¥ 27,001
Private equity investments	—	2,473	3,639	6,112
Japanese government securities	40,938	—	—	40,938
Foreign government, agency and municipal securities	—	—	—	—
Bank and corporate debt securities	2,351	2,218	—	4,569
Investment trust funds and other <sup>(1)(2)</sup>	—	6,291	53,681	59,972
Life insurance company general accounts	—	53,835	—	53,835
Other assets	—	40,679	—	40,679
<b>Total</b>	<b>¥ 70,290</b>	<b>¥ 105,496</b>	<b>¥ 57,320</b>	<b>¥ 233,106</b>

	Millions of yen			Balance as of March 31, 2019
	Level 1	Level 2	Level 3	
<b>Pension plan assets:</b>				
Equities	¥ 21,991	¥ —	¥ —	¥ 21,991
Private equity investments	—	9,145	3,823	12,968
Japanese government securities	25,980	—	—	25,980
Foreign government, agency and municipal securities	—	22	—	22
Bank and corporate debt securities	2,566	2,082	—	4,648
Investment trust funds and other <sup>(1)(2)</sup>	—	6,070	56,007	62,077
Life insurance company general accounts	—	64,437	—	64,437
Other assets	—	39,748	—	39,748
<b>Total</b>	<b>¥ 50,537</b>	<b>¥ 121,504</b>	<b>¥ 59,830</b>	<b>¥ 231,871</b>

(1) Includes hedge funds and real estate funds.

(2) Certain assets that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. As of March 31, 2018 and March 31, 2019, the fair values of these assets were ¥944 million and ¥1,014 million, respectively.

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, 2018 was ¥3,407 million, ¥166 million and ¥37,893 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, 2019 was ¥3,711 million, ¥167 million and ¥38,991 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively.

See Note 2 “Fair value measurements” for further information regarding how Nomura estimates fair value for specific types of financial instruments.

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, 2018			
	Balance as of April 1, 2017	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2018
Private equity investments	¥ 6,785	¥ (657)	¥ (2,489)	¥ 3,639
Investment trust funds and other	49,721	253	3,707	53,681
<b>Total</b>	<b>¥ 56,506</b>	<b>¥ (404)</b>	<b>¥ 1,218</b>	<b>¥ 57,320</b>

	Millions of yen			
	Year ended March 31, 2019			
	Balance as of April 1, 2018	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2019
Private equity investments	¥ 3,639	¥ (349)	¥ 533	¥ 3,823
Investment trust funds and other	53,681	792	1,534	56,007
<b>Total</b>	<b>¥ 57,320</b>	<b>¥ 443</b>	<b>¥ 2,067</b>	<b>¥ 59,830</b>

The fair value of Level 3 plan assets of non-Japanese entities' plans, mainly consisting of annuities, was ¥37,893 million and ¥38,991 million as of March 31, 2018 and 2019, respectively. The amount of unrealized profit (loss) of Level 3 assets was ¥423 million and ¥4,358 million as of March 31, 2018 and 2019, respectively. 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, 2018 and 2019 were not significant.

*Cash Flows*

Nomura expects to contribute ¥4,484 million to Japanese entities' plans in the year ending March 31, 2019. Nomura policy is to contribute annual amounts based on the relevant local funding requirements of the plans.

**NOMURA HOLDINGS, INC.**

**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.

Year ending March 31	Millions of yen
2020	¥ 11,272
2021	10,458
2022	10,649
2023	11,022
2024	11,521
2025-2029	59,625

**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 ¥3,627 million and ¥3,614 million to defined contribution pension plans for Japanese entities' plans for the years ended March 31, 2018 and 2019, respectively.

The contributions to overseas defined contribution pension plans were ¥9,265 million and ¥9,293 million for the years ended March 31, 2018 and 2019, 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 ¥8,082 million and ¥9,828 million for the years ended March 31, 2018 and 2019, respectively.

**14. Deferred compensation awards:**

Nomura issues deferred compensation awards to senior management and 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 Restricted Stock Unit ("RSU") awards, Plan A and Plan B Stock Acquisition Right ("SAR") awards, Notional Stock Unit ("NSU") awards, and Collared Notional Stock Unit ("CSU") awards. SAR Plan A awards are awards of stock options while RSU awards, SAR Plan B awards, NSU awards and CSU awards are analogous to awards of restricted common stock. The Company also issues other deferred compensation awards, namely Notional Indexed Unit ("NIU") awards which are linked to a world stock index quoted by Morgan Stanley Capital International.

Certain deferred compensation awards include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination of employment if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Unless indicated below, deferred compensation awards are generally reduced, forfeited or clawed back in the event of termination of employment, material restatements of financial statements, material conduct issues, material damage to Nomura's business or reputation, material downturns in the performance of the Nomura group and/or a material failure of risk management.

**RSU awards**

The Company introduced RSU awards in the fiscal year ended March 31, 2019, and granted the first RSU awards in May 2018. For each RSU award, one common stock of the Company is delivered. The awards generally have a graded vesting period over three years with an extending vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform within Nomura.

The grant date fair value per awards is determined using the price of the Company's common stock.

The following table presents activity relating to RSU awards for the year ended March 31, 2019.

	Outstanding (number of Nomura shares)	Weighted-average grant date fair value per share	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2018	—	¥ —	—
Granted	50,284,100	530	
Forfeited	(1,765,900)	537	
Delivered	—	—	
Outstanding as of March 31, 2019	<u>48,518,200</u>	<u>¥ 530</u>	1.3

The weighted-average grant date fair value per award for the year ended March 31, 2019 was ¥530. There were no vested awards nor delivered shares for the year ended March 31, 2019.

The aggregate intrinsic value of RSU awards outstanding as of March 31, 2019 was ¥19,417 million.

As of March 31, 2019, total unrecognized compensation cost relating to RSU awards was ¥4,980 million which is expected to be recognized over a weighted average period of 1.7 years.

**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 and expire approximately seven years after grant date. The exercise price is generally not less than the fair value of the Company's common stock on grant date. These awards are subject to the above reduction and forfeiture provisions but are not subject to claw back.

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, 2018 and 2019 was ¥110 and ¥79 per share, respectively. The weighted-average assumptions used in each of these years were as follows.

	Year ended March 31	
	2018	2019
Expected volatility	35.30%	33.30%
Expected dividends yield	3.07%	3.67%
Expected lives (in years)	4.5	4.5
Risk-free interest rate	0.10%	0.10%

**NOMURA HOLDINGS, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table presents activity relating to SAR Plan A awards for the year ended March 31, 2019.

	Outstanding (number of Nomura shares)	Weighted-average exercise price	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2018	15,070,300	¥ 671	4.1
Granted	2,556,500	573	
Exercised	(992,600)	299	
Forfeited	(49,300)	646	
Expired	(45,600)	299	
Outstanding as of March 31, 2019	<u>16,539,300</u>	<u>¥ 679</u>	3.9
Exercisable as of March 31, 2019	<u>11,458,600</u>	<u>¥ 701</u>	2.9

The total intrinsic value of SAR Plan A awards exercised during the years ended March 31, 2018 and 2019 was ¥450 million and ¥241 million, respectively.

The aggregate intrinsic value of SAR Plan A awards outstanding and exercisable as of March 31, 2019 was both ¥102 million and ¥102 million, respectively.

As of March 31, 2019, total unrecognized compensation cost relating to SAR Plan A awards was ¥252 million which is expected to be recognized over a weighted average period of 1.3 years. The total fair value of SAR Plan A awards which vested during the years ended March 31, 2018 and 2019 was ¥nil, respectively.

**SAR Plan B awards**

The Company issues SAR Plan B awards linked to the price of the Company's common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company's common stock, have an exercise price of ¥1 per share and graded vesting generally over three years with certain longer vesting or holding periods where required under local regulations.

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, 2019. No new SAR Plan B awards have been granted since April 1, 2018.

	Outstanding (number of Nomura shares)	Weighted-average grant date fair value per share	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2018	57,937,600	¥ 518	4.7
Granted	—	—	
Exercised	(16,671,700)	544	
Forfeited	(754,100)	470	
Expired	(1,118,900)	489	
Outstanding as of March 31, 2019	<u>39,392,900</u>	<u>¥ 508</u>	4.1
Exercisable as of March 31, 2019	<u>22,913,700</u>	<u>¥ 530</u>	2.9

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The weighted-average grant date fair value per share for the year ended March 31, 2018 was ¥588. No SAR Plan B award was granted for the year ended March 31, 2019.

The total intrinsic value of SAR Plan B awards exercised during the years ended March 31, 2018 and 2019 was ¥21,740 million and ¥8,896 million, respectively.

The aggregate intrinsic value of SAR Plan B awards outstanding and exercisable as of March 31, 2019 was ¥15,726 million and ¥9,147 million, respectively.

As of March 31, 2019, total unrecognized compensation cost relating to SAR Plan B awards was ¥351 million which is expected to be recognized over a weighted average period of 1.3 years. The total fair value of SAR Plan B awards which vested during the years ended March 31, 2018 and 2019 was ¥17,539 million and ¥10,757 million, respectively.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to RSU, SAR Plan A, and SAR Plan B awards for the years ended March 31, 2018 and 2019 was ¥9,650 million and ¥21,814 million, respectively.

Cash received from the exercise of SAR Plan A, SAR Plan B, and RSU awards during the year ended March 31, 2019 was ¥313 million and the tax benefit realized from exercise of these awards was ¥700 million.

Total related tax benefits recognized in the consolidated statements of income relating to SAR Plan A awards, SAR Plan B, and RSU awards for the years ended March 31, 2018 and 2019 were ¥566 million and ¥90 million, respectively. The dilutive effect of outstanding deferred compensation plans is included in the weighted average number of shares outstanding used in diluted EPS computations. See Note 12 “*Earnings per share*” for further information.

**NSU and CSU awards**

NSU and CSU awards are cash-settled awards linked to the price of the Company’s common stock. NSU awards 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. CSU awards are similar to NSU awards but exposure to movements in the price of the Company’s common stock is subject to a cap and floor. Both types of award have graded vesting periods generally over three years with certain longer vesting periods where required by local regulations.

The fair value of NSU and CSU awards are determined using the price of the Company’s common stock.

The following table presents activity related to NSU and CSU awards for the year ended March 31, 2019. No new CSU awards have been granted since April 1, 2018.

	NSUs		CSUs	
	Outstanding (number of units)	Stock price	Outstanding (number of units)	Stock price
Outstanding as of March 31, 2018	34,959,599	¥568	21,186,475	¥607
Granted	15,701,372	583 <sup>(1)</sup>	—	—
Vested	(19,041,605)	603 <sup>(2)</sup>	(11,639,940)	540 <sup>(2)</sup>
Forfeited	(582,808)		(786,096)	
Outstanding as of March 31, 2019	31,036,558	¥389 <sup>(3)</sup>	8,760,439	¥603 <sup>(3)</sup>

(1) Weighted-average price of the Company’s common stock used to determine number of awards granted.

(2) Weighted-average price of the Company’s common stock used to determine the final cash settlement amount of the awards.

(3) The price of the Company’s common stock used to remeasure the fair value of the remaining outstanding unvested awards as of March 31, 2019.



**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NSU and CSU awards for the years ended March 31, 2018 and 2019 was ¥24,286 million and ¥5,077 million, respectively.

Total unrecognized compensation cost relating to NSU awards, based on the fair value of these awards as of March 31, 2019, was ¥575 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.9 years. The total fair value of NSU awards which vested during the years ended March 31, 2018 and 2019 was ¥17,103 million and ¥11,481 million, respectively.

Total unrecognized compensation cost relating to CSU awards, based on the fair value of these awards as of March 31, 2019, was ¥413 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.4 years. The total fair value of CSU awards which vested during the years ended March 31, 2018 and 2019 was ¥11,871 million and ¥6,282 million, respectively.

**NIU awards**

In addition to the stock-based compensation awards described above, Nomura also grants NIU awards to senior management and employees. NIU awards are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International, with graded vesting periods generally over three years with certain longer vesting periods where required by local regulations.

The fair value of NIU awards is determined using the price of the index.

The following table presents activity relating to NIU awards for the year ended March 31, 2019. No new NIU awards have been granted since April 1, 2018.

	<b>Outstanding (number of units)</b>	<b>Index price<sup>(1)</sup></b>
Outstanding as of March 31, 2018	13,283,976	\$ 5,854
Granted	—	—
Vested	(7,802,159)	5,883 <sup>(2)</sup>
Forfeited	(316,073)	
Outstanding as of March 31, 2019	<u>5,165,744</u>	<u>\$ 6,043<sup>(3)</sup></u>

(1) The price of each unit is determined using 1/1000th of the index price.

(2) Weighted-average index price used to determine the final cash settlement amount of the awards.

(3) Index price used to remeasure the total fair value of the remaining outstanding unvested awards as of March 31, 2019.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NIU awards for the year ended March 31, 2018 and 2019 was ¥8,697 million and ¥1,731 million, respectively.

Total unrecognized compensation cost relating to NIU awards, based on the fair value of these awards as of March 31, 2019, was ¥246 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 NIU awards which vested during the years ended March 31, 2018 and 2019 was ¥7,669 million and ¥5,091 million, respectively.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Total tax benefits recognized in the consolidated statements of income for compensation expense relating to NSUs, CSUs and NIU awards for the years ended March 31, 2018 and 2019 were ¥779 million and ¥220 million, respectively.

*Subsequent events*

On April 25, 2019, the Company passed a resolution to grant RSU awards to certain senior management and employees. A total of 33,786,200 RSU awards have been granted which generally have a graded vesting period from one to three years with an extending vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform within Nomura.

In May and June 2019, Nomura also granted NSU awards to senior management and employees in countries where RSU awards are less favorably treated from tax or other perspectives. These NSU awards have a total grant date fair value of ¥8 billion and vesting periods of up to seven years.

**15. Restructuring initiatives:**

Nomura has been experiencing a major structural shift such as a breakdown of the traditional investment banking business model, advances in digitalization, and demographic shifts due to the shrinking population and aging society in Japan. To respond to the changing environment created by these shifts, Nomura works to swiftly reengineer its business platform and change its business approach in order to achieve sustainable growth in any business environment. Concretely, Nomura determined to eliminate the concept of regions to alleviate duplication between business and region, reduce the number of corporate functions, downscale unprofitable and low growth businesses and right-size franchise in EMEA.

As a result of the changes, Nomura recognized ¥10,348 million of severance costs reported within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income during the year ended March 31, 2019 and within Nomura's Wholesale and Other segments. As of March 31, 2019, these costs are reported as liabilities within Other liabilities in the consolidated statements of financial position. The most part of changes is expected to be completed during the year ending March 31, 2020. However, the total costs to be incurred going forward are currently under evaluation.

**16. Income taxes:**

The following table presents components of *Income tax expense* reported in the consolidated statements of income for the years ended March 31, 2018 and 2019.

	Millions of yen	
	Year ended March 31	
	2018	2019
<b>Current:</b>		
Domestic	¥ 35,018	¥ 26,725
Foreign	8,589	8,720
Subtotal	<u>43,607</u>	<u>35,445</u>
<b>Deferred:</b>		
Domestic	64,340	28,183
Foreign	(4,081)	(6,618)
Subtotal	<u>60,259</u>	<u>21,565</u>
<b>Total</b>	<u>¥103,866</u>	<u>¥ 57,010</u>

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The income tax benefit recognized from operating losses for the years ended March 31, 2018 and 2019 was ¥4,653 million and ¥246 million, respectively, which is 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 only imposes a national tax.

Since the year ended March 31, 2018, the effective statutory tax rate applicable to Nomura in Japan has been approximately 31%.

On December 22, 2017, the Tax Cuts and Jobs Act (“the Act”) was enacted in the United States which significantly changes U.S. income tax law, including reducing the U.S. federal corporate income tax rate to 21%, broadening the U.S. tax base, introducing a territorial tax system and one time repatriation tax on U.S. entities for previously deferred earnings of non-U.S. investees, allowing full expensing of certain property assets and imposing certain additional taxes on payments made from U.S. entities to foreign related parties. As a result, Nomura recognized a reduction of ¥2,776 million in deferred tax liabilities and deferred tax expense during the fiscal year ended March 31, 2018. As a result of finalizing calculations around the impact from changes in certain assumptions and interpretations made by Nomura, certain actions to be taken by Nomura and additional guidance released by the U.S. tax authorities and other bodies after April 1, 2018, Nomura did not make any material adjustments to this estimate during the fiscal year ended March 31, 2019.

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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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, 2018 and 2019. The effective tax rate presented in the following table represents total income tax expense for the year as a percentage of *Income (loss) before income taxes*. For the year ended March 31, 2018, where Nomura recognized *Income before income taxes* for the years, reconciling items which increase *Income tax expense* and therefore increase Nomura's effective tax rate are shown as positive amounts. Conversely, reconciling items which reduce *Income tax expense* and reduce Nomura's effective tax rate are shown as negative amounts. For the year ended March 31, 2019, Nomura recognized *Loss before income taxes* and consequently, reconciling items shown in the table which increase *Income tax expense* are presented as negative amounts and reconciling items which reduce *Income tax expense* are presented as positive amounts.

	Year ended March 31	
	2018	2019
Nomura's effective statutory tax rate	31.0%	31.0%
Impact of:		
Changes in deferred tax valuation allowances	(22.8)	(58.3)
Additional taxable revenues	0.1	(2.9)
Non-deductible expenses <sup>(1)</sup>	1.9	(110.3)
Non-taxable revenue	(3.6)	16.8
Dividends from foreign subsidiaries	0.0	0.0
Tax effect of undistributed earnings of foreign subsidiaries	0.0	(2.8)
Different tax rate applicable to income (loss) of foreign subsidiaries	0.8	(19.8)
Effect of changes in foreign tax laws	23.5	0.5
Effect of changes in domestic tax laws	—	—
Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates	1.7	5.4
Other	(0.9)	(10.8)
Effective tax rate	<u>31.7%</u>	<u>(151.2)%</u>

- (1) *Non-deductible expenses* during the year ended March 31, 2019 included approximately ¥21 billion relating to goodwill impairment losses (which increased Nomura's effective tax rate by 56.3%) and approximately ¥13 billion relating to litigation provisions and settlements (which increased Nomura's effective tax rate by 34.0%).

The following table presents the significant components of deferred tax assets and liabilities as of March 31, 2018 and 2019, before offsetting of amounts which relate to the same tax-paying component within a particular tax jurisdiction.

	Millions of yen	
	March 31	
	2018	2019
<b>Deferred tax assets</b>		
Depreciation, amortization and valuation of fixed assets	¥ 19,982	¥ 20,008
Investments in subsidiaries and affiliates	36,189	25,243
Valuation of financial instruments	61,249	71,806
Accrued pension and severance costs	20,967	29,711
Other accrued expenses and provisions	76,578	44,803
Operating losses	340,780	369,286
Other	5,587	9,213
Gross deferred tax assets	561,332	570,070
Less—Valuation allowances	(422,280)	(444,916)
Total deferred tax assets	<u>139,052</u>	<u>125,154</u>
<b>Deferred tax liabilities</b>		
Investments in subsidiaries and affiliates	127,041	133,936
Valuation of financial instruments	43,985	41,770
Undistributed earnings of foreign subsidiaries	1,137	2,039
Valuation of fixed assets	4,524	10,109
Other	3,342	6,843
Total deferred tax liabilities	<u>180,029</u>	<u>194,697</u>
<b>Net deferred tax assets (liabilities)</b>	<u>¥ (40,977)</u>	<u>¥ (69,543)</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 ¥16,135 million and ¥15,026 million as of March 31, 2018 and 2019, respectively and net deferred tax liabilities reported within *Other liabilities* in the consolidated balance sheets were ¥57,112 million and ¥84,569 million as of March 31, 2018 and 2019, respectively.

As of March 31, 2019, no deferred tax liabilities have been recognized for undistributed earnings of foreign subsidiaries totaling ¥19,900 million which are not expected to be remitted in the foreseeable future. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

The following table presents changes in total valuation allowances established against deferred tax assets for the years ended March 31, 2018 and 2019.

	Millions of yen	
	Year ended March 31	
	2018	2019
Balance at beginning of year	¥519,492	¥422,280
Net change during the year	(97,212) <sup>(1)</sup>	22,636 <sup>(2)</sup>
Balance at end of year	<u>¥422,280</u>	<u>¥444,916</u>

(1) Primarily includes a reduction of ¥80,459 million of valuation allowances of certain foreign subsidiaries mainly due to changes in tax laws in the U.S., an increase of ¥17,340 million related to Japanese subsidiaries and the Company because of an increase in valuation allowances related to operating loss carryforwards, and a reduction of ¥34,093 million of valuation allowances related to Japanese subsidiaries and the Company as a result of changes in the expected realization of deferred tax assets. In total, ¥97,212 million of allowances decreased for the year ended March 31, 2018.

(2) Primarily includes an increase of ¥11,843 million of valuation allowances of certain foreign subsidiaries mainly due to an increase in valuation allowances related to operating loss carryforwards, partially offset by a decrease of valuation allowances related to accrued expenses and provisions, an increase of ¥6,265 million related to Japanese subsidiaries and the Company because of an increase in valuation allowances related to operating loss carryforwards recognized in the current year, an increase of ¥14,976 million of valuation allowances related to Japanese subsidiaries and the Company as a result of changes in the expected realization of deferred tax assets, and a reduction of ¥10,448 million of valuation allowances related to expiration of operating loss carryforwards. In total, ¥22,636 million of allowances increased for the year ended March 31, 2019.

As of March 31, 2019, total operating loss carryforwards were ¥2,042,991 million, which included ¥550,539 million relating to the Company and domestic subsidiaries, ¥730,834 million relating to foreign subsidiaries in the United Kingdom, ¥468,266 million relating to foreign subsidiaries in the United States, ¥222,133 million relating to foreign subsidiaries in Hong Kong, and ¥71,219 million relating to foreign subsidiaries in other tax jurisdictions. Of this total amount, ¥1,087,034 million can be carried forward indefinitely, ¥807,151 million expires by March 31, 2028 and ¥148,806 million expires in later fiscal years.

In determining the amount of valuation allowances to be established as of March 31, 2019, 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 a reduction of valuation allowances in any major tax jurisdiction in which Nomura operates as of March 31, 2018 and 2019. 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, 2018 and 2019. There were also no significant movements of the gross amounts in unrecognized tax benefits and the amount of interest and penalties recognized due to unrecognized tax benefits during the years ended March 31, 2018 and 2019. 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 the consolidated financial statements. It is reasonably possible that there may be a significant increase in unrecognized tax benefits within 12 months of March 31, 2019. 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, 2019. Under Hong Kong Special Administrative Region tax law, the statute of limitation does not apply if an entity incurs taxable losses and is therefore not included in the table.

<b>Jurisdiction</b>	<b>Year</b>
Japan	2014 <sup>(1)</sup>
United Kingdom	2016
United States	2016

(1) The earliest year in which Nomura remains subject to examination for transfer pricing issues is 2013.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Other comprehensive income (loss):

The following tables present changes in *Accumulated other comprehensive income (loss)* for the years ended March 31, 2018 and 2019.

	Millions of yen				
	For the year ended March 31, 2018				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss) <sup>(1)</sup>	Net change during the year	Balance at end of year
Cumulative translation adjustments	¥ 47,767	¥ (32,777)	¥ (30,586)	¥ (63,363)	¥ (15,596)
Pension liability adjustment	(41,020)	(8,194)	1,377	(6,817)	(47,837)
Net unrealized gain on non-trading securities	20,344	6,792	(27,136)	(20,344)	—
Own credit adjustments	6,561	(2,286)	(198)	(2,484)	4,077
Total	¥ 33,652	¥ (36,465)	¥ (56,543)	¥ (93,008)	¥ (59,356)

- (1) Change in cumulative translation adjustments, net of tax in other comprehensive income (loss) for the year ended March 31, 2018 includes reclassification adjustment of ¥45,424 million for profit in connection with the liquidation of an investment in a non-Japanese subsidiary. The adjustment is recognized in Revenue-Other and the amount of income tax loss allocated to this reclassification adjustment is ¥14,536 million.

	Millions of yen				
	For the year ended March 31, 2019				
	Balance at beginning of year	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss) <sup>(1)</sup>	Net change during the year	Balance at end of year
Cumulative translation adjustments	¥ (15,596)	¥ 28,248	¥ 5,181	¥ 33,429	¥ 17,833
Pension liability adjustment	(47,837)	(25,182)	1,912	(23,270)	(71,107)
Net unrealized gain on non-trading securities <sup>(2)</sup>	—	—	—	—	—
Own credit adjustments	4,077	20,944	(797)	20,147	24,224
Total	¥ (59,356)	¥ 24,010	¥ 6,296	¥ 30,306	¥ (29,050)

- (1) Change in cumulative translation adjustments, net of tax in other comprehensive income (loss) for the year ended March 31, 2019 includes reclassification adjustment of ¥6,956 million for loss due to substantially complete liquidation of an investment in a foreign entity. The adjustment is recognized in *Non-interest expenses-Other*.
- (2) See Note 6 “*Non-trading securities*” for further information. As Nomura disposed of the interest in its insurance subsidiary, there are no unrealized gains and losses of non-trading securities recognized in other comprehensive income as of March 31, 2018 and 2019.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present significant reclassifications out of *Accumulated other comprehensive income (loss)* for the years ended March 31, 2018 and 2019.

	Millions of yen		Affected line items in consolidated statements of income
	For the year ended March 31		
	2018	2019	
Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)		
Cumulative translation adjustments:			
	¥ 45,122	¥ (5,181)	Revenue—Other
	(14,536)	—	Income tax expense
	30,586	(5,181)	Net income (loss)
	—	—	Net income attributable to noncontrolling interests
	¥ 30,586	¥ (5,181)	Net income (loss) attributable to NHI shareholders

	Millions of yen		Affected line items in consolidated statements of income
	For the year ended March 31		
	2018	2019	
Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)		
Pension liability adjustment:			
	¥ (2,001)	¥ (2,771)	Non-interest expenses— Compensation and benefits
	624	859	Income tax expense
	(1,377)	(1,912)	Net income (loss)
	—	—	Net income attributable to noncontrolling interests
	¥ (1,377)	¥ (1,912)	Net income (loss) attributable to NHI shareholders

	Millions of yen		Affected line items in consolidated statements of income
	For the year ended March 31		
	2018	2019	
Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)		
Net unrealized gain on non-trading securities:			
	¥ 35,894	¥ —	Revenue—Other
	(8,615)	—	Income tax expense
	27,279	—	Net income (loss)
	(143)	—	Net income attributable to noncontrolling interests
	¥ 27,136	¥ —	Net income (loss) attributable to NHI shareholders

See Note 6 “*Non-trading Securities*” for further information.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

18. Shareholders' equity:

The following table presents changes in shares of the Company's common stock outstanding for the years ended March 31, 2018 and 2019.

	Number of Shares	
	Year ended March 31	
	2018	2019
Common stock outstanding at beginning of year	3,528,429,451	3,392,937,486
Decrease of common stock by cancellation of treasury stock	(179,000,000)	(150,000,000)
Common stock held in treasury:		
Repurchases of common stock	(170,027,391)	(100,020,867)
Sales of common stock	201	180
Common stock issued to employees	34,115,500	17,894,000
Cancellation of treasury stock	179,000,000	150,000,000
Other net change in treasury stock	419,725	(10,000)
Common stock outstanding at end of year	<u>3,392,937,486</u>	<u>3,310,800,799</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, 2018 and 2019, the amounts available for distributions were ¥1,311,894 million and ¥1,209,861 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.

Dividends on the Company's common stock per share were ¥20.0 for the year ended March 31, 2018 and ¥6.0 for the year ended March 31, 2019.

During the year ended March 31, 2018, due to the cancellation of treasury stock on December 18, 2017, total number of issued shares and treasury stock decreased by 179,000,000 shares, respectively.

During the year ended March 31, 2019, due to the cancellation of treasury stock on December 17, 2018, total number of issued shares and treasury stock decreased by 150,000,000 shares, respectively.

On April 27, 2017, the board of directors approved a repurchase program of Nomura Holdings common stock in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 100,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥80,000 million and (c) the share buyback will run from May 17, 2017 to March 30, 2018. Under this repurchase program, the Company repurchased 100,000,000 shares of common stock at a cost of ¥62,349 million.

On October 30, 2017, the board of directors approved a repurchase program of Nomura Holdings common stock in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 70,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥50,000 million and (c) the share buyback will run from November 15, 2017 to March 30, 2018. Under this repurchase program, the Company repurchased 70,000,000 shares of common stock at a cost of ¥46,729 million.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

On April 26, 2018, the board of directors approved a repurchase program of Nomura Holdings common stock in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 100,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥70,000 million and (c) the share buyback will run from May 16, 2018 to March 29, 2019. Under this repurchase program, the Company repurchased 100,000,000 shares of common stock at a cost of ¥51,703 million.

In addition to the above, the change in common stock held in treasury includes the change in common stock issued to employees under stock-based compensation plans, common stock held by affiliated companies, 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.

*Subsequent Events*

On June 18, 2019, 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 300,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥150,000 million and (c) the share buyback program will run from June 19, 2019 to March 31, 2020 (excluding the ten business days following the announcement of quarterly operating results).

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### 19. 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, 2018 and March 31, 2019, the Company was in compliance with common equity Tier 1 capital ratio, Tier 1 capital ratio and consolidated capital adequacy ratio requirements set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. The required level (including applicable minimum consolidated capital buffer) as of March 31, 2019 was 7.61% for the common equity Tier 1 capital ratio, 9.11% for the Tier 1 capital ratio and 11.11% 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, 2018 and 2019, the capital adequacy ratio of NSC exceeded 120%. Also, as of March 31, 2018 and 2019, the capital adequacy ratio of NFPS also exceeded 120%.

In connection with providing brokerage, clearing, asset management and wealth management services to clients, Nomura maintains segregated accounts to hold financial assets such as cash and securities on behalf of its clients. These accounts are typically governed by stringent statutory or regulatory rules in the relevant jurisdiction where the accounts are maintained in order to protect the clients from loss.

As of March 31, 2018 and 2019, the total amount of segregated client cash recognized as an asset in *Deposits with stock exchanges and other segregated cash* in the consolidated balance sheets was ¥131,992 million and ¥145,325 million, respectively. As of March 31, 2018 and 2019, the total amount of segregated securities recognized as assets in *Trading assets* and *Collateralized agreements* in the consolidated balance sheets was ¥768,495 million and ¥693,192 million, respectively.

In the U.S., Nomura Securities International, Inc. ("NSI") is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority ("FINRA") and the Chicago Mercantile Exchange Group. NSI is subject to the SEC's Uniform Net Capital Rule ("Rule 15c3-1") and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. ("NGFP") is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC ("ILLC") is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2018 and 2019, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In Europe, Nomura Europe Holdings plc (“NEHS”) is subject to consolidated regulatory supervision by the Prudential Regulation Authority (“U.K. PRA”). The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive and the Capital Requirements Regulation which came into effect on January 1, 2014. Nomura International plc (“NIP”), the most significant of NEHS’ subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated by the U.K. PRA and has minimum capital adequacy requirements imposed on it on a standalone basis. In addition, Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the U.K. PRA on a standalone basis and Nomura Financial Products Europe GmbH (“NFPE”), a Nomura subsidiary domiciled in Germany, is regulated by the German regulator (“BaFin”). As of March 31, 2018 and 2019, NEHS, NIP, NBI and NFPE 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 and clearing in securities and futures contracts, advising on securities, futures contracts and corporate finance and wealth management. Activities of NIHK, including its branch in Taiwan, 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. 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, 2018 and 2019, NIHK and NSL were in compliance with relevant regulatory capital related requirements.

#### **20. Affiliated companies and other equity-method investees:**

Nomura’s significant affiliated companies and other equity-method investees include Nomura Research Institute, Ltd. (“NRI”) and Nomura Real Estate Holdings, Inc. (“NREH”).

#### **JAFCO**

JAFCO Co. Ltd. (“JAFCO”), which is a listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies. Nomura accounted for JAFCO using the equity method because Nomura had the ability to exercise significant influence over operating and financial decisions of JAFCO.

On July 28, 2017, Nomura disposed of its entire shareholding of 8,488,200 shares of JAFCO as part of a share buy-back program by the company. As a result, JAFCO is no longer an equity-method affiliate of Nomura.

#### **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, 2019, Nomura’s ownership of NRI was 39.3% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥75,868 million.

#### **NREH**

NREH is the holding company of the Nomura Real Estate Group which is primarily involved in the residential property development, leasing, investment management as well as other real estate-related activities.

As of March 31, 2019, Nomura’s ownership of NREH was 35.3% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥11,012 million.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Summary financial information—

The following tables present summarized financial information for significant affiliated companies of Nomura (including those elected for the fair value option) as of March 31, 2018 and 2019, and for the years ended March 31, 2018 and 2019.

	Millions of yen	
	March 31	
	2018 <sup>(1)</sup>	2019
Total assets	¥2,516,611	¥2,535,825
Total liabilities	1,529,433	1,538,231

	Millions of yen	
	Year ended March 31	
	2018 <sup>(2)</sup>	2019
Net revenues	¥ 949,055	¥ 963,824
Non-interest expenses	768,419	794,264
Net income attributable to the companies	122,623	122,440

(1) JAFCO's assets and liabilities are not included because it was not an affiliated company of Nomura as of March 31, 2018.

(2) For JAFCO, financial information while it was an affiliated company of Nomura is included.

The following tables present a summary of balances and transactions with affiliated companies and other equity-method investees as of March 31, 2018 and 2019, and for the years ended March 31, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
Investments in affiliated companies	¥ 408,034	¥ 436,220
Other receivables from affiliated companies	1,061	1,425
Other payables to affiliated companies	4,224	2,998

	Millions of yen	
	Year ended March 31	
	2018	2019
Revenues	¥ 1,677	¥ 1,986
Non-interest expenses	46,632	44,073
Purchase of software, securities and tangible assets	26,830	13,515

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, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
Carrying amount	¥ 404,494	¥ 423,885
Fair value	626,120	600,132

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents equity in earnings of equity-method investees, including those above and dividends from equity-method investees for the years ended March 31, 2018 and 2019.

	Millions of yen	
	Year ended March 31	
	2018	2019
Equity in earnings of equity-method investees <sup>(1)</sup>	¥ 34,516	¥ 32,014
Dividends from equity-method investees	13,290	12,971

(1) Equity in earnings of equity-method investees is reported within *Revenue-Other* in the consolidated statements of income.

**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Subsequent Events*

Nomura has decided to tender part of its holdings of ordinary shares in NRI through a self-tender offer approved by the board of directors of NRI on June 18, 2019. The number of shares to be tendered is 101,910,700 (reflecting stock split by NRI effective on July 1, 2019).

The financial impact of this tender offer on our consolidated financial statements is still under evaluation. NRI is expected to remain as an equity-method affiliate of NHI after the completion of this tender offer.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

21. 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 securities that may be issued by the clients. As a member of certain central clearing counterparties, Nomura is committed to provide liquidity facilities through entering into reverse repo transactions backed by government and government agency debt securities with those counterparties in a situation where a default of another clearing member occurs. 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 and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest.

The following table presents a summary of the key types of outstanding commitments provided by Nomura as of March 31, 2018 and 2019.

	Millions of yen	
	March 31	
	2018	2019
Commitments to extend credit	¥ 965,942	¥2,694,368
Liquidity facilities to central clearing counterparties	249,273	1,593,439
Commitments to invest	13,273	14,413

As of March 31, 2019, 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	¥2,694,368	¥1,737,305	¥97,933	¥225,151	¥633,979
Liquidity facilities to central clearing counterparties	1,593,439	1,593,439	—	—	—
Commitments to invest	14,413	865	2	362	13,184

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

*Other commitments*

Purchase obligations for goods or services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements amounted to ¥44,192 million as of March 31, 2018 and ¥69,003 million as of March 31, 2019.

As of March 31, 2019, these purchase obligations had the following maturities:

	Millions of yen						
	Total	Years of payment					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Purchase obligations	¥69,003	¥21,985	¥17,910	¥16,400	¥12,144	¥564	¥ —



**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Nomura has commitments under resale and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amounted to ¥2,538 billion for resale agreements and ¥889 billion for repurchase agreements as of March 31, 2018 and ¥1,071 billion for resale agreements and ¥719 billion for repurchase agreements as of March 31, 2019.

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 ¥419 billion and ¥441 billion as of March 31, 2018 and 2019, 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.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### Contingencies

##### *Investigations, lawsuits and other legal proceedings*

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fines, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.

The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 “Contingencies” (“ASC 450”), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company’s financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

For certain of the significant actions and proceedings described below, the Company is currently able to estimate the amount of reasonably possible loss, or range of reasonably possible losses, in excess of amounts recognized as a liability (if any) against such cases. These estimates are based on current information available as of the date of these consolidated financial statements and include, but are not limited to, the specific amount of damages or claims against Nomura in each case. As of June 25, 2019, 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 ¥44 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.

Nomura will continue to cooperate with regulatory investigations and to vigorously defend its position in the ongoing actions and proceedings set out below, as appropriate.

In January 2008, Nomura International plc (“NIP”) was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 (“Tax Notice”). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court’s decisions in favor of the local tax authorities.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, “Fairfield Funds”), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) (“BLMIS”). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the United States Bankruptcy Court for the Southern District of New York. The second suit was brought by the Trustee for the liquidation of BLMIS (“Madoff Trustee”). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the United States Bankruptcy Court for the Southern District of New York. Both actions seek to recover approximately \$35 million.

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.

In September 2011, the Federal Housing Finance Agency (“FHFA”), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (“GSEs”), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of RMBS, and their controlling persons, including NAAC, Nomura Home Equity Loan Inc. (“NHEL”), NCCI, NSI and NHA (the Company’s U.S. subsidiaries). The action alleged that the GSEs purchased RMBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleged that the GSEs purchased certificates in seven offerings in the original principal amount of approximately \$2,046 million and sought rescission of its purchases. The case was tried before the Court beginning March 16, 2015 and closing arguments were completed on April 9, 2015. On May 15, 2015, the Court issued a judgment and ordered the defendants to pay \$806 million to the GSEs upon the GSEs’ delivery of the certificates at issue to the defendants. The Company’s U.S. subsidiaries appealed the decision to the United States Court of Appeals for the Second Circuit and agreed, subject to the outcome of the appeal, to a consent judgment for costs and attorneys’ fees recoverable under the blue sky statutes at issue in the maximum amount of \$33 million. On September 28, 2017, the Second Circuit affirmed the judgment of the district court. On March 12, 2018, the Company’s U.S. subsidiaries filed a petition for certiorari to the U.S. Supreme Court. On June 25, 2018, the U.S. Supreme Court denied the petition for certiorari. The judgment has been satisfied and the proceedings have been discontinued.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In November 2011, NIP was served with a claim filed by the Madoff Trustee in the United States Bankruptcy Court for the 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 March 2013, Banca Monte dei Paschi di Siena SpA (“MPS”) issued a claim in the Italian Courts against (1) two former directors of MPS and (2) NIP. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (“Transactions”) and that NIP acted fraudulently and was jointly liable for the unlawful conduct of MPS’s former directors. MPS claimed damages of not less than EUR 1.1 billion.

In March 2013, NIP commenced a claim against MPS in the English Courts. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its defence and counterclaim to these proceedings in March 2014. MPS alleged in its counterclaim that NIP was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

On September 23, 2015, NIP entered into a settlement agreement with MPS to terminate the Transactions. NIP believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, NIP considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and NIP in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and NIP applied to the Italian Courts to discontinue the proceedings brought by MPS against NIP. These proceedings have since been discontinued.

In July 2013, a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena (“FMPS”). The grounds of the FMPS claim are similar to those on which the MPS claim was founded. The level of damages sought by FMPS is not less than EUR 315.2 million.

In January 2018, a claim before the Italian Courts brought by two claimants, Alken Fund Sicav (on behalf of two Luxembourg investment funds Alken Fund European Opportunities and Alken Fund Absolute Return Europe) and Alken Luxembourg S.A (the funds’ management company) was served on NIP. The claim is made against NIP, MPS, four MPS former directors and a member of MPS’s internal audit board, and seeks monetary damages of approximately EUR 434 million on the basis of allegations similar to those made in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

In May 2019, a claim before the Italian Courts brought by York Global Finance Offshore BDH (Luxembourg) Sàrl and a number of seemingly related funds was served on NIP. The claim is made against NIP, MPS, two MPS former directors and a member of MPS’s internal audit board, and seeks monetary damages of approximately EUR 186.7 million on grounds similar to those in the MPS and FMPS claims, as well as non-monetary damages in an amount left to be quantified by the Judge.

In April 2013, an investigation was commenced by the Public Prosecutor’s office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3, 2015, the Public Prosecutor’s office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor was seeking to indict MPS, three individuals from MPS’s former management, NIP and two former NIP employees for, among others, the offences of false accounting and market manipulation in relation to MPS’s previous accounts. The preliminary hearing at which the court considered whether or not to grant the indictment concluded on October 1, 2016, the Judge ordering the trial of all individuals and banks involved except for MPS (which entered into a plea bargaining agreement with the Public Prosecutor). The trial commenced in December 2016 and is currently in the closing phase.

Additionally, NIP was served by the Commissione Nazionale per le Società e la Borsa (“CONSOB,” the Italian financial regulatory authority) with a notice commencing administrative sanction proceedings for market manipulation in connection with the Transactions. In relation to the Transactions, the notice named MPS, three individuals from MPS’s former management and two former NIP employees as defendants, whereas NIP was named only in its capacity as vicariously liable to pay any fines imposed on the former NIP employees. On May 22, 2018, CONSOB issued its decision in which it levied EUR 100,000 fines in relation to each of the two NIP former employees. In addition, CONSOB decided that the two employees do not meet the necessary Italian law integrity requirements to perform certain senior corporate functions, for a period of three months and six months respectively. NIP is vicariously liable to pay the fines imposed on its former employees. NIP has paid the fines and appealed the decision to the Milan Court of Appeal.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In January 2016, the Municipality of Civitavecchia in Italy (“Municipality”) commenced civil proceedings against NIP in the local courts in Civitavecchia. The Municipality’s claim related to derivatives transactions entered into by the Municipality between 2003 and 2005. The Municipality alleged that NIP failed to comply with its duties under an advisory agreement and sought to recover approximately EUR 35 million in damages. On December 20, 2017, NIP entered into a settlement agreement with the Municipality pursuant to which the Municipality withdrew its proceedings against NIP. The proceedings have since been discontinued.

In June 2016 and August 2016, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Special Investments Singapore Pte Limited (“NSIS”) were respectively served with a complaint filed in the Taipei District Court against NIHK, NSIS and certain individuals by Cathay United Bank, Co., Ltd., Taiwan Cooperative Bank Ltd., Chang Hwa Commercial Bank Ltd., Taiwan Business Bank Ltd., KGI Bank and Hwatai Bank Ltd. (collectively, “Syndicate Banks”). The Syndicate Banks’ complaint relates to a \$60 million syndicated term loan to a subsidiary of Ultrasonic AG that was arranged by NIHK, and made by the Syndicate Banks together with NSIS. The Syndicate Banks’ allegations in the complaint include allegations that NIHK failed to comply with its fiduciary duties to the lenders as the arranger of the loan and the Syndicate Banks seek to recover approximately \$48 million in damages and interest.

In March 2017, certain subsidiaries of American International Group, Inc. (“AIG”) commenced proceedings in the District Court of Harris County, Texas against certain entities and individuals, including NSI, in connection with a 2012 offering of \$750 million of certain project finance notes, of which \$92 million allegedly were purchased by AIG. AIG alleges violations of the Texas Securities Act based on material misrepresentations and omissions in connection with the marketing, offering, issuance and sale of the notes and seeks rescission of the purchases or compensatory damages.

Various authorities continue to conduct investigations concerning the activities of NIP, other entities in the Nomura Group and other parties in respect of government, supranational, sub-sovereign and agency debt securities trading. These investigations relate to various matters including certain activities of NIP in Europe for which NIP and the Company have received a Statement of Objections from the European Commission (“Commission”) which reflects the Commission’s initial views around certain historical conduct. NIP and another entity in the Nomura Group are also defendants to class action complaints filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law. The class actions cover the same subject matter and relate to the alleged manipulation of the secondary trading market for supranational, sub-sovereign and agency bonds. The Company, NIP and NSI have been served with a similar class action complaint filed in the Toronto Registry Office of the Federal Court of Canada alleging violations of Canadian competition law.

In September 2017 and November 2017, NIHK and NSIS were respectively served with a complaint filed in the Taipei District Court against NIHK, NSIS, China Firsttextile (Holdings) Limited (“FT”) and certain individuals by First Commercial Bank, Ltd., Land Bank of Taiwan Co., Ltd., Chang Hwa Commercial Bank Ltd., Taishin International Bank, E.Sun Commercial Bank, Ltd., CTBC Bank Co., Ltd., Hwatai Bank, Ltd. and Bank of Taiwan (collectively, “FT Syndicate Banks”). The FT Syndicated Banks’ complaint relates to a \$100 million syndicated term loan facility to borrower FT that was arranged by NIHK, and made by the FT Syndicate Banks together with NSIS. The FT Syndicated Banks’ allegations in the complaint include tort claims under Taiwan law against the defendants. The FT Syndicated Banks seek to recover approximately \$68 million in damages and interest.

In July 2018, a former Italian counterparty filed a claim against NIP in the Civil Court of Rome relating to a derivative transaction entered into by the parties in 2006, and terminated in 2009. The claim alleges that payments by the counterparty to NIP of approximately EUR 165 million were made in breach of Italian insolvency law, and seeks reimbursement of those payments.

Nomura Securities Co., Ltd. (“NSC”) is the leading securities firm in Japan with approximately 5.34 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.

On February 8, 2018 for the 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 on December 25, 2018 for the action commenced in October 2014 by a corporate client seeking ¥2,143 million in damages for losses on currency derivative transactions between 2006 and 2012, NSC entered into settlement agreements with the relevant parties and each proceeding has since been discontinued.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In February 2018, a determination was made that there would be an early redemption of the NEXT NOTES S&P500 VIX Short-Term Futures Inverse Daily Excess Return Index ETN (“Product”), and with respect to matters such as losses that occurred due to this early redemption for clients who purchased the Product, in terms of claims such as mediation procedures before the Non-Profit Organization, Financial Instruments Mediation Assistance Center (“FINMAC”) and lawsuits (“Claims”), where there has been an indication of a decision that NSC has a certain amount of responsibility, NSC has been carrying out compensation of losses on this basis. Currently, a considerable number of clients have filed Claims and it is expected that it will be necessary to continue to carry out compensation of losses on the basis of the Claim for the purpose of resolving this matter.

The United States Department of Justice (“DOJ”), led by the United States Attorney’s Office for the Eastern District of New York, informed NHA; NAAC; NCCI; NHEL; NSI; Nomura America Mortgage Finance, LLC; and Nomura Asset Capital Corporation; (the Company’s U.S. subsidiaries) that it was investigating possible civil claims against the Company’s U.S. subsidiaries under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 focusing on RMBS the Company’s U.S. subsidiaries sponsored, issued, underwrote, managed, or offered during 2006 and 2007. The Company’s U.S. subsidiaries cooperated with the investigation and on October 15, 2018, the Company’s U.S. subsidiaries reached a settlement with DOJ pursuant to which the U.S. subsidiaries paid \$480 million to resolve the matter. On the consolidated statements of income of this consolidated fiscal year, approximately ¥20 billion incurred in connection with the settlement, was reflected in *Non-interest expenses:—Other*.

The United States Securities and Exchange Commission (“SEC”) and the DOJ have been investigating past activities of several former employees of NSI in respect of the commercial and residential mortgage-backed securities transactions. The SEC has indicated it will institute proceedings focusing on NSI’s supervision of certain former employees and NSI intends, in connection with such proceedings, to agree to disgorgement and/or restitution relating to some of the transactions in issue.

## NOMURA HOLDINGS, INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

#### *Other mortgage-related contingencies in the U.S.*

Certain of the Company's subsidiaries in the U.S. securitized residential mortgage loans in the form of RMBS. These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators ("originators"). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower's credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator's guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The total original principal amount of loans for which repurchase claims were received by the relevant subsidiaries within six years of each securitization is \$3,203 million. The relevant subsidiaries summarily rejected any demand for repurchase received after the expiration of the statute of limitations applicable to breach of representation claims. For those claims received within six years, the relevant subsidiaries reviewed each claim received, and rejected those claims believed to be without merit or agreed to repurchase certain loans for those claims that the relevant subsidiaries determined to have merit. In several instances, following the rejection of repurchase demands, investors instituted actions through the trustee alleging breach of contract. The breach of contract claims that were brought within the six-year statute of limitations for breach of contract actions have survived motions to dismiss. 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.

#### *Cyber security incident*

In June 2018, a foreign Nomura subsidiary experienced a spear phishing incident that resulted in the unauthorized access to the firm's desktop network including client information, requiring us to immediately launch an internal investigation to assess and remediate the incident, notify the appropriate authorities of its occurrence and communicate with clients and other individuals whose data may have been impacted. As a result of this incident, Nomura may suffer financial loss through reputational damage, legal liability and enforcement actions and through the cost of additional resources to both remediate this incident and also to enhance and strengthen cybersecurity of other Nomura group companies. As the extent and potential magnitude of this incident have yet to be determined, the Company cannot provide an estimate of the reasonably possible loss in respect of this matter.

#### *Administrative action by Financial Services Agency of Japan*

On May 28, 2019, NSC received an administrative action (a business improvement order) from Financial Services Agency of Japan ("FSA") in accordance with Article 51 of the Financial Instruments and Exchange Act of Japan ("FIEA") due to NSC's improper communication of information. On the same day, for the same reason, the Company also received an administrative action (a business improvement order) from FSA in accordance with Article 57-19 (1) of the FIEA. Because of such administrative action, NSC has lost some of business opportunities. On June 3, 2019, the Company and NSC submitted reports on their business improvement measures to FSA and the reports were accepted by FSA. However, there is a possibility that Nomura will continue to lose business opportunities due to the damage to our reputation and other causes, and the Company's financial condition and business performance may be affected in the next consolidated fiscal year onward. However, it is difficult for the Company to reasonably estimate the financial impact at this moment.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**Guarantees—**

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

The following table presents information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen			
	March 31			
	2018		2019	
	Carrying value	Maximum potential payout / Notional total	Carrying value	Maximum potential payout / Notional total
Derivative contracts <sup>(1)(2)</sup>	¥ 4,023,893	¥260,885,770	¥ 4,315,743	¥281,605,308
Standby letters of credit and other guarantees <sup>(3)</sup>	92	5,189	80	5,764

(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) The amounts of collaterals held in connection with standby letters of credit and other guarantees as of March 31, 2018 and March 31, 2019 was ¥2,559 million and ¥2,481 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, 2019.

	Millions of yen					
	Maximum potential payout/Notional					
	Carrying value	Total	Years to Maturity			
Less than 1 year			1 to 3 years	3 to 5 years	More than 5 years	
Derivative contracts	¥4,315,743	¥281,605,308	¥72,346,752	¥ 96,669,268	¥33,747,897	¥ 78,841,391
Standby letters of credit and other guarantees	80	5,764	11	335	5,417	1

**22. 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 operating result of Merchant Banking Division is included in “Other”.



NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The accounting policies for segment information follow U.S. GAAP, except for the impact of unrealized gains/losses on investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income (loss) before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in “*Other*,” based upon Nomura’s allocation methodologies as used by management to assess each segment’s performance.

Business segments’ results are shown in the following tables. *Net interest revenue* is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments’ information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
<b>Year ended March 31, 2018</b>					
Non-interest revenue	¥406,295	¥ 118,545	¥ 587,474	¥ 272,271	¥ 1,384,585
Net interest revenue	6,613	8,792	127,859	(32,778)	110,486
Net revenue	412,908	127,337	715,333	239,493	1,495,071
Non-interest expenses	309,771	61,167	614,745	183,128	1,168,811
Income before income taxes	¥103,137	¥ 66,170	¥ 100,588	¥ 56,365	¥ 326,260
<b>Year ended March 31, 2019</b>					
Non-interest revenue	¥331,743	¥ 89,607	¥ 496,484	¥ 147,524	¥ 1,065,358
Net interest revenue	7,737	8,238	58,904	(16,263)	58,616
Net revenue	339,480	97,845	555,388	131,261	1,123,974
Non-interest expenses	289,990	63,660	666,787	134,034	1,154,471
Income (loss) before income taxes	¥ 49,490	¥ 34,185	¥(111,399)	¥ (2,773)	¥ (30,497)

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in “*Other*.”

The following table presents the major components of *Income (loss) before income taxes* in “*Other*” for the years ended March 31, 2018 and 2019.

	Millions of yen	
	Year ended March 31	
	2018	2019
Net gain (loss) related to economic hedging transactions	¥ (6,461)	¥ 1,800
Realized gain on investments in equity securities held for operating purposes	785	221
Equity in earnings of affiliates	34,248	32,532
Corporate items	(41,884)	(35,996)
Other <sup>(1)</sup>	69,677	(1,330)
Total	¥ 56,365	¥ (2,773)

(1) Amounts reported for the year ended March 31, 2018 include the gain recognized in earnings in connection with the liquidation of a non-Japanese subsidiary during the year.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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 (loss) before income taxes* in the consolidated statements of income for the years ended March 31, 2018 and 2019.

	Millions of yen	
	Year ended March 31	
	2018	2019
Net revenue	¥ 1,495,071	¥ 1,123,974
Unrealized gain (loss) on investments in equity securities held for operating purposes	1,898	(7,204)
Consolidated net revenue	<u>¥ 1,496,969</u>	<u>¥ 1,116,770</u>
Non-interest expenses	¥ 1,168,811	¥ 1,154,471
Unrealized gain (loss) on investments in equity securities held for operating purposes	—	—
Consolidated non-interest expenses	<u>¥ 1,168,811</u>	<u>¥ 1,154,471</u>
Income (loss) before income taxes	¥ 326,260	¥ (30,497)
Unrealized gain (loss) on investments in equity securities held for operating purposes	1,898	(7,204)
Consolidated income (loss) before income taxes	<u>¥ 328,158</u>	<u>¥ (37,701)</u>

**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, 2018 and 2019 and Long-lived assets associated with Nomura's operations as of March 31, 2018 and 2019. *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	
	2018	2019
<b>Net revenue<sup>(1)</sup>:</b>		
Americas	¥ 268,653	¥ 169,581
Europe	168,186	131,175
Asia and Oceania	68,011	47,977
Subtotal	<u>504,850</u>	<u>348,733</u>
Japan	992,119	768,037
Consolidated	<u>¥ 1,496,969</u>	<u>¥ 1,116,770</u>
<b>Income (loss) before income taxes:</b>		
Americas	¥ (8,771)	¥ (114,081)
Europe	(14,654)	(56,851)
Asia and Oceania	22,751	5,014
Subtotal	<u>(674)</u>	<u>(165,918)</u>
Japan	328,832	128,217
Consolidated	<u>¥ 328,158</u>	<u>¥ (37,701)</u>
	March 31	
	2018	2019
<b>Long-lived assets:</b>		
Americas	¥ 117,323	¥ 50,829
Europe	67,010	56,821
Asia and Oceania	8,613	9,588
Subtotal	<u>192,946</u>	<u>117,238</u>
Japan	231,003	252,420
Consolidated	<u>¥ 423,949</u>	<u>¥ 369,658</u>

(1) There is no revenue derived from transactions with a single major external customer.

## 2. Unconsolidated Financial Statements

### (1) Unconsolidated Financial Statements

#### 1. Balance Sheets

	Notes	Millions of yen	
		March 31	
		2018	2019
<b>(ASSETS)</b>			
<b>Current Assets</b>			
Cash and time deposits		¥ 1,711	¥ 247,034
Money held in trust		73	83
Short-term loans receivable		3,604,969	3,489,888
Accounts receivable		46,774	27,716
Others		59,643	58,028
Total Current Assets		<u>3,713,169</u>	<u>3,822,748</u>
<b>Fixed Assets</b>			
Tangible fixed assets		28,645	24,587
Buildings		10,842	10,179
Furniture and fixtures		11,401	10,996
Land		6,402	3,412
Intangible assets		95,609	83,905
Software		95,609	83,904
Other		0	0
Investments and others		3,095,497	3,148,916
Investment securities	*1	143,110	129,119
Investments in subsidiaries and affiliates (at cost)	*1	2,383,501	2,363,476
Other securities of subsidiaries and affiliates		6,328	26,361
Long-term loans receivable from subsidiaries and affiliates		489,878	566,794
Long-term guarantee deposits		27,029	27,144
Deferred tax assets		16,944	13,877
Others		28,731	22,168
Allowance for doubtful accounts		(23)	(23)
Total Fixed Assets		<u>3,219,751</u>	<u>3,257,408</u>
<b>TOTAL ASSETS</b>		<u>¥6,932,921</u>	<u>¥ 7,080,156</u>

	Notes	Millions of yen	
		March 31	
		2018	2019
<b>(LIABILITIES)</b>			
Current Liabilities			
Short-term borrowings		¥1,256,600	¥ 1,533,138
Bond due within one year		182,468	282,251
Collaterals received		107,515	67,511
Accrued income taxes		7	1,473
Accrued bonuses		2,414	22,930
Others		76,600	68,788
Total Current Liabilities		1,625,604	1,976,090
Long-term liabilities			
Bonds payable		847,677	671,600
Long-term borrowings		1,824,422	1,880,699
Allowance for loss on business of subsidiaries and affiliates		—	32,598
Others		1,367	2,248
Total Long-term liabilities		2,673,466	2,587,145
TOTAL LIABILITIES		4,299,070	4,563,235
<b>(NET ASSETS)</b>			
Shareholder's equity			
Common stock		594,493	594,493
Capital reserves			
Additional paid-in capital		559,676	559,676
Total capital reserves		559,676	559,676
Earned surplus			
Earned surplus reserve		81,858	81,858
Other Earned surplus			
Earned surplus carried forward		1,469,685	1,318,632
Total earned surplus		1,551,543	1,400,490
Treasury stock		(157,791)	(108,771)
Total shareholder's equity		2,547,921	2,445,888
Valuation and translation adjustments			
Net unrealized gain on investments		51,364	44,929
Deferred gains or loss on hedges		4,075	3,107
Total valuation and translation adjustments		55,439	48,036
Subscription rights to shares		30,491	22,997
TOTAL NET ASSETS		2,633,851	2,516,921
TOTAL LIABILITIES AND NET ASSETS		¥6,932,921	¥ 7,080,156

## 2. Statements of Income

	Notes	Millions of yen	
		Year ended March 31	
		2018	2019
Operating revenue			
Property and equipment fee revenue		¥ 121,483	¥ 101,500
Rent revenue		30,785	30,282
Royalty on trademark		39,184	35,079
Dividend from subsidiaries and affiliates		200,053	94,374
Interest from affiliates		79,431	50,147
Others		13,460	14,026
Total operating revenue		484,396	325,407
Operating expenses			
Compensation and benefits		22,070	33,937
Rental and maintenance		38,214	39,034
Data processing and office supplies		61,857	57,783
Depreciation and amortization		47,450	35,874
Taxes		1,345	2,498
Others		6,132	6,122
Interest expenses		53,530	69,741
Total operating expenses		230,598	244,990
Operating income		253,798	80,417
Non-operating revenue		6,036	17,952
Non-operating expenses		28,105	3,141
Ordinary income		231,730	95,229
Special profits			
Gain on capital reduction of subsidiaries and affiliates		31,698	—
Gain on liquidation of subsidiaries and affiliates		504	249
Gain on sales of subsidiaries and affiliates		43,563	—
Gain on sales of investment securities		785	221
Gain on reversal of subscription rights to shares		276	479
Total special profits		76,825	949
Special losses			
Loss on sales of investment securities		0	0
Loss on devaluation of investment securities		—	187
Loss on abandonment of fixed assets		893	3,565
Loss on devaluation of stocks of subsidiaries and affiliates		—	59,803
Provision for loss on business of subsidiaries and affiliates		—	32,598
Total special losses		893	96,154
Income before income taxes		307,662	24
Income taxes—current		(22,323)	6,741
Income taxes—deferred		48,978	5,753
Total income taxes		26,656	12,494
Net income		¥ 281,006	¥ (12,470)

### 3. Statements of Changes in Net Assets

(Year ended March 31, 2018)

	Millions of yen					
	Shareholders' equity					
	Capital reserve			Earned surplus		
	Common stock	Additional paid-in capital	Total capital reserve	Earned surplus reserve	Other Earned surplus	
Earned surplus carried forward					Total Earned surplus	
Balance at April 1, 2017	¥ 594,493	¥ 559,676	¥ 559,676	¥ 81,858	¥ 1,375,531	¥1,457,389
Change in the term						
Cash dividends	—	—	—	—	(70,199)	(70,199)
Net income	—	—	—	—	281,006	281,006
Repurchases of treasury stock	—	—	—	—	—	—
Sale of treasury stock	—	—	—	—	(4,711)	(4,711)
Cancellation of treasury stock	—	—	—	—	(111,941)	(111,941)
Other-net	—	—	—	—	—	—
Total change in the year	—	—	—	—	94,154	94,154
Balance at March 31, 2018	¥ 594,493	¥ 559,676	¥ 559,676	¥ 81,858	¥ 1,469,685	¥1,551,543

	Millions of yen						
	Shareholder's equity		Valuation and translation adjustments				
	Treasury stock	Total Shareholders' equity	Net unrealized gain on investments	Deferred gains or loss on hedges	Total Valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at April 1, 2017	¥(182,034)	¥ 2,429,524	¥ 49,108	¥ 11,898	¥ 61,006	¥ 36,231	¥2,526,761
Change in the term							
Cash dividends	—	(70,199)	—	—	—	—	(70,199)
Net income	—	281,006	—	—	—	—	281,006
Repurchases of treasury stock	(109,096)	(109,096)	—	—	—	—	(109,096)
Sale of treasury stock	21,398	16,687	—	—	—	—	16,687
Cancellation of treasury stock	111,941	—	—	—	—	—	—
Other-net	—	—	2,256	(7,823)	(5,567)	(5,741)	(11,308)
Total change in the year	24,243	118,398	2,256	(7,823)	(5,567)	(5,741)	107,089
Balance at March 31, 2018	¥(157,791)	¥ 2,547,921	¥ 51,364	¥ 4,075	¥ 55,439	¥ 30,491	¥2,633,851

(Year ended March 31, 2019)

	Millions of yen					
	Shareholders' equity					
	Capital reserve			Earned surplus		
	Common stock	Additional paid-in capital	Total capital reserve	Earned surplus reserve	Other Earned surplus	
Earned surplus carried forward					Total Earned surplus	
Balance at April 1, 2018	¥ 594,493	¥ 559,676	¥ 559,676	¥ 81,858	¥ 1,469,685	¥1,551,543
Change in the term						
Cash dividends	—	—	—	—	(47,475)	(47,475)
Net Income (loss)	—	—	—	—	(12,470)	(12,470)
Repurchases of treasury stock	—	—	—	—	—	—
Sale of treasury stock	—	—	—	—	(1,192)	(1,192)
Cancellation of treasury stock	—	—	—	—	(89,916)	(89,916)
Other-net	—	—	—	—	—	—
Total change in the year	—	—	—	—	(151,052)	(151,052)
Balance at March 31, 2019	¥ 594,493	¥ 559,676	¥ 559,676	¥ 81,858	¥ 1,318,632	¥1,400,490

	Millions of yen							
	Shareholder's equity		Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Treasury stock	Total Shareholders' equity	Net unrealized gain on investments	Deferred gains or loss on hedges	Total Valuation and translation adjustments			
Balance at April 1, 2018	¥(157,791)	¥ 2,547,921	¥ 51,364	¥ 4,075	¥ 55,439	¥ 30,491	¥2,633,851	
Change in the term								
Cash dividends	—	(47,475)	—	—	—	—	(47,475)	
Net Income (loss)	—	(12,470)	—	—	—	—	(12,470)	
Repurchases of treasury stock	(51,714)	(51,714)	—	—	—	—	(51,714)	
Sale of treasury stock	10,817	9,625	—	—	—	—	9,625	
Cancellation of treasury stock	89,916	—	—	—	—	—	—	
Other-net	—	—	(6,434)	(968)	(7,403)	(7,494)	(14,897)	
Total change in the year	49,019	(102,034)	(6,434)	(968)	(7,403)	(7,494)	(116,930)	
Balance at March 31, 2019	¥(108,771)	¥ 2,445,888	¥ 44,929	¥ 3,107	¥ 48,036	¥ 22,997	¥2,516,921	

[Notes to the Financial Statements]

(Significant Accounting Policies)

1. Basis and methods of valuation for financial instruments

(1) Other securities

a. Securities with market value

Recorded at market value

The difference between the cost using the moving average method or amortized cost and market value less deferred taxes is recorded as *Net unrealized gain on investments* in Net assets on the balance sheet.

b. Securities without market value

Recorded at cost using the moving average method or amortized cost

With respect to investments in investment enterprise partnerships and similar ones which are regarded as equivalent to securities in accordance with Paragraph 2, Article 2 of the Financial Instruments and Exchange Act, the pro rata shares of such partnerships are recorded at net asset values based on the available current financial statements on the reporting date set forth in the partnership agreements.

(2) Stocks of subsidiaries and affiliates

Recorded at cost using the moving average method

2. Basis and method of valuation for derivative transaction

Accounted for at fair value based on the mark-to-market method

3. Basis and method of valuation for money held in trust

Accounted for at fair value based on the mark-to-market method

4. Depreciation and amortization

(1) Depreciation of tangible fixed assets

Tangible fixed assets are depreciated primarily on the declining balance method, except for buildings (excluding equipment of the buildings) acquired on or after April 1, 1998 and equipment of the buildings and structures acquired on or after April 1, 2016 which are depreciated on the straight-line method.

(2) Amortization of intangible assets, investments and others

Intangible assets, investments and others are amortized over their estimated useful lives primarily on the straight-line method. The useful lives of software are based on those determined internally.

5. Deferred Assets

Bond issuance costs

Bond issuance costs are expensed upon incurred.

6. Translation of assets and liabilities denominated in foreign currencies

Financial assets and liabilities denominated in foreign currencies are translated into Japanese yen using exchange rates as of the balance sheet date. Gains and losses resulting from translation are reflected in the statement of income.

7. Provisions

(1) Allowance for doubtful accounts

To provide for bad loans, the Company recorded an allowance for doubtful accounts based on an estimate of the uncollectible amounts calculated using historical loss ratios or a reasonable estimate based on the financial condition of individual borrowers.

(2) Accrued bonuses

To prepare for bonus payments to employees, the estimated amount was recorded in accordance with the prescribed calculation method.

(3) Allowance for business loss of subsidiaries and affiliates

Allowance for business loss of subsidiaries and affiliates is made at an estimated amount of loss.



## 8. Hedging activities

### (1) Hedge accounting

Mark-to-market profits and losses on hedging instruments are deferred as assets or liabilities until the profits or losses on the underlying hedged items are realized for interest rate risk hedge and foreign currency risk hedge. Fair value hedge is applied and all the profits and losses are recognized for share price risk hedge.

### (2) Hedging instrument and hedged item

The Company utilizes interest rate swap contracts to hedge the interest rate risk on bonds and borrowings that the Company issued. The Company utilizes currency forward contracts and long term foreign currency liabilities including long term bonds issued to hedge foreign currency risk on investments in subsidiaries. Additionally, the Company utilizes total return swap contracts to hedge share price risk on a part of investment securities.

### (3) Hedging policy

As a general rule, the interest rate risk on bonds and borrowings is fully hedged until maturity. Foreign currency investment in subsidiaries is hedged by currency forward contracts and long term foreign currency liabilities including long term bonds issued. A part of investment securities is hedged by total return swap contracts.

### (4) Valuating the validity of hedging instruments

Regarding to the hedge of the interest risk and foreign currency risk, the Company regularly verifies the result of risk offsetting by each hedging instrument and hedged item, and verifies the validity of the hedge. For the hedge of share price risk, the Company verifies the hedge effectiveness by comparing the change in fair value of each investment security and total return swap contract.

9. Consumption taxes and local consumption taxes are accounted for based on the tax exclusion method.

10. The Company applies the consolidated tax return system.

## (Changes in Accounting Policies)

The Company early adopted “*Accounting Standard for Revenue Recognition*” (Accounting Standards Board of Japan Statement No.29 issued on March 30, 2018) and “*Implementation Guidance on Accounting Standard for Revenue Recognition*” (Accounting Standards Board of Japan Guidance No. 30 issued on March 30, 2018) from the beginning of the current fiscal year. In accordance with the transitional accounting treatment prescribed in Paragraph 87 of “*Accounting Standard for Revenue Recognition*”, the company adopted the accounting standard from the beginning of the current fiscal year. There was no impact on the amounts reported in the financial statement.

## (Changes in presentation methods)

On February 16, 2018, the ASBJ issued “*the Amendments to Accounting Standard for Tax-Effect Accounting*” (ASBJ Statement No. 28. referred to as “*Partial Amendments to Accounting Standard for Tax Effect Accounting*”). The Company adopted the amended standard from the beginning of the current fiscal year. The Company has classified deferred tax assets as “*Investments and others*” and deferred tax liabilities as “*Long-term liabilities*”, and has changed tax effect accounting note partially.

As a result of reclassifications made to the prior financial statements using the new presentation method in accordance, ¥1,615 million previously presented in the “Current assets” “Deferred tax assets” section in the balance sheet as of the end of the previous fiscal year has been included in the “Investments and others” “Deferred tax assets” section of ¥16,944 million since the current fiscal year.

In addition, in the notes on tax effect accounting, the Company has added the contents described in “*Accounting standard for tax effect accounting*” (1) (Excludes total valuation allowance.) (Note 8) in Paragraph 4 of the “*Partial Amendments to Accounting Standard for Tax Effect Accounting*”. However, no information related to the previous fiscal year has been included in this report in accordance with the transitional treatment stipulated in Paragraph 7 of “*Partial Amendments to Accounting Standard for Tax Effect Accounting*”.

(Balance Sheets)

\*1. Securities deposited

(March 31, 2018)

The Company loaned investment securities (mainly investments in subsidiaries and affiliates) with a book value of ¥42,285 million based on securities lending agreements contracts which provide borrowers with the rights to resell or repledge the securities.

(March 31, 2019)

The Company loaned investment securities (mainly investments in subsidiaries and affiliates) with a book value of ¥28,585 million based on securities lending agreements contracts which provide borrowers with the rights to resell or repledge the securities.

2. Financial guarantee<sup>(1)</sup>

		(March 31, 2018)	Millions of yen
Nomura Europe Finance N.V.	Borrowings/Medium term notes/ Repurchase transactions		1,930,866 <sup>(2)</sup>
Nomura International Funding Pte. Ltd.	Borrowings/Medium term notes/ Repurchase transactions		641,610
Nomura International plc	Derivative transactions		355,240 <sup>(2)</sup>
Nomura International plc	Borrowings/Medium term notes/ Repurchase transactions		210,829
Nomura Bank International plc	Borrowings/Medium term notes/ Repurchase transactions		176,390
Nomura Global Financial Products Inc.	Derivative transactions		160,858 <sup>(2)</sup>
Other			38,411
		(March 31, 2019)	Millions of yen
Nomura Europe Finance N.V.	Borrowings/Medium term notes/ Repurchase transactions		2,007,940 <sup>(2)</sup>
Nomura International Funding Pte. Ltd.	Borrowings/Medium term notes/ Repurchase transactions		884,917
Nomura International plc	Derivative transactions		311,693 <sup>(2)</sup>
Nomura International plc	Borrowings/Medium term notes/ Repurchase transactions		287,820
Nomura Bank International plc	Borrowings/Medium term notes/ Repurchase transactions		187,336
Nomura Global Financial Products Inc.	Derivative transactions		156,854 <sup>(2)</sup>
Other			29,137

(1) In accordance with Japan Institute of Certified Public Accountants Audit and Assurance Practice Committee Practical Guideline No. 61, items recognized as effectively bearing the obligation of guarantee of liabilities are included in notes items equivalent to guaranteed obligations.

(2) Includes co-guarantee with Nomura Securities Co., Ltd.

### 3. Balance with Subsidiaries and Affiliates

Major balances with subsidiaries and affiliates are as follows:

	Millions of yen	
	March 31	
	2018	2019
Short-term receivables	¥ 3,660,360	¥ 3,547,214
Short-term payables	1,419,253	1,628,466
Long-term receivables	515,435	592,525
Long-term payables	13	—

### 4. Commitments

The Company has provided commitments to extend subordinated credits to its subsidiaries.

	Millions of yen	
	March 31	
	2018	2019
Total commitment available	¥ 1,020,000	¥ 1,020,000
Less amount utilized	415,878	497,794
Balance available	¥ 604,122	¥ 522,206

(Statements of Income)

	Millions of yen	
	Year ended March 31	
	2018	2019
Operating revenue	¥ 483,055	¥ 320,496
Operating expenses	75,110	78,061
Non-operating transactions	8,964	455

(Securities)

(March 31, 2018)

(1) Stocks of subsidiaries and affiliates with market value

	Millions of yen		
	March 31, 2018		
	Book Value	Market Value	Difference
Subsidiaries	¥ 31	¥ 884	¥ 853
Affiliates	71,250	512,690	441,440

Stocks of subsidiaries and affiliates which are considered extremely difficult to observe market value

	Millions of yen
	Book Value
Subsidiaries	¥ 2,311,600
Affiliates	619
Total	¥ 2,312,219

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(2) Available-for-sale securities with market value

	Millions of yen		
	March 31, 2018		
	Cost	Book Value	Difference
Securities with book value exceeds cost			
Equities	¥ 42,331	¥ 115,436	¥ 73,105
Others	1,961	2,842	881
Subtotal	44,292	118,278	73,986
Securities with book value does not exceed cost			
Equities	558	516	(42)
Others	1,157	1,016	(141)
Subtotal	1,715	1,532	(183)
Total	¥ 46,007	¥ 119,810	¥ 73,803

(3) Securities which are considered extremely difficult to observe market value (except those referred in (1) above)

	Millions of yen
	Book Value
Available-for-sale securities	¥ 29,628
Equities (Unlisted equities)	16,733
Others	12,895
Other securities of subsidiaries and affiliates	6,328
Others	6,567

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(March 31, 2019)

(1) Stocks of subsidiaries and affiliates with market value

	<u>Millions of yen</u>		
	<u>March 31, 2019</u>		
	<u>Book Value</u>	<u>Market Value</u>	<u>Difference</u>
Subsidiaries	¥ 31	¥ 627	¥ 596
Affiliates	71,250	486,927	415,677

Stocks of subsidiaries and affiliates which are considered extremely difficult to observe market value

	<u>Millions of yen</u>
	<u>Book Value</u>
Subsidiaries	¥ 2,278,700
Affiliates	13,494
<b>Total</b>	<b>¥ 2,292,194</b>

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(2) Available-for-sale securities with market value

	<u>Millions of yen</u>		
	<u>March 31, 2019</u>		
	<u>Cost</u>	<u>Book Value</u>	<u>Difference</u>
<b>Securities with book value exceeds cost</b>			
Equities	¥ 34,519	¥ 93,938	¥ 59,419
Others	3,118	4,385	1,267
Subtotal	37,638	98,324	60,686
<b>Securities with book value does not exceed cost</b>			
Equities	8,021	6,815	(1,206)
Others	—	—	—
Subtotal	8,021	6,815	(1,206)
<b>Total</b>	<b>¥ 45,659</b>	<b>¥ 105,138</b>	<b>¥ 59,480</b>

(3) Securities which are considered extremely difficult to observe market value (except those referred in (1) above)

	<u>Millions of yen</u>
	<u>March 31, 2019</u>
	<u>Book Value</u>
Available-for-sale securities	¥ 50,341
Equities (Unlisted equities)	16,618
Others	33,724
Other securities of subsidiaries and affiliates	26,361
Others	7,363

The above securities have no quoted market value. Accordingly, they are considered extremely difficult to observe market value.

(Derivative Transactions)

Statement on derivative transactions is omitted as consolidated financial statements are prepared.

## (Tax Effect Accounting)

## 1. Breakdown of deferred tax assets and liabilities

	Millions of yen	
	March 31	
	2018	2019
Deferred tax assets		
Loss on devaluation of securities	¥ 90,390	¥ 109,984
Loss carry-forward on local tax	38,716	26,655
Allowance for loss on business of subsidiaries and affiliates	—	10,105
Deferred loss on hedges	3,453	3,453
Loss on devaluation of fixed assets	3,225	4,152
Stock option	2,326	1,546
Others	2,762	2,401
Subtotal of deferred tax assets	140,873	158,297
Valuation allowance for tax loss carryforwards	—	(23,398)
Valuation allowance for deferred temporary differences	—	(99,014)
Valuation allowance	(99,503)	(122,412)
Total of deferred tax assets	41,370	35,885
Deferred tax liabilities		
Net unrealized gain on investments	(19,755)	(17,182)
Deferred gain on hedges	(4,133)	(4,020)
Others	(537)	(806)
Total of deferred tax liabilities	(24,426)	(22,008)
Net deferred tax assets	¥ 16,944	¥ 13,877

## 2. Major differences between the statutory effective tax rate and the corporate tax rate after tax effect accounting application

	Percentage tax rate	
	March 31	
	2018	2019
Statutory effective tax rate	31.0%	31.0%
Permanent differences excluded from revenues	(20.1)	(123,892.3)
Permanent differences excluded from expenses	0.8	33,695.9
Valuation allowance	(5.2)	138,961.5
Accumulated earning tax of overseas subsidiaries	0.1	724.6
Income taxes—prior year adjustments	(0.1)	1,692.6
Foreign tax credit	0.0	(1.0)
Applicable tax rate differences	0.4	626.2
Others	1.7	1,033.1
Corporate tax rate after tax effect accounting	8.7	52,871.5

During the year ended March 31, 2019, certain local tax loss carryforwards expired and related deferred tax assets decreased. As a valuation allowance was provided for these deferred tax assets, there was no significant impact on the income tax ratio.

(Revenue Recognition)

The primary types of service provided to customers are as follows;

The Company recognizes Royalty fees for the use of the “Nomura” trademark as “*Royalty on trademarks*” over the time period of contracts.

Revenue from providing outsourcing services is recognized as “*Other operating revenue*” over the time period of contracts.



(Significant Subsequent Events)

Grant of Restricted Stock Units

In April 25 2019, the Company passed a resolution to grant Restricted Stock Units (“RSUs”) to certain senior management and employees. The number of RSUs would be 33,786,200 units (33,786,200 shares equivalent). RSUs are to deliver shares of common stocks of the Company to grantees from one year to the maximum of seven years after the RSUs are granted.

Treasury stock buyback

On June 18, 2019, the Board of Directors of the Company resolved to buyback treasury stocks, pursuant to the Company’s articles of incorporation set out in accordance with Article 459-1 of the Companies Act of Japan.

1. Reason to buyback treasury stocks

To use the acquired treasury stock to issue shares upon the exercise of stock options and to raise capital efficiency and ensure a flexible capital management policy.

2. Contents of the buyback program

(1) Type of stock to be purchased	Common stock
(2) Total number of stocks to be purchased	Upper limit of 300,000,000 shares (8.6% of outstanding shares)
(3) Total amount of stocks	Maximum of 150,000 million yen
(4) Term	June 19, 2019 to March 31, 2020 (Excluding the ten business days following the announcement of quarterly operating results)
(5) Method	Purchase on the stock exchange via a trust bank (The details of the trust agreement, including the timing to start the buyback, will be decided separately by a Representative Executive Officer or the CFO.)

Acceptance of Tender Offer of Treasury Stock by Nomura Research Institute, Ltd.

The Company has decided to accept a tender offer of Nomura Research Institute Co., Ltd. (referred to as “NRI”) resolved by NRI’s Board of Directors on June 18, 2019. The number of share to be tendered is 101,910,700 of ordinary shares (number of shares outstanding after the stock split on the base date of June 30, 2019).

The financial impact of this tender offer on our consolidated financial statements is still under evaluation. NRI is expected to remain as an equity-method affiliate of the Company after the completion of this tender offer.

**[Translation]**  
**Independent Auditor's Report**

June 25, 2024

The Board of Directors  
Nomura Holdings, Inc.

Ernst & Young ShinNihon LLC  
Tokyo office, Japan

Noboru Miura  
Designated Engagement Partner  
Certified Public Accountant

Toyohiro Fukata  
Designated Engagement Partner  
Certified Public Accountant

Toru Nakagiri  
Designated Engagement Partner  
Certified Public Accountant

Kenjiro Tsumura  
Designated Engagement Partner  
Certified Public Accountant

**Audit of Financial Statements**

We have audited the restated consolidated financial statements of Nomura Holdings, Inc. (the “Company”) included in the “financial information” section for the consolidated fiscal period from April 1, 2018 to March 31, 2019, which comprise the consolidated balance sheet, the consolidated statements of income, comprehensive income, changes in equity, and cash flows, notes to the consolidated financial statements and the consolidated supplementary schedules pursuant to the audit requirement of the rule specified in the Article 193-2, Section 1 of the Financial Instruments and Exchange Act.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to Article 95 of “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements”, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to independently express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and cash flows for the consolidated fiscal period then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of a matter**

As mentioned in Note 1 to the consolidated financial statements, the Company has restated its consolidated financial statements. However, this matter does not affect our audit opinion.

We issued our audit report on the original consolidated financial statements on June 25, 2019. Due to the restatement, we issue this audit report on the restated consolidated financial statements.

**Conflicts of Interest**

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

**(Note)**

This is an English translation of the Japanese language Independent Auditor's Report issued by Ernst & Young ShinNihon LLC in connection with the audit of the consolidated financial statements of the Group, prepared in Japanese, for the year ended March 31, 2019. Ernst & Young ShinNihon LLC have not audited the English language version of the consolidated financial statements for the above-mentioned year, which are included in this report of foreign private issuer on Form 6-K/A.

## Management’s Report on Internal Control over Financial Reporting

### 1 [Framework of Internal Control over Financial Reporting]

Koji Nagai, Group Chief Executive Officer, and Takumi Kitamura, Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The establishment and maintenance of an adequate internal control over financial reporting are based on the criteria set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the “COSO framework”).

There is a possibility that the internal control over financial reporting may not fully prevent or detect misstatements.

### 2 [Scope, Reference Date, and Method of Evaluation]

The Company evaluated the effectiveness of its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) using the criteria set forth in the COSO framework. The reference date of evaluation was as of March 31, 2019.

The Company’s internal control over financial reporting covers the Company and other entities in which it has a controlling financial interest.

### 3 [Report of Result of Evaluation]

Based on the evaluation, a material weakness was identified which are described below. As a result of the material weakness, management concluded that our internal control over financial reporting is not effective as of March 31, 2019.

On June 25, 2019, we filed the Original Report. At that time, our management, with the participation of our Group Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, had evaluated the effectiveness of our internal control over financial reporting and concluded that our internal control over financial reporting was effective as of March 31, 2019. Subsequent to that evaluation, certain classification and presentation errors were identified within the Company’s consolidated statement of cash flows. The classification errors related to the incorrect classification of cash flows arising from certain non-trading loans, other financial and non-financial transactions within operating rather than investing or financing activities. The presentation errors related to the presentation of certain cash flows from non-trading debt securities, short-term borrowings and other financial and non-financial transactions on a net rather than gross basis. As a result, our management concluded that our disclosure controls and procedures were not effective, that a material weakness existed in our internal control over financial reporting and that our internal control over financial reporting was not effective as of March 31, 2019. Specifically, this conclusion was based on the fact that these errors were not detected through our existing controls and there was a lack of effectively designed controls to evaluate the appropriate classification and presentation of certain cash flows in accordance with authoritative requirements of Accounting Standards Codification (“ASC”) 230 “Statement of Cash Flows” (“ASC 230”).

The errors described above primarily reflect certain classification and presentation approaches and interpretations which the Company has concluded were not in accordance with U.S. GAAP and should have been amended. While there was no impact to net revenue, income before taxes, net income, basic or diluted net income per share or any amounts included in the consolidated balance sheets, the Company has concluded that as a result of these errors, a material weakness existed in our internal control over financial reporting as of March 31, 2019, as our existing internal controls failed to detect a material misstatement in the consolidated statements of cash flows in such classification and presentation matters.

#### Remediation plan

The Company is in the process of implementing remediation actions to address this material weakness and specifically to mitigate the risk of similar errors occurring in the future within the consolidated statement of cash flows. In particular:

- The Company has performed a detailed review of the consolidated statements of cash flow in the Original Filing and other Restated Financial Statements in order to identify other related issues or improvements in both presentation and classification of cash flows matters;

- The Company has released a comprehensive internal policy documentation and has provided training to relevant personnel specifically focusing on classification and presentation within the consolidated statement of cash flows; and
- The Company is in the process of implementing a new annual control whereby senior finance and accounting policy personnel perform an in-depth comprehensive review of the consolidated statement of cash flows, including a review of underlying calculations and methodologies used as the basis of reported amounts, to evaluate compliance with applicable accounting requirements under ASC 230 and other authoritative guidance.

#### **4 [Comments]**

The key differences between the standards generally accepted in the United States which the Company adopts for the evaluation of internal control over financial reporting (“U.S. standards”) and the standards generally accepted in Japan (“Japanese standards”) are as follows:

— Under the U.S. standards, the financial reporting which is subject to the internal control requirements only includes the consolidated financial statements. Under the Japanese standards, the financial reporting which is subject to the internal control requirements includes financial statements, including consolidated financial statements, and other disclosures that have material effects on the reliability of the financial statements.

— Under the U.S. standards, the scope of internal control over financial reporting includes the parent company and its consolidated entities. Under the Japanese standards, the scope of internal control over financial reporting includes the parent company, its consolidated entities, and the affiliated companies that are accounted for by using the equity method.

#### **5 [Special Comments]**

There is no special comment to be stated.

## **Confirmation Letter**

### **1 [Appropriateness of Annual Securities Report]**

Kentaro Okuda, Group Chief Executive Officer, and Takumi Kitamura, Chief Financial Officer, have confirmed that Amendment Annual Securities Report of Nomura Holdings, Inc. for the year ended March 31, 2019 is fairly presented pursuant to the Financial Instruments and Exchange Act.

### **2 [Special Comments]**

There is no special comment to be stated.