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Matters available on the website in relation to the Notice of Convocation of the 113th Annual General Meeting of Shareholders

- (1) The following section of the business report: VII. Basic Policy Regarding the Status of Persons with Control over Decisions Concerning the Company's Financial and Business Policies
- (2) Notes to the Consolidated Financial Statements
- (3) Notes to the Financial Statements

The above information is made available on Nomura Holdings, Inc. (the "Company")'s website at <http://www.nomuraholdings.com/investor/shm/> pursuant to relevant laws and Article 25 of the Company's Articles of Incorporation.

Nomura Holdings, Inc.

1. The following section of the business report: VII Basic Policy Regarding the Status of Persons with Control over Decisions Concerning the Company's Financial and Business Policies

VII Basic Policy Regarding the Status of Persons with Control over Decisions Concerning the Company's Financial and Business Policies

With regard to the basic policy to address a shareholder holding a quantity of shares enabling such shareholder to control decisions concerning the Company management policy, the Company believes that the decision of whether to permit a party to seek ownership of such a volume of shares should ultimately be left to the judgment of the shareholders. Accordingly, the Company has not adopted any so-called takeover defense strategies, such as a prior issue of new stock acquisition rights (a rights plan), etc., at this time.

In the event of an attempt to take over the Company by a party inappropriate for business value and the common benefit of shareholders, a Corporate Value Enhancement Committee established within the Company will examine and evaluate the takeover proposal, etc., and after consultation with a council composed of the Company's outside directors, through sufficient deliberations by the Board of Directors, a conclusion will be rendered in regard to the best strategy for shareholders from the perspective of business value and the common benefit of the shareholders.

2. Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

[Significant Basis of Presentation of Consolidated Financial Statements]

1. Basis of presentation

Nomura Holdings, Inc. (“the Company”)’s consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) pursuant to Article 120-3, Paragraph 1 of the Ordinance for Company Calculation (Ministry of Justice Ordinance No. 13 of 2006). However, certain disclosures required under U.S. GAAP are omitted pursuant to Article 120-3, Paragraph 3 and the latter part of Article 120, Paragraph 1 of the Ordinance for Company Calculation.

2. Scope of consolidation and equity method application

The consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest (collectively referred to as “Nomura”). Generally, the ownership of a majority of the voting interest meets the majority of financial control condition, and Nomura, therefore, consolidates its wholly-owned and majority-owned subsidiaries. In accordance with Accounting Standard Codification (“ASC”) 810 “*Consolidation*”, Nomura also consolidates any variable interest entities for which Nomura is a primary beneficiary.

Equity investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of the voting rights of a corporate entity, or at least 3 percent of a limited partnership and similar entities) are accounted for under the equity method of accounting and are reported in *Other Assets—Investments in and advances to affiliated companies*. Nomura does not apply the equity method of accounting for the equity investments that Nomura elected the fair value option under ASC 825 “*Financial Instruments*” and they are carried at fair value and are reported in *Trading assets, Private equity investments, or Other*. Nomura elected to apply the fair value option to its investments in American Century Companies, Inc. representing economic interest of 39.7%, and reports the investments and associated unrealized gains and losses within *Other assets—Other* and *Revenue—Other*, respectively.

Also, investment companies within the scope of ASC 946 “*Financial Services—Investment Companies*” carry all of their investments at fair value, with changes in fair value recognized through earnings, rather than apply the equity method of accounting or consolidation.

[Significant Accounting Policies]

3. Basis and methods of valuation for securities, derivatives and others

(1) Trading assets and trading liabilities

Trading assets and trading liabilities, including contractual commitments arising pursuant to derivative transactions, are recorded on the consolidated balance sheet on a trade date basis at fair value. The related gains and losses are recognized currently in income.

(2) Private equity investments

Private equity investments are carried at fair value. Corresponding changes in the fair value of these investments are recognized currently in income.

(3) Investments in equity securities

Investments in equity securities consist of marketable and non-marketable equity securities that have been acquired for operating or other than operating purposes. Investments in equity securities for operating purposes and investments in equity securities for other than operating purposes are included in the other assets section of the consolidated balance sheet in *Other assets—Investments in equity securities* and *Other assets—Other*, respectively.

Investments in equity securities for operating purposes and for other than operating purposes held by non-trading subsidiaries are recorded at fair value and unrealized gains and losses are recognized currently

in income. Changes in fair value of equity securities for other than operating purposes held by the insurance subsidiary are reported within *Other comprehensive income* on a net-of-tax basis.

(4) Non trading debt securities

Non-trading debt securities mainly consist of debt securities held by non-trading subsidiaries and the insurance subsidiary. Non-trading debt securities held by the insurance subsidiary are carried at fair value, with changes in fair value reported within *Revenue—Other* for those designated in fair value hedge relationships, otherwise within *Other comprehensive income* on a net-of-tax basis. Non-trading debt securities held by non-trading subsidiaries are carried at fair value and unrealized gains and losses are recognized currently in income.

4. Depreciation and amortization

Depreciation for tangible assets is generally computed by the straight-line method over the estimated useful lives of assets according to general class, type of construction and use. Software is generally amortized by the straight-line method over its estimated useful life. Intangible assets with finite lives are amortized by the straight-line method over the estimated useful lives.

5. Long-lived assets

ASC 360 "*Property, Plant, and Equipment*" ("ASC 360") provides guidance on the financial accounting and reporting for the impairment or disposal of long-lived assets.

In accordance with ASC 360, 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 flow is less than the carrying amount of the assets, a loss would be recognized to the extent the carrying value exceeded its fair value.

6. Goodwill and intangible assets

In accordance with ASC 350 "*Intangibles—Goodwill and Other*", goodwill and intangible assets not subject to amortization are reviewed annually, or more frequently in certain circumstances, for impairment.

7. Basis of allowances

(1) Allowance for loan losses

Management establishes an allowance for loan losses against these loans not carried at fair value which reflects management's best estimate of probable losses incurred. The allowance for loan losses comprises 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 estimated for impairment based on historical loss experience.

The specific component of the allowance for loan losses reflects probable losses incurred within loans which have been individually evaluated for impairment. 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 loan loss experience, current economic conditions, current financial situation of the borrower and the fair value of any underlying collateral. The allowance is measured on a loan by loan basis by adjusting the carrying value of the impaired loan to either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance for loan losses 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 measured taking into consideration historical loss experience adjusted for qualitative factors such as current economic conditions.

(2) Accrued pension and severance costs

In accordance with ASC 715 "*Compensation—Retirement Benefits*", the funded status of the defined

benefit postretirement plan, which is measured as the difference between the fair value of the plan assets and the projected benefit obligation, is recognized to prepare for the employees' retirement and severance benefits.

The unrecognized prior service cost is amortized on a straight-line basis over the average remaining service period of active participants.

Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized on a straight-line basis over the average remaining service period of active participants.

8. Hedging activities and derivatives used for non-trading purposes

Nomura's principal objectives in using derivatives for purposes other than trading are managing market risk of certain non-trading liabilities such as issued debt, foreign exchange risk of certain foreign currency denominated non-trading debt securities held by the insurance subsidiary, and foreign exchange risk of certain net investments in foreign operations.

These derivative contracts are linked to specific assets or liabilities and are designated as hedges as they are effective in reducing the risk associated with the exposure being hedged and are highly correlated with changes in the fair value or the foreign exchange of the underlying hedged items. Nomura applies fair value and net investment hedge accounting to these hedging transactions. The relating unrealized profits and losses are recognized together with those of the hedged assets and liabilities as *Interest expense* or *Revenue—Other*, or reported within *Change in cumulative translation adjustments*.

Further, derivatives are also utilized for non-trading purposes to manage equity price risk arising from certain stock-based compensation awards granted to employees and others.

9. Foreign currency translation

All assets and liabilities of subsidiaries which have a functional currency other than Japanese yen are translated into Japanese yen at exchange rates in effect at the balance sheet date; all revenue and expenses are translated at the average exchange rates for the respective fiscal years and the resulting translation adjustments are accumulated and reported as *Accumulated other comprehensive income (loss)*. 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 income for the respective fiscal years.

10. The Company and its wholly-owned domestic subsidiaries adopt the consolidated tax return system.

11. Accounting changes

The following table presents a summary of new accounting pronouncements relevant to Nomura which have been adopted during the year ended March 31, 2017:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-02, “ <i>Amendments to the Consolidation Analysis</i> ”	<ul style="list-style-type: none"> • Simplifies complex consolidation guidance in ASC 810 “<i>Consolidation</i>” by eliminating the legacy variable interest consolidation model applied to certain investment companies, money market funds, qualifying real estate funds and similar entities. • Provides a new consolidation exception for certain registered money market funds and similar entities. • Modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities under ASC 810. • Modifies how fee arrangements and related party relationships should be considered in determining whether a variable interest entity should be consolidated. • Requires new footnote disclosures regarding financial support arrangements with certain registered money market funds and similar entities to which the exception from consolidation has been applied. 	Modified retrospective adoption from April 1, 2016.	Nomura consolidated certain investment funds, which increased total assets and total equity by ¥11,330 million upon adoption as of April 1, 2016. No impact on Nomura’s results of operations.
ASU 2014-13, “ <i>Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity</i> ”	<ul style="list-style-type: none"> • Provides an alternative method for measuring both financial assets and liabilities of consolidated collateralized financing entity by using either the fair value of the financial assets or financial liabilities, whichever is more observable. • Requires certain new qualitative footnote disclosures where the alternative method is applied. 	Modified retrospective adoption from April 1, 2016.	No material impact.

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period"	<ul style="list-style-type: none"> Clarifies a performance target that affects vesting and that could be achieved after the requisite service period is accounted for as a performance condition. 	Prospective adoption from April 1, 2016.	No material impact.
ASU 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement"	<ul style="list-style-type: none"> Provides guidance on evaluating the accounting for fees paid in a cloud computing arrangement. 	Prospective adoption from April 1, 2016.	No material impact.
ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments"	<ul style="list-style-type: none"> Eliminates the requirement for an acquirer in a business combination to account for adjustments made to provisional amounts retrospectively. New footnote disclosure requirement for any measurement-period adjustments identified during the reporting period. 	Prospective adoption from April 1, 2016.	No material impact.

[Notes to the Consolidated Balance Sheet]

12. Assets pledged

Pledged securities that can be sold or re-pledged by the secured party, including Gensaki Repo transactions, reported mainly within *Trading assets* and *Private equity investments*.

5,123,444 million yen

Nomura owned securities and loans receivable, which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or re-pledge them.

4,912,913 million yen

Nomura owned securities and loans receivable, which have been pledged to collateralize borrowing transactions, and pledged for other purposes.⁽¹⁾⁽²⁾

1,820,663 million yen

(1) The asset balances, which have been pledged as collateral for secured loans from special purpose entities and for transfer dealings in which the control over the asset is not relinquished, are included.

(2) In addition, Nomura re-pledged ¥8,565 million of securities received as collateral and securities borrowed.

13. Securitizations

Nomura utilizes special purpose entities (“SPEs”) to securitize commercial and residential mortgage loans, government agency and corporate bonds 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 ASC860 “*Transfers and Servicing*” (“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, and that entity is constrained from pledging or exchanging the assets it receives, 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 sheet, with the change in fair value reported within *Revenue-net gain (loss) 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 financial assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the year ended March 31, 2017, Nomura received cash proceeds from SPEs on transfer of assets in new securitizations of 187.3 billion yen and the associated gain on sale was not significant. For the year ended March 31, 2017, Nomura received debt securities issued by these SPEs with an initial fair value of 2,573.5 billion yen and cash inflows from third parties on the sale of those debt securities of 1,832.5 billion yen. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was 5,364.4 billion yen as of March 31, 2017. Nomura’s retained interests were 307.6 billion yen as of March 31, 2017. For the year ended March 31, 2017, Nomura received cash flows of 94.2 billion yen from the SPEs on the retained interests held in the SPEs. Nomura had outstanding collateral service agreements or written credit default swap agreements in the amount of 2.2 billion yen. Nomura does not provide financial support to SPEs beyond its contractual obligations.

14. 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 May 12, 2017, 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 ¥48 billion.

For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

In January 2008, Nomura International plc ("NIP") was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 ("Tax Notice"). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court's decisions in favor of the local tax authorities.

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, "Fairfield Funds"), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) ("BLMIS"). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the United States Bankruptcy Court, where it is presently pending. The second suit was brought by the Trustee for the liquidation of BLMIS ("Madoff Trustee"). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the United States Bankruptcy Court. In November 2016, the United States Bankruptcy Court granted a motion to dismiss the Madoff Trustee's claim. The Madoff Trustee has appealed the decision to the United States Court of Appeals for the Second Circuit. 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. The case is currently in the discovery phase.

In July 2011, the National Credit Union Administration Board (“NCUA”) commenced proceedings in the United States District Court for the Central District of California as liquidating agent of Western Corporate Federal Credit Union (“WesCorp”) against various issuers, sponsors and underwriters of RMBS purchased by WesCorp. The complaint alleged that WesCorp purchased RMBS issued by NAAC and Nomura Home Equity Loan Inc. (“NHEL”), among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleged that WesCorp purchased certificates in two offerings in the original principal amount of approximately \$83 million and sought rescission of its purchases or compensatory damages. On October 28, 2016, the parties entered into a confidential settlement and the action has been dismissed with prejudice.

In September 2011, the Federal Housing Finance Agency (“FHFA”), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (“GSEs”), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of RMBS, and their controlling persons, including NAAC, NHEL, NCCI, NSI and NHA (the Company’s U.S. subsidiaries). The action alleged that the GSEs purchased RMBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleged that the GSEs purchased certificates in seven offerings in the original principal amount of approximately \$2,046 million and sought rescission of its purchases. The case was tried before the Court beginning March 16, 2015 and closing arguments were completed on April 9, 2015. On May 15, 2015, the Court issued a judgment and ordered the defendants to pay \$806 million to GSEs upon GSEs’ delivery of the certificates at issue to the defendants. The Company’s U.S. subsidiaries have appealed the decision to the United States Court of Appeals for the Second Circuit. Subject to the outcome of the appeal, the defendants agreed to a consent judgment for costs and attorneys’ fees recoverable under the blue sky statutes at issue in the maximum amount of \$33 million.

In October 2011, the NCUA commenced proceedings in the United States District Court for the District of Kansas as liquidating agent of U.S. Central Federal Credit Union (“U.S. Central”) against various issuers, sponsors and underwriters of RMBS purchased by U.S. Central, including NHEL. The complaint alleged that U.S. Central purchased RMBS issued by NHEL, among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleged that U.S. Central purchased a certificate in one offering in the original principal amount of approximately \$50 million and sought rescission of its purchase or compensatory damages. On October 28, 2016, the parties entered into a confidential settlement and the action has been dismissed with prejudice.

In November 2011, NIP was served with a claim filed by the Madoff Trustee appointed for the liquidation of BLMIS in the United States Bankruptcy Court Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from the BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. In November 2016, the United States Bankruptcy Court granted a motion to dismiss the Madoff Trustee’s claim. The Madoff Trustee has appealed the decision to the United States Court of Appeals for the Second Circuit. 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 1.142 billion.

In March 2013, NIP commenced a claim against MPS in the English Courts. The claim was for declaratory

relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its Defence and Counterclaim to these proceedings in March 2014. MPS alleged in its Counterclaim that NIP was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

On September 23, 2015, NIP entered into a settlement agreement with MPS to terminate the Transactions. NIP believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, NIP considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and NIP in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and NIP applied to the Italian Courts to discontinue the proceedings brought by MPS against NIP. In December 2015, the Italian Courts ordered the discontinuance of all claims against NIP except a claim brought by a former director of MPS. The financial impact of the settlement on the Company's consolidated results for the fiscal year ended March 31, 2016 was a loss of approximately ¥34.0 billion and was included in *Net gain on trading* in the consolidated statement of income for the fiscal year ended March 31, 2016.

In July 2013, a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim was founded. The level of damages sought by FMPS is not less than EUR 315.2 million. NIP filed and served Defences to both the MPS and the FMPS claims.

In April 2013, an investigation was commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor was seeking to indict MPS, three individuals from MPS's former management, NIP and two NIP individuals for, among others, the offences of false accounting and market manipulation in relation to MPS's previous accounts. The preliminary hearing at which the court 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 has now commenced.

Additionally, NIP was served by 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 names MPS, three individuals from MPS's former management and two former NIP employees as defendants, whereas NIP is named only in its capacity as vicariously and jointly liable to pay any fines imposed on the former NIP employees. NIP has filed a Defence in the proceedings.

NIP will continue to vigorously defend its position in the ongoing proceedings.

In January 2016, the Municipality of Civitavecchia in Italy ("Municipality") commenced civil proceedings against NIP in the local courts in Civitavecchia. The Municipality's claim relates to derivatives transactions entered into by the Municipality between 2003 and 2005. The Municipality alleges that NIP failed to comply with its duties under an advisory agreement and seeks to recover approximately EUR 35 million in damages. NIP intends to vigorously contest the proceedings.

In June 2016, Nomura International (Hong Kong) Limited ("NIHK") was served with a complaint filed in the Taipei District Court by Cathay United Bank, Co., Ltd., Taiwan Cooperative Bank Ltd., Chang Hwa Commercial Bank Ltd., Taiwan Business Bank Ltd., KGI Bank and Hwatai Bank Ltd. (collectively, "Syndicate Banks") against NIHK and its affiliated entity. The Syndicate Banks' complaint relates to a \$60 million syndicated term loan to a subsidiary of Ultrasonic AG that was arranged by NIHK. The Syndicate Banks' allegations in the complaint include allegations that NIHK failed to comply with its fiduciary duties to the lenders as the arranger of the loan and the Syndicate Banks seek to recover approximately \$48 million in damages. NIHK intends to vigorously contest the proceedings.

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 for 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 bonds. NIP and other entities in the Nomura Group are also defendants to several class action complaints filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law and common law related to the alleged manipulation of the secondary trading market for supranational, sub-sovereign and agency bonds.

Nomura Securities Co., Ltd. (“NSC”) is the leading securities firm in Japan with approximately 5.36 million client accounts. Accordingly, with a significant number of client transactions, NSC is from time to time party to various Japanese civil litigation and other dispute resolution proceedings with clients relating to investment losses. These include an action commenced in April 2013 by a corporate client seeking ¥10,247 million in damages for losses on currency derivative transactions and the pre-maturity cash out or redemption of 11 series of equity-linked structured notes purchased from NSC between 2005 and 2011, and an action commenced in October 2014 by a corporate client seeking ¥2,143 million in damages for losses on currency derivative transactions conducted between 2006 and 2012. Although the allegations of the clients involved in such actions include the allegation that NSC’s explanation was insufficient at the time the contracts were entered into, NSC believes these allegations are without merit.

The Company supports the position of its subsidiaries in each of these claims.

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 related to RMBS the Company’s U.S. subsidiaries sponsored, issued, underwrote, managed, or offered during 2006 and 2007. The Company’s U.S. subsidiaries are cooperating fully in response to the investigation.

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. NSI has been cooperating fully in those investigations. NSI considers it probable that the SEC eventually will institute proceedings focusing on the NSI’s supervision of certain former employees and that NSI, in connection with such proceedings, will agree to disgorgement and/or restitution relating to some of the transactions in issue.

Other mortgage-related contingencies in the U.S.

Certain of the Company’s subsidiaries in the U.S. securitized residential mortgage loans in the form of RMBS. These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators (“originators”). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower’s credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator’s guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit

protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The total original principal amount of loans for which repurchase claims were received by the relevant subsidiaries within six years of each securitization is \$3,203 million. The relevant subsidiaries summarily rejected any demand for repurchase received after the expiration of the statute of limitations applicable to breach of representation claims. For those claims received within six years, the relevant subsidiaries reviewed each claim received, and rejected those claims believed to be without merit or agreed to repurchase certain loans for those claims that the relevant subsidiaries determined to have merit. In several instances, following the rejection of repurchase demands, investors instituted actions through the trustee alleging breach of contract. The breach of contract claims that were brought within the six-year statute of limitations for breach of contract actions have survived motions to dismiss and are at early stages. These claims involve substantial legal, as well as factual, uncertainty and the Company cannot provide an estimate of reasonably possible loss at this time, in excess of the existing reserve.

15. Guarantees

In accordance with ASC 460 “*Guarantees*”, Nomura recognizes obligations under certain issued guarantees and records the fair value of these guarantee obligations on the consolidated balance sheet.

The information about maximum potential payout or notional total of derivative contracts, standby letters of credit and other guarantees that could meet the definition of a guarantee is as below.

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. Nomura believes the notional amounts generally overstate its risk exposure.

Derivative contracts ⁽¹⁾⁽²⁾	209,982,338 million yen
Standby letters of credit and other guarantees ⁽³⁾	8,604 million yen

(1) The carrying value of derivative contracts is ¥4,501,962 million (liability).

(2) The notional amount and the carrying value of the written credit derivatives not included in derivative contracts are ¥17,604,225 million and ¥37,875 million (liability), respectively.

(3) The carrying value of standby letters of credit and other guarantees is ¥900 million (liability).

[Notes to Financial Instruments]

16. Financial Instruments

The fair value of financial instruments

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

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

Information on financial instruments and risk

Most of Nomura's trading activities are customer oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging customers' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives to assist its customers in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide customers with securities and other capital markets products at competitive prices.

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet customer needs, for its trading activities and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. 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. 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. Credit risk associated with these financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce default risk, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions.

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. The following table presents geographic allocations of Nomura's positions related to government, agency and municipal securities. Nomura's exposure to the over-the-counter derivatives is mainly with the financial institutions in the amount of ¥334.1 billion which represents the net amount after the counterparty netting of derivative assets and liabilities under a master netting agreement as well as cash collateral netting against net derivatives.

	Billions of yen				
	March 31, 2017				
	Japan	U.S.	EU	Other	Total ⁽¹⁾
Government, agency and municipalities securities	2,494.3	2,046.7	1,315.4	479.0	6,335.4

- (1) Other than above, there were ¥543.7 billion of government, agency and municipal securities in *Other asset—Non-trading debt securities* as of March 31, 2017. The vast majority of these securities are Japanese government, agency and municipal securities.

Fair value hierarchy

All financial instruments measured at fair value, including those carried at fair value using the fair value option, have been categorized into a three-level hierarchy (“fair value hierarchy”) based on the transparency of valuation inputs used by Nomura to estimate fair value. A financial instrument is classified in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the financial instrument. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the most transparent inputs and Level 3 representing the least transparent inputs:

Level 1:

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

Level 2:

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

Level 3:

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

The following table presents information about Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2017 within the fair value hierarchy.

	(Billions of yen)				
	March 31, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2017
Assets:					
Trading assets and private equity investments ⁽²⁾					
Cash Instruments	6,477.8	7,388.2	227.4	—	14,093.4
Derivatives	18.1	23,162.6	178.2	(22,321.7)	1,037.2
Loans and receivables ⁽³⁾	0.0	472.6	66.3	—	538.9
Collateralized agreements ⁽⁴⁾	—	1,084.1	4.9	—	1,089.0
Other assets ⁽²⁾	783.0	671.5	162.8	—	1,617.3
Total	7,278.9	32,779.0	639.6	(22,321.7)	18,375.8
Liabilities:					
Trading Liabilities					
Cash Instruments	5,857.8	1,411.3	2.0	—	7,271.1
Derivatives	14.7	22,983.2	192.6	(22,269.8)	920.7
Short-term borrowings ⁽⁵⁾	—	331.2	70.1	—	401.3
Payables and deposits ⁽⁶⁾	—	0.0	(0.5)	—	(0.5)
Collateralized financing ⁽⁴⁾	—	536.9	3.2	—	540.1
Long-term borrowings ^{(5) (7) (8)}	109.2	2,036.0	410.2	—	2,555.4
Other liabilities ⁽⁹⁾	351.4	104.2	1.1	—	456.7
Total	6,333.1	27,402.8	678.7	(22,269.8)	12,144.8

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.

(2) In accordance with ASU 2015-07 "Disclosures for investments in certain entities that calculate net asset value per share (or Its Equivalents)", 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, 2017, the fair values of these investments which are included in "Trading assets and private equity investments" and "Other assets" were ¥61.8 billion and ¥8.3 billion, respectively.

(3) Includes loans for which the fair value option is elected.

(4) Includes collateralized agreements or collateralized financing for which the fair value option is elected.

(5) Includes structured notes for which the fair value option is elected.

(6) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.

(7) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.

(8) 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.

(9) Includes loan commitments for which the fair value option is elected.

Estimated Fair Value

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheet 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 sheet.

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*. In our financial instruments, the instruments which have a material difference between the carrying value and the estimated fair value are long-term borrowings. For long-term borrowings, certain financial instruments including structured notes are carried at fair value under the fair value option. Except for those instruments, long-term borrowings are carried at contractual amounts or amortized cost unless such borrowings are designated as the hedged item in a fair value hedge. The fair value of long-term borrowings which are not elected for the fair value option is estimated using quoted market prices where available or by discounting future cash flows. As of March 31, 2017, the carrying values of long-term borrowings were ¥7,195.4 billion and the fair values or estimated fair values of long-term borrowings were ¥7,218.0 billion.

Maturities tables of long-term borrowings

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, 2017 consist of the following:

Year ending March 31	Billions of yen
2018	478.7
2019	1,164.1
2020	1,173.6
2021	876.1
2022	660.0
2023 and thereafter	2,802.7
Sub-Total	7,155.2
Trading balances of secured borrowings	40.2
Total	7,195.4

Trading balances of secured borrowings

These balances of secured borrowings consist of the liabilities related to transfers of financial products that are accounted for as financings secured by the financial assets without recourse to Nomura rather than sales under ASC 860. These borrowings are not borrowed for the purpose of Nomura's funding but are related to Nomura's trading activities to gain profits from the distribution of financial products secured by the financial assets.

[Notes to Per-Share Data]

17. Per-Share Data

Total NHI shareholders' equity per share	790.70 yen
Basic net income attributable to NHI shareholders per share	67.29 yen

Subsequent Event

On April 27, 2017 the Board of Directors of the Company 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 of Japan.

(1) Reasons

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 Buyback

1) Type of stock to be purchased	Common Stock
2) Total number of stocks to be purchased	Upper limit of 100,000,000 shares (2.6% of outstanding shares)
3) Total amount of stocks	Maximum of 80,000 million yen
4) Term	From May 17, 2017 to March 30, 2018 (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.)

[Other Notes]

18. Other additional information

Changes in Tax Laws

On November 18, 2016, the "Act to partially amend the Act for partial amendment of the Local Tax Act and Local Allocation Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No.86 of 2016) was enacted. Under this Act, the timing of implementation for the tax reform which had been scheduled at the fiscal year beginning on or after April 1, 2017, was postponed to the fiscal year beginning on or after October 1, 2019.

Though the domestic effective statutory tax rates to calculate deferred tax assets and liabilities will not change, due to reclassification between national tax and local tax, net deferred tax liabilities increased by 3,366 million yen and income tax expenses increased by the same amount.

Issuance of Stock Options

In April 2017, the Company announced the issuance of stock acquisition rights to directors, executive officers and/or employees of the Company and/or its subsidiaries, etc. The number of stock acquisition rights is estimated to be approximately 200 thousand units (20 million shares equivalent). The exercise price of the stock acquisition rights will be one yen per share. The stock acquisition rights will be issued as deferred compensation to grantees and are restricted from being exercised for approximately six months up to seven years from the issuance resolution date. The exercise period will be five years from the beginning day of exercise period.

Nomura also offers a compensation plan linked to the Company's stock price, a world index and the Company's performances. The employees (directors, executive officers and certain employees) covered by this plan must provide service as employees of the Company for a specified service period in order to receive payments under the plan and also are subject to forfeitures due to termination of employment under certain conditions. The Company plans to continue compensation payments in the next fiscal year based on the Company's stock price, a world index and the Company's performances for its and subsidiaries' directors and certain employees. The Company will remunerate either in cash or an equivalent amount of assets with a value linked to the average stock price for a certain period immediately preceding the applicable future payment date.

3. Notes to the Financial Statements

Notes to the Financial Statements

The Company's financial statements are prepared in accordance with the Ordinance for Company Calculation (Ministry of Justice Ordinance No. 13 of 2006).

The amounts shown therein are rounded to the nearest million.

[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.

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]

(Adoption of Practical Solution on a change in depreciation method due to Tax Reform 2016)

The Company has adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan Practical Issue Task Force No. 32 issued on June 17, 2016) and changed the depreciation method for equipment of the buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method. The impact of this application is not significant.

[Notes to the Balance Sheet]

1. Balances of receivables and payables with subsidiaries and affiliates

Short-term receivables	3,075,419 million yen
Short-term payables	881,334 million yen
Long-term receivables	597,993 million yen
Long-term payables	7,013 million yen

2. Accumulated depreciation on tangible fixed assets 51,674 million yen

3. Securities deposited

The Company loaned investment securities (mainly investments in subsidiaries and affiliates) with a book value of 43,207 million yen based on securities loan contracts which provide borrowers with the rights to resell

or repledge the securities.

4. Bonds include 318,200 million yen of subordinated bonds.

5. Balance of guaranteed obligations ⁽¹⁾

Guarantee of principal on US\$118,905 thousand in repurchase transactions by Nomura International plc and US\$2,606,078 thousand in derivative transactions, etc. and US\$2,156,000 thousand in borrowings, repurchase transactions, etc. by the same company.

546,036 million yen ⁽²⁾

Guarantee of US\$1,036,997 thousand, EUR2,175,800 thousand, AU\$225,385 thousand, CA\$14,000 thousand, GBP1,000 thousand, ZAR880,000 thousand, INR13,870,000 thousand, NZ\$31,500 thousand, BRL3,334,800 thousand, MXN1,450,000 thousand, TRY1,203,500 thousand, IDR285,000,000 thousand, RUB2,840,000 thousand, CNY28,000 thousand and JPY1,094,938 million in principal and coupons on medium term notes issued by Nomura Europe Finance N.V.

1,697,651 million yen ⁽²⁾

Guarantee of US\$991,850 thousand, EUR206,217 thousand, AU\$6,000 thousand and JPY10,496 million in principal and coupons on medium term notes issued by Nomura Bank International plc and EUR135,000 thousand in borrowings by the same company.

162,726 million yen

Guarantee of US\$1,153,110 thousand in derivative transactions, etc. by Nomura Global Financial Products, Inc.

128,998 million yen ⁽²⁾

Guarantee of US\$204,692 thousand in principal and coupons on medium term notes issued by Nomura America Finance LLC.

22,899 million yen

Guarantee of US\$48,493 thousand in derivative transactions, etc. by Nomura Financial Investment (Korea) Co., Ltd.

5,425 million yen

Guarantee of US\$2,434,057 thousand, EUR670,271 thousand, GBP150 thousand, AU\$51,300 thousand, IDR52,200,000 thousand, CNY675,000 thousand, KRW120,000,000 thousand, HKD1,283,031 thousand, PHP500,000 thousand and JPY2,695 million in principal and coupons on medium term notes issued by Nomura International Funding Pte. Ltd.

402,437 million yen

Guarantee of US\$3,328 thousand in derivative transactions, etc. by Nomura Fixed Income Securities Private Limited.

372 million yen

Guarantee of US\$143,830 thousand in repurchase transactions, etc. by Nomura Securities International Inc.

16,090 million yen

Guarantee of US\$463 thousand in security transactions by Instinet Pacific Ltd.

52 million yen

Guarantee of SG\$5,117 thousand in derivative transactions by Nomura Singapore Limited.

410 million yen

Guarantee of US\$36,706 thousand in derivative transactions, etc. by Nomura Financial Products & Services, Inc.

4,106 million yen ⁽²⁾

Guarantee of JPY1,037 million in re-insurance transactions by Nomura Reinsurance IIC Limited

1,037 million yen

(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 joint guarantee with Nomura Securities Co., Ltd.

[Notes to the Statement of Income]

1. Transactions with subsidiaries and affiliates

Operating revenue	436,610 million yen
Operating expenses	69,358 million yen
Non-operating transactions	34,757 million yen

2. “Property and equipment fee revenue” consists of revenue mainly from Nomura Securities Co., Ltd. (“NSC”), a subsidiary of the Company, from leasing furniture, fixtures and software.

3. “Rent revenue” consists of revenue mainly from NSC from renting office accommodations.

4. “Royalty on trademark” consists of revenue from NSC from the use of the Company’s trademark.

5. “Others” includes revenue from the operation service and securities lending fees mainly from NSC.

[Notes to the Statement of Changes in Net Assets]

1. Shares outstanding

Type of shares	Beginning of current year	Increase	Decrease	End of current year
Common stock (shares)	3,822,562,601	—	—	3,822,562,601

2. Treasury stock

Type of shares	Beginning of current year	Increase	Decrease	End of current year
Common stock (shares)	213,040,769	121,010,524	40,677,868	293,373,425

(Summary of reasons for change)

The reasons for increase were as follows:

Increase related to buying in the stock market	120,987,200 shares
Increase related to requests to purchase shares less than full trading units	23,324 shares

The reasons for decrease were as follows:

Reduction related to exercise of stock acquisition rights	40,677,400 shares
Reduction related to buying to complete full trading units	468 shares

3. Stock acquisition rights⁽¹⁾

Name of Stock Acquisition Rights	Date of allocation of stock acquisition rights	Type of shares	Number of shares
Stock Acquisition Rights No. 34	May 18, 2010	Common stock	122,100
Stock Acquisition Rights No. 35	May 18, 2010	Common stock	351,300
Stock Acquisition Rights No. 37	July 28, 2010	Common stock	516,000
Stock Acquisition Rights No. 38	July 28, 2010	Common stock	482,700
Stock Acquisition Rights No. 39	November 16, 2010	Common stock	1,209,900
Stock Acquisition Rights No. 40	June 7, 2011	Common stock	500,800
Stock Acquisition Rights No. 41	June 7, 2011	Common stock	862,800
Stock Acquisition Rights No. 42	June 7, 2011	Common stock	1,164,400
Stock Acquisition Rights No. 43	November 16, 2011	Common stock	1,234,400
Stock Acquisition Rights No. 44	June 5, 2012	Common stock	622,600
Stock Acquisition Rights No. 45	June 5, 2012	Common stock	1,091,200
Stock Acquisition Rights No. 46	June 5, 2012	Common stock	1,284,300
Stock Acquisition Rights No. 47	June 5, 2012	Common stock	1,013,000
Stock Acquisition Rights No. 49	June 5, 2012	Common stock	193,600
Stock Acquisition Rights No. 50	June 5, 2012	Common stock	1,645,000
Stock Acquisition Rights No. 51	November 13, 2012	Common stock	1,539,400
Stock Acquisition Rights No. 52	June 5, 2013	Common stock	767,800
Stock Acquisition Rights No. 53	June 5, 2013	Common stock	967,700
Stock Acquisition Rights No. 54	June 5, 2013	Common stock	1,446,100
Stock Acquisition Rights No. 55	November 19, 2013	Common stock	2,681,200
Stock Acquisition Rights No. 56	June 5, 2014	Common stock	1,140,300
Stock Acquisition Rights No. 57	June 5, 2014	Common stock	1,987,800
Stock Acquisition Rights No. 59	June 5, 2014	Common stock	510,600
Stock Acquisition Rights No. 60	June 5, 2014	Common stock	1,008,800
Stock Acquisition Rights No. 61	June 5, 2014	Common stock	9,112,700
Stock Acquisition Rights No. 62	November 18, 2014	Common stock	2,675,700
Stock Acquisition Rights No. 63	June 5, 2015	Common stock	1,788,900
Stock Acquisition Rights No. 66	June 5, 2015	Common stock	371,000
Stock Acquisition Rights No. 72	June 7, 2016	Common stock	827,200

(1) Excludes items for which the first day of the exercise period has not arrived.

4. Dividends

(1) Dividends paid

Decision	Type of shares	Total dividend value (millions of yen)	Dividend-per share (yen)	Record date	Effective date
Board of Directors April 27, 2016	Common stock	10,829	3.00	March 31, 2016	June 1, 2016
Board of Directors October 27, 2016 ...	Common stock	32,004	9.00	September 30, 2016	December 1, 2016

(2) Items for which the record date of dividends belonging to the current period will be effective in the next period

Decision	Type of shares	Total dividend value (millions of yen)	Dividend-per share (yen)	Record date	Effective date
Board of Directors April 27, 2017	Common stock	38,821	11.00	March 31, 2017	June 1, 2017

[Notes to Accounting for Tax Effects]

Breakdown of deferred tax assets and liabilities

Deferred tax assets		
Loss on devaluation of securities	161,224	million yen
Loss carry-forward on local tax	32,613	million yen
Deferred gain and loss on hedges	3,202	million yen
Loss on devaluation of fixed assets	3,225	million yen
Stock option	2,470	million yen
Others	2,260	million yen
Subtotal of deferred tax assets	204,993	million yen
Valuation allowance	(115,083)	million yen
Total of deferred tax assets	89,910	million yen
Deferred tax liabilities		
Net unrealized gain on investments	(18,738)	million yen
Deferred gain and loss on hedges	(6,971)	million yen
Others	(351)	million yen
Total of deferred tax liabilities	(26,060)	million yen
Net deferred tax assets	63,850	million yen

[Changes in Tax Laws]

On November 18, 2016, the “Act to partially amend the Act for partial amendment of the Local Tax Act and Local Allocation Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No.86 of 2016) was enacted. Under this Act, the timing of implementation for the tax reform which had been scheduled at the fiscal year beginning on or after April 1, 2017, was postponed to the fiscal year beginning on or after October 1, 2019.

Though the domestic effective statutory tax rates to calculate deferred tax assets and liabilities will not change, due to reclassification between national tax and local tax, net deferred tax assets decreased by 2,818 million yen while income taxes-deferred increased by the same amount.

[Notes to Fixed Assets Used in Leasing]

In addition to the fixed assets recorded on the balance sheet, certain automobiles and information devices etc. are used under finance lease contracts wherein ownership is not transferred.

[Notes to Related Party Transactions]
Subsidiaries and affiliates

Affiliation	Name of company	Proportion of voting rights owned (owned by)	Relationship with related party	Nature of transaction	Transaction amounts (millions of yen)	Name of account	Balance as of March 31, 2017 (millions of yen)	Notes
Subsidiary	Nomura Securities Co., Ltd.	(Owned) directly 100%	Provision of equipments Loans receivable Concurrent officers	Data processing system usage fees received	105,308	Accrued income	16,483	(1)
				Loans receivable	1,021,637	Short-term loans	695,983	(2) (3)
				Interest received	13,632	Accrued income	383	
				Establishment of a commitment line with subordinated terms	700,000	Long-term loans receivable from subsidiaries and affiliates	250,000	(4)
				Loans receivable	—	—	—	
Subsidiary	Nomura International plc	(Owned) indirectly 100%	Guarantee obligation Concurrent officers	Guarantee obligation	546,036	—	—	(6)
				Guarantee fee received	460	Accrued income	509	
Subsidiary	Nomura International Funding Pte. Ltd	(Owned) directly 100%	Guarantee obligation	Guarantee obligation	402,437	—	—	(7)
				Guarantee fee received	137	Accrued income	138	
Subsidiary	Nomura Holding America Inc.	(Owned) directly 100%	Loans receivable Concurrent officers	Loans receivable	1,540,658	Short-term loans	1,316,299	(2)
				Interest received	29,521	Accrued income	2,796	
Subsidiary	Nomura Corporate Funding America LLC	(Owned) indirectly 100%	Loans receivable	Loans receivable	539,261	Short-term loans	374,876	(2)
				Interest received	5,159	Accrued income	1,133	
Subsidiary	Nomura Bank International plc	(Owned) indirectly 100%	Guarantee obligation	Guarantee obligation	162,726	—	—	(8)
				Guarantee fee received	74	Accrued income	75	
Subsidiary	NHI Acquisition Holding Inc.	(Owned) directly 100%	Loans receivable	Loans receivable	140,304	Short-term loans	137,580	(2)
				Interest received	2,659	Accrued income	147	
Subsidiary	Nomura Facilities Co., Ltd.	(Owned) directly 100%	Usage and maintenance of equipments Loans receivable	Loans receivable	74,600	Long-term loans receivable from subsidiaries and affiliates	74,600	(2)
				Interest received	1,407	Accrued income	4	
Subsidiary	Nomura Europe Finance N.V.	(Owned) directly 100%	Borrowings Guarantee obligation	Borrowings	1,002,923	Short-term borrowings	699,300	(9)
				Interest paid	8,605	Accrued expense	631	
				Guarantee obligation	1,697,651	—	—	(10)
				Guarantee fee received	695	Accrued income	700	
Subsidiary	Nomura Global Financial Products Inc.	(Owned) indirectly 100%	Guarantee obligation	Guarantee obligation	128,998	—	—	(11)
				Guarantee fee received	169	Accrued income	172	
Subsidiary	Nomura Financial Products & Services, Inc.	(Owned) directly 100%	Loans receivable Concurrent officers	Loans receivable	501,307	Short-term loans	447,473	(2) (3)
				Interest received	10,919	Accrued income	778	
				Establishment of a commitment line with subordinated terms	320,000	Long-term loans receivable from subsidiaries and affiliates	249,483	(5)
				Loans receivable	—	—	—	
				Commitment line establishment fees received	193	Accrued income	51	
Affiliate	Nomura Research Institute, Ltd.	(Owned) directly 27.8% indirectly 9.4%	Purchases of system solution and consulting knowledge services	Data processing system usage fees paid	30,159	—	—	(12)
				Software purchase	20,555	Accounts payable	3,063	

Terms of transactions, policies determining terms of transactions, etc.

- (1) Usage fees related to data processing systems are determined rationally based on the original cost to the Company.
- (2) Interest rates on loans receivable are determined rationally in consideration of market interest rates. No collateral is obtained.
- (3) Transaction amounts and balance as of March 31, 2017 do not include the transaction amounts for establishment of a commitment line with subordinated terms of (4) and (5).
- (4) The transaction amounts for the establishment of a commitment line with subordinated terms is the amount of the financing limit, and there were 250,000 million yen relating to finance execution as of the balance sheet date.
- (5) The transaction amounts for the establishment of a commitment line with subordinated terms is the amount of the financing limit, and there were 249,483 million yen (The amount based on the transaction dates' exchange rates is 230,424 million yen) relating to finance execution as of the balance sheet date.
- (6) The guarantee obligation with respect to Nomura International plc represents the Company's guarantee of obligations related to repurchase transaction and derivative transactions, etc. by that company. The guaranteed rate of repurchase transaction etc. is 0.04% and the guaranteed rates of derivative transaction, etc. are 0.125% (stand alone guarantee) and 0.0625% (joint guarantee with Nomura Securities Co., Ltd.) per annum of the guarantee amount, respectively.
- (7) The guarantee obligation with respect to Nomura International Funding Pte. Ltd. represents the Company's guarantee of obligations related to principal and coupons on medium term notes issued by that company. The guaranteed rate is 0.04% per annum of the guarantee amount.
- (8) The guarantee obligation with respect to Nomura Bank International plc represents the Company's guarantee of obligations related to principal and coupons on medium term notes, loans issued by that company and the payables to commodities. The guaranteed rate is 0.04% per annum of the guarantee amount and 0.125% per annum of the payables to commodities.
- (9) Interest rates on borrowings are determined rationally in consideration of market interest rates. No collateral is provided.
- (10) The guarantee obligation with respect to Nomura Europe Finance N.V. represents the Company's guarantee of obligations related to principal and coupons on medium term notes issued by that company. The guaranteed rates are 0.04% (stand alone guarantee) and 0.02% (joint guarantee with Nomura Securities Co., Ltd.) per annum of the guarantee amount.
- (11) The guarantee obligation with respect to Nomura Global Financial Products Inc. represents the Company's guarantee of obligations related to derivative transactions, etc. by that company. The guaranteed rates are 0.125% (stand alone guarantee) and 0.0625% (joint guarantee with Nomura Securities Co., Ltd.) per annum of the guarantee amount.
- (12) Usage fees related to data processing systems and software are determined for each transaction in consideration of operating maintenance costs, original costs related to system development and net book value in case of selling, etc.
- (13) Transaction amounts do not include consumption taxes, etc., and balance as of March 31, 2017 includes consumption taxes, etc.

[Notes to Per Share Data]

Net assets per share	715.96 yen
Net income per share	57.82 yen

[Notes to Material Subsequent Event]

(Issuance of Stock Options)

In April 2017, the Company announced the issuance of stock acquisition rights to directors, executive officers and/or employees of the Company and/or its subsidiaries, etc. The number of stock acquisition rights is estimated to be approximately 200 thousand units (20 million shares equivalent). The exercise price of the stock acquisition rights will be one (1) yen per share. The stock acquisition rights will be issued as deferred compensation to grantees and are restricted from being exercised for approximately six months up to seven years from the issuance resolution date. The exercise period will be five years from the beginning day of exercise period.

(Treasury Stock Buyback)

On April 27, 2017 the Board of Directors of the Company 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 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 Buyback

- | | |
|---|--|
| 1) Type of stock to be purchased | Common Stock |
| 2) Total number of stocks to be purchased | Upper limit of 100,000,000 shares (2.6% of outstanding shares) |
| 3) Total amount of stocks | Maximum of 80,000 million yen |
| 4) Term | May 17, 2017 to March 30, 2018
(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.) |

(Business combinations)

On April 1, 2017, the Company succeeded the rights and obligations in relation to its share (management share of Nomura Asia Holding N.V. ("NAH")) to Nomura Asia Pacific Holdings Co., Ltd. by the method of an Absorption-Type Company Split ("Company Split").

(1) Overview of the Company Split

- | | |
|---|---|
| a. Company name, capital, and description of business | |
| Succeeding Company name | Nomura Asia Pacific Holdings Co., Ltd. ("NAPH") |
| Capital | 10 million yen |
| Description of business | Holding Company |

- b. Contents of the split business
Management business of NAH shares

c. Purpose of the Company Split

As a part of the Company's broader realignment of Nomura's overall management structure, on March 24, 2016, the Company decided to wind up the current holding company of Asia Ex-Japan region, NAH, which is due to be completed by March 31, 2019, and established a new holding company in Japan, NAPH, in August 2016.

The Company Split is a part of the Company's intention to form even more robust governance and lay the foundation as Asia's global investment bank by consolidating the NAH subsidiaries under NAPH. There is no impact on the businesses conducted by NAH subsidiaries. As a result of the winding up of NAH, the subsidiaries of NAH will continue to conduct business under NAPH.

d. Effective date of the Company Split

April 1, 2017

e. Overview of the transaction including the legal structure

A simplified absorption-type company split, having the Company as the splitting company and NAPH as the succeeding company (Article 784, Paragraph 2 of the Company Act).

(2) Overview of accounting treatment

Accounted as common control transaction pursuant to Accounting Standard for Business Combinations (Corporate Accounting Standards No. 21 (issued on September 13, 2013)) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Implementation Guidance of Corporate Accounting Standards, No. 10 (issued on September 13, 2013))

(3) Matters on additional acquisition of subsidiary shares

a. Acquisition cost of subsidiary shares (NAPH shares) acquired additionally by the Company and a breakdown by type of consideration for acquisition

Consideration for acquisition (NAH shares)	JPY 79,749 million
Acquisition cost	JPY 79,749 million

b. Number of subsidiary shares acquired by the Company

NAPH issued to the Company, one ordinary share in connection with the Company Split. Furthermore, the number of ordinary share to be delivered was determined after prior consultation between the Company and NAPH.