*This document is a translation of the Japanese language original prepared solely for convenience of reference. In the event of any discrepancy between this translated document and the Japanese language original, the Japanese language original shall prevail.*

**Matters available on the website in relation to the Notice of Convocation of the 115$^{th}$ Annual General Meeting of Shareholders**

(1) Notes to the Consolidated Financial Statements

(2) Notes to the Financial Statements

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

Nomura Holdings, Inc.

**<u>Notes to the Consolidated Financial Statements</u>**

[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 39.5%, 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.

(4)Non trading debt securities

Non-trading debt securities mainly consist of debt securities held by non-trading subsidiaries. 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 as 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 instruments 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 or 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 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, 2019:

| Pronouncement | Summary of new guidance | Actual adoption date and method of adoption | Effect on these consolidated statements |
|---|---|---|---|
| Accounting Statndards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers"*(1) | • 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.<br><br>• Introduces specific guidance for the treatment of variable consideration, non-cash consideration, significant financing arrangements and amounts payable to the customer.<br><br>• Revises existing guidance for principal-versus-agency determination.<br><br>• Requires revenue recognition and measurement principles to be applied to sales of nonfinancial and in substance nonfinancial assets to noncustomers.<br><br>• Specifies the accounting for costs to obtain or fulfill a customer contract.<br><br>• Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers. | Modified retrospective adoption from April 1, 2018. | ¥1,564 million adjustment to *Retained earnings*, ¥517 million adjustment to *Payables to other than customers*, ¥1,750 million adjustment to *Other long-term assets*, and ¥703 million to *Deferred tax assets* 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. |
| ASU 2017-07, "*Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost"* | • 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.<br><br>• Clarifies only the service cost component is eligible for capitalization as an asset when applicable. | Full retrospective adoption from April 1, 2018. | ¥1,020 million reclassification from *Compensation and benefits* to *Other expenses.* |

(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.

In addition, Nomura changed its accounting policy for derivative transactions as follows.

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 reflected on Nomura's consolidated balance sheets. However, with effect from April 1, 2018, revisiting nature of the transactions, Nomura has revised its accounting policy for when such balances are recognized on Nomura's consolidated group balance sheet and as a result, certain cash margin amounts as well as an equivalent amount reflecting the obligation to return such amounts to clients are no longer recognized on the balance sheet if certain criteria are met.

Daily variation margin for certain derivative transactions traded in Japan was reflected on Nomura's consolidated balance sheets. However, from April 1, 2018, Nomura changed its accounting policy as a result of amendment of the rules of a specific central clearing house and daily variation margin and related derivative assets and liabilities are no longer recognized on the balance sheet.

[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*.

5,200,360 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.

3,776,212 million yen

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

1,770,041 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 ¥12,435 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, 2019, Nomura received cash proceeds from SPEs on transfer of assets in new securitizations of ¥174.0 billion and the associated gain on sale was not significant. For the year ended March 31, 2019, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,307.5 billion and cash inflows from third parties on the sale of those debt securities of ¥990.7 billion. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥4,488.4 billion as of March 31, 2019. Nomura's retained interests were ¥138.1 billion as of March 31, 2019. For the year ended March 31, 2019, Nomura received cash flows of ¥19.6 billion from the SPEs on the retained interests held in the SPEs. 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 15, 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 ¥45 billion.

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

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.

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, 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 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.

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 1.142 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. 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 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 commenced in December 2016 and is currently ongoing.

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.

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 Firstextile (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.

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 carryings 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.

*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 cyber incident that resulted in the unauthorized access to certain of its systems including client information. An internal investigation to assess and remediate the incident and inform the appropriate authorities of its occurrence was immediately launched and is currently ongoing. 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.

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) | 281,605,308 million yen |
| Standby letters of credit and other guarantees (3) | 5,764 million yen |

(1) The carrying value of derivative contracts is ¥4,315,743 million (liability).

(2) The notional amount and the carrying value of the written credit derivatives not included in derivative contracts are ¥15,172,359 million and ¥149,878 million (liability), respectively.

(3) The carrying value of standby letters of credit and other guarantees is ¥80 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 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 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. Counterparty 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 trading assets 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 ¥223.7 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, 2019 | | | | |
| | Japan | U.S. | EU | Other | Total[(1)] |
| Government, agency and municipalities securities | 2,202.0 | 1,722.8 | 1,897.2 | 579.4 | 6,401.4 |

(1) Other than above, there were ¥317.5 billion of government, agency and municipal securities in *Other asset – Non-trading debt securities* as of March 31, 2019. These securities are primarily 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:

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 following table presents information about Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2019 within the fair value hierarchy.

| | (Billions of yen) | | | | |
|---|---|---|---|---|---|
| | March 31, 2019 | | | | |
| | Level 1 | Level 2 | Level 3 | Counterparty and Cash Collateral Netting [1] | Balance as of March 31, 2019 |
| Assets: | | | | | |
| Trading assets and private equity investments [2] | | | | | |
| Cash Instruments | 6,378.3 | 6,820.9 | 299.3 | — | 13,498.5 |
| Derivatives | 16.6 | 14,785.7 | 126.8 | (14,077.4) | 851.7 |
| Loans and receivables [3] | — | 544.1 | 128.8 | — | 672.9 |
| Collateralized agreements [4] | — | 615.0 | 32.5 | — | 647.5 |
| Other assets [2] | 553.5 | 333.3 | 166.7 | — | 1,053.5 |
| Total | 6,948.4 | 23,099.0 | 754.1 | (14,077.4) | 16,724.1 |
| Liabilities: | | | | | |
| Trading Liabilities | | | | | |
| Cash Instruments | 5,913.1 | 1,492.2 | 0.7 | — | 7,406.0 |
| Derivatives | 10.5 | 14,337.2 | 176.3 | (13,710.2) | 813.8 |
| Short-term borrowings [5] | — | 332.1 | 30.5 | — | 362.6 |
| Payables and deposits [6] | — | 0.1 | 0.1 | — | 0.2 |
| Collateralized financing [4] | — | 291.1 | — | — | 291.1 |
| Long-term borrowings [5] [7] [8] | 11.2 | 3,023.8 | 535.3 | — | 3,570.3 |
| Other liabilities [9] | 276.2 | 21.5 | 0.0 | — | 297.7 |
| Total | 6,211.0 | 19,498.0 | 742.9 | (13,710.2) | 12,741.7 |

(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, 2019, the fair values of these investments which are included in *Trading assets and private equity investments* and *Other assets* were ¥35.6 billion and ¥2.4 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, 2019, the carrying values of long-term borrowings were ¥7,915.8 billion and the fair values or estimated fair values of long-term borrowings were ¥7,930.5 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, 2019 consist of the following:

| Year ending March 31 | Billions of yen |
|---|---|
| 2020 | 801.2 |
| 2021 | 1,030.7 |
| 2022 | 630.7 |
| 2023 | 632.2 |
| 2024 | 701.6 |
| 2025 and thereafter | 4,094.9 |
| Sub-Total | 7,891.3 |
| Trading balances of secured borrowings | 24.5 |
| Total | 7,915.8 |

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 | 794.69 yen |
| Basic net loss attributable to NHI shareholders per share | 29.90 yen |

[Note to Revenue Recognition]

18. Revenue from services provided to customers

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.

| **Type of service provided to customers** | **Overview of key services provided** | **Key revenue recognition policies, assumptions and significant judgments** |
|---|---|---|
| Trade execution and clearing services | • Buying and selling of securities on behalf of customers<br>• Clearing of securities and derivatives on behalf of customers | • Execution and clearing commissions recognized at a point in time, namely trade date.<br>• 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. |
| Financial advisory services | • Provision of financial advice to customers in connection with a specific forecasted transaction or transactions<br>• Provision of financial advice not in connection with a specific forecasted transaction or transactions such as general corporate intelligence and similar research<br>• Issuance of fairness opinions.<br>• Structuring complex financial instruments for customers | • 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.<br>• 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.<br>• 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.<br>• 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. |

| Type of service provided to customers | Overview of key services provided | Key revenue recognition policies, assumptions and significant judgments |
|---|---|---|
| Asset management services | • Management of funds, investment trusts and other investment vehicles<br>• Provision of investment advisory services<br>• Distribution of fund units<br>• Providing custodial and administrative services to customers | • 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.<br>• 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.<br>• Distribution fees are recognized at a point in time when the fund units have been sold to third party investors.<br>• Custodial and administrative fees recognized on a straight-line basis over time based on time elapsed. |
| Underwriting and syndication services | • Underwriting of debt, equity and other financial instruments on behalf of customers<br>• Distributing securities on behalf of issuers<br>• Arranging loan financing for customers<br>• Syndicating loan financing on behalf of customers | • Underwriting and syndication revenues recognized at a point in time when the underlying transaction is complete.<br>• 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.<br>• 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. |

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 received are received every month, three months or six months.

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 years ended March 31, 2019. Impact from earlier recognition of certain asset management distribution fees on adoption date is noted in Note 11. *"Accounting changes"* and 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.

[Other Notes]

19. Other additional information

Impairment of goodwill

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. Nomura's reporting units are at the same level as or one level below its business segments. 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 of this consolidated fiscal year. The fair values were determined based on a DCF method.

Restricted Stock Units

In April 2019, the Company passed a resolution to grant Restricted Stock Units ("RSUs") to directors, executive officers and/or employees of the Company and/or its subsidiaries, etc. The number of RSUs is approximately 25 million units (25 million shares equivalent). RSUs are to deliver shares of common stock of the Company to grantees from one year to the maximum of seven years after the RSUs are granted.

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.

**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.

(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.

11. Change 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 (No. 28)*. The Company adopted the amended standard from the beginning of the current fiscal year. Specifically, the Company now classify deferred tax assets as “*Investments and others*” and deferred tax liabilities as “*Long-term liabilities*”.

[Notes to the Balance Sheet]

1. Balances of receivables and payables with subsidiaries and affiliates

| | |
|---|---|
| Short-term receivables ..................................................................... | 3,547,214 million yen |
| Short-term payables ......................................................................... | 1,628,466 million yen |
| Long-term receivables ...................................................................... | 592,525 million yen |
| Long-term payables .......................................................................... | — million yen |

2. Accumulated depreciation on tangible fixed assets ........................... 52,747 million yen

3. Securities deposited

The Company loaned investment securities (mainly investments in subsidiaries and affiliates) with a book value of ¥28,585 million based on securities loan contracts which provide borrowers with the rights to resell or repledge the securities.

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

5. Balance of guaranteed obligations (1)

| | | |
|---|---|---|
| Nomura Europe Finance N.V. | Borrowings/Medium term notes/ Repurchase transactions | 2,007,940 million yen(2) |
| Nomura International Funding Pte. Ltd. | Borrowings/Medium term notes/ Repurchase transactions | 884,917 million yen |
| Nomura International plc | Derivative transactions | 311,693 million yen(2) |
| Nomura International plc | Borrowings/Medium term notes/ Repurchase transactions | 287,820 million yen |
| Nomura Bank International plc | Borrowings/Medium term notes/ Repurchase transactions | 187,336 million yen |
| Nomura Global Financial Products Inc. | Derivative transactions | 156,854 million yen(2) |
| Other | | 29,137 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 | 320,496 million yen |
| Operating expenses | 78,061 million yen |
| Non-operating transactions | 455 million yen |

[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) .................................... | 3,643,562,601 | — | 150,000,000 | 3,493,562,601 |

2. Treasury stock

| Type of shares | Beginning of current year | Increase | Decrease | End of current year |
|---|---|---|---|---|
| Common stock (shares) .................................... | 250,285,115 | 100,020,867 | 167,894,180 | 182,411,802 |

(Summary of reasons for change)

The reasons for increase were as follows:

| | |
|---|---|
| Increase related to buying in the stock market ....................................................... | 100,000,000 shares |
| Increase related to requests to purchase shares less than full trading units ............ | 20,867 shares |

The reasons for decrease were as follows:

| | |
|---|---|
| Reduction related to cancellation of own shares ................................................... | 150,000,000 shares |
| Reduction related to exercise of stock acquisition rights ....................................... | 17,894,000 shares |
| Reduction related to buying to complete full trading units ..................................... | 180 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.45 | June 5, 2012 | Common stock | 217,100 |
| Stock Acquisition Rights No.46 | June 5, 2012 | Common stock | 708,800 |
| Stock Acquisition Rights No.47 | June 5, 2012 | Common stock | 586,900 |
| Stock Acquisition Rights No.48 | June 5, 2012 | Common stock | 845,800 |
| Stock Acquisition Rights No.49 | June 5, 2012 | Common stock | 84,600 |
| Stock Acquisition Rights No.50 | June 5, 2012 | Common stock | 116,200 |
| Stock Acquisition Rights No.51 | November 13, 2012 | Common stock | 996,500 |
| Stock Acquisition Rights No.52 | June 5, 2013 | Common stock | 140,500 |
| Stock Acquisition Rights No.53 | June 5, 2013 | Common stock | 563,400 |
| Stock Acquisition Rights No.54 | June 5, 2013 | Common stock | 726,800 |
| Stock Acquisition Rights No.55 | November 19, 2013 | Common stock | 2,681,200 |
| Stock Acquisition Rights No.56 | June 5, 2014 | Common stock | 745,500 |
| Stock Acquisition Rights No.57 | June 5, 2014 | Common stock | 1,026,600 |
| Stock Acquisition Rights No.58 | June 5, 2014 | Common stock | 1,723,200 |
| Stock Acquisition Rights No.59 | June 5, 2014 | Common stock | 433,600 |
| Stock Acquisition Rights No.60 | June 5, 2014 | Common stock | 594,200 |
| Stock Acquisition Rights No.61 | June 5, 2014 | Common stock | 2,159,600 |
| Stock Acquisition Rights No.62 | November 18, 2014 | Common stock | 2,675,700 |
| Stock Acquisition Rights No.63 | June 5, 2015 | Common stock | 889,700 |
| Stock Acquisition Rights No.64 | June 5, 2015 | Common stock | 1,534,100 |
| Stock Acquisition Rights No.65 | June 5, 2015 | Common stock | 2,496,200 |
| Stock Acquisition Rights No.68 | November 18, 2015 | Common stock | 2,568,800 |
| Stock Acquisition Rights No.69 | June 7, 2016 | Common stock | 1,524,600 |
| Stock Acquisition Rights No.70 | June 7, 2016 | Common stock | 2,601,700 |
| Stock Acquisition Rights No.72 | June 7, 2016 | Common stock | 481,700 |
| Stock Acquisition Rights No.73 | June 7, 2016 | Common stock | 105,400 |
| Stock Acquisition Rights No.74 | November 11, 2016 | Common stock | 2,536,400 |
| Stock Acquisition Rights No.75 | June 9, 2017 | Common stock | 2,089,800 |
| Stock Acquisition Rights No.82 | June 9, 2017 | Common stock | 453,800 |
| Stock Acquisition Rights No.83 | June 9, 2017 | Common stock | 63,900 |

(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 26, 2018 ......... | Common stock | 37,326 | 11.00 | March 31, 2018 | June 1, 2018 |
| Board of Directors October 31, 2018 ..... | Common stock | 10,148 | 3.00 | September 30, 2018 | December 3, 2018 |

(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 25, 2019 ......... | Common stock | 9,933 | 3.00 | March 31, 2019 | June 3, 2019 |

[Notes to Accounting for Tax Effects]

Breakdown of deferred tax assets and liabilities

| | | |
|---|---|---|
| **Deferred tax assets** | | |
| Loss on devaluation of securities | 109,984 | million yen |
| Loss carry-forward on local tax | 26,655 | million yen |
| Allowance for loss on business of subsidiaries and affiliates | 10,105 | million yen |
| Deferred gain and loss on hedges | 3,453 | million yen |
| Loss on devaluation of fixed assets | 4,152 | million yen |
| Stock option | 1,546 | million yen |
| Others | 2,401 | million yen |
| Subtotal of deferred tax assets | 158,297 | million yen |
| Valuation allowance | (122,412) | million yen |
| Total of deferred tax assets | 35,885 | million yen |
| **Deferred tax liabilities** | | |
| Net unrealized gain on investments | (17,182) | million yen |
| Deferred gain and loss on hedges | (4,020) | million yen |
| Others | (806) | million yen |
| Total of deferred tax liabilities | (22,008) | million yen |
| Net deferred tax assets | 13,877 | million yen |

[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

| Classification | 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, 2019 (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 | 93,220 | Accrued income | 16,719 | (1) |
| | | | | Loans receivable | 472,834 | Short-term loans | 258,500 | (2) (3) |
| | | | | Interest received | 8,191 | Accrued income | 1,736 | |
| | | | | Establishment of a commitment line with subordinated terms | 700,000 | Long-term loans receivable from subsidiaries and affiliates | 250,000 | (4) |
| | | | | Loans receivable | 263,462 | — | — | |
| | | | | Commitment line establishment fees received | 747 | — | — | |
| | | | | Borrowings | 9,231 | Short-term borrowings | — | (5) |
| | | | | Interest paid | 16 | Accrued expense | — | |
| Subsidiary | Nomura International plc | (Owned) indirectly 100% | Guarantee obligation Concurrent officers | Loans receivable | 1,818 | Short-term loans | — | (2) |
| | | | | Interest received | 51 | Accrued income | — | |
| | | | | Guarantee obligation | 599,535 | — | — | (6) |
| | | | | Guarantee fee received | 483 | Accrued income | 462 | |
| Subsidiary | Nomura International Funding Pte. Ltd | (Owned) directly 100% | Guarantee obligation | Guarantee obligation | 884,917 | — | — | (6) |
| | | | | Guarantee fee received | 318 | Accrued income | 316 | |
| Subsidiary | Nomura Holding America Inc. | (Owned) directly 100% | Loans receivable Concurrent officers | Loans receivable | 1,275,517 | Short-term loans | 1,382,000 | (2) |
| | | | | Interest received | 13,304 | Accrued income | 892 | |
| Subsidiary | Nomura Corporate Funding America LLC | (Owned) indirectly 100% | Loans receivable | Loans receivable | 814,600 | Short-term loans | 925,000 | (2) |
| | | | | Interest received | 8,242 | Accrued income | 764 | |
| Subsidiary | Nomura Bank International plc | (Owned) indirectly 100% | Guarantee obligation | Guarantee obligation | 187,336 | — | — | (6) |
| | | | | Guarantee fee received | 71 | Accrued income | 71 | |
| Subsidiary | NHI Acquisition Holding Inc. | (Owned) directly 100% | Loans receivable | Loans receivable | 157,707 | Short-term loans | 149,149 | (2) |
| | | | | Interest received | 4,846 | Accrued income | 309 | |
| Subsidiary | Nomura Facilities Co., Ltd. | (Owned) directly 100% | Usage and maintenance of equipments Loans receivable | Loans receivable | 72,462 | Long-term loans receivable from subsidiaries and affiliates | 69,000 | (2) |
| | | | | Interest received | 483 | Accrued income | 4 | |
| Subsidiary | Nomura Europe Finance N.V. | (Owned) directly 100% | Borrowings Guarantee obligation | Borrowings | 1,339,000 | Short-term borrowings | 1,509,600 | (5) |
| | | | | Interest paid | 8,719 | Accrued expense | 1,048 | |
| | | | | Guarantee obligation | 2,007,940 | — | — | (6) |
| | | | | Guarantee fee received | 809 | Accrued income | 797 | |
| Subsidiary | Nomura Global Financial Products Inc. | (Owned) indirectly 100% | Guarantee obligation | Guarantee obligation | 156,854 | — | — | (6) |
| | | | | Guarantee fee received | 210 | Accrued income | 199 | |
| Subsidiary | Nomura Financial Products & Services, Inc. | (Owned) directly 100% | Loans receivable Concurrent officers | Loans receivable | 670,967 | Short-term loans | 639,200 | (2) (3) |
| | | | | Interest received | 13,613 | Accrued income | 1,422 | |
| | | | | Establishment of a commitment line with subordinated terms | 320,000 | Long-term loans receivable from subsidiaries and affiliates | 247,794 | (4) |
| | | | | Loans receivable | 247,614 | — | — | |
| | | | | Commitment line establishment fees received | 179 | — | — | |
| Subsidiary | Nomura Asia Pacific Holdings Co., Ltd | (Owned) directly 100% | Loans receivable Concurrent officers | Loans receivable | 68,203 | Short-term loans | 78,028 | (2) |
| | | | | Interest received | 773 | Accrued income | 56 | |
| Affiliate | Nomura Research Institute, Ltd. | (Owned) directly 29.6% indirectly 9.7% | Purchases of system solution and consulting knowledge services | Data processing system usage fees paid | 29,868 | — | — | (7) |
| | | | | Software purchase | 10,194 | Accounts payable | 2,945 | |

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. The transaction amounts for loans receivable indicate average monthly balance. No collateral is obtained.
(3) Transaction amounts and balance as of March 31, 2019 do not include the transaction amounts for establishment of a commitment line with subordinated terms of (4).
(4) The transaction amounts for the establishment of a commitment line with subordinated terms is the amount of the financing limit.
(5) Interest rates on borrowings are determined rationally in consideration of market interest rates.The transaction amounts for borrowings indicate average monthly balance. No collateral is provided.
(6) Please see "Notes to the Balance sheet" for details. The guarantee rates for each transaction are rationally determined in consideration of market rates.
(7) 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.
(8) Transaction amounts do not include consumption taxes, etc., and balance as of March 31, 2019 includes consumption taxes, etc.

[Notes to Per Share Data]

Net assets per share ................................................................................................ 760.13 yen
Net loss per share ........................................................................................... 3.71 yen

[Note to 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.

[Notes to Material Subsequent Event]

(Grant of Restricted Stock Units)

In April 2019, the Company passed a resolution to grant Restricted Stock Units (“RSUs”) to directors, executive officers and/or employees of the Company and/or its subsidiaries, etc. The number of RSUs is approximately 25 million units (25 million 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.