

NOMURA HOLDINGS INC
Form 20-F
June 26, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Jurisdiction of incorporation or organization)

Japan

(Address of principal executive offices)

Takumi Kitamura, 81-3-5255-1000, 81-3-6746-7850

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

**Title of Each Class
Common Stock***

**Name of Each Exchange On Which Registered
New York Stock Exchange**

* Not for trading, but only in connection with the registration of the American Depositary Shares, each representing one share of Common Stock.
Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

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(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of March 31, 2014, 3,717,630,462 shares of Common Stock were outstanding, including 44,659,127 shares represented by 44,659,127 American Depositary Shares.

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

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

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

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

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table shows selected financial information as of and for the years ended March 31, 2010, 2011, 2012, 2013 and 2014 which is derived from our consolidated financial statements included in this annual report. These financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP). Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

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

	Millions of yen, except per share data and percentages				
	Year ended March 31				
	2010	2011	2012	2013	2014
Statement of income data:					
Revenue	¥ 1,356,751	¥ 1,385,492	¥ 1,851,760	¥ 2,079,943	¥ 1,831,844
Interest expense	205,929	254,794	315,901	266,312	274,774
Net revenue	1,150,822	1,130,698	1,535,859	1,813,631	1,557,070
Non-interest expenses	1,045,575	1,037,443	1,450,902	1,575,901	1,195,456
Income before income taxes	105,247	93,255	84,957	237,730	361,614
Income tax expense	37,161	61,330	58,903	132,039	145,165
Net income	¥ 68,086	¥ 31,925	¥ 26,054	¥ 105,691	¥ 216,449
Less: Net income (loss) attributable to noncontrolling interests	288	3,264	14,471	(1,543)	2,858
Net income attributable to Nomura Holdings, Inc. (NHI) shareholders	¥ 67,798	¥ 28,661	¥ 11,583	¥ 107,234	¥ 213,591
Balance sheet data (period end):					
Total assets	¥ 32,230,428	¥ 36,692,990	¥ 35,697,312	¥ 37,942,439	¥ 43,520,314
Total NHI shareholders equity	2,126,929	2,082,754	2,107,241	2,294,371	2,513,680
Total equity	2,133,014	2,091,636	2,389,137	2,318,983	2,553,213
Common stock	594,493	594,493	594,493	594,493	594,493
Per share data:					
Net income attributable to NHI shareholders basic	¥ 21.68	¥ 7.90	¥ 3.18	¥ 29.04	¥ 57.57
Net income attributable to NHI shareholders diluted	21.59	7.86	3.14	28.37	55.81
Total NHI shareholders equity ⁽⁴⁾	579.70	578.40	575.20	618.27	676.15
Cash dividends ⁽¹⁾	8.00	8.00	6.00	8.00	17.00
Cash dividends in USD ⁽²⁾	\$ 0.09	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.17
Weighted average number of shares outstanding (in thousands) ⁽³⁾	3,126,790	3,627,799	3,643,481	3,692,796	3,709,831
Return on equity⁽⁴⁾:	3.7%	1.4%	0.6%	4.9%	8.9%

Notes:

- (1) Calculated using the number of shares outstanding at year end.
- (2) Calculated using the yen-dollar exchange rate of the respective fiscal year end date, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.
- (3) The number shown is used to calculate basic earnings per share.
- (4) Calculated as net income attributable to NHI shareholders divided by total NHI shareholders equity.

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

Year ended March 31	High	Low	Average⁽¹⁾	Year end
2010	¥ 100.71	¥ 86.12	¥ 92.49	¥ 93.40
2011	94.68	78.74	85.00	82.76
2012	85.26	75.72	78.86	82.41
2013	96.16	77.41	83.26	94.16
2014	105.25	92.96	100.46	102.98
Calendar year 2014	High	Low		
January	¥ 104.87	¥ 102.20		
February	102.71	101.11		
March	103.38	101.36		
April	103.94	101.43		
May	102.34	101.26		
June (through June 20)	102.69	101.82		

(1) Average rate represents the average of rates available on the last business day of each month during the year. The noon buying rate for Japanese yen on June 20, 2014 was \$1.00 = ¥102.14

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

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D. Risk Factors.

Risk Factors

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

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

The global financial crisis that originated with the collapse of Lehman Brothers Holding Inc. (Lehman Brothers) in 2008, affected not only the global securities market but also financial services firms as participants, and also affected economic activity as a whole, especially in developed countries, including Japan. Also in 2011, financial problems in the U.S. and the worsening of financial issues in the peripheral countries of the Eurozone, including Greece, adversely influenced major global financial markets. Since 2013, the prospects of global economy have remained uncertain due to various actions including monetary tightening in China and tapering in the United States.

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

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

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

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

Changes in financial or economic conditions would likely affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients. For example, due in part to the slowdown in

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financing activities resulting primarily from the worsened and prolonged impact of the European sovereign debt crisis in 2011, our Investment Banking net revenue for the year ended March 31, 2012 and March 31, 2013 decreased by 15.9% and 15.0% from the previous year respectively.

Our electronic trading business revenues may decline

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

We may incur significant losses from our trading and investment activities

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

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

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

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect on our profitability by changing the business. Assuming a one-notch and two-notch downgrade of our credit ratings on

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March 31, 2014, absent other changes, we estimate that the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥33.2 billion and ¥122.8 billion, respectively.

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

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

Extended market declines can reduce liquidity and lead to material losses

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in the market in which we operate, which may make it difficult to sell, hedge or value such assets which we hold. Also, in case a market fails in pricing such assets, it will be difficult to estimate their value. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to Over-The-Counter (OTC) derivatives, we may incur substantial losses. Further, if the liquidity of a market significantly decreases and the market price of own position is not formed, it could lead to unanticipated losses.

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase other risks that we face

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

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

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

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

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

We may have to recognize impairment charges, as well as profits and losses along associated with subsequent transactions, with regard to the amount of goodwill, tangible and intangible assets and if recorded, they may adversely affect our results of operations and financial condition.

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

Liquidity, or having ready access to cash, is essential to our businesses. In addition to maintaining a readily available cash position, we seek to secure ample liquidity through repurchase and securities lending transactions, access to long-term debt, issuance of mid/long-term debt, diversification of our short-term funding sources such as commercial paper, and by holding a portfolio of highly liquid assets. We bear the risk that we may lose liquidity under certain circumstances, including the following:

We may be unable to access the debt capital markets

We depend on continuous access to the short-term credit markets and the debt capital markets to finance our day-to-day operations. An inability to raise money in the long-term or short-term debt markets, or to engage in repurchase agreements and securities lending transactions, could have a substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

we incur large trading losses,

the level of our business activity decreases due to a market downturn, or

regulatory authorities take significant action against us.

In addition to the above, our ability to borrow in the debt markets could also be impaired by factors that are not specific to us, such as increases in banks' nonperforming loans which reduce their lending capacity, a severe disruption of the financial and credit markets which, among others, can lead to widening credit spreads and thereby increase our borrowing costs, or negative views about the general prospects for the investment banking, brokerage or financial services industries generally.

We may be unable to access the short-term debt markets

We issue commercial paper and short-term debt instruments as a source of unsecured short-term funding of our operations. Our liquidity depends largely on our ability to refinance these borrowings on a continuous basis. Investors who hold our outstanding commercial paper and other short-term debt instruments have no obligation to provide refinancing when the outstanding instruments mature. We may be unable to obtain short-term financing from banks to make up any shortfall.

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We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on credit watch with negative implications. For example, on March 15, 2012, Moody's Investors Service downgraded our senior debt rating from Baa2 to Baa3. Although the impact of this downgrade was limited, future downgrades could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity. Further, other factors which are not specific to us may increase our funding costs, such as negative market perception of Japan's fiscal soundness.

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

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

sudden and significant reductions in credit ratings with regard to financial instruments held by our trading and investment businesses by major rating agencies,

sudden changes in trading, tax, accounting, regulatory requirements laws and other related rules which may make our trading strategy obsolete, less competitive or not workable, or

an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and administrative penalty with respect to the issuers of our trading and investment assets.

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

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

Credit risk may also arise from:

holding securities issued by third parties, or

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

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

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

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

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

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

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

Our exposure to legal liability is significant

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

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

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

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities, through net capital, client protection and market conduct requirements. Although we have policies in place to prevent violations of such laws and regulations, we may not always be able to prevent violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

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

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

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

Changes in regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. For example, in March 2012, the FSA published the revised Capital Adequacy Notice on Final Designated Parent Company in order to respond to the Basel III measures announced by the Basel Committee on Banking Supervision (Basel Committee), and beginning on March 31, 2013, the amended Notice has been gradually phased in. The full implementation of such new measures may decrease our capital adequacy ratio calculated pursuant to such new measures below the levels at the end of March 2013. In addition to the Basel III measures, implementation of new regulations or strengthening of existing regulations have been determined or are under consideration by international organizations such as the G-20, Financial Stability Board (FSB), International Organization of Securities Commissions (IOSCO) and Basel Committee, or governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate. These changes in regulations, if they are applied to us, may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the FSB and the Basel Committee have announced that they will annually update the list of global systemically important banks (G-SIBs) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks (D-SIBs), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. In

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

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

We recognize deferred tax assets on our consolidated balance sheets as a possible benefit of tax relief in the future. If we experience or foresee a deteriorating business condition, a tax reform (such as a reduction of corporate tax rate) or a change in accounting standards in the future, we may reduce the deferred tax assets then recognized in our consolidated balance sheets. As a result, it could adversely affect our operating results and financial condition.

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

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

In August 2012, Nomura Securities Co., Ltd. (NSC), the Company's subsidiary, received a business improvement order from the FSA with respect to flaws recognized in connection with the management of entity-related information for public stock offerings. In response to the order, NSC, as of December 2013, has implemented and completed a series of improvement measures and is working to enhance and strengthen its information management structure to prevent similar incidents from occurring in the future.

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

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

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

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

We are a global financial institution providing a wide range of products and services to a diverse group of clients, including individuals, corporations, other financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Conflicts of interests can occur when our services to a particular client conflict or compete, or are perceived to conflict or compete, with our own interests. In addition, where non-public information is not appropriately restricted or shared within the firm, with

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regard to the many transactions within the Nomura Group, conflicts of interest can also occur where a group company transaction and/or a transaction with another client conflicts or competes with, or is perceived to conflict or compete with, a transaction with a particular client. While we have extensive internal procedures and controls designed to identify and address conflicts of interest, a failure, or a perceived failure, to identify, disclose and appropriately address conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, conflicts of interest could give rise to regulatory actions or litigation.

Our business is subject to various operational risks

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

failure to execute, confirm or settle securities transactions,

failure by our officers or employees to perform proper administrative activities prescribed in our regular procedures, such as placing erroneous orders to securities exchanges,

the destruction of or damage to our facilities or systems, or other impairment of our ability to conduct business, arising from the impacts of disasters or acts of terrorism which are beyond our anticipation and the scope of our contingency plan,

the disruption of our business due to pandemic diseases or illnesses or

suspension or malfunction of internal or third party systems, or unauthorized access, misuse, computer viruses and cyber-attacks affecting such systems.

Our businesses rely on the secure processing, storage, transmission and reception of confidential and proprietary information in our computer systems. Although we continue to monitor and update our security system, we recognize the increasing risk from the continuously evolving nature of cyber threats. As cyber security threats become more sophisticated, we may be required to expend significant additional resources to modify our systems, and if any of our protective measures are not adequate, it is possible that such attacks may lead to significant breaches in the future.

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

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

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

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

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

We may not be able to realize gains we expect, and may even suffer losses, on our private equity investments

We engage in private equity businesses in and outside of Japan through certain consolidated subsidiaries. A decline in the fair values of our investment positions, which could arise from deteriorating business performance of investee companies or any deterioration in the market conditions of these sectors, may cause material losses to us. Further, our inability to dispose of our private equity investments at the level and time we may wish could have a material impact on our operating results and financial condition.

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

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

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

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

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

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

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

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price

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formation. For the purpose of protecting investors from excessive volatility, these exchanges set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell his or her shares at such price on a particular trading day, or at all.

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

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

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

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

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

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

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

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. The Company's dividend payout practice is no exception. The Company ultimately determines whether the Company will make any dividend payment to shareholders of record as of a record date and such determination is made only after such record date. For the foregoing reasons, the Company's shareholders of record as of a record date may not receive the dividends they anticipate. Furthermore, the Company does not announce any dividend forecasts.

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

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

Special Note Regarding Forward-looking Statements

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business, our industry and capital markets around the world. These forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as may, will, expect, anticipate, estimate, plan or similar words. These statements discuss future expectations, identify strategies, contain projections of our results of operations or financial condition, or state other forward-looking information.

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

Item 4. Information on the Company

A. History and Development of the Company.

The Company (previously known as The Nomura Securities Co., Ltd.) was incorporated in Japan on December 25, 1925 under the Commercial Code of Japan when the securities division of The Osaka Nomura Bank, Ltd. became a separate entity specializing in the trading and distribution of debt securities in Japan. The Company was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York. In Japan, we broadened the scope of our business when we began trading in equity securities in 1938 and when we organized the first investment trust in Japan in 1941.

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

Our expansion overseas accelerated in 1967, when the Company acquired a controlling interest in Nomura International (Hong Kong) Limited for the purpose of conducting broker-dealer activities in the Hong Kong capital markets. Subsequently, we established a number of other overseas subsidiaries, including Nomura Securities International, Inc. in the U.S. in 1969 as a broker dealer and Nomura International Limited, now Nomura International plc, in the U.K. in 1981, which acts as an underwriter and a broker, as well as other overseas affiliates, branches and representative offices.

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

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

What started out as a U.S. subprime loan crisis in the summer of 2007 became a global financial crisis with effects spreading to the broader economy. This created an extraordinarily challenging business environment for the Company. In dealing with these troubled assets, the Company reassessed the parts of its business that are not fully focused on clients. The Company was quick to review, reduce, and exit non-client businesses and illiquid positions such as commercial mortgages. As a result, the Company emerged from the financial crisis with one of the cleanest balance sheets among global players. To pave the way for future growth, the Company acquired and integrated the operations of Lehman Brothers in Asia Pacific, Europe and the Middle East.

At the end of March 2013 Japan became one of the first countries to implement Basel III. Ahead of the introduction of the new regulations, the Company reallocated resources to concentrate management resources on businesses where the Company can manifest its strengths.

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

B. Business Overview.

Overview

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

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

Our business consists of Retail, Asset Management and Wholesale divisions which are described in further detail below. See also Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Corporate Goals and Principles

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

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

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

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Our Business Divisions

Retail

In Retail, we deliver a wide range of financial products and high quality investment services mainly for individuals and corporations in Japan primarily through a network of nationwide branches of Nomura Securities Co., Ltd. (NSC). The total number of its head office and local branches was 159 as of the end of March 2014. We offer investment consultation services to meet the medium- to long-term needs of our clients. The aggregate market value of our retail client assets increased ¥7.9 trillion to ¥91.7 trillion as of the end of March 2014 from ¥83.8 trillion a year ago. We discuss retail client assets in *Retail Client Assets* under Item 5.A of this annual report.

In order to execute our business strategy, we employ various methods to deliver our services to clients. These include face-to-face meetings with our Financial Advisors, either in our branch offices or through client visits, communications through internet-based trading services, or through our call centers.

Asset Management

We conduct our asset management business, which consists of the development and management of investment trusts and investment advisory services, primarily through NAM. NAM is the largest asset management company in Japan in terms of assets under management in investment trusts as of March 31, 2014. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create business opportunities. In order to make these opportunities available, NAM manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through NSC as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank Co., Ltd. Investment trusts are also offered in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

Wholesale

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

Global Markets

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

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

Our global equity-related products include common stock, convertible securities, futures, options and OTC equity-linked derivatives. In addition, we offer execution services based on cutting-edge technologies such as electronic trading. Nomura is also a member of various exchanges around the world, with leading positions on the London and Tokyo stock exchanges.

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Investment Banking

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

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

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

Private Equity. We engage in the private equity business, mainly in Japan and Europe. For a further description of our private equity business, see Item 5.A *Private Equity Business* of this annual report.

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

Our Research Activities

We have an extensive network of intellectual capital with key research offices in Tokyo, Hong Kong and other major markets in the Asia-Pacific region, as well as in London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our researchers collaborate closely across regions and disciplines to track changes and spot future trends in politics, economics, foreign exchange, interest rates, equities, credit and quantitative analysis. Our Japan Equity Research team continued to top the Institutional Investor research polls in 2013. Our Fixed Income Research teams topped the Nikkei Veritas rankings for the fourth straight year.

Our Information Technology

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

For example, for our retail clients, we provide internet-based trading services and current status reports on asset portfolios, investments and transactions and investment market information, including our research reports through the internet or mobile phones. In the fiscal year ended March 31, 2013, we implemented the new platform and we have improved cost efficiency and increased the system stability.

In our Wholesale Division, we have enhanced our technology platforms to provide better risk management and also to increase trading capabilities through platforms allowing direct market access and algorithmic trading. We also continue to look for opportunities to further leverage our service entities in India to support our wholesale operations.

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For the corporate area in Japan, which relates to both the Retail and Wholesale businesses, we are implementing new settlement and finance system in order to improve the efficiency by decommissioning our legacy system.

Competition

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

the quality, range and prices of our products and services,

our ability to originate and develop innovative client solutions,

our ability to maintain and develop client relationships,

our ability to access and commit capital resources,

our ability to retain and attract qualified employees, and

our general reputation.

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

the monetary and fiscal policies of national governments and international economic organizations, and

economic developments both within and between Japan, the U.S., Europe and other major industrialized and developing countries and regions.

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

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

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

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

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Regulation

Japan

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

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

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

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

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

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

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

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

Overseas

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

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

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clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, reporting and recordkeeping, and internal and external business conduct rules. Some U.S. derivatives rules may be applied extraterritorially and therefore impact some non-U.S. Nomura entities.

Other aspects of the Dodd-Frank Act and related rulemakings include provisions that (i) prohibit deposit-taking banks and their affiliates from engaging in proprietary trading and limit their ability to make investments in hedge funds and private equity funds (the so-called Volcker Rule); (ii) empower regulators to liquidate failing nonbank financial companies that are systemically important; (iii) provide for new systemic risk oversight and increased capital requirements for both bank and non-bank SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) new regulations regarding the role of credit rating agencies, investment advisors and others. To facilitate the transition to the requirements of the Dodd-Frank Act, the Commodity Futures Trading Commission issued an exemptive order in July 2013 (the Exemptive Order) that granted market participants temporary conditional relief from certain provisions of the Commodity Exchange Act, as amended by the Dodd-Frank Act. As the Exemptive Order expired on December 21, 2013 some U.S. derivatives rules are now being applied extraterritorially and are now therefore impacting some non-U.S. Nomura entities. In addition, Title VII of the Dodd-Frank Act gives the SEC regulatory authority over security-based swaps which are defined under the act as swaps based on a single security or loan or a narrow-based group or index of securities. Security-based swaps are included within the definition of security under the U.S. Securities and Exchange Act of 1934 and the U.S. Securities Act of 1933. On May 1, 2013, the SEC proposed rules and interpretive guidance addressing cross-border security-based swap activities. Once final, these rules will also be applied extraterritorially and impact some non-U.S. Nomura entities. The exact details of the Dodd Frank Act implementation and ultimate impact on Nomura s operations will depend on the form and substance of the final regulations adopted by various governmental agencies and oversight boards.

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

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

The new framework also includes the treatment of bank exposures to central counterparties. CRD IV introduces the concept of the leverage ratio. The directive introduces corporate governance requirements with a more rigorous supervision of risks by directors as well as management or supervisory boards. The rules concern the composition of boards, their functioning and their role in risk oversight and strategy in order to improve the effectiveness of risk oversight by boards. The regulation requires firms to make increased Pillar 3 disclosures

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about their corporate governance arrangements. CRD IV also sets out requirements in relation to remuneration policies including limitations on the basic salary to bonus ratio (can be raised to a maximum of 1:2 with the approval of shareholders) for certain staff.

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

In May 2014 the European Securities and Markets Authority (ESMA) launched the consultation process for the implementation of the revised MiFID II and MiFIR by publishing a consultation paper and a discussion paper. MiFID II/MiFIR contains over 100 requirements for ESMA to draft regulatory technical standards (RTS) and implementing technical standards (ITS) and to provide technical advice to the European Commission to allow it to adopt delegated acts. The main issues covered in the papers are divided into those addressing the structure, transparency and regulation of financial markets, and those aimed at strengthening investor protection. The consultation paper requests comments on the technical advice that ESMA is required to deliver to the European Commission by December 2014 and the discussion paper will provide the basis for a further consultation paper on the draft RTS and ITS which is expected to be issued in late 2014/early 2015.

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

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

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

Regulatory Capital Rules

Japan

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

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

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

We closely monitor the capital adequacy ratio of NSC and NFPS on a continuous basis. Since the introduction of the capital adequacy requirement in Japan in 1989, we have at all times been in compliance with all appropriate requirements. We believe that we will continue to be in compliance with all applicable capital adequacy requirements for the foreseeable future.

As discussed above, the FSA amended the FIEA and introduced new rules on consolidated regulation and supervision of securities companies on a consolidated basis on April 1, 2011 to improve the stability and

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transparency of Japan's financial system and ensure the protection of investors. Following introduction of these rules, NSC was designated as a Special Financial Instruments Firm, following which we have been designated as a Final Designated Parent Company. As such, we are required to calculate consolidated regulatory capital adequacy ratio according to the FSA's Establishment of standards on sufficiency of capital stock of a final designated parent company and its subsidiary entities, etc. compared to the assets held thereby (2010 FSA Regulatory Notice No. 130;

Capital Adequacy Notice on Final Designated Parent Company). Accordingly, since our designation as a Final Designated Parent Company in April 2011, we now calculate our Basel rule-based consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company.

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

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

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

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

At the G-20 summit in November 2011, the Financial Stability Board (FSB) and the Basel Committee announced the list of global systemically important banks (G-SIBs) and the additional requirements to the G-SIBs including the recovery and resolution plan. The FSB also announced the group of G-SIBs will be updated annually and published by the FSB each November. We were not designated as a G-SIB in November 2012 and November 2013. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important banks (D-SIBs) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. Furthermore, the FSB and the IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation, as described in Consolidated Regulatory Requirements under Item 5.B of this annual report.

Overseas

In the U.S., Nomura Securities International, Inc. (NSI) is a registered broker-dealer and registered futures commission merchant. As such, NSI is subject to minimum net capital requirements set by the U.S. Securities and Exchange Commission and the Commodity Futures Trading Commission. NSI is regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority and the Chicago Mercantile Exchange Group exchanges. These requirements specify minimum levels of capital that U.S. broker-dealers are required to maintain and limit the amount of leverage that such broker-dealers may use in their businesses. As a primary dealer of U.S. government securities, NSI is also subject to the capital adequacy requirements of the Government Securities Act of 1986.

In addition, in January 2014, Nomura Global Financial Products Inc. (NGFP) received approval from the U.S. Securities and Exchange Commission to become an OTC Derivatives Dealer (a special category of broker-dealer engaged in an OTC derivatives business), and is also provisionally registered with the Commodity Futures Trading Commission as a Swap Dealer in accordance with the Dodd-Frank Act. NGFP maintains minimum levels of capital as determined under Appendix F as of SEC Rule 15c3-1.

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In Europe, the Nomura Europe Holdings plc group is regulated under consolidated supervision by the Prudential Regulatory Authority in the U.K. Various banking and broker/dealer subsidiaries of the group are regulated on a stand alone basis by their appropriate local regulators.

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

Management Challenges and Strategies

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

In order to achieve our management objectives, we are placing top priority on ensuring that profits are recorded by all business segments in all regions. This fiscal year, we further advanced selection and concentration centered on our overseas bases, and completed cost reduction measures. We will continue our efforts to strengthen the profitability of our overseas operations and boost the comprehensive competitiveness of the Group.

We will continue to take appropriate measures to comply with international financial regulations. Basel III has been being phased in from the end of March 2013, and Nomura is now subject to these regulations. The Deposit Insurance Act was revised in June 2013 aiming to implement an effective resolution management structure for financial institutions in Japan, and under those revisions, Nomura is now subject to the new crisis response measures in the same way as banks. Liquidity regulations are also starting to be introduced as part of new rules, with various debates taking place regarding the details. Furthermore, new rules for derivatives and other financial transactions are being put in place in various countries. These new regulations are now in executive stage for global financial institutions.

In Western countries, regulations limiting the scope of the banking business are scheduled for introduction, and moves toward placing additional regulations on large financial institutions are growing more active. In Europe, financial transaction tax will also be introduced. These regulatory tightening actions may directly affect the Company and the trading markets for equities, bonds and their derivative products as well as the competitive conditions among financial institutions. Therefore, Nomura will take necessary measures in carefully responding to these changes.

The challenges and strategies in each division are as follows:

Retail Division

In our Retail Division, in Japan we focus on expanding and improving our service line-up offered through our sales channels including branches, the Internet and call centers, aiming to meet and resolve the individual needs and concerns of each client. We seek to enhance our consulting-based sales and deliver top-quality services tailored to the particular life plan or life stage of each client, so that the Nomura Group can remain a trusted partner to our clients.

Asset Management Division

In our investment trust business, we will provide clients with a diverse range of investment opportunities to meet their various needs. In our investment advisory business, we will provide value-added investment services to our domestic and international institutional clients. We intend to increase

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assets under management and expand our client base for these two core businesses. As a distinctive investment manager based in Asia with the ability to provide a broad range of products and services, we aim to gain the strong trust of investors worldwide by making continuous efforts to improve investment performance.

Wholesale Division

Global Markets has been focusing on delivering differentiated products and solutions to our clients by leveraging the Nomura Group's capabilities in trading, research, and global distribution. We are improving comprehensive services transcending the boundaries of Fixed Income and Equities products.

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

In our Wholesale Division, cooperation across business areas and regions is becoming more important to provide quality services which meet the needs of our clients. We will focus on Asia as a strategic region where Nomura has a competitive geographical advantage, with expectations of its medium- to long-term economic growth, aiming to manifest the Group's comprehensive strengths for future growth.

Risk Management and Compliance, etc.

Amid the expansion of global business, we must continue to enhance our risk management system and increase its efficiency in order to ensure financial soundness and enhanced corporate value. We will continue to develop a system where senior management directly engage in a proactive risk management approach for precise decision making.

As our business becomes increasingly international and diverse, we recognize the growing importance of compliance. We will continue to focus on improving the management structure to comply with local laws and regulations in the countries where we operate. In addition, we continuously review and improve our existing overall compliance system and rules with initiatives that promote an environment of high ethical standards among all of our executive management and employees. In this way, we will meet the expectations of society and clients toward the Nomura Group and contribute to the further development of financial and capital markets.

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

We continue to reinforce our Internal Audit system aiming to ensure the effectiveness of our highly developed risk management and the efficacy of our governance. We will continue to strengthen the efficiency of our internal governance system by reinforcing and ensuring the independence of our Internal Audit system from the execution side, and promote proper corporate activities.

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

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

Name	Country	Ownership Interest (%)
Nomura Holdings, Inc.	Japan	
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Financial Partners Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Facilities, Inc.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Nomura Private Equity Capital Co., Ltd.	Japan	100
Nomura Agri Planning & Advisory Co., Ltd.	Japan	100
Nomura Land and Building Co., Ltd.	Japan	100
The Asahi Fire & Marine Insurance Co., Ltd.	Japan	51
Nomura Financial Products & Services, Inc.	Japan	100
Nomura Holding America Inc.	U.S.	100
Nomura Securities International, Inc.	U.S.	100
Nomura Corporate Research and Asset Management Inc.	U.S.	100
Nomura Derivative Products Inc.	U.S.	100
Nomura America Mortgage Finance, LLC	U.S.	100
Nomura Financial Holding America, LLC	U.S.	100
Nomura Global Financial Products, Inc.	U.S.	100
NHI Acquisition Holding, Inc.	U.S.	100
Instinet Incorporated	U.S.	100
Nomura Europe Holdings plc	U.K.	100
Nomura International plc	U.K.	100
Nomura Bank International plc	U.K.	100
Banque Nomura France	France	100
Nomura Bank (Luxembourg) S.A.	Luxemburg	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Investment Banking (Middle East) B.S.C. (c)	Bahrain	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Capital Markets Limited	U.K.	100
Nomura European Investment Limited	U.K.	100
Nomura Asia Holding N.V.	The Netherlands	100
Nomura International (Hong Kong) Limited	Hong Kong	100
Nomura Singapore Limited	Singapore	100
Nomura Australia Limited	Australia	100
P.T. Nomura Indonesia	Indonesia	96
Nomura Asia Investment (India Powai) Pte. Ltd.	Singapore	100
Nomura Services India Private Limited	India	100
Nomura Financial Advisory and Securities (India) Private Limited	India	100
Nomura Asia Investment (Fixed Income) Pte. Ltd.	Singapore	100
Nomura Asia Investment (Singapore) Pte. Ltd.	Singapore	100

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D. Property, Plants and Equipment.

Our Properties

As of March 31, 2014, our principal head office is located in Tokyo, Japan and occupies 984,157 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 125,218 square feet, our Nagoya branch office, which occupies 82,918 square feet, and the head office of NAM in Tokyo, which occupies 157,231 square feet.

As of March 31, 2014, our major offices outside Japan are the head offices of Nomura International plc (NIP) located in London, which occupies 458,615 square feet, the New York head office of Nomura Securities International, Inc., which occupies 182,534 square feet, and the offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 140,501 square feet. We lease most of our overseas office space.

As of March 31, 2014, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 476,271 square feet.

As of March 31, 2014, the aggregate book value of the land and buildings we owned, including capital leases was ¥204 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥48 billion.

Item 4A. Unresolved Staff Comments

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2014 and which remain unresolved as of the date of the filing of this annual report with the Commission.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

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

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

Business Environment

Japan

The Japanese economy recovered throughout the fiscal year ended March 31, 2014. The economy was driven by policy effects under the so-called three arrows of Abenomics : bold monetary policies, flexible fiscal policies, and growth strategies aimed at stimulating private-sector investment. In particular, yen depreciation and rising share prices supported by quantitative and qualitative monetary easing introduced in April by the Bank of Japan under its new leadership supported increased consumer spending and a marked improvement in earnings at exporters. In addition, economic stimulus in the FY12 supplementary budget led to a

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sharp increase in public investment, underpinning economic growth. Consumer spending also accelerated in January-March 2014 on the back of a spike in demand ahead of the increase in the consumption tax rate implemented in April 2014. As a result, Japan's real gross domestic product (GDP) in the fiscal year ended March 31, 2014, expanded by 2.3% year-on-year.

In terms of corporate earnings, recurring profits either rose or moved into the black in all industry sectors in the fiscal year ended March 31, 2014, supported by yen depreciation on the back of Abenomics, economic recovery overseas, and a spike in demand ahead of the hike in the consumption tax. Profits rose markedly particularly in the automotive, electronics and precision, and other sectors where earnings are comparatively sensitive to exchange rates, and in the financials sector, which saw substantial benefits from the reflationary environment. We estimate that recurring profits at major companies (those in the Russell/Nomura Large Cap Index) increased by 35% year-on-year in the fiscal year ended March 31, 2014, with growth expanding from the 13% in the prior fiscal year.

The stock market made large gains in response to the above-noted quantitative and qualitative monetary easing, and then fell back on such factors as the announcement of growth strategies in June 2013, but maintained an upward trend through to December supported by a sustained correction in the strong yen. From the start of 2014, however, the stock market saw weakness on concerns of economic slowing in Japan owing to the increase in the consumption tax, receding expectations of additional monetary easing by the Bank of Japan, worries over economic slowing in the U.S. triggered by the cold snap there, and growing geopolitical risk relating to Ukraine. The Tokyo Stock Price Index (the TOPIX) advanced 16.3% over the course of the fiscal year, from 1,034.71 points at the end of March 2013 to 1,202.89 points at the end of March 2014. The Nikkei Stock Average rose 19.6% over the fiscal year, from 12,397.91 at the end of March 2013 to 14,827.83 at the end of March 2014.

The yield on newly issued 10-year Japanese government bonds rose sharply at the beginning of the fiscal year but then trended downward. The yield began the fiscal year ended March 31 2013 at the mid-0.5% level, but then declined close to 0.3% as the Bank of Japan came out with much more extensive quantitative and qualitative monetary easing policies on 4 April 2013 than the market had been expecting. Subsequently, however, volatility increased amid supply-demand instability, with sustained selling of Japanese government bonds by investors in expectation of an exit to Bank of Japan easing. In tandem with the U.S. Federal Reserve Board (the FRB) tapering its third round of quantitative easing (QE3), the yield on newly issued 10-year Japanese government bonds at one point reached 1.0%. The yield started to turn down gradually through to the middle of the fiscal year as the effects of the above-noted Bank of Japan's easing measures showed through, falling to around 0.60% after the U.S. in September put off QE3 tapering. The yield rose temporarily on the announcement of the start of QE3 tapering in December, but only to the 0.7% level. From January 2014 onward, risk aversion increased globally prompted by weaker-than-expected U.S. economic indicators as the result of the cold snap and growing uncertainties over the situation in Ukraine, with the yield on newly issued 10-year Japanese government bonds ending March once again at the lower 0.6% level.

On the foreign exchange markets, the value of the yen against the U.S. dollar was influenced by trends in the U.S. economy and against the euro by debt issues in the Eurozone. The yen was trading at the ¥94 level versus the U.S. dollar and the ¥120 level versus the euro at the end of March 2013. Initially in the fiscal year ended March 31, 2014, the yen depreciated against both the U.S. dollar and euro on expectations for Abenomics and quantitative and qualitative monetary easing by the Bank of Japan. From May onward, however, market sentiment deteriorated amid expectations of a tapering in the FRB's quantitative easing and the resulting volatility in emerging markets. Expectations for Abenomics also waned. The yen remained stronger than ¥100 against the U.S. dollar from June through to mid-November owing to the emergence of U.S. debt problems, which included a partial government shutdown in September. Against the euro, the yen reached the ¥135 level at the end of October as the euro appreciated on the back of a gradual rise in short-term interest rates as the European economy emerged from its worst period and there was an easing in excess liquidity. Through to the end of the year, the yen depreciated against the U.S. dollar amid confirmation of the U.S. economy picking up steam and against the euro amid abundant fund inflows particularly into the stock market and as the European Central

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Bank adopted a softer stance on easing. From January 2014 onward, the yen trended flat against both the U.S. dollar and the euro amid a rapid slowing in the U.S. economy owing to the cold snap and heightening geopolitical risks relating to the situation in Ukraine. At the end of March 2014 the yen was trading at the ¥103 level versus the U.S. dollar and the ¥142 level versus the euro.

Overseas

The global economy saw a slowing trend. In particular, weakness in the U.S. economy owing to the country's debt problems fed through to economic slowing in industrialized nations as a whole. Meanwhile, expectations grew in the financial markets that the QE3 asset purchasing program in the U.S. might be scaled back, and there were temporary outflows of funds from some emerging economies. This had a negative impact on economic growth in those economies, as it prompted them to opt for monetary tightening. Financial markets in emerging economies gradually settled down in the second half of the fiscal year ended March 31, 2014, and economies also stabilized.

In the U.S., house prices and stock prices rose as the FRB stayed with QE3, bringing also benefits for consumer spending through the wealth effect. However, growth in 2013 was held back by increasing fiscal austerity by the federal government and by uncertainties over the fiscal debate against a backdrop of a temporary partial shutdown of the federal government in October 2013. As a result, U.S. real GDP growth slowed to 1.9% year-on-year in 2013, from 2.8% in 2012. Real GDP growth in January-March 2014 slowed to 0.1% year-on-year on an annualized basis under the adverse impact of inventory adjustments and the cold snap. The U.S. stock market saw a correction in the summer of 2013 on concerns over QE3 tapering, but then followed an uptrend through to the end of the year. From the start of 2014 the U.S. stock market fluctuated with the start of QE3 tapering. The Dow Jones Industrial Average rose from 14,578.54 at the end of March 2013 to 16,457.66 at the end of March 2014, a gain of 12.9%. The yield on 10-year U.S. Treasuries was around 1.9% at the end of March 2013, held on an uptrend from May on the emergence of expectations of QE3 tapering to reach over 3% at one point in December, but with an easing in rises in interest rates from the start of 2014 the yield fell to around 2.7% at the end of March 2014.

In Europe, Eurozone real GDP shrank a further 0.4% in 2013 after contracting 0.6% year-on-year in 2012. The economies of some countries, including Italy and France, continued to be held back by structural problems. With financial market uncertainties over liquidity abating thanks partly to the ECB's asset purchasing program, there was a clear cyclical bottoming in the economies of many Eurozone countries from around summer 2013. The benchmark German stock index (DAX) had followed a similar pattern to stock prices in Japan and the U.S., but ended up advancing by about 23% over the year ended March 31, 2014 supported by the tail wind of economic bottoming.

Asian economies as a whole entered a period of gradual slowing. Among them, China's economy saw real GDP growth in 2013 of 7.7%, a similar level to 2012. The country continued with its effort to shift from a pattern of economic growth led by investment to one led by consumer spending under the leadership of China's president Xi Jinping, who was appointed in March 2013, a stance that was also emphasized at the Third Plenum held in November. In the absence of any large-scale fiscal stimulus measures, the country's real GDP growth slowed slightly in January-March 2014 to 7.4% year-on-year owing to slowing real estate and infrastructure-related investment. Southeast Asia and India saw increasingly marked economic slowing in the second half of 2013 in response to economic slowing in the U.S. In countries including Indonesia and India, where the adverse impact from QE3 tapering in the U.S. emerged, a slowing in investment owing to the adoption of monetary tightening policies also had a negative economic impact.

Executive Summary

Looking back at the global economy during the fiscal year ended March 31, 2014, in the United States household balance sheet adjustments were largely completed and there were signs of economic recovery centered on private consumption. In Europe as well, while some countries require structural adjustments, the worst period

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was over. Overall, the economies of the industrialized nations were firm. On the other hand, in China the growth rate slowed due partly to stronger regulations over shadow banking, a tight labor market, and reduced public investment by regional governments. In addition, there are factors which make the future unclear especially for emerging economies with the Ukraine problem that emerged from late 2013 and other issues.

Under these conditions, in Japan with Abenomics, the foreign exchange rate trend shifted toward a depreciation of the yen, and share prices rose sharply on the consequent improvement in corporate earnings. Furthermore, the September 2013 decision to hold the 2020 Olympics and Paralympics in Tokyo, combined with other developments, had a positive effect on the real economy through improved business and consumer sentiment. As a result, the Japanese economy is on a recovery trend with improvements in private consumption and other areas. Reflecting these developments, the Tokyo Stock Price Index (TOPIX) rose from 1,000 points at the beginning of the fiscal year to 1,276 points in May. The index temporarily weakened during the summer, but recovered to 1,306 points around the end of 2013 and beginning of 2014, and ended the fiscal year at 1,202 points. In the U.S. dollar-yen exchange rate, the depreciation of the yen continued with the rate rising from the 93 yen range at the beginning of the fiscal year to the 105 yen range at the end of 2013, with the rate in the 103 yen range at the end of the fiscal year.

With respect to financial regulations, the introduction of Basel III (Capital requirement regulations for financial institutions) has begun in Japan and other widespread regulatory reforms aimed at tightening supervision of domestic and foreign financial institutions are being implemented in a phased manner. Financial regulations will continue to require a careful response.

Amid this environment and under the basic philosophy of placing our clients at the heart of everything we do, we strove to provide clients with high value-added products and services, worked to strengthen ties among regions and businesses, and made efforts to expand revenues. As a result of these efforts, we posted net revenue of ¥1,557.1 billion for the fiscal year ended March 31, 2014, a 14.1% decrease from the previous fiscal year when Nomura Real Estate Holdings, Inc. was a consolidated subsidiary. Noninterest expenses decreased 24.1% to ¥1,195.5 billion, income before income taxes was ¥361.6 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥213.6 billion, the second highest level (after the record high posted for the fiscal year ended March 31, 2006) since we introduced U.S. GAAP in the fiscal year ended March 31, 2002. Return on equity (ROE) rose 4 percentage points from 4.9% in the prior fiscal year to 8.9%. EPS for this fiscal year was 55.8 yen.

(Note):

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

We have decided to pay a dividend of 9 yen per share to shareholders of record as of March 31, 2014. As a result, the total annual dividend will be 17 yen per share.

In Retail, net revenue for the year ended March 31, 2014 increased by 28.6% from the previous fiscal year to ¥511.9 billion, primarily due to increased brokerage commissions. Non-interest expenses increased by 7.6% to ¥319.9 billion. As a result, income before income taxes increased by 90.8% to ¥192.0 billion. We continued consulting-oriented sales activities to accurately respond to the investment needs of individual customers toward becoming a securities company that is trusted by clients. For the Nippon Individual Savings Accounts (NISA) system introduced from 2014 which provides tax exemptions for gains on small investments, we held about 2,200 seminars prior to the system's introduction and made other efforts so that a greater number of clients will make use of NISA. As a result, total retail client assets under management increased to ¥91.7 trillion from ¥83.8 trillion at the end of the previous fiscal year to post a new record. The number of client accounts also increased by 119,000 from the end of the previous fiscal year to 5.14 million, so the business base is steadily expanding.

In Asset Management, net revenue for the year ended March 31, 2014 increased by 16.7% from the previous fiscal year to ¥80.5 billion, in part due to increased assets under management. Non-interest expenses increased by 11.7% to ¥53.4 billion. As a result, income before income taxes increased by 28.1% to ¥27.1 billion. In the

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investment trust business, assets under management increased with an influx of funds mostly for stock investment trusts and the improved market environment. In particular, funds focused on infrastructure-related companies and Japanese stock funds contributed to increasing assets under management. We also focused on products, seminars and web contents that promote the spread of the NISA system. In the investment advisory business, there was an increase in mandates from overseas clients, mostly for Japanese stocks and foreign bonds. As a result, assets under management as of March 31, 2014 increased by ¥2.9 trillion from the end of the previous fiscal year to ¥30.8 trillion.

In Wholesale, net revenue for the year ended March 31, 2014 increased by 18.6% from the previous year to ¥765.1 billion. The first quarter net revenue was mainly driven by Japan, where a market rally continued from the previous year. From the second quarter net revenue declined in Japan, but net revenue from our overseas businesses started to pick up, enabling the Wholesale Division to post an increase in net revenue for the full fiscal year. Non-interest expenses also increased by 14.0% to ¥653.3 billion, largely because of the depreciation of the yen, but this increase in expenses was limited by the successful cost reduction efforts to date. As a result, income before income taxes rose by 56.0% to ¥111.8 billion.

Results of Operations*Overview*

The following table provides selected consolidated statements of income information for the years indicated.

	Millions of yen, except percentages		
	Year ended March 31		
	2012	2013	2014
Non-interest revenues:			
Commissions	¥ 347,135	¥ 359,069	¥ 474,557
Fees from investment banking	59,638	62,353	91,301
Asset management and portfolio service fees	144,251	141,029	167,247
Net gain on trading	272,557	367,979	476,356
Gain on private equity investments	25,098	8,053	11,392
Gain on investments in equity securities	4,005	38,686	15,156
Other	563,186	708,767	179,485
Total Non-interest revenues	1,415,870	1,685,936	1,415,494
Net interest revenue	119,989	127,695	141,576
Net revenue	1,535,859	1,813,631	1,557,070
Non-interest expenses	1,450,902	1,575,901	1,195,456
Income before income taxes	84,957	237,730	361,614
Income tax expense	58,903	132,039	145,165
Net income	¥ 26,054	¥ 105,691	¥ 216,449
Less: Net income (loss) attributable to noncontrolling interests	14,471	(1,543)	2,858
Net income attributable to NHI shareholders	¥ 11,583	¥ 107,234	¥ 213,591

Return on equity 0.6% 4.9% 8.9%

Net revenue decreased by 14% from ¥1,813,631 million for the year ended March 31, 2013 to ¥1,557,070 million for the year ended March 31, 2014 primarily due to the deconsolidation of Nomura Real Estate Holdings Inc. (NREH), a subsidiary of Nomura Land and Buildings Co., Ltd (NLB) in March 2013 which was partially offset by the impact of exchange rate fluctuations, especially depreciation of the yen, on revenues generated by our overseas businesses. *Commissions* increased by 32% from ¥359,069 million for the year ended March 31, 2013 to ¥474,557 million for the year ended March 31, 2014 primarily due to an increase in brokerage commissions received from equity and equity related products, particularly in Japan. *Fees from investment banking* increased by 46% from ¥62,353 million for the year ended March 31, 2013 to ¥91,301 million for the

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year ended March 31, 2014 primarily due to an increase in commissions received from equity and equity related products as a result of increased client financing demands in a background of active stock market conditions. *Asset management and portfolio service fees* increased by 19% from ¥141,029 million for the year ended March 31, 2013 to ¥167,247 million for the year ended March 31, 2014 primarily due to an increase in assets under management driven by continuing fund inflows. *Net gain on trading* increased by 30% from ¥367,979 million for the year ended March 31, 2013 to ¥476,356 million for the year ended March 31, 2014, primarily driven by the increase in revenue from our Equities business within Global Markets. *Net gain on trading* also included total losses of ¥15.6 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was due primarily to the tightening of Nomura's credit spreads during the period. *Gain on private equity investments* increased by 42% from ¥8,053 million for the year ended March 31, 2013 to ¥11,392 million for the year ended March 31, 2014 primarily due to the recognition of unrealized gains from our investment in Ashikaga Holdings Co., Ltd. (Ashikaga Holdings) following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014. *Other* decreased by 75% from ¥708,767 million for the year ended March 31, 2013 to ¥179,485 million for the year ended March 31, 2014, primarily due to the deconsolidation of NREH. *Other* for the year ended March 31, 2013 included ¥663,466 million of revenue from NLB and its related subsidiaries.

Net revenue increased by 18% from ¥1,535,859 million for the year ended March 31, 2012 to ¥1,813,631 million for the year ended March 31, 2013. *Commissions* increased by 3%, due primarily to an increase in commissions from the distribution of investment trust certificates. *Fees from investment banking* increased by 5%, due primarily to an increase in commissions received from equity and equity related products. *Asset management and portfolio service fees* decreased by 2%. *Net gain on trading* increased by 35% to ¥367,979 million for the year ended March 31, 2013, primarily driven by revenue from our Fixed Income business within Global Markets. *Net gain on trading* also included total losses of ¥57.8 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was due primarily to the tightening of Nomura's credit spreads during the period. *Gain on private equity investment* decreased by 68% due primarily to the realized gains on equity securities of certain investee companies for the year ended March 31, 2012. *Other* was ¥708,767 million for the year ended March 31, 2013, including ¥663,466 million of revenue from NLB and its related subsidiaries. This included ¥336,858 million of revenues from real estate sales generated by NREH which was a subsidiary of NLB. These revenues were recognized when sales have closed, the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the real estate and Nomura does not have a substantial continuing involvement in the real estate. Also, ¥50,139 million of revenues were recognized as a result of Nomura's sale of a portion of its investment in NREH in March 2013. This included ¥38,468 million of unrealized gains arising from remeasurement of Nomura's remaining investment in NREH. Following this sale, Nomura no longer maintained a controlling financial interest in NREH which was deconsolidated and prospectively accounted for as an affiliate under the equity method.

Net interest revenue was ¥119,989 million for the year ended March 31, 2012, ¥127,695 million for the year ended March 31, 2013 and ¥141,576 million for the year ended March 31, 2014. *Net interest revenue* is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. *Net interest revenue* is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view *net interest revenue* and *non-interest revenues* in aggregate. For the year ended March 31, 2014, interest revenue increased by 6%, primarily due to an increase of dividends income and interest income on reverse repurchase agreements and interest expense increased by 3%, primarily due to an increase in interest expense on repurchase agreements. As a result, *Net interest revenue* for the year ended March 31, 2014 increased by ¥13,881 million from the year ended March 31, 2013. For the year ended March 31, 2013, interest revenue decreased by 10% primarily due to a decrease of dividends income and interest income on reverse repurchase agreements in our Europe region and interest expense decreased by 16% primarily due to a decrease in interest expense on repurchase agreements and loans. As a result, *Net interest revenue* for the year ended March 31, 2013 increased by ¥7,706 million from the year ended March 31, 2012.

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Gain on investments in equity securities was ¥4,005 million for the year ended March 31, 2012, ¥38,686 million for the year ended March 31, 2013 and ¥15,156 million for the year ended March 31, 2014. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

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

Non-interest expenses for the year ended March 31, 2013 increased by 9% from ¥1,450,902 million for the year ended March 31, 2012 to ¥1,575,901 million, primarily due to an increase in other expenses by 24% from ¥496,227 million to ¥616,463 million due primarily to the impact of consolidating NLB for a full fiscal year. For the year ended March 31, 2013, other expenses included ¥481,641 million related to NLB and its subsidiaries, of which ¥306,570 million represented cost of real estate sales incurred in generating real estate revenues by NREH.

Income before income taxes was ¥84,957 million for the year ended March 31, 2012, ¥237,730 million for the year ended March 31, 2013 and ¥361,614 million for the year ended March 31, 2014.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Since April 1, 2004, our effective statutory tax rate has been approximately 41%. Due to certain revisions to domestic tax laws during the third quarter ended December 31, 2011 and during the fourth quarter ended March 31, 2014, the Company's effective statutory tax rates were revised to 38% for the fiscal years ended March 31, 2013 and March 31, 2014 and will be 36% in future fiscal years. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company's effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

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

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

Income tax expense for the year ended March 31, 2012 was ¥58,903 million, representing an effective tax rate of 69.3%. The significant factors causing the difference between the effective tax rate of 69.3% and the statutory tax rate of 41% were changes in domestic tax laws which increased the effective tax rate by 45.7%, non-deductible expenses which increased the effective tax rate by 23.3%, the effect of the tax positions of foreign subsidiaries which increased the effective tax rate by 14.1% as partially offset by non-taxable revenue which decreased the effective tax rate by 29.7% and the change in valuation allowance which decreased the effective tax rate by 22.5%.

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Net income attributable to NHI shareholders for the year ended March 31, 2012 was ¥11,583 million, ¥107,234 million for the year ended March 31, 2013 and ¥213,591 million for the year ended March 31, 2014, respectively. Our return on equity for the year ended March 31, 2012, 2013 and 2014 was 0.6%, 4.9% and 8.9%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling items outside of our segment information. The following segment information should be read in conjunction with Item 4.B *Business Overview* of this annual report and Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Retail

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

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2012	2013	2014
Non-interest revenues	¥ 347,385	¥ 394,294	¥ 505,911
Net interest revenue	2,873	3,631	6,005
Net revenue	350,258	397,925	511,916
Non-interest expenses	287,128	297,297	319,915
Income before income taxes	¥ 63,130	¥ 100,628	¥ 192,001

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

Net revenue increased by 14% from ¥350,258 million for the year ended March 31, 2012 to ¥397,925 million for the year ended March 31, 2013, primarily due to increasing commissions from the distribution of investment trusts and brokerage commissions.

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

Non-interest expenses increased by 4% from ¥287,128 million for the year ended March 31, 2012 to ¥297,297 million for the year ended March 31, 2013, primarily due to an increase in compensation and benefits and information technology expenses.

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Income before income taxes was ¥63,130 million for the year ended March 31, 2012, ¥100,628 million for the year ended March 31, 2013, and ¥192,001 million for the year ended March 31, 2014.

The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the years ended March 31, 2012, 2013, and 2014.

As shown above, revenue from Equities increased from 20% for the year ended March 31, 2013 to 37% for the year ended March 31, 2014. Revenue from Investment trusts and Asset Management decreased from 54% for the year ended March 31, 2013 to 44% for the year ended March 31, 2014. Revenue from Bonds decreased from 24% for the year ended March 31, 2013 to 17% for the year ended March 31, 2014. Revenue from Insurance was 2% for the year ended March 31, 2014.

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Retail Client Assets

The following graph shows amounts and details regarding the composition of retail client assets at March 31, 2012, 2013, and 2014. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

Retail Client Assets

Retail client assets increased from ¥83.8 trillion as of March 31, 2013 to ¥91.7 trillion as of March 31, 2014, primarily due to increases in the balances of our clients' equity and equity related products by 6.5 trillion from 46.7 trillion as of March 31, 2013 to 53.2 trillion as of March 31, 2014 and contribution of other products. The balance in our clients' investment trusts increased by 8% from ¥15.5 trillion as of March 31, 2013 to ¥16.6 trillion as of March 31, 2014, reflecting net cash inflows from clients.

Retail client assets increased from ¥72.0 trillion as of March 31, 2012 to ¥83.8 trillion as of March 31, 2013, primarily due to an increase in the balances of our clients' equity and equity related products by 9.5 trillion from 37.2 trillion as of March 31, 2012 to 46.7 trillion as of March 31, 2013 and contribution of other products. The balance in our clients' investment trusts increased by 15% from ¥13.5 trillion as of March 31, 2012 to ¥15.5 trillion as of March 31, 2013, reflecting net cash inflows by clients of ¥1.0 trillion and market appreciation of ¥1.0 trillion.

Asset Management

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

Table of Contents*Operating Results of Asset Management*

	Millions of yen		
	Year ended March 31		
	2012	2013	2014
Non-interest revenues	¥ 63,022	¥ 66,489	¥ 77,354
Net interest revenue	2,778	2,448	3,126
Net revenue	65,800	68,937	80,480
Non-interest expenses	45,281	47,768	53,373
Income before income taxes	¥ 20,519	¥ 21,169	¥ 27,107

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

Net revenue increased by 5% from ¥65,800 million for the year ended March 31, 2012 to ¥68,937 million for the year ended March 31, 2013, primarily due to an increase in assets under management.

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

Non-interest expenses increased by 5% from ¥45,281 million for the year ended March 31, 2012 to ¥47,768 million for the year ended March 31, 2013, primarily due to one-off expenses related to revaluation of certain of our asset.

Income before income taxes was ¥20,519 million for the year ended March 31, 2012, ¥21,169 million for the year ended March 31, 2013 and ¥27,107 million for the year ended March 31, 2014.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of the dates indicated.

	Billions of yen		
	March 31		
	2012	2013	2014
Nomura Asset Management Co., Ltd ⁽¹⁾ .	¥ 26,994	¥ 30,685	¥ 33,843
Nomura Funds Research and Technologies Co., Ltd ⁽¹⁾ .	2,810	2,920	2,553
Nomura Corporate Research and Asset Management Inc.	1,504	1,821	1,629
Nomura Private Equity Capital Co., Ltd.	579	664	164
Combined total	¥ 31,887	¥ 36,090	¥ 38,189
Shared across group companies	(7,324)	(8,190)	(7,362)
Total	¥ 24,563	¥ 27,900	¥ 30,827

- (1) The balances for the year ended March 31, 2012 have been reclassified following the acquisition of Nomura Asset Management Deutschland KAG mbH by Nomura Asset Management Co., Ltd in April 2012 and Nomura Funds Research and Technologies America by Nomura Funds Research and Technologies Co., Ltd in January 2013.

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Assets under management were ¥30.8 trillion as of March 31, 2014, a ¥6.3 trillion increase from March 31, 2012 and a ¥2.9 trillion increase from March 31, 2013.

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In our investment trust business, there was an inflow into funds representing a wide range of investment assets including Japanese equities and equities of companies in the infrastructure sector. In our investment advisory business, there was an increase in mandates from overseas clients, partially offset by cancellations from domestic clients. As a result, investment trust assets included in assets under management by NAM were ¥20.3 trillion as of March 31, 2014, up ¥2.4 trillion, or 13%, from the previous year due to the impacts of a market rally and cash inflows, reflecting net cash inflows by clients of ¥1.7 trillion and market appreciation of ¥0.7 trillion. The balances of investment trusts such as Nomura Deutsche High Dividend Infrastructure, Nomura Currency Selection Series Japan Stock Fund, Nomura Japan Brand Stock and Nomura Japan High Dividend Stock Premium increased. Investment trust assets included in assets under management by NAM were ¥17.9 trillion as of March 31, 2013, up ¥2.6 trillion, or 17%, from the previous year due to the impact of the rallied market conditions and inflows, reflecting net cash inflows by clients of ¥1.1 trillion and market appreciation of ¥1.5 trillion.

The following table presents NAM's share, in terms of net asset value, of the Japanese asset management market as of the dates indicated.

	2012	March 31 2013	2014
Total of publicly offered investment trusts	22%	22%	23%
Stock investment trusts	17%	18%	19%
Bond investment trusts	44%	43%	42%
Wholesale			

Operating Results of Wholesale

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

	Millions of yen Year ended March 31		
	2012 ⁽¹⁾	2013	2014
Non-interest revenues	¥ 428,738	¥ 491,773	¥ 637,987
Net interest revenue	126,311	153,083	127,110
Net revenue	555,049	644,856	765,097
Non-interest expenses	592,701	573,199	653,299
Income (loss) before income taxes	¥ (37,652)	¥ 71,657	¥ 111,798

- (1) In accordance with the realignment in April 2012, certain prior period amounts of Wholesale and Other have been reclassified to conform to the current period presentation.

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

Net revenue increased by 16% from ¥555,049 million for the year ended March 31, 2012 to ¥644,856 million for the year ended March 31, 2013, primarily driven by the stronger revenue in Fixed Income throughout the year due to robust domestic revenues and the expansion of overseas businesses and the recovery of Equities due to market comeback in the second half of this fiscal year, when equity markets saw increased activity, partially offset by a decline in revenue in Investment Banking.

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

Non-interest expenses decreased by 3% from ¥592,701 million for the year ended March 31, 2012 to ¥573,199 million for the year ended March 31, 2013 primarily due to the additional cost reduction program started in the second quarter for the year ended March 31, 2013.

Loss before income taxes was ¥37,652 million for the year ended March 31, 2012, *income before income taxes* was ¥71,657 million for the year ended March 31, 2013 and ¥111,798 million for the year ended March 31, 2014.

Global Markets

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

	Millions of yen		
	Year ended March 31		
	2012 ⁽¹⁾	2013	2014
Net revenue	¥ 455,756	¥ 560,429	¥ 649,706
Non-interest expenses	470,360	459,715	540,386
Income (loss) before income taxes	¥ (14,604)	¥ 100,714	¥ 109,320

(1) In accordance with the realignment in April 2012, the amounts in Global Markets have been reclassified to conform to the current period presentation.

Net revenue increased by 16% from ¥560,429 million for the year ended March 31, 2013 to ¥649,706 million for the year ended March 31, 2014. In Fixed Income, *Net revenue* increased from ¥387,677 million for the year ended March 31, 2013 to ¥398,243 million for the year ended March 31, 2014. Despite fluctuating market conditions throughout the year, stable client flow and high research capability drove revenue growth backed by appropriate risk management. As a result, we recorded revenue growth across products, especially Rates. In Equities, *Net revenue* increased from ¥172,752 million for the year ended March 31, 2013 to ¥251,463 million for the year ended March 31, 2014. Throughout the year, the domestic Japanese equity market rallied due to the effect of monetary policies, resulting in greatly increased revenues from our Japanese equity business. (In accordance with the realignment, the amounts of Fixed Income and Equities for the years ended March 31, 2012 and 2013 have been reclassified.)

Net revenue increased by 23% from ¥455,756 million for the year ended March 31, 2012 to ¥560,429 million for the year ended March 31, 2013. In Fixed Income, *Net revenue* increased from ¥274,524 million for the year ended March 31, 2012 to ¥387,677 million for the year ended March 31, 2013. Despite fluctuating market conditions throughout the year, stable client flow and high research capability drove revenue growth backed by appropriate risk management. As a result, we recorded significant revenue growth across products, especially, Rates and Securitized Products, and across regions. In Equities, *net revenue* decreased from ¥181,232 million for the year ended March 31, 2012 to ¥172,752 million for the year ended March 31, 2013. The

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first half of the fiscal year saw low earnings from client flow due to low sales volume in the markets. In the second half of the fiscal year, equity markets turned up starting from the late in 2012, due in part to the change in government in Japan and the effect of monetary policies by the Bank of Japan, resulting in greatly increased revenues from our Japanese equity business.

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

Non-interest expenses decreased by 2% from ¥470,360 million for the year ended March 31, 2012 to ¥459,715 million for the year ended March 31, 2013, primarily driven by the additional cost reduction program started in the second quarter for the year ended March 31, 2013.

Loss before income taxes was ¥14,604 million for the year ended March 31, 2012, *income before income taxes* was ¥100,714 million for the year ended March 31, 2013 and ¥109,320 million for the year ended March 31, 2014.

Investment Banking

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

	Millions of yen		
	Year ended March 31		
	2012 ⁽¹⁾	2013	2014
Investment Banking (gross) revenue	¥ 141,678	¥ 143,001	¥ 184,288
Allocation to other divisions	(66,284)	(70,990)	(86,888)
Investment Banking (net) revenue	75,394	72,011	97,400
Other revenue	23,899	12,416	17,991
Net revenue	99,293	84,427	115,391
Non-interest expenses	122,341	113,484	112,913
Income (loss) before income taxes	¥ (23,048)	¥ (29,057)	¥ 2,478

(1) In accordance with the realignment in April 2012, the amounts in Investment Banking have been reclassified to conform to the current presentation.

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

Net revenue decreased by 15% from ¥99,293 million for the year ended March 31, 2012 to ¥84,427 million for the year ended March 31, 2013. Investment banking (net) revenue decreased from ¥75,394 million for the

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year ended March 31, 2012 to ¥72,011 million for the year ended March 31, 2013, year due to globally sluggish equity capital markets and M&A activity, especially in the first half of the fiscal year. Other revenue decreased from ¥23,899 million for the year ended March 31, 2012 to ¥12,416 million for the year ended March 31, 2013, primarily due to realized gains on equity securities of certain investee companies recognized during the year ended March 31, 2012. For the year ended March 31, 2013, realized gains from investments in Japan were ¥0.4 billion and unrealized losses from investments in Japan were ¥10.7 billion. Realized gains from the Terra Firma Investments were ¥18.2 billion and unrealized losses from Terra Firma Investments were ¥0.6 billion. Realized gains were primarily due to the gains on sale of Annington. Unrealized losses equated primarily comprised additional losses booked against investments in the leisure and utilities. For the year ended March 31, 2012, realized gains from investments in Japan were ¥33.7 billion and unrealized losses from investments in Japan were ¥12.3 billion. Realized gains from the Terra Firma Investments were ¥0.5 billion and unrealized gains from Terra Firma Investments were ¥4.8 billion. Realized and unrealized gains arose primarily on residential real estate and utilities sectors while unrealized losses are related to investments in the leisure and services sectors.

Non-interest expenses decreased by 0.5% from ¥113,484 million for the year ended March 31, 2013 to ¥112,913 million for the year ended March 31, 2014, primarily due to cost savings from the additional cost reduction program, and partially offset by the expense increase for overseas business due to the depreciation of the yen.

Non-interest expenses decreased by 7% from ¥122,341 million for the year ended March 31, 2012 to ¥113,484 million for the year ended March 31, 2013, primarily due to cost savings from the additional cost reduction program started in the second quarter for the year ended March 31, 2013.

Loss before income taxes was ¥23,048 million for the year ended March 31, 2012, ¥29,057 million for the year ended March 31, 2013 and *Income before income taxes* was ¥2,478 million for the year ended March 31, 2014.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 24 *Segment and geographic information* in our consolidated financial statements included within this annual report. In accordance with the realignment in April 2012, certain prior period amounts of Wholesale and Other have been reclassified to conform with the current year presentation.

Income before income taxes in other operating results was ¥35,153 million for the year ended March 31, 2012, ¥6,591 million for the year ended March 31, 2013 and ¥19,980 million for the year ended March 31, 2014.

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

Other operating results for the year ended March 31, 2013 include losses from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥30.7 billion, the negative impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥29.1 billion and gains from changes in counterparty credit spreads of ¥10.0 billion.

Summary of Regional Contribution

For a summary of our net revenue, income (loss) before income taxes and long-lived assets by geographic region, see Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report.

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Regulatory Capital Requirements

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

Translation Exposure

A significant portion of our business is conducted in currencies other than Japanese yen most significantly, U.S. dollars, British pounds and Euros. We prepare financial statements of each of our consolidated subsidiaries in its functional currency, which is the currency of the primary economic environment in which the entity operates. Translation exposure is the risk arising from the effect of fluctuations in exchange rates on the net assets of our foreign subsidiaries. Translation exposure is not recognized in our consolidated statements of income unless and until we dispose of, or liquidate, the relevant foreign subsidiary.

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

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

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

Level 1:

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

Level 2:

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

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Level 3:

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

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

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 2% as of March 31, 2014 as listed below:

	Billions of yen, except percentage March 31, 2014					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥ 10,278	¥ 8,670	¥ 386	¥	¥ 19,334	2%
Derivative assets	765	25,061	243	(23,764)	2,305	
Derivative liabilities	841	25,018	261	(24,030)	2,090	

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

Private equity business

All private equity investments made by investment company subsidiaries pursuant to the provisions of ASC 946 *Financial Services Investment Companies* (ASC 946) are accounted for at fair value, with changes in fair value recognized through the consolidated statements of income.

The valuation of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third party transactions, if it is determined that

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the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (DCF) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital. Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization ratios, Price/Earnings ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the companies or properties relative to budgets or projections, price/earnings data for similar quoted investee, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified as Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

Any changes to valuations are then stress tested to assess the impact of particular risk factors in order to establish the final estimated valuation. For more information on our private equity activities, see *Private Equity Business* below.

Derivative contracts

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

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

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

	Billions of yen March 31, 2013	
	Assets	Liabilities
Listed derivatives	¥ 443	¥ 559
OTC derivatives	1,448	1,326
	¥ 1,891	¥ 1,885

	Billions of yen March 31, 2014	
	Assets	Liabilities
Listed derivatives	¥ 458	¥ 535
OTC derivatives	1,847	1,555
	¥ 2,305	¥ 2,090

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The fair value of OTC derivative assets and liabilities as of March 31, 2014 by remaining contractual maturity are shown below:

	Billions of yen						Cross-maturity netting ⁽¹⁾	Total fair value
	March 31, 2014							
	Years to Maturity							
Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years				
OTC derivative assets	¥ 864	¥ 982	¥ 1,225	¥ 950	¥ 2,474	¥ (4,648)	¥ 1,847	
OTC derivative liabilities	932	883	999	1,003	2,164	(4,426)	1,555	

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

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

Goodwill

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

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

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

For the year ended March 31, 2014, Nomura recognized an impairment loss on goodwill of ¥2,840 million within *Other* in Nomura's segment information. This is due to decline in the fair value of a reporting unit caused by a decrease in expected cash flows arising from the changes in the economic environment. These impairment losses were recorded within *Non-interest expense - Other* in the consolidated statements of income. The fair value was determined based on DCF.

Assets and Liabilities Associated with Investment and Financial Services Business*Exposure to Certain Financial Instruments and Counterparties*

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

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Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of March 31, 2014.

	Millions of yen March 31, 2014				Total ⁽¹⁾
	Japan	Europe	Americas	Asia and Oceania	
CMBS ⁽²⁾	¥ 2,938	¥ 19,963	¥ 81,568	¥	¥ 104,469
RMBS ⁽³⁾	21,777	50,405	321,427		393,609
Other securitization products ⁽⁴⁾	225,042	18,000	158,032	3,048	404,122
Total	¥ 249,757	¥ 88,368	¥ 561,027	¥ 3,048	¥ 902,200

- (1) The balances shown exclude certain CMBS of ¥21,861 million for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860, *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposure because the beneficial interests in the vehicles have been sold to third parties.
- (2) We have ¥9,933 million exposure, as whole loans and commitments, to U.S. CMBS and RMBS-related business as of March 31, 2014.
- (3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government-guaranteed collateralized mortgage obligations (CMOs) of ¥1,830,474 million, because their credit risks are considered minimal.
- (4) Includes collateralized loan obligations (CLOs), collateralized debt obligations (CDOs) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans, student loans and home equity loans.

The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of March 31, 2014. Ratings are based on the lowest ratings given by Standard & Poor's Financial Services LLC, Moody's Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2014.

	Millions of yen March 31, 2014							Total
	AAA	AA	A	BBB	BB	B and lower	Not rated	
Japan	¥	¥	¥ 732	¥	¥ 709	¥ 1,497	¥	¥ 2,938
Europe	2,675	1,378	870	4,194	3,689	5,979	1,178	19,963
Americas	17,634	728	7,918	23,366	9,020	21,476	1,426	81,568
Total	¥ 20,309	¥ 2,106	¥ 9,520	¥ 27,560	¥ 13,418	¥ 28,952	¥ 2,604	¥ 104,469

Leveraged Finance

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

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The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2014.

	Millions of yen March 31, 2014		
	Funded	Unfunded	Total
Europe	¥ 32,787	¥ 15,874	¥ 48,661
Americas	51,557	90,880	142,437
Total	¥ 84,344	¥ 106,754	¥ 191,098

Special Purpose Entities (SPEs)

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

For further discussion on Nomura's involvement with variable interest entities, see Note 8 *Securitizations and Variable Interest Entities* in our consolidated financial statements included in this annual report.

Accounting Developments

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

Private Equity Business

We make private equity investments primarily in Japan and Europe.

Private equity investments made by certain entities which we consolidate under either a voting interest or variable interest model which are investment companies pursuant to the provisions of ASC 946 (investment company subsidiaries) are accounted for at fair value, with changes in fair value recognized through the consolidated statements of income. Investment company accounting applied by each of these investment company subsidiaries is retained in these consolidated financial statements within this annual report.

These entities make private equity investments solely for capital appreciation, current income or both rather than to generate strategic operating benefits to us. In accordance with our investment policies, non-investment companies within the group may not make investments in entities engaged in non-core businesses if such investments would result in consolidation or application of the equity method of accounting. Such investments may generally only be made by investment company subsidiaries. Non-core businesses are defined as those engaged in activities other than our business segments.

We also have a subsidiary which is not an investment company but which makes investments in entities engaged in our core businesses. These investments are made for capital appreciation or current income purposes or both and are also carried at fair value, either because of election of the fair value option or other U.S. GAAP requirements.

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Private equity business in Japan

We make private equity investments through a wholly-owned subsidiary, Nomura Financial Partners Co., Ltd. (NFP). NFP is not an investment company subsidiary as it invests in entities engaged in our core business. We elected the fair value option to account for its 37.1% investment in the common stock of Ashikaga Holdings.

On December 19, 2013, Ashikaga Holdings Co., Ltd. (Ashikaga Holdings) was listed in the First Section of the Tokyo Stock Exchange. Nomura's investment in Ashikaga Holdings has historically been primarily reported within *Trading assets and private equity investments* *Private equity investments*. However, following the listing, the investment is now reported within *Other assets* *Other* in the consolidated balance sheets. Nomura carries this investment at fair value through election of the fair value option. The majority of gains and losses associated with this investment have historically been reported within *Revenue* *Gain (loss) on private equity investments in the consolidated statements of income*. However, following the listing, such amounts are now reported within *Revenue* *Other* in the consolidated statements of income. As a result of the Ashikaga Holdings listing in the First Section of the Tokyo Stock Exchange, these changes are attributable to the shift from our Investment Banking business to a corporate-wide perspective in enhancing the corporate value of the share ownership.

Private equity business in Europe

In Europe, our private equity investments primarily comprise legacy investments made by its former Principal Finance Group (PFG) now managed by Terra Firma (collectively referred to as the Terra Firma Investments), investments in other funds managed by Terra Firma (Other Terra Firma Funds) and through other investment company subsidiaries (Other Investments).

Terra Firma Investments

Nomura contributed its European private equity investments to Terra Firma Capital Partners I (TFCP I), a limited partnership which is engaged in the private equity business, in exchange for a limited partnership interest. Terra Firma Investments (GP) Limited, the general partner of TFCP I, which is independent of us, assumed the management and control of these investments.

The Terra Firma Investments are held by entities which are investment company subsidiaries and therefore we continue to account for these investments at fair value, with changes in fair value recognized through the consolidated statements of income.

In December 2012, we completed the sale of Annington Holdings plc, one of PFG investments, to Terra Firma and as a result, the fair value of the Terra Firma Investments fell from ¥102,649 million as of March 31, 2012 to ¥nil as of March 31, 2013.

Other Terra Firma Funds

We are a 10% investor in a ¥274 billion private equity fund (TFCP II) and a 2% investor in a ¥731 billion private equity fund (TFCP III), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥27,445 million and reduced to ¥51 million as a result of adjustments for recyclable distributions. As of March 31, 2014, no amount had been drawn down for investments.

For TFCP III, our total commitment was ¥13,854 million and ¥13,536 million had been drawn down for investments as of March 31, 2014.

The investments in TFCP II and TFCP III are carried at fair value, with changes in fair value recognized through the consolidated statements of income.

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We also make private equity investments in Europe through wholly-owned subsidiaries and other consolidated entities which have third party pooling of funds. Certain of these entities are investment company subsidiaries and therefore all of their investments are carried at fair value, with changes in fair value recognized through the consolidated statements of income.

Deferred Tax Assets*Details of deferred tax assets and liabilities*

The following table presents details of deferred tax assets and liabilities reported within *Other assets*, *Other* and *Other liabilities* respectively in the consolidated balance sheets as of March 31, 2014.

	Millions of yen March 31, 2014
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 12,604
Investments in subsidiaries and affiliates	54,678
Valuation of financial instruments	46,321
Accrued pension and severance costs	7,850
Other accrued expenses and provisions	102,922
Operating losses	437,899
Other	3,991
Gross deferred tax assets	666,265
Less Valuation allowance	(490,603)
Total deferred tax assets	175,662
Deferred tax liabilities	
Investments in subsidiaries and affiliates	107,020
Valuation of financial instruments	54,524
Undistributed earnings of foreign subsidiaries	736
Valuation of fixed assets	21,204
Other	4,899
Total deferred tax liabilities	188,383
Net deferred tax assets (liabilities)	¥ (12,721)

Calculation method of deferred tax assets

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

B. Liquidity and Capital Resources.**Funding and Liquidity Management***Overview*

We define liquidity risk as the risk of losses arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions. This risk could

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arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds

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between different group entities. Our liquidity risk management policy is based on liquidity risk appetite which the Group Integrated Risk Management Committee formulates upon delegation by the Executive Management Board (EMB). Nomura's liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and one month periods, respectively, without raising funds through unsecured funding or through the liquidation of assets.

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

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

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2014, our liquidity portfolio was ¥6,127.2 billion which generated a liquidity surplus taking into account stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2013 and March 31, 2014 and averages maintained for the years ended March 31, 2013 and March 31, 2014. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2013	As of March 31, 2013	Average for year ended March 31, 2014	As of March 31, 2014
Cash, cash equivalents and time deposits ⁽¹⁾	¥ 911.1	¥ 960.6	¥ 1,676.6	¥ 1,497.2
Government securities	4,712.3	4,512.3	4,667.3	4,483.6
Others ⁽²⁾	480.3	410.6	214.9	146.4
Total liquidity portfolio	¥ 6,103.7	¥ 5,883.5	¥ 6,558.8	¥ 6,127.2

(1) Cash, cash equivalents, and time deposits include nostro balances and deposits with both central banks and market counterparties that are readily available to support the liquidity position of Nomura.

(2) Others include other liquid financial assets such as money market funds and U.S. agency securities.

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The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2013 and March 31, 2014 and averages maintained for the years ended March 31, 2013 and March 31, 2014. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2013	As of March 31, 2013	Average for year ended March 31, 2014	As of March 31, 2014
Japanese Yen	¥ 1,836.6	¥ 1,362.2	¥ 2,463.3	¥ 2,272.3
U.S. Dollar	2,445.6	2,355.1	2,171.5	2,050.4
Euro	816.1	876.5	1,015.0	1,049.0
British Pound	695.9	752.6	662.4	568.6
Others ⁽¹⁾	309.5	537.1	246.6	186.9
Total liquidity portfolio	¥ 6,103.7	¥ 5,883.5	¥ 6,558.8	¥ 6,127.2

(1) Includes other currencies such as the Canadian dollar, the Australian dollar and the Swiss franc.

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura Group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. (NHI) and Nomura Securities Co. Ltd (NSC), our other major broker-dealer subsidiaries, our bank subsidiaries, and other group entities. In determining the amounts and entities which hold this liquidity portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 21 *Regulatory requirements* in our consolidated financial statements included within this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2013 and March 31, 2014.

	Billions of yen	
	March 31, 2013	March 31, 2014
NHI and NSC ⁽¹⁾	¥ 1,616.9	¥ 1,900.9
Major broker-dealer subsidiaries	3,179.0	2,815.2
Bank subsidiaries ⁽²⁾	775.3	1,170.5
Other group entities	312.3	240.6
Total liquidity portfolio	¥ 5,883.5	¥ 6,127.2

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

(2) Includes Nomura Bank International plc (NBI), Nomura Singapore Limited and Nomura Bank Luxembourg S.A. In addition to our liquidity portfolio, we had ¥1,720.3 billion of other unencumbered assets comprising mainly unpledged trading assets that can be used as an additional source of secured funding. The aggregate of our liquidity portfolios and other unencumbered assets as of March 31, 2014 was ¥7,847.5 billion, which represented 264.3% of our total unsecured debt maturing within one year.

Billions of yen	
March 31, 2013	March 31, 2014

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Net liquidity value of other unencumbered assets	¥ 1,168.4	¥	1,720.3
Liquidity portfolio	5,883.5		6,127.2
Total	¥ 7,051.9	¥	7,847.5

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

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets. This enables us to fund our operations for at least one year in a market-wide stress event, without needing to raise unsecured funding or force the liquidation of assets. The amount of liquidity required is based on an internal model which incorporates the following requirements:

- (i) Our ability to finance assets using secured funding, including repurchase agreements and securities lending transactions. The cash capital requirements are calculated using conservative estimates of the assets secured borrowing power in stressed scenarios.
- (ii) Goodwill and identifiable intangible assets, property, equipment and other illiquid assets.
- (iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating.

Collateral requirements to support potential increased intraday collateral requirements from our clearing and settlement agents arising as a result of a two-notch downgrade in our credit rating.

In addition, other unencumbered assets held at exchanges for other related requirements are also funded with long-term liquidity.

- (iv) Commitments to lend to external counterparties based on the probability of drawdown.

(v) Capital or other forms of financing in our regulated subsidiaries that is in excess of their long-term cash capital requirements. Our internal model takes into account legal, regulatory and tax restrictions that may impact the ability to freely transfer liquidity across the entities within the Nomura Group.

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to interest rates, equities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to maintain funding consistency with our unsecured long-term debt. The proportion of our non-yen denominated long-term debt slightly increased to 32.0% of total long-term debt outstanding as of March 31, 2014 from 29.7% as of March 31, 2013.

2.1 *Short-Term Unsecured Debt*

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

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The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2013 and March 31, 2014.

	Billions of yen	
	March 31, 2013	March 31, 2014
Short-term bank borrowings	¥ 621.3	¥ 722.5
Other loans	42.4	49.2
Commercial paper	296.7	246.9
Deposits at banking entities	781.4	757.7
Certificates of deposit	214.5	240.5
Debt securities maturing within one year	337.0	952.5
Total short-term unsecured debt	¥ 2,293.3	¥ 2,969.3

2.2 Long-Term Unsecured Debt

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

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

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

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2013 and March 31, 2014.

	Billions of yen	
	March 31, 2013	March 31, 2014
Long-term deposits at banking entities	¥ 76.2	¥ 116.0
Long-term bank borrowings	2,173.7	2,057.6
Other loans	133.9	129.0
Debt securities ⁽¹⁾	4,073.5	3,916.0
Total long-term unsecured debt	¥ 6,457.3	¥ 6,218.6

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

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During the year ended March 31, 2014, the Company issued ¥214.9 billion of domestic and global senior notes.

2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity for plain vanilla debt securities and borrowings with maturities longer than one year was 3.8 years as of March 31, 2014. A significant amount of our medium-term notes are structured and linked to interest rates, equities, indices, currencies or commodities. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 6.3 years as of March 31, 2014. The average maturity of our entire long-term debt portfolio, including plain vanilla debt securities and borrowings, was 4.7 years as of March 31, 2014. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

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

2.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese Gensaki Repo transactions. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We lower the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, delivering various types of securities collateral, and actively seeking long-term agreements. For more detail of secured borrowings and repurchase agreements, see Note 6 *Collateralized transactions* in our consolidated financial statements included within this annual report.

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3. *Management of Credit Lines to Nomura Group entities*

We have committed facility agreements with financial institutions as part of our contingent financing sources. Total unused committed facilities decreased ¥13.0 billion to ¥65.0 billion as of March 31, 2014 from ¥78.0 billion as of March 31, 2013. We have structured facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw on the facilities. We occasionally test the effectiveness of our drawdown procedures.

4. *Implementation of Liquidity Stress Tests*

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

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

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

Stressed scenario To maintain adequate liquidity during a severe market-wide liquidity event without raising funds through unsecured financing or the liquidation of assets for a year; and

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

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

As of March 31, 2014, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

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

No liquidation of assets;

No ability to issue additional unsecured funding;

Upcoming maturities of unsecured debt (maturities less than one year);

Potential buybacks of our outstanding debt;

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Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates;

Fluctuation of funding needs under normal business circumstances;

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Cash and collateral outflows in a stress event;

Widening of haircuts on outstanding repo funding;

Additional collateralization requirements of clearing banks and depositories;

Drawdown on loan commitments;

Loss of liquidity from market losses on inventory; and

Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

We recognize that liquidity standards for financial institutions continues to be the subject of further discussion among relevant supervisory bodies including the Basel Committee. The existing model and simulations upon which we currently rely may need to be reviewed depending on any new development in this area.

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

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

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

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

After an observation period, the *LCR*, including any revisions, will be introduced on January 1, 2015. The *NSFR*, including any revisions, will move to a minimum standard by January 1, 2018.

5. Contingency Funding Plan

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

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Nomura's cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the fiscal year ended March 31, 2013 and 2014, we recorded net cash inflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2013 and 2014:

	Billions of yen	
	Year Ended March 31	
	2013	2014
Net cash provided by operating activities	¥ 549.5	¥ 457.4
Net income	105.7	216.4
Trading assets and private equity investments	(1,448.5)	(485.7)
Trading liabilities	248.0	2,007.8
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,375.9	(183.9)
Securities borrowed, net of securities loaned	863.5	(1,604.5)
Other, net	(595.2)	507.2
Net cash used in investing activities	(160.5)	(103.2)
Net cash provided by (used in) financing activities	(701.6)	289.4
Long-term borrowings, net	(400.2)	546.2
Other, net	(301.5)	(256.8)
Effect of exchange rate changes on cash and cash equivalents	47.2	41.1
Net increase (decrease) in cash and cash equivalents	(265.4)	684.7
Cash and cash equivalents at beginning of the year	1,070.5	805.1
Cash and cash equivalents at end of the year	¥ 805.1	¥ 1,489.8

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

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

For the year ended March 31, 2013, our cash and cash equivalents decreased by ¥265.4 billion to ¥805.1 billion. Net cash of ¥701.6 billion was used in financing activities due to cash outflows of ¥400.2 billion by net payments of *Long-term borrowings*. As part of trading activities, while there were net cash outflows of ¥1,200.5 billion from cash inflows due to an increase in *Trading liabilities* in combination with cash outflows due to an increase in *Trading assets and Private equity investments*, they were offset by ¥2,239.4 billion of net cash inflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥549.5 billion was provided by operating activities.

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Total assets as of March 31, 2014, were ¥43,520.3 billion, a increase of ¥5,577.9 billion compared with ¥37,942.4 billion as of March 31, 2013, reflecting increases in *Securities purchased under agreements to resell*, *Securities borrowed* and *Trading assets*. Total liabilities as of March 31, 2014, were ¥40,967.1 billion, a increase of ¥5,343.6 billion compared with ¥35,623.5 billion as of March 31, 2013, reflecting increases in *Securities sold under agreements to repurchase* and *Trading liabilities*. NHI shareholders' equity as of March 31, 2014, was ¥2,513.7 billion, an increase of ¥219.3 billion compared with ¥2,294.4 billion as of March 31, 2013, due to increases in *Retained earnings* and *Accumulated other comprehensive income (loss)*.

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

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

The following table sets forth NHI shareholders' equity, total assets, adjusted assets and leverage ratios:

	Billions of yen, except ratios March 31	
	2013	2014
NHI shareholders' equity	¥ 2,294.4	¥ 2,513.7
Total assets	37,942.4	43,520.3
Adjusted assets ⁽¹⁾	23,827.1	26,173.3
Leverage ratio ⁽²⁾	16.5x	17.3x
Adjusted leverage ratio ⁽³⁾	10.4x	10.4x

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

	Billions of yen March 31	
	2013	2014
Total assets	¥ 37,942.4	¥ 43,520.3
Less:		
Securities purchased under agreements to resell	8,295.4	9,617.7
Securities borrowed	5,819.9	7,729.3
Adjusted assets	¥ 23,827.1	¥ 26,173.3

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

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

Total assets increased by 14.7% reflecting primarily an increase in *Securities purchased under agreement to resell*, *Securities borrowed* and *Trading assets*. Total NHI shareholders' equity increased by 9.6% reflecting primarily an increase in *Retained earnings* and *Accumulated other comprehensive income (loss)*. As a result, our leverage ratio went up from 16.5 times as of March 31, 2013 to 17.3 times as of March 31, 2014.

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Adjusted assets increased primarily due to an increase in *Trading assets*. As a result, our adjusted leverage ratio was 10.4 times as of March 31, 2013 and as of March 31, 2014.

Capital Management*Capital Management Policy*

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

Dividends

Nomura believes that pursuing sustainable increase in shareholder value and paying dividends are essential to generating returns to our shareholders. Nomura will strive to pay stable dividends using a consolidated payout ratio of 30 percent as a key indicator.

Dividend payments will be determined by taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment, as well as the consolidated operating results.

Nomura paid a dividend of ¥8.0 per share for the first half and a dividend of ¥9.0 per share for the second half in line with its dividend policy for the fiscal year ended March 31, 2014. As a result, the total annual dividend was ¥17.0 per share.

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

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

Fiscal year ended or ending March 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2009	¥ 8.50	¥ 8.50	¥ 8.50	¥	¥ 25.50
2010		4.00		4.00	8.00
2011		4.00		4.00	8.00
2012		4.00		2.00	6.00
2013		2.00		6.00	8.00
2014		8.00		9.00	17.00

Stock Repurchases

We will consider repurchase of treasury stock as an option in our financial strategy to respond quickly to changes in the business environment and to increase shareholder value. We will make announcements immediately after any decision to set up a share buyback program and conduct such programs in accordance with internal guidelines. On April 30, 2014, we announced a resolution of the Board of Directors to establish a share buyback program in accordance with Article 459-1 of the Companies Act. The period of repurchase under the program was from May 19, 2014 to July 25, 2014, and we were authorized to purchase up to 100 million shares of our common stock or to a maximum of ¥70 billion. On May 30, 2014, we announced that the aggregate number of shares repurchased through this buyback program was 100 million shares and the aggregate value of shares repurchased was ¥65,188,616,000.

Table of Contents**Consolidated Regulatory Capital Requirements**

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

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31 2014, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 13.2%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 13.2% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 15.5% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of March 31, 2014 is 4.0% for the common equity Tier 1 capital ratio, 5.5% for the Tier 1 capital ratio and 8% for the consolidated capital adequacy ratio).

The following table presents the Company's consolidated capital adequacy ratios as of March 31, 2013 and March 31, 2014.

	Billions of yen, except ratios	
	March 31	
	2013	2014
Common equity Tier 1 capital	¥ 2,092.9	¥ 2,314.2
Tier 1 capital	2,092.9	2,314.2
Total capital	2,452.1	2,715.7
Risk-Weighted Assets		
Credit risk-weighted assets	9,529.1	8,034.8
Market risk equivalent assets	5,846.1	6,999.7
Operational risk equivalent assets	2,171.4	2,391.5
Total risk-weighted assets	¥ 17,546.7	¥ 17,425.9

Consolidated Capital Adequacy Ratios

Common equity Tier 1 capital ratio	11.9%	13.2%
Tier 1 capital ratio	11.9%	13.2%
Consolidated capital adequacy ratio	13.9%	15.5%

Common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital are calculated by deducting regulatory adjustment item from basic capital item for each capital class, respectively. If the amount of basic item is less than the amount of adjustment item, we need to deduct deficit amount from upper capital class. Each capital item and regulatory adjustment is defined in the Capital Adequacy Notice on Final Designated Parent Company and these new definitions of capital will come into effect gradually by transitional measures.

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As of March 31, 2014, capital items for our common equity Tier 1 capital mainly consists of shareholders' equity relating to our common stock and all or part of our subordinated debt which satisfies the requirements under Capital Adequacy Notice on Final Designated Parent Company (such as maturity) is included into capital items for Tier 2 capital. We have not issued any capital instruments which can be included into additional Tier 1 capital.

Regulatory adjustment for our common equity Tier 1 capital mainly consists of a part of intangible assets and expected losses. Regulatory adjustment for our Tier 2 capital includes investments in additional Tier 1 capital instruments of other financial institutions and a part of expected losses. (Note both items are transitional treatment.) Regulatory adjustment for our additional Tier 1 capital will be included into regulatory adjustment for common equity Tier 1 capital, as we don't have any outstanding additional Tier 1 capital instruments.

Market risk equivalent assets are calculated by using The Internal Models Approach for market risk. Since the end of December, 2011, we have been required to calculate market risk equivalent assets under the Basel 2.5 rule, which is significantly larger than market risk equivalent assets under the Basel II rule. Also, since the end of March 2013, a part of securitization products has been added to the scope of market risk calculation.

Since the end of March, 2011, we have been calculating credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and The Standardized Approach, respectively, with the approval of the FSA. Furthermore, since the end of December 2012, we started using the Internal Model Method for the exposure calculation of majority of derivative and repurchase agreements instead of the Current Exposure Method or the Comprehensive Method upon approval from the FSA. Since the end of March 2013, the scope of credit risk-weighted assets calculation has been widened following the implementation of Basel III (e.g., credit risk for CVA (credit value adjustment) on derivative exposures, credit risk for CCP (central counter party) exposures, etc.).

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

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

On July 13, 2009, the Basel Committee announced its approval of a package of measures designed to strengthen its rules governing trading book capital and to enhance the three pillars of the Basel II framework, which was called 'Basel 2.5'. This announcement stated that the Basel Committee's trading book rules, effective at the end of 2011, would introduce higher capital requirements to capture the credit risk of complex trading activities, which became effective at the end of 2011. Such trading book rules also included a stressed VaR requirement.

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, 'International framework for liquidity risk measurement, standards and monitoring' and 'A global regulatory framework for more resilient banks and banking systems'. The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (CVA) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; and introducing a series of measures to address concerns over the procyclicality of the current framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards were implemented from

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2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, after two rounds of public consultation and discussions with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO), the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (CCPs) on July 25, 2012, which were intended to come into effect as of January 2013 as part of Basel III. This first version of CCPs rule came into effect from 2013 and the final version of CCPs rule was announced in April 2014 from the Basel Committee, which is not implemented. Moreover, a series of final standards on the regulatory frameworks such as Basel III leverage ratio framework and disclosure requirements, capital requirements for banks' equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to central counterparties and supervisory framework for measuring and controlling large exposures have been published by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board (FSB) and the Basel Committee announced the list of global systemically important banks (G-SIBs) and the additional requirements to the G-SIBs including the recovery and resolution plan. The FSB also announced the group of G-SIBs will be updated annually and published by the FSB each November. In November 2012 and November 2013, the FSB and the Basel Committee have updated the list of G-SIBs. We were not designated as a G-SIBs in November 2012 and November 2013. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions (D-SIBs) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In addition to the above, the FSB and the IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation.

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

Credit Ratings

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

On October 3, 2013, Nomura attained short-term and long-term credit ratings from Fitch Ratings for the Company and Nomura Securities Co., Ltd. as follows:

Company	Short-term Debt	Long-term Debt
Nomura Holdings, Inc	F1	A-
Nomura Securities Co., Ltd	F1	A-

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As of May 31, 2014, the credit ratings of the Company and NSC were as follows:

Nomura Holdings, Inc.	Short-term Debt	Long-term Debt
Standard & Poor's	A-2	BBB+
Moody's Investors Service		Baa3
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

Nomura Securities Co., Ltd.	Short-term Debt	Long-term Debt
Standard & Poor's	A-2	A-
Moody's Investors Service	P-2	Baa2
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

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

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

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

Not applicable.

D. Trend Information.

The information required by this item is set forth in Item 5.A of this annual report.

E. Off-Balance Sheet Arrangements.*Off-balance sheet entities*

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

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

an obligation under a guarantee contract;

a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves to provide credit, liquidity or market risk support to such entity;

any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or

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any obligation, including a contingent obligation, arising out of a variable interest in an off-balance sheet entity that is held by, and material to, us, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, us.

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

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

For further information about transactions with VIEs, see Note 8 *Securitized and Variable Interest Entities* in our consolidated financial statements included in this annual report.

Repurchase and securities lending transactions accounted for as sales

We enter into certain types of repurchase agreements and securities lending transactions which we account for as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 are met. These consist of repurchase-to-maturity transactions and certain types of securities transactions.

We enter into repurchase-to-maturity transactions to take advantage of arbitrage opportunities between the cash security and repo markets. These transactions involve the sourcing of specific securities in the market and contemporaneously entering into repurchase agreements with different counterparties where the maturity of the agreement matches the maturity of the security transferred as collateral. There were no securities derecognized from our consolidated balance sheets under open repurchase-to-maturity transactions as of March 31, 2013 and 2014, respectively.

In June 2014, the FASB issued new guidance which changes the accounting for repurchase-to-maturity transactions. See Note 1 *Summary of accounting policies: Future accounting developments* for further information regarding this new guidance.

F. Tabular Disclosure of Contractual Obligations.

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

Standby letters of credit and other guarantees:

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

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Long-term borrowings and contractual interest payments:

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

Operating lease commitments:

We lease our office space, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancellable lease agreements which are customarily renewed upon expiration;

We lease certain equipment and facilities in Japan and overseas under non-cancellable operating lease agreements.

Capital lease commitments:

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

Purchase obligations:

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

Commitments to extend credit:

In connection with our banking and financing activities, we enter into contractual commitments to extend credit, which generally have fixed expiration dates;

In connection with our investment banking activities, we enter into agreements with clients under which we commit to underwrite securities that may be issued by clients.

Commitments to invest in partnerships:

In connection with our merchant banking activities, we have commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to those partnerships.

Commitments to purchase aircraft:

In connection with our aircraft leasing business, we have commitments to purchase aircraft.

Note 10 *Leases* in our consolidated financial statements contains further detail on our operating leases and capital leases. Note 13 *Borrowings* in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 23 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

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

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The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2014:

	Total contractual amount	Less than 1 year	Millions of yen Years to maturity		
			1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 11,509	¥ 334	¥ 2,668	¥ 2	¥ 8,505
Long-term borrowings ⁽¹⁾	8,045,501	1,435,789	2,018,293	1,862,849	2,728,570
Contractual interest payments ⁽²⁾	1,104,656	155,372	227,793	164,380	557,111
Operating lease commitments	149,942	18,310	28,917	22,638	80,077
Capital lease commitments ⁽³⁾	64,100	509	7,778	8,115	47,698
Purchase obligations ⁽⁴⁾	15,901	13,825	2,076		
Commitments to extend credit	479,634	85,533	52,872	165,623	175,606
Commitments to invest in partnerships	18,460	4,305	829	318	13,008
Commitments to purchase aircraft	4,409	4,409			
Total	¥ 9,894,112	¥ 1,718,386	¥ 2,341,226	¥ 2,223,925	¥ 3,610,575

- (1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
- (2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2014.
- (3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.
- (4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

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

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki Repo agreements. These commitments amount to ¥2,365 billion for reverse repurchase agreements and ¥771 billion for repurchase agreements as of March 31, 2014.

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The following table provides information about Directors of the Company as of June 26, 2014.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
Nobuyuki Koga (Aug. 22, 1950)	Director	Apr. 1974	Joined the Company
		Jun. 1995	Director of the Company
	Chairman of the Board of Directors	Apr. 1999	Managing Director of the Company
		Jun. 2000	Director and Deputy President of the Company
	Chairman of the Nomination Committee	Oct. 2001	Director and Deputy President of the Company
	Chairman of the Compensation Committee		
	Director and Chairman of Nomura Securities Co., Ltd.		Director and Deputy President of Nomura Securities Co., Ltd.
	Representative Director and President of Kanagawa Kaihatsu Kanko Co., Ltd.	Apr. 2003	Director and President of the Company
			Director and President of Nomura Securities Co., Ltd.
			Jun. 2003
			Director and Executive Officer and President of Nomura Securities Co., Ltd.
		Apr. 2008	Director and Representative Executive Officer of the Company
			Director and Chairman of Nomura Securities Co., Ltd.
		Jun. 2008	Director and Chairman of Nomura Securities Co., Ltd.
		Jun. 2011	Director and Chairman of the Company (Current)
			Director and Chairman of Nomura Securities Co., Ltd. (Current)
Koji Nagai (Jan. 25, 1959)	Director, Representative Executive Officer and Group CEO	Apr. 1981	Joined the Company
		Apr. 2003	Director of Nomura Securities Co., Ltd.
	Director and President of Nomura Securities Co., Ltd.	Jun. 2003	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2007	Executive Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Senior Corporate Managing Director of Nomura Securities Co., Ltd.

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Name	Responsibilities and Status within Nomura/					
(Date of Birth)	Other Principal Business Activities		Business Experience			
Atsushi Yoshikawa (Apr. 7, 1954)	Director, Representative Executive Officer and Group COO	Apr. 2009 Jun. 2000	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.			
	Director and Representative Executive Officer of Nomura Securities Co., Ltd.	Apr. 2011	Co-COO and Deputy President of Nomura Securities Co., Ltd.			
	Chairman of Nomura Holding America Inc.	Apr. 2012	Senior Managing Director of the Company			
				Director and President of Nomura Securities Co., Ltd.		
			Aug. 2012	Representative Executive Officer & Group CEO of the Company		
				Director and President of Nomura Securities Co., Ltd.		
			Jun. 2013	Director, Representative Executive Officer & Group CEO of the Company (Current)		
				Director and President of Nomura Securities Co., Ltd. (Current)		
			Apr. 1978	Joined the Company		
			Jun. 2000	Director of the Company		
			Oct. 2001	Director of Nomura Securities Co., Ltd.		
			Jun. 2003	Senior Managing Director of Nomura Securities Co., Ltd.		
			Apr. 2004	Senior Managing Director of the Company		
			Executive Managing Director of Nomura Asset Management Co., Ltd.			
		Apr. 2005	Senior Managing Director of the Company			
			Executive Vice President of Nomura Asset Management Co., Ltd.			
		Apr. 2006	Executive Vice President of Nomura Asset Management Co., Ltd.			
		Apr. 2008	Director and President of Nomura Asset Management Co., Ltd.			
		Oct. 2008	Executive Managing Director of the Company			
			Director, President & CEO of Nomura Asset Management Co., Ltd.			

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Name	Responsibilities and Status within Nomura/		
(Date of Birth)	Other Principal Business Activities		Business Experience
		Jun. 2011	Executive Vice President of the Company
			CEO and President of Nomura Holding America Inc.
		Aug. 2012	Representative Executive Officer & Group COO of the Company
			Chairman of Nomura Holding America Inc.
		Jun. 2013	Director, Representative Executive Officer & Group COO of the Company
			Chairman of Nomura Holding America Inc.
		Apr. 2014	Director, Representative Executive Officer & Group COO of the Company (Current)
			Director and Representative Executive Officer of Nomura Securities Co., Ltd. (Current)
			Chairman of Nomura Holding America Inc. (Current)
Hiroyuki Suzuki	Director Member of the Audit Committee	Apr. 1982	Joined the Company
(Feb. 3, 1959)		Apr. 2005	Senior Managing Director of Nomura Securities Co., Ltd.
	Outside Director of The Nomura Trust and Banking Co., Ltd.	Oct. 2008	Senior Managing Director of the Company
		Dec. 2008	Senior Managing Director of Nomura Securities Co., Ltd.
	Outside Director of Nomura Asset Management Co., Ltd.	Apr. 2009	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Jun. 2010	Senior Corporate Managing Director of the Company
			Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2011	Senior Corporate Managing Director of the Company
			Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2013	Advisor of the Company
		Jun. 2013	Director of the Company (Current)
David Benson	Director	Feb. 1997	Joined Nomura International plc
(Feb. 9, 1951)	Director of Nomura Europe Holdings, plc	Jul. 1999	Head of Risk Management, Nomura International plc

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Director of Nomura International plc

Mar. 2005 Chief Operating Officer (COO) of
Nomura International plc

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Name	Responsibilities and Status within Nomura/	Business Experience
(Date of Birth)	Other Principal Business Activities	
Masahiro Sakane (Jan 7, 1941)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Councilor of Komatsu Ltd. Outside Director of Tokyo Electron Limited Outside Director of ASAHI GLASS Co., Ltd. Outside Director of Nomura Securities Co., Ltd.	Aug. 2007 Resigned from Nomura International plc Nov. 2008 Chief Risk Officer (CRO), Senior Managing Director of the Company Jan. 2011 Senior Managing Director of the Company, Vice Chairman, Risk and Regulatory Affairs Apr. 2011 Vice Chairman of the Company (Senior Managing Director) Jun. 2011 Director of the Company (Current) Apr. 1963 Joined Komatsu Ltd. Jun. 2001 Representative Director and President of Komatsu Ltd. Jun. 2003 Representative Director and President & CEO of Komatsu Ltd. Jun. 2007 Representative Director and Chairman of Komatsu Ltd. Jun. 2008 Outside Director of the Company (Current) Jun. 2010 Director and Chairman of Komatsu Ltd. Apr. 2013 Director and Councilor of Komatsu Ltd. Jun. 2013 Councilor of Komatsu Ltd. (Current)
Takao Kusakari (Mar. 13, 1940)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Corporate Advisor of NYK Line Outside Director of Nomura Securities Co., Ltd.	Apr. 1964 Joined Nippon Yusen Kabushiki Kaisha (NYK Line) Aug. 1999 President of NYK Line Apr. 2002 President, Corporate Officer of NYK Line Apr. 2004 Chairman, Corporate Officer of NYK Line Apr. 2006 Chairman, Chairman Corporate Officer of NYK Line Apr. 2009 Director and Corporate Advisor of NYK Line Jun. 2010 Corporate Advisor of NYK Line (Current) Jun. 2011 Outside Director of the Company (Current)
Tsuguoki Fujinuma (Nov. 21, 1944)	Outside Director Chairman of the Audit Committee Outside Statutory Auditor of Sumitomo Corporation	Apr. 1969 Joined Horie Morita Accounting Firm Jun. 1970 Joined Arthur & Young Accounting Firm

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Name	Responsibilities and Status within Nomura/	
(Date of Birth)	Other Principal Business Activities	Business Experience
	Outside Statutory Auditor of Takeda Pharmaceutical Company Limited	Nov. 1974 Registered as a Certified Public Accountant
	Outside Director of Sumitomo Life Insurance Company	May 1991 Managing Partner of Asahi Shinwa Accounting Firm
	Outside Statutory Auditor of Seven & i Holdings Co., Ltd.	Jun. 1993 Managing Partner of Ota Showa & Co. (Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC))
	Outside Director of Nomura Securities Co., Ltd.	May 2000 President of the International Federation of Accountants
		Jul. 2004 Chairman and President of the Japanese Institute of Certified Public Accountants
		Jun. 2007 Retired from Ernst & Young ShinNihon
		Jul. 2007 Advisor of the Japanese Institute of Certified Public Accountants (Current)
		Jun. 2008 Outside Director of the Company (Current)
Toshinori Kanemoto	Outside Director	Apr. 1968 Joined National Police Agency
(Aug. 24, 1945)	Member of the Audit Committee	Apr. 1992 Kumamoto Prefecture Police Headquarters, Director-General
	Of-Counsel of City-Yuwa Partners	Aug. 1995 Director General of the International Affairs Department, National Police Agency
	Outside Statutory Auditor of JX Holdings, Inc.	Oct. 1996 President of ICPO-INTERPOL
	Outside Director of Nomura Securities Co., Ltd.	Aug. 2000 President, National Police Academy
		Apr. 2001 Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan
		Jan. 2007 Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
		Feb. 2007 Of-Counsel of City-Yuwa Partners (Current)
		Jun. 2011 Outside Director of the Company (Current)
Dame Clara Furse	Outside Director	Feb. 1983 Joined Phillips & Drew (currently UBS)
(Sep. 16, 1957)	Non-Executive Director of Amadeus IT Holding, S.A.	Jun. 1990 Non-Executive Director of London International Financial Futures Exchange (LIFFE)
	Non-Executive Director of U.K. Department for Work and Pensions	Jun. 1997 Deputy Chairman of LIFFE
	External Member of the Bank of England's Financial Policy Committee	May 1998 Group Chief Executive of Credit Lyonnais Rouse

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Name	Responsibilities and Status within Nomura/	
(Date of Birth)	Other Principal Business Activities	Business Experience
Michael Lim Choo San (Sep. 10, 1946)	Outside Director	Jan. 2001 Chief Executive of London Stock Exchange Group
	Chairman of the Land Transport Authority of Singapore	Jun. 2010 Outside Director of the Company (Current)
	Independent Director of Olam International Limited	Apr. 2013 External Member of the Bank of England's Financial Policy Committee (Current)
	Director of Nomura Asia Holding N.V.	Aug. 1972 Joined Price Waterhouse, Singapore
	Non-Executive Chairman of Nomura Singapore Ltd.	Jan. 1992 Managing Partner of Price Waterhouse, Singapore
		Oct. 1998 Member of the Singapore Public Service Commission (Current)
		Jul. 1999 Executive Chairman of PricewaterhouseCoopers, Singapore
		Sep. 2002 Chairman of the Land Transport Authority of Singapore (Current)
		Jun. 2011 Outside Director of the Company (Current)
		Nov. 2011 Chairman of the Accounting Standards Council, Singapore (Current)
	Apr. 2013 Chairman of the Singapore Accountancy Commission (Current)	

Among the Directors listed above, Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma, Toshinori Kanemoto, Dame Clara Furse, and Michael Lim Choo San satisfy the requirements for an "outside director" under the Companies Act. The Companies Act defines an outside director of a company as a non-executive director (i) who has never assumed the position of executive director, executive officer, manager or employee of the company or its subsidiaries and (ii) who does not currently assume the position of executive director, executive officer, manager or employee of the Company or its subsidiaries.

Table of Contents**Executive Officers**

The following table provides information about the Company's Executive Officers as of June 26, 2014.

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

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

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

B. Compensation.

The overview of the Nomura Group's compensation framework is as follows:

(1) Compensation policy

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

1. align with Nomura values and strategies;
2. reflect firm, division and individual performance;

3. establish appropriate performance measurement with a focus on risk;
4. align employee and shareholder interests;
5. establish appropriate compensation structures; and
6. ensure robust governance and control processes.

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(2) Compensation governance

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

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

approving the compensation framework, while taking into account necessary factors to ensure that all staff, including members of executive management, are provided with appropriate incentives to enhance their performance and are rewarded for their individual contributions to the success of our business globally;

approving the total bonus pool and its allocation to each business;

reviewing the performance measures of senior executives to ensure that compensations reflects the performance of both individuals and our business globally;

continually reviewing the appropriateness and relevance of our compensation policy; and

approving any major changes in employee benefits structures globally;

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

(3) Nomura’s compensation framework

The outline of our compensation framework is as follows:

Compensation	Purposes	Specific Elements
Components Fixed Compensation	Rewards individuals for their knowledge, skills, competencies and experiences	Base salary
	Reflects local labor market standards	
	Reflects practices of local labor markets to deliver allowances as a part of fixed compensation to individuals	Housing allowances
Variable Compensation	Rewards team and individual performances, and their contribution to results as well as strategic and future value	Overtime pay Cash bonuses

Deferred compensation

Reflects appropriate internal and market-based comparisons

Reflects broad views on compensation, including individual performances, approaches to risk, compliance and cross-divisional cooperation

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

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(4) Outline of variable compensations

Cash bonuses

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

Deferred compensation

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

align employee interest with that of shareholders;

increase employee retention through providing opportunities to grow personal wealth over the period from grant to vesting; and

encourage cross-divisional and cross-regional collaboration by focusing individuals on a common goal of long-term increase in corporate value.

With these benefits, deferred compensation plans are also recommended by regulators key jurisdictions in which we operate.

The deferral period for our deferred compensation plans is generally three or more years. This is in line with the Principles for Sound Compensation Practices issued by the FSB, which recommends, among other things, a deferral period of three or more years.

In addition, deferred compensation shall be reduced or forfeited in case of:

voluntary resignation;

material restatement in our consolidated group financial statements;

material violation of policies of Nomura; and

material detriment to the business or reputation of Nomura.

Also, deferred compensations for the fiscal year ended March 31, 2013 granted to senior management and employees who receive a certain level of compensations shall be reduced or forfeited in case of a material downturn in performance of Nomura and/or a material failure of risk management. Adding to that, in line with regulations regarding remunerations in financial institution in Europe, stricter terms and conditions for reduction and forfeiture were introduced to the deferred compensations for the fiscal year ended March 31, 2014 granted to employees in Europe, Middle East and Africa.

Nomura's deferred compensation plans comprise 1. Core deferral plans, 2. Supplemental deferral plans and 3. the Multi-Year Performance Deferral plan.

1. Core deferral plans

(a) Stock Acquisition Right (SAR) Plan

Nomura has issued the following two types of SARs.

SAR Plan A

Options are awarded with an exercise price higher than Nomura's stock price on the date of grant. There is a certain period set between the date of grant and the date of vesting. They are qualified as SARs under Japanese taxation laws and therefore have been issued mainly to employees in Japan.

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SAR Plan B

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

(b) Notional Stock Unit (NSU) Plan

This is a cash-settled plan that has been designed to replicate the key features of the SAR Plan B described above. This allows equity-linked awards to be made in countries where SARs are less favorably treated from tax or other perspectives.

2. Supplemental deferral plans

We introduced the following deferral plans for the year ended March 31, 2011. These plans are offered to certain senior management and employees in addition to the Core deferral plans. The plans reinforce our goals of retaining and motivating our key talent in the competitive market place.

(a) Collared Notional Stock Unit (CSU) Plan

This plan is linked to the value of the Nomura's stock price subject to a cap and a floor.

(b) Notional Indexed Unit (NIU) Plan

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

3. Multi-Year Performance Deferral (MYPD) plan

We also introduced MYPD as an additional deferred compensation plan for the fiscal year ended March 31, 2012 to senior management and employees with certain responsibilities. Number of units to be granted upon achieving a certain performance target is notified to applicable candidates in advance. At the end of a 2 year performance period, number of units is adjusted, subject to a degree of achievement, and granted in the form of SAR Plan Bs or NSUs. In case of performance below certain levels, no SARs or NSUs will be granted.

(5) Consistency with risk management and linkage to performance

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

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

(6) Compensation for Directors and Executive Officers

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

Table of Contents**1 Aggregate compensation**

	Number of Directors or Executive Officers ⁽¹⁾	Millions of yen Year ended March 31, 2014				Total
		Basic Compensation ⁽²⁾	Bonus	Deferred Compensation ⁽³⁾		
Directors	12	¥ 302	¥ 43	¥ 156	¥ 501	
(Outside Directors included in above)	(7)	(145)	()	()	(145)	
Executive Officers	6	429	222	556	1,207	
Total	18	¥ 731	¥ 265	¥ 712	¥ 1,708	

- (1) Includes 3 Directors (including 1 Outside Director) who resigned in June 2013. There were 11 Directors and 6 Executive Officers as of March 31, 2014. Compensation to Directors who concurrently serve as Executive Officers is included in amounts reported for Executive Officers.
- (2) Basic compensation includes JPY 0.4m of benefits-in-kind in the form of commuter pass allowances.
- (3) Represents the portion of deferred compensation (such as stock options) granted during the year ended March 31, 2014 and prior years which has been recognized as compensation expense in our consolidated financial statements included in this annual report during the year ended March 31, 2014.
- (4) Subsidiaries of the Company paid ¥58 million to Outside Directors as compensation for their directorship of those subsidiaries for the year ended March 31, 2014.
- (5) The Company abolished retirement bonuses to Directors in 2001.
- All new deferred awards granted since May 2013 include Full Career Retirement provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met.

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

Name	Company	Category	Millions of yen						
			Fixed Remuneration (Basic Compensation)			Variable Compensation ⁽¹⁾			
			Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	Deferred Compensation (SARs, etc.)	Total	Total
Nobuyuki Koga	Nomura	Director	¥ 83	¥	¥ 83	¥ 36	¥ 73	¥ 109	¥ 192
Koji Nagai	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	60	119	179	298
Atsushi Yoshikawa	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	54	108	162	270
Toshio Morita	Nomura	Executive Officer	60	13	73	49	98	147	220

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Toshihiro Iwasaki	Nomura	Executive Officer	60	13	73	22	45	67	140
Shoichi Nagamatsu	Nomura	Executive Officer	60	13	73	19	38	57	130
Shigesuke Kashiwagi	Nomura	Executive Officer	54	10	64	19	37	56	120

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2014.

Table of Contents**Stock Acquisition Rights (SARs)**

The following table presents information regarding unexercised Stock Acquisition Rights as of March 31, 2014.

Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2014	Exercise Price per Share under SARs	Paid-in Amount for SARs
			Exercise Period of SARs		
Stock Acquisition Rights No.13	April 25, 2007	104,400	From April 26, 2009 to April 25, 2014	¥ 1	¥ 0
Stock Acquisition Rights No.14	June 21, 2007	150,300	From June 22, 2009 to June 21, 2014	1	0
Stock Acquisition Rights No.15	August 1, 2007	113,000	From August 2, 2009 to August 1, 2014	1,874	0
Stock Acquisition Rights No.16	August 1, 2007	1,799,000	From August 2, 2009 to August 1, 2014	1,874	0
Stock Acquisition Rights No.17	August 1, 2007	173,200	From August 2, 2009 to August 1, 2014	1	0
Stock Acquisition Rights No.18	October 19, 2007	8,500	From October 20, 2009 to October 19, 2014	1	0
Stock Acquisition Rights No.19	April 23, 2008	384,900	From April 24, 2010 to April 23, 2015	1	0
Stock Acquisition Rights No.20	June 23, 2008	31,300	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.21	June 23, 2008	164,800	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.22	August 5, 2008	110,000	From August 6, 2010 to August 5, 2015	1,292	0
Stock Acquisition Rights No.23	August 5, 2008	1,874,000	From August 6, 2010 to August 5, 2015	1,292	0
Stock Acquisition Rights No.24	August 5, 2008	3,000	From August 6, 2010 to August 5, 2015	1	0
Stock Acquisition Rights No.27	November 10, 2008	5,200	From November 11, 2010 to November 10, 2015	1	0
Stock Acquisition Rights No.28	April 30, 2009	306,400	From May 1, 2011 to April 30, 2016	1	0
Stock Acquisition Rights No.29	June 16, 2009	101,300	From June 17, 2011 to June 16, 2016	1	0
Stock Acquisition Rights No.30	June 16, 2009	325,400	From June 17, 2011 to June 16, 2016	1	0
Stock Acquisition Rights No.31	August 5, 2009	156,000	From August 6, 2011 to August 5, 2016	734	0
Stock Acquisition Rights No.32	August 5, 2009	2,205,500	From August 6, 2011 to August 5, 2016	734	0
Stock Acquisition Rights No.34	May 18, 2010	1,159,000	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.35	May 18, 2010	1,028,500	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.36	May 18, 2010	48,500	From May 19, 2013 to May 18, 2017	1	0

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Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2014		
			Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.37	July 28, 2010	2,645,000	From April 30, 2012 to April 29, 2017	¥ 1	¥ 0
Stock Acquisition Rights No.38	July 28, 2010	993,700	From April 30, 2013 to April 29, 2018	1	0
Stock Acquisition Rights No.39	November 16, 2010	2,070,300	From November 16, 2012 to November 15, 2017	478	0
Stock Acquisition Rights No.40	June 7, 2011	1,760,700	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	4,057,200	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	18,462,700	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	2,086,800	From November 16, 2013 to November 15, 2018	299	0
Stock Acquisition Rights No.44	June 5, 2012	2,102,100	From April 20, 2013 to April 19, 2018	1	0
Stock Acquisition Rights No.45	June 5, 2012	12,563,700	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.46	June 5, 2012	12,412,100	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.47	June 5, 2012	4,870,200	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.48	June 5, 2012	4,860,700	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	1,671,000	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	1,669,600	From October 20, 2016 to April 19, 2022	1	0
Stock Acquisition Rights No.51	November 13, 2012	2,835,100	From November 13, 2014 to November 12, 2019	298	0
Stock Acquisition Rights No.52	June 5, 2013	6,885,100	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.53	June 5, 2013	6,852,300	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.54	June 5, 2013	6,820,300	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.55	November 19, 2013	2,709,800	From November 19, 2015 to November 18, 2020	838	0

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

Table of Contents**SARs Held by Directors and Executive Officers of Nomura**

The following table presents details of Stock Acquisition Rights held by Directors and Executive Officers as of March 31, 2014.

Series of SARs	Number of Shares under SARs	March 31, 2013 Numbers of Holders	
		Directors and Executive Officers (excluding Outside Directors)	Outside Directors
SARs No.14	9,100	1	
SARs No.15	15,000	2	
SARs No.16	31,000	7	
SARs No.21	7,900	1	
SARs No.22	9,000	1	2
SARs No.23	45,000	7	
SARs No.24	3,000		1
SARs No.29	24,000	1	2
SARs No.30	18,000	1	
SARs No.31	29,000	3	2
SARs No.32	35,000	5	
SARs No.34	39,100	1	
SARs No.35	158,800	2	
SARs No.36	48,500	1	
SARs No.40	69,200	3	
SARs No.41	171,300	5	
SARs No.42	268,800	8	
SARs No.44	33,600	3	
SARs No.45	61,500	5	
SARs No.46	61,400	5	
SARs No.47	27,300	5	
SARs No.48	27,300	5	
SARs No.52	139,600	8	
SARs No.53	138,700	8	
SARs No.54	138,400	8	

Pension, Retirement or Similar Benefits

See Note 15 *Employee benefit plans* in our consolidated financial statements included in this annual report.

C. Board Practices.**Information Concerning Directors**

The Companies Act states that a company which adopts the committee-based corporate governance system (Committee System) must establish three committees; a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company's directors, and the majority of the members of each committee must be outside directors. Under the Committee System, the board of directors is entitled to establish the basic management policy for the company, has decision-making authority over certain prescribed matters, and supervises the execution by the executive officers of their duties. Executive officers and representative executive officers appointed by a resolution adopted by the board of directors manage the business affairs of the company, based on a delegation of authority by the board of directors.

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The Company adopted the Committee System by amending the Company's Articles of Incorporation by way of a special resolution adopted at the Annual Meeting of Shareholders held on June 26, 2003. Through the Committee System, the Company aims to strengthen management oversight, increase the transparency of the Company's management and expedite the decision-making process within the Nomura Group. An outline of the Company's Board of Directors, Nomination Committee, Audit Committee and Compensation Committee is provided below.

Board of Directors

The Company's Board of Directors consists of Directors who are elected at a general meeting of shareholders and the Company's Articles of Incorporation provide that the number of Directors shall not exceed 20. The term of office of each Director expires upon the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within one year after their appointment. Directors may serve any number of consecutive terms. From among its members, the Company's Board of Directors elects the Chairman. The Company's Board of Directors met 10 times during the fiscal year ended March 31, 2014. As a group, the Directors attended approximately 98% of the total number of meetings of the Board of Directors during the year. The Board of Directors has the authority to determine the Company's basic management policy and supervise the execution by the Executive Officers of their duties. Although the Board of Directors also has the authority to make decisions with regard to the Company's business, most of this authority has been delegated to the Executive Officers by a resolution adopted by the Board of Directors. There are no Directors' service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Nomination Committee

The Nomination Committee, in accordance with the Company's Regulations of the Nomination Committee, determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders by the Board of Directors. The Nomination Committee met three times during the fiscal year ended March 31, 2014. As a group, the member Directors attended 100% of the total number of meetings of the Nomination Committee during the year. As of June 25, 2014, the members of the Nomination Committee are Nobuyuki Koga, Masahiro Sakane and Takao Kusakari. Nobuyuki Koga is the Chairman of this committee.

Audit Committee

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

The Audit Committee met 18 times during the fiscal year ended March 31, 2014. As a group, the member Directors attended 100% of the total number of meetings of the Audit Committee during the year. As of June 25, 2014, the members of the Audit Committee are Tsuguoki Fujinuma, Toshinori Kanemoto and Hiroyuki Suzuki. Tsuguoki Fujinuma is the Chairman of this Committee.

Compensation Committee

The Compensation Committee, in accordance with the Company's Regulations of the Compensation Committee, determines the Company's policy with respect to the determination of the details of each Director and Executive Officer's compensation. The Compensation Committee also determines the details of each

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Director and Executive Officer's actual compensation. The Compensation Committee met three times during the fiscal year ended March 31, 2014. As a group, the member Directors attended 100% of the total number of meetings of the Compensation Committee during the year. As of June 25, 2014, the members of the Compensation Committee are Nobuyuki Koga, Masahiro Sakane and Takao Kusakari. Nobuyuki Koga is the Chairman of this Committee.

Limitation of Liabilities of Outside Directors

The Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages (limitation of liability agreements) with each of the following Outside Directors: Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma, Toshinori Kanemoto, Dame Clara Furse, and Michael Lim Choo San. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

Information Concerning Executive Officers

Executive Officers of the Company are appointed by the Board of Directors, and the Company's Articles of Incorporation provide that the number of Executive Officers shall not exceed 45. The term of office of each Executive Officer expires upon the conclusion of the first meeting of the Board of Directors convened after the ordinary general meeting of shareholders for the last fiscal year ending within one year after each Executive Officer's assumption of office. Executive Officers may serve any number of consecutive terms. Executive Officers have the authority to determine matters delegated to them by resolutions adopted by the Board of Directors and to execute business activities.

D. Employees

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

	As of March 31,		
	2012	2013	2014
Japan	21,609	16,030	16,037
Europe	4,014	3,618	3,461
Americas	2,420	2,271	2,281
Asia and Oceania	6,352	6,037	5,891
Total	34,395	27,956	27,670

As of March 31, 2014, we had 16,037 employees in Japan, including 9,459 of Retail Division, 1,567 of Wholesale Division and 843 of Asset Management Division. In overseas, we had 11,633 employees, of which 3,461 were located in Europe, 2,281 in the Americas, and 5,891 in Asia and Oceania.

During the fiscal year ended March 31, 2013 NLB, one of NHI's affiliated companies, sold shares of Nomura Real Estate Holdings, Inc. As a result Nomura Real Estate Holdings, Inc. is no longer a consolidated subsidiary of NHI, thus the number of employees decreased significantly compared to the fiscal year ended March 31, 2012.

As of March 1, 2014, 7,863 of Nomura Securities' employees in Japan were members of Nomura employees' union, with which we have a labor contract. Between the company and the labor union, we had been holding constant discussions to make solutions on labor related matters.

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

Table of Contents**E. Share Ownership.**

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2014. As of that date, none of them owned 1% or more of our issued and outstanding shares. None of the shares referred to below have different voting rights.

Directors

Name	Number of Shareholdings
Nobuyuki Koga	212,343
Koji Nagai	136,700
Atsushi Yoshikawa	166,684
Hiroyuki Suzuki	76,472
David Benson	
Masahiro Sakane	30,000
Takao Kusakari	
Tsuguoki Fujinuma	28,448
Toshinori Kanemoto	
Dame Clara Furse	
Michael Lim Choo San	
Total	650,647

Executive Officers

Name	Number of Shareholdings
Koji Nagai	See above
Atsushi Yoshikawa	See above
Tetsu Ozaki	54,400
Toshio Morita	108,377
Kunio Watanabe	28,262
Shoichi Nagamatsu	103,432
Shigesuke Kashiwagi	20,000
Total	314,471

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

Item 7. Major Shareholders and Related Party Transactions**A. Major Shareholders.**

The Company understands that there is no major shareholder who owns more than 5% of our outstanding common stock on the register of shareholders as of March 31, 2014.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2014, there were 255 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 394,571,362 shares of the Company's common stock, representing 10.3% of Nomura's then outstanding common stock. As of

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March 31, 2014, there were 44,659,127 ADSs outstanding, representing 44,659,127 shares of the Company's common stock or 1.2% of Nomura's then outstanding common stock. Our major shareholders above do not have different voting rights.

B. Related Party Transactions.

Nomura Research Institute, Ltd.

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

We held 38.0% of NRI's outstanding share capital as of March 31, 2014.

For the year ended March 31, 2014, we purchased ¥26,655 million worth of software and computer equipment, paid NRI ¥57,469 million for other services, and received ¥351 million as rents from NRI.

See also Note 22 *Affiliated companies and other equity-method investees* in the consolidated financial statements included in this annual report.

Directors

There were no significant transactions.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Financial Statements

The information required by this item is set forth in our consolidated financial statements included elsewhere in this annual report.

Legal Proceedings

For a discussion of our litigation and related matters, see Note 23 *Commitments, contingencies and guarantees* in the consolidated financial statements included in this annual report.

Dividend Policy

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

B. Significant Changes.

Except as disclosed in this annual report, there have been no significant changes since March 31, 2014.

Table of Contents**Item 9. The Offer and Listing****A. Offer and Listing Details.***Price History*

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

Year ended March 31, Annual highs and lows	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
2010	¥ 934	¥ 498	\$ 9.50	\$ 5.35
2011	717	361	7.67	4.75
2012	436	223	5.21	2.91
2013	608	241	6.30	3.05
2014	980	535	9.64	5.76
Quarterly highs and lows				
2013				
First Quarter	381	241	4.53	3.05
Second Quarter	311	245	3.91	3.13
Third Quarter	505	261	5.89	3.36
Fourth Quarter	608	463	6.30	5.24
2014				
First Quarter	¥ 980	¥ 535	\$ 9.64	\$ 5.76
Second Quarter	833	683	8.39	6.30
Third Quarter	831	708	8.21	7.19
Fourth Quarter	828	625	7.88	6.20
Monthly highs and lows				
2014 (calendar year)				
January	828	724	7.88	6.89
February	727	659	7.01	6.58
March	716	625	6.96	6.20
April	680	587	6.57	5.82
May	684	592	6.65	5.85
June (through June 25)	752	671	7.38	6.55

B. Plan of Distribution.

Not applicable.

C. Markets.

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

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

D. Selling Shareholders.

Not applicable.

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E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Objects and Purposes in the Company's Articles of Incorporation

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

Provisions Regarding the Company's Directors

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

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

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

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

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

Pursuant to the Companies Act and the Company's Articles of Incorporation, the Company may, by a resolution adopted by the Company's Board of Directors, release the liabilities of any Directors or Executive Officers to the Company for damages suffered by the Company due to their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. In addition, the Company may execute with outside Directors agreements that limit their liabilities to the Company for damages suffered by the Company due to their acts in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. See *Limitation of Liabilities of Outside Directors* under Item 6.C above.

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Holding of the Company's Shares by Foreign Investors

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

Common Stock

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

General

Under the Company's Articles of Incorporation, the Company is authorized to issue 6,000,000,000 shares, of which 3,822,562,601 shares were issued as of March 31, 2014. All issued shares are fully-paid and non-assessable.

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

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

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

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

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

Table of Contents*Dividends*

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

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

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

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

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

Restriction on Distributions of Surplus

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

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

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

In the above formula:

- A = the total amount of other capital surplus and other retained earnings each such amount being that appearing on the Company's non-consolidated balance sheets as of the end of the last fiscal year;
- B = (if the Company has disposed of treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;
- C = (if the Company has reduced stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

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D = (if the Company has reduced additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

E = (if the Company has cancelled treasury stock after the end of the last fiscal year) the book value of such treasury stock;

F = (if the Company has distributed Surplus to shareholders after the end of the last fiscal year) the total book value of Surplus so distributed;

G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to shareholders after the end of the last fiscal year) the amount set aside in the Company's additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

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

(a) the book value of the Company's treasury stock;

(b) the amount of consideration for the Company's treasury stock disposed of after the end of the last fiscal year; and

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

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

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

Stock Splits

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

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

Japanese Unit Share System

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

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

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

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

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

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

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

to receive dividends,

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to receive cash or other assets in case of consolidation or split of shares, exchange or transfer of shares, corporate split or merger,

to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders, and

to participate in any distribution of surplus assets upon liquidation.

Annual General Meeting of Shareholders

The Company normally holds its annual general meeting of shareholders in June of each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks' advance notice. Under the Companies Act, notice of any general meeting of shareholders must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his standing proxy or mailing address in Japan in accordance with the Company's Share Handling Regulations, at least two weeks prior to the date of the meeting.

Voting Rights

A shareholder is generally entitled to one vote per one unit of shares as described in this paragraph and under the section entitled the *Japanese Unit Share System* above. In general, under the Companies Act, a resolution can be adopted at a general meeting of shareholders by the holders of a majority of the total number of voting rights represented at the meeting. However, if a corporate shareholder has one-quarter or more of its total voting rights held by the Company or its subsidiary, or if the Company otherwise has actual control over such corporate shareholder, such corporate shareholder is not entitled to exercise its voting rights. The Companies Act and the Company's Articles of Incorporation require a quorum for the election of Directors of not less than one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights.

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

a reduction of stated capital,

amendment to the Articles of Incorporation (except amendments which the Board of Directors (or under the Committee System, Executive Officers) are authorized to make under the Companies Act),

establishment of a 100% parent-subsidiary relationship by way of share exchange or share transfer requiring shareholders' approval,

a dissolution, merger or consolidation requiring shareholders' approval,

a corporate split requiring shareholders' approval,

the transfer of the whole or an important part of the Company's business,

the taking over of the whole of the business of any other corporation requiring shareholders' approval,

any issuance of new shares or transfer of existing shares as treasury stock to persons other than the shareholders at a specially favorable price,

any issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under specially favorable conditions,

purchase of shares by the Company from a specific shareholder other than the Company's subsidiary,

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consolidation of shares, and

release of part of directors, independent auditor's or executive officers' liabilities to their corporation.
The voting rights of holders of ADRs are exercised by the depository based on instructions from those holders.

Subscription Rights

Holders of shares have no preemptive rights under the Company's Articles of Incorporation when the Company issues new shares. Under the Companies Act, the Company's EMB, which has been delegated by the Company's Board of Directors with the authority to issue new shares, may, however, determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, such rights must be given on uniform terms to all shareholders as of a specified record date with at least two weeks' prior notice to shareholders of the record date.

Stock Acquisition Rights

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

Liquidation Rights

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

Liability to Further Calls or Assessments

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

Share Registrar

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

Record Date

The close of business on June 30, September 30, December 31 and March 31 are the record dates for the Company's distributions of Surplus (dividends), if any. A holder of shares constituting one or more whole units, who is registered as a holder in the Company's register of shareholders at the close of business as of March 31, is

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also entitled to exercise shareholders' voting rights at the annual general meeting of shareholders with respect to the fiscal year ended on March 31. In addition, the Company may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' public notice.

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

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

Acquisition of Own Shares

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

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

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

Preferred Stock

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

General

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

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

Preferred Dividends

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

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

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

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

Voting Rights

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

If no resolution to pay a preferred dividend has been adopted by the Board of Directors prior to the dispatch of the convocation notice for the annual general meeting of shareholders in respect of any fiscal year, and if no proposal to pay such preferred dividend was submitted to the relevant annual general meeting of shareholders, then the shareholders of the relevant preferred stock will be entitled to vote at such meeting and all subsequent general meetings of shareholders up to the time when the Board of Directors or general meeting of shareholders adopts a resolution to pay such preferred dividend; and

If a resolution to pay a preferred dividend has not been adopted at any annual general meeting of shareholders, the shareholders of the relevant preferred stock will be entitled to vote at all subsequent general meetings of shareholders up to the time when the Board of Directors or general meeting of shareholders adopts a resolution to pay such preferred dividend.

Liquidation Rights

In the event of the Company's voluntary or involuntary liquidation, shareholders of the Company's preferred stock would be entitled, in preference over shareholders of common stock, to receive such amounts of

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the Company's residual assets as may be determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors taking into consideration the amounts of subscription moneys paid for the respective preferred stock.

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

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

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

The Company's Right and Obligation to Acquire Preferred Stock

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

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

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

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delivered to a shareholder of the relevant preferred stock would be determined prior to the issuance of such preferred shares by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) considering the subscription price of the preferred shares, the market value of the Company's common stock and market conditions. An upper limit for the common stock to be delivered in exchange for the relevant preferred shares may also be set pursuant to such resolution or determination.

Order of Priority

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

Report of Substantial Shareholdings

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

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

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

On June 25, 2014, the closing price of the Company's shares on the Tokyo Stock Exchange was ¥732 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange. Other daily price limits would apply if the per share price of shares of the Company moved to other ranges.

Selected Daily Price Limits

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

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

Rights of ADR Holders

The rights of ADR holders, including their rights to corporate governance practices, are governed by the Deposit Agreement which is an exhibit to this annual report. For a description of the rights of holders of ADSs,

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

C. Material Contracts.

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

D. Exchange Controls.

Acquisition of Shares

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

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

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

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

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

Dividends and Proceeds of Sale

Under the Foreign Exchange Regulations, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which ADSs of the Company will be issued, the depository is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the U.S., to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

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E. Taxation.

U.S. Federal Income Taxation

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

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

a person that actually or constructively owns 10% or more of our voting stock,

a person that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction,

a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or

a person whose functional currency is not the U.S. dollar.

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

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

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

a citizen or resident of the U.S.,

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a corporation created or organized in or under the laws of the U.S. or any political subdivision thereof,

an estate whose income is subject to U.S. federal income tax regardless of its source, or

a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

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

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

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

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

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

The dividend is taxable when you, in the case of shares, or the depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the U.S. for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect generally to treat distributions we make as dividends.

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

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

Taxation of Capital Gains

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

PFIC Rules

We do not expect our shares and ADSs to be treated as stock of a PFIC for U.S. federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation, such as Nomura, that is primarily engaged in an active business as a securities dealer is not entirely clear.

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

at least 75% of our gross income for the taxable year is passive income, or

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

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

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

any gain you realize on the sale or other disposition of your shares or ADSs, and

any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,

the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income,

the amount allocated to each previous year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and

the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year. Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

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

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

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In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

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

Japanese Taxation

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

the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,

the laws of the jurisdiction of which they are resident, and

any tax treaty between Japan and their country of residence.

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

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

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

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Belgium, Canada, Denmark,

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

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

Gains derived from the sale of shares outside Japan by a non-resident shareholder without a permanent establishment in Japan as a portfolio investor, are, in general, not subject to Japanese income or corporation taxes.

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

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

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

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H. Documents on Display.

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

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Risk Management

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

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

Risk Appetite

Nomura's risk appetite defines the type and quantum of risk that Nomura is willing to accept in pursuit of its business objectives. The Risk Management Division and the Finance Division are jointly responsible for developing and proposing risk appetite to the Group Integrated Risk Management Committee (GIRMC) for their input and final approval.

Nomura's risk appetite includes both quantitative measures and qualitative statements of appetite, covering Nomura's risk classes. It provides an aggregated view of risk and is subject to regular monitoring and breach escalation as appropriate by the owner of the relevant risk appetite statement.

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

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Risk Management Governance and Oversight

Committee Governance

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

Board of Directors (BoD)

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

Executive Management Board (EMB)

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

Resource Allocation At the beginning of each financial year, the EMB determines the allocation of management resources and financial resources such as economic capital and unsecured funding to business units and establishes usage limits for these resources;

Business Plan At the beginning of each financial year, the EMB approves the business plan and budget of Nomura. Introduction of significant new businesses, changes to business plans, the budget and the allocation of management resources during the year are also approved by the EMB; and

Reporting The EMB reports the status of its deliberations to the BoD.

Group Integrated Risk Management Committee (GIRMC)

Upon delegation from the EMB, the GIRMC deliberates on or determines important matters concerning integrated risk management of Nomura to assure the sound and effective management of its businesses. The

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

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

Global Risk Management Committee (GRMC)

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

Asset Liability Committee (ALCO)

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

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

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

GRMC Transaction Committee

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

Collateral Steering Committee (CSC)

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

Chief Risk Officer (CRO)

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

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Chief Financial Officer (CFO)

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

Risk Management Division

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

Risk Policy Framework

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

Monitoring, Reporting and Data Integrity

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

Management of Financial Resources

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

Risk-weighted assets

The EMB determines a minimum target Tier 1 capital ratio on an annual basis. A key component used in the calculation of the ratio is consolidated risk-weighted assets which are allocated by the EMB to each division and to additional lower levels of the organization. See Item 4.B. *Business Overview Regulatory Capital Rules* and Item 5.B *Liquidity and Capital Resources Consolidated Regulatory Capital Requirements* for further information on our consolidated capital adequacy ratios and risk-weighted assets.

Economic Capital

Nomura's internal measure of the capital required to support its business is the Nomura Capital Allocation Target (NCAT), which is measured as the amount of capital required to absorb unexpected losses over a

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

Available Funds

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

Classification and Definition of Risk

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

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

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Market Risk Management

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

Market Risk Management Process

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

Nomura uses a variety of complementary tools to measure, model and aggregate market risk. Nomura's principal statistical measurement tool to assess and monitor market risk on an ongoing basis is Value at Risk (VaR). Limits on VaR are set in line with Nomura's risk appetite as expressed through economic capital. In addition to VaR, Nomura uses sensitivity analysis and stress testing to measure and analyze its market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors. They are specific to each asset class and cannot usually be aggregated across risk factors. Stress testing enables the analysis of portfolio risks or tail risks, including non-linear behaviors and can be aggregated across risk factors at any level of the group hierarchy, from firmwide level to business division, units or desk levels. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

Value at Risk

VaR is a measure of the potential loss in the value of Nomura's trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level. Market risks that are incorporated in the VaR model include equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology Assumptions

Nomura uses a single VaR model which has been implemented globally in order to determine the total trading VaR for Nomura. Nomura's VaR methodology uses historical simulation to estimate potential profit or loss. Historical market moves are repeatedly applied to current exposure, forming a distribution of simulated portfolio returns. From this distribution, potential losses can be estimated at required confidence levels or probabilities.

Nomura uses the same VaR model for both internal risk management purposes and for regulatory reporting of consolidated VaR to the FSA. For internal risk management purposes, VaR is calculated across Nomura at a 99% confidence level and using a 1-day time horizon. For regulatory reporting purposes, Nomura uses the same confidence level but a 10-day time horizon, calculated using actual 10-day historical market moves.

The VaR model uses a default historical time window of two years (520 business days). For risk management and VaR backtesting, Nomura uses a weighted VaR. For the calculation of VaR, the probability weight assigned to each measure of estimated profit or loss in the historical simulation scenarios depends on when it occurred. The older the observation, the lower the weight.

In addition, Nomura calculates other measures used to complement VaR under Basel 2.5 regulations. One of these, Stressed-VaR (SVaR) is calibrated using a one-year window during a period of financial stress. The SVaR calculation uses one year of market data from that period of financial stress. The one-year window is calibrated to be the one with the largest SVaR, given Nomura's current portfolio. The historical data used for SVaR is not exponentially weighted. All VaR and SVaR numbers are calculated within the same system using equivalent model assumptions.

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Nomura's VaR model uses time series for each individual underlying, whenever available. Whenever a time series cannot be found for a specific underlying, the VaR model will follow a proxy logic to map the exposure to an appropriate time series (for example, this would be the case for an option on a recently issued stock). The level of proxying taking place in the VaR model is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of Nomura's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Using a 99% VaR measure, 2 or 3 exceptions (i.e., loss is larger than VaR) may be expected to occur each year. Nomura's VaR model is backtested at a Nomura group level as well as at a number of lower levels, and backtesting results are reviewed on a monthly basis by Nomura's Risk Management Division.

1-day trading losses exceeded the 99% VaR estimate on one occasion at a Nomura group level for the year ended March 31, 2014.

Limitations and Advantages of VaR

The main advantage of VaR as a risk measure is that it is able to aggregate risk from different asset classes in contrast with other risk measures sensitivities that cannot be easily aggregated directly. The risk from different divisions of Nomura can therefore easily be compared and aggregated using VaR.

As a risk measure, however, VaR has certain limitations. One of the main disadvantages with VaR is that it is a backward-looking risk measure. Using historical market moves to estimate future profits or losses assumes that only events that have actually happened in the past are relevant to analyze the risk of a portfolio.

In addition, VaR only gives an estimate of the loss at a stated 99th percentile (i.e., in one out of 100 days the loss will be greater than 1-day VaR), but not what the magnitude of loss could be whenever the loss does exceed VaR.

VaR as a risk measure is most appropriate for liquid markets and may understate the financial impact of severe events for which there is no historical precedent or where market liquidity may not be reliable. In particular, historical correlations can break down in extreme markets leading to unexpected relative market moves. This may make positions that offset each other in VaR modeling move in the same direction thus increasing losses.

Given the limitations of the VaR model, Nomura uses VaR only as one component of a diverse market risk management process. Other metrics to supplement VaR include stress testing and sensitivity analysis.

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

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

	Billions of yen		
	Mar. 30, 2012	As of Mar. 29, 2013	Mar. 31, 2014
Equity	¥ 1.37	¥ 1.26	¥ 1.28
Interest rate	6.53	5.00	3.95
Foreign exchange	2.52	1.87	2.79
Subtotal	10.42	8.14	8.02
Less: Diversification Benefit	(3.20)	(3.05)	(2.86)
VaR	¥ 7.22	¥ 5.09	¥ 5.16

	Billions of yen		
	For the twelve months ended		
	Mar. 30, 2012	Mar. 29, 2013	Mar. 31, 2014
Maximum daily VaR	¥ 9.72	¥ 8.66	¥ 9.90
Average daily VaR	6.54	6.11	6.67
Minimum daily VaR	4.92	4.33	4.45

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

During the year ended March 29, 2013, VaR relating to interest rate risk decreased from ¥6.53 billion as of March 30, 2012 to ¥5.00 billion as of March 29, 2013 due to lower outright interest rate risk being taken within Nomura. VaR relating to foreign exchange risk decreased from ¥2.52 billion as of March 30, 2012 to ¥1.87 billion as of March 29, 2013 mainly due to lower levels of foreign exchange risk being taken. VaR relating to equity risk decreased slightly from ¥1.37 billion as of March 30, 2012 to ¥1.26 billion as of March 29, 2013.

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Stress Testing

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

Non-Trading Risk

A major market risk in Nomura's non-trading portfolio relates to equity investments held for operating purposes and on a long-term basis. This non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in this portfolio is to analyze market sensitivity based on changes in the TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of Nomura's equity investments held for operating purposes. This analysis indicates that for each 10% change in the TOPIX, the market value of Nomura's operating equity investments held for operating purposes can be expected to change by ¥15,327 million at the end of March 2013 and ¥19,721 million at the end of March 2014. The TOPIX closed at 1,034.71 points at the end of March 2013 and at 1,202.89 points at the end of March 2014. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura's expectations because of price fluctuations of individual equities.

Credit Risk Management

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

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

Credit Risk Management Framework

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

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

Credit Risk Management Process

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

Evaluation of likelihood that a counterparty defaults on its payments and obligations;

Assignment of internal ratings to all active counterparties;

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Approval of extensions of credit and establishment of credit limits;

Measurement, monitoring and management of Nomura's current and potential future credit exposures;

Setting credit terms in legal documentation including margin terms; and

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

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

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

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

Establishing the amount of counterparty credit risk that Nomura is willing to take to an individual counterparty or counterparty group (setting of credit limits);

Determining the level of delegated authority for setting credit limits (including tenor);

The frequency of credit reviews (renewal of credit limits);

Reporting counterparty credit risk to senior management within Nomura; and

Reporting counterparty credit risk to stakeholders outside of Nomura.

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

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

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

Credit Limits and Risk Measures

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Internal ratings form an integral part in the assignment of credit limits to counterparties. Nomura's credit limit framework is designed to ensure that Nomura takes appropriate credit risk in a manner that is consistent

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with its overall risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

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

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

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

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

Wrong Way Risk

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

Stress Testing

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

Risk Mitigation

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

Table of Contents**Credit Risk to Counterparties in Derivatives Transaction**

The credit exposures arising from Nomura's trading-related derivatives as of March 31, 2014 are summarized in the table below, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura's CRM.

Credit Rating	Years to Maturity					More than 7 years	Cross- Maturity Netting ⁽¹⁾	Total Fair Value (a)	Collateral obtained (b)	Replacement cost ⁽³⁾ (a)-(b)
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	Billions of yen					
AAA	¥ 13	¥ 32	¥ 69	¥ 23	¥ 66	¥ (57)	¥ 146	¥ 48	¥ 98	
AA	125	286	375	323	675	(1,342)	442	27	415	
A	512	452	548	397	949	(2,205)	653	142	511	
BBB	165	155	164	120	408	(629)	383	136	247	
BB and lower	21	41	38	76	299	(255)	220	279	0	
Other ⁽²⁾	28	16	31	11	77	(160)	3	23	0	
Sub-total	864	982	1,225	950	2,474	(4,648)	1,847	655	1,271	
Listed	525	160	30	1		(258)	458	1	457	
Total	¥ 1,389	¥ 1,142	¥ 1,255	¥ 951	¥ 2,474	¥ (4,906)	¥ 2,305	¥ 656	¥ 1,728	

(1) Represents netting of derivative liabilities against derivatives assets entered into with the same counterparty across different maturity bands. Derivative assets and derivative liabilities with the same counterparty in the same maturity band are net within the relevant maturity band. Cash collateral netting against net derivative assets in accordance with ASC 210-20 *Balance Sheet Offsetting* and ASC 815 *Derivatives and Hedging* is also included.

(2) Other comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties

(3) Zero balances represent where total collateral received is in excess of the total fair value therefore Nomura's credit exposure is zero.

Exposure to certain European peripheral countries

Nomura manages country risk arising from inventory positions, trades with counterparties and any other businesses or products as deemed necessary. A number of European countries have experienced a higher degree of financial stress over the last few years. While this stress has the potential to impact both European and global markets, its impact has been more pronounced in several peripheral countries within the Euro-zone, such as Greece, Ireland, Italy, Portugal and Spain (the GIIPS countries) due, primarily, to their economic and fiscal weaknesses.

Financial, economic and structural issues in the GIIPS countries has adversely influenced major global financial markets. Further stress in these countries combined with a sustained market or economic downturn could adversely affect Nomura's business and could result in substantial future losses.

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The table below presents information regarding Nomura's exposure to the GIIPS countries as of March 31, 2014. Country risk exposure is reported based on the location of the counterparty, issuer or underlier's assets.

	Billions of yen March 31, 2014										
	Net inventory exposures			Net counterparty exposures							
	Debt securities ⁽¹⁾	Equity securities ⁽²⁾	Equity and credit derivatives referencing GIIPS underlyings ⁽³⁾	Loans ⁽⁴⁾	Derivative contracts with GIIPS counterparties ⁽⁵⁾	Securities financing transactions ⁽⁶⁾	Total gross funded exposure	Unfunded exposure ⁽⁷⁾	Total gross exposure	Less: Hedges ⁽⁸⁾	Total net exposure
Greece	¥ 10	¥ 1	¥ (3)	¥	¥ 9	¥ 0	¥ 17	¥	¥ 17	¥ 2	¥ 15
Sovereign	5				7		12		12	2	10
Non-sovereign ⁽⁹⁾	5	1	(3)		2	0	5		5	0	5
Ireland	47	(0)	8		1	0	56	1	56	0	56
Sovereign	11		9		0		20		20	0	19
Non-sovereign ⁽⁹⁾	36	(0)	(0)		0	0	36	1	37	0	37
Italy	22	(0)	24		50	1	97		97	32	65
Sovereign	(35)		28		34	0	27		27	31	(5)
Non-sovereign ⁽⁹⁾	57	(0)	(4)		16	1	71		71	1	70
Portugal	1	(1)	5		0	0	5		5	2	3
Sovereign	0		(2)				(2)		(2)	1	(2)
Non-sovereign ⁽⁹⁾	1	(1)	6		0	0	6		6	1	6
Spain	256	4	(219)	1	15	1	57	5	63	13	50
Sovereign	110		(86)		7		31		31	8	23
Non-sovereign ⁽⁹⁾	146	4	(133)	1	8	1	26	5	32	4	27
Total	¥ 336	¥ 3	¥ (185)	¥ 1	¥ 75	¥ 2	¥ 232	¥ 6	¥ 238	¥ 49	¥ 189
Sovereign	90		(51)		48	0	87		87	42	45
Non-sovereign ⁽⁹⁾	245	3	(134)	1	27	2	145	6	151	6	144

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- (1) Fair value amounts of long and short debt securities by GIIPS issuers. No GIIPS collateral has been used in repurchase-to-maturity transactions.
- (2) Fair value amounts of long and short equity securities by GIIPS issuers.
- (3) Net derivatives entered into for market-making and trading purposes which reference GIIPS underlyings and includes both single-name credit default swaps (CDS) and other credit derivatives referencing baskets of reference assets, indices or other multiple underlyings. Amounts disclosed are calculated based on notional amounts of the derivatives assuming zero recovery as adjusted for fair value movements.

Where derivative contracts cover multiple underlyings, including one or more GIIPS countries or both sovereign and non-sovereign underlyings in these countries, the relevant derivatives are disaggregated into their constituent single names for reporting in the table. Exposure for each single name is calculated as the change in mark to market of the product, based on an internally developed model, given the instantaneous default of the relevant reference credit and assuming zero recovery. No specific assumptions are made regarding the order of defaults or collateral coverage.

- (4) Fair value amounts of loans to GIIPS counterparties.
- (5) Derivatives with GIIPS counterparties which are shown net by counterparty and after deduction of cash collateral received of ¥360.8 billion.
- (6) Fair value amounts of reverse repurchase agreements, repurchase agreements, securities borrowing and lending transactions, which are shown net by counterparty and after deduction of securities collateral and cash margin received of ¥738.1 billion.
- (7) Notional amount of unfunded loan commitments with GIIPS borrowers.
- (8) Hedges consist primarily of single-name CDS where Nomura has purchased net protection against GIIPS net counterparty credit exposures. Amounts disclosed are calculated based on notional amounts assuming zero recovery as adjusted for fair value movements.
- (9) Non-sovereign counterparties are primarily financial institutions located in these countries.

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Amounts reported in net inventory exposures and hedges include single-name CDS where Nomura has either purchased or sold credit protection on a single name GIIPS underlying. The following table presents the gross notional value and fair value of these derivatives by relevant GIIPS country and by type of underlying.

	Billions of yen March 31, 2014			
	Purchased protection		Sold protection	
	Notional value	Fair value	Notional value	Fair value
Greece				
Sovereign	¥	¥	¥	¥
Non-sovereign	59	(5)	60	5
	59	(5)	60	5
Ireland				
Sovereign	175	(3)	187	3
Non-sovereign	91	(7)	87	8
	266	(10)	274	11
Italy				
Sovereign	2,283	54	2,354	(50)
Non-sovereign	579	(21)	608	25
	2,862	33	2,962	(25)
Portugal				
Sovereign	242	2	240	(3)
Non-sovereign	208	(13)	217	15
	450	(11)	457	12
Spain				
Sovereign	1,051	(6)	1,252	8
Non-sovereign	404	(18)	442	20
	1,455	(24)	1,694	28
Total				
Sovereign	3,751	47	4,033	(41)
Non-sovereign	1,341	(64)	1,414	72
	¥ 5,092	¥ (17)	¥ 5,447	¥ 31

These notional and fair value amounts are not representative of Nomura's overall exposure as they exclude the impact of master netting agreements and collateralization arrangements in place with the counterparties to these transactions. See Note 3 *Derivative instruments and hedging activities* in the consolidated financial statements included in this annual report for more information around the nature of Nomura's credit derivative activities, including the nature of payout or trigger events under these contracts.

In addition to the above direct exposures to these countries, Nomura also has indirect exposures to these countries as follows:

Exposure to other European sovereign and non-sovereign counterparties such as counterparties in France, Germany and the UK who themselves may have exposures to these countries. These exposures are monitored and mitigated when necessary as part of Nomura's Credit Risk Management procedures.

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Exposure to redenomination risk if the Euro is no longer used as the currency unit in one or more GIIPS or other Eurozone countries. Nomura monitors and manages redenomination risk through scenario analyses which quantify the potential impact on its GIIPS exposures.

Additional exposure to replacement risk arising from financial instruments entered into with GIIPS counterparties. Nomura manages and mitigates replacement risk relating to GIIPS counterparties by monitoring exposures on selected counterparties believed to represent the most significant risk, identifying major concentration of risks in order to reduce exposures when possible and being prepared to put in place a pre-emptive plan of action if such an event occurs.

Operational Risk Management

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

The Three Lines of Defence

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

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

Operational Risk Management Framework

An Operational Risk Management Framework has been established in order to allow Nomura to identify, assess, manage, monitor and report on operational risk. The GIRMC, with delegated authority from the EMB has formal oversight over the management of operational risk. Operational risk appetite is defined through a mixture of qualitative appetite statements and quantitative measures utilizing key components of the Operational Risk Management Framework.

This framework is set out below:

Infrastructure of the framework

Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.

Training and awareness: Action taken by ORM to improve business understanding of operational risk.

Products and Services

Risk and Control Self Assessment (RCSA): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.

Scenario Analysis: Process to identify and assess high impact, low probability tail events .

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Event Reporting: Process to obtain information on and learn from actual events impacting Nomura and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.

Key Risk Indicators (KRI): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

Analysis and reporting: A key aspect of ORM s role is to analyze, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.

Operational risk capital calculation: Calculate operational risk capital for regulatory reporting purposes and allocate to business units to improve the efficiency on profit versus risks.

Regulatory capital calculation for operational risk

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

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

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

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

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

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

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

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Model Risk Management

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

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

Model Management Framework

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

valuation models, used for calculating prices and risk sensitivities of Nomura's positions; or,

risk models, used by the Risk Management Division for quantifying the risk of a portfolio by calculating the potential losses incurred from a specific type of risk, and used for regulatory or economic capital calculations, limit monitoring, trade approval and management reporting.

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

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

Changes to valuation and risk models

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

Funding and Liquidity Risk Management

For further information on funding and liquidity risk management, see *Operating and Financial Review and Prospects Liquidity and Capital Resources Funding and Liquidity Management* in Item 5.B.

Risk Measures and Controls

Limit Frameworks

The establishment of robust limit monitoring and management is central to appropriate monitoring and management of risk. The limit management frameworks incorporate clear escalation policies to ensure approval of limits at appropriate levels of seniority. The Risk Management Division is responsible for day-to-day

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operation of these limit frameworks including approval, monitoring, and reporting as required. Business units are responsible for complying with the agreed limits. Limits apply across a range of quantitative measures of risk and across market and credit risks.

New Business Risk Management

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

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

Stress Testing

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

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

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

Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors across all positions (e.g., equity prices or equity prices/equity volatility) using a variety of defined market shocks in order to assess specific risks or potential concentrations;

Scenario analysis is used to quantify the impact of a specified event on Nomura's portfolio, combining simultaneous cross-asset market shocks;

Firmwide stress testing is applied consistently across risk classes, such as market, credit, operational, business and liquidity risks. It is used to assess Nomura's capital adequacy under severe market scenarios; and

Reverse stress testing is designed to identify a range of adverse circumstances which could cause Nomura's business plan to become unviable. Such tests would stress Nomura's exposures or business models in an extreme fashion until the point of capital failure, liquidity failure or business closure.

Stress tests are run on a regular basis as part of Nomura's routine risk management process and on an ad hoc basis in response to market events or concerns. Stress testing is regarded as an integral part of Nomura's risk management governance and used as a tool for forward-looking risk management and decision-making.

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Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

Table of Contents**D. American Depositary Shares****Fees payable by ADR Holders**

The following table shows the fees and charges that a holder of the Company's ADR may have to pay, either directly or indirectly:

Type of Services:	Amount of Fee (U.S. Dollars)
Taxes and other governmental charges	As applicable. The depository may offset any taxes or governmental charges it is obligated to withhold, if applicable, against the proceeds from sale of the property received.
Transfers of the Company's shares to or from the name of the depository (or its nominee) or the Custodian (or its nominee) in connection with deposits or withdrawals	Such registration fees as may be in effect for the registration of transfers of the Company's shares on the Company's share register (or any entity that presently carries out the duties of registrar).
Cable, telex and facsimile transmission expenses	As applicable.
Expenses incurred by the depository in the conversion of foreign currency	As applicable.
Execution and delivery of Receipts in connection with deposits, stock splits or exercise of subscription rights	\$5.00 or less per 100 ADSs (or portion thereof).
Surrender of Receipts in connection with a withdrawal or termination of the Deposit Agreement	\$5.00 or less per 100 ADSs (or portion thereof).
Any cash distribution pursuant to the Deposit Agreement, including, but not limited to, cash distribution(s) made in connection with: cash dividends; distributions in securities, property or subscription rights; and stock splits.	\$.02 or less per ADS (or portion thereof). Only the cash amounts net of this fee, if applicable, are distributed.
Distribution by the depository of securities (other than common shares of the Company) that accrued on the underlying shares to owners of the Receipts	Treating for the purpose of this fee all such securities as if they were common shares of the Company, \$5.00 or less per 100 ADSs (or portion thereof).
General depository services	\$.02 or less per ADS (or portion thereof), accruing on the last day of each calendar year, except where the fee for cash distribution described above was assessed during that calendar year.
Any other charge payable by the depository, any of the depository's agents, including the Custodian, or the agents of the depository's agents in connection with the servicing of the Company's shares or other deposited securities	As applicable.

Fees paid to Nomura by the depository

The Bank of New York Mellon, as depository, has agreed to pay all its standard out-of-pocket administration and maintenance expenses for providing services to the registered shareholders and up to 100,000 non-registered shareholders of ADRs. From April 1, 2013 to March 31, 2014, the Bank of New York Mellon has waived a total of \$151,943.80 in fees (including \$21,520.51 in connection with the expenses related to the Annual General Meeting of Shareholders) associated with the administration of the ADR program and administrative fees for routine corporate actions and for providing investor relations information services.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures.

Our Disclosure Committee is responsible for the establishment and maintenance of our disclosure controls and procedures. As of March 31, 2014, an evaluation was carried out under the supervision and with the participation of our management, including our Group Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our Group Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2014, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Our management, with the participation of our Group Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2014. Our independent registered public accounting firm, Ernst & Young ShinNihon LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page F-3 of this annual report.

Changes in Internal Control Over Financial Reporting.

Our management also carried out an evaluation, with the participation of our Group Chief Executive Officer and Chief Financial Officer, of changes in our internal control over financial reporting during the year ended March 31, 2014. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2014 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Company's Board of Directors has determined that Tsuguoki Fujinuma, a member of the Audit Committee, is an audit committee financial expert as such term is defined by the General Instructions for Item 16A of Form 20-F. Additionally, Mr. Fujinuma meets the independence requirements applicable to him under Section 303A.06 of the NYSE Listed Company Manual. For a description of his business experience, see Item 6.A of this annual report.

Item 16B. Code of Ethics

On March 5, 2004, the Company adopted the Code of Ethics of Nomura Group which includes the Code of Ethics for Financial Professionals applicable to our financial professionals including the Company's principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Table of Contents**Item 16C. Principal Accountant Fees and Services**

Ernst & Young ShinNihon LLC has been our principal accountant for SEC reporting purposes for the last twelve fiscal years. The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountants in each of the following categories:

(i) Audit Fees, which are fees for professional services for the audit or review of our financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax advice and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit-Related Fees and Tax-Fees, such as advisory concerning risk management and regulatory matters.

	Millions of yen	
	Year ended March 31	
	2013	2014
Audit Fees	¥ 2,901	¥ 3,349
Audit-Related Fees	64	49
Tax Fees	57	113
All Other Fees	777	522
Total	¥ 3,799	¥ 4,033

Audit-Related Fees included fees for consultations on accounting issues relating to our business. Tax Fees included fees for services relating to tax planning and compliance. All Other Fees included fees for services relating to advice with respect to regulations and disclosures under the Financial Instruments and Exchange Act in connection with our underwriting business.

In accordance with the regulations of the Securities and Exchange Commission issued pursuant to Sections 202 and 208 of the Sarbanes-Oxley Act of 2002, our Audit Committee has adopted a pre-approval policy regarding the engagements of our principal accountants. Under the pre-approval policy, there are two types of pre-approval procedures, General Pre-Approval and Specific Pre-Approval.

Under General Pre-Approval, our CFO in conjunction with our principal accountants must make a proposal to our Audit Committee for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such a proposal must be made at least annually. The Audit Committee will discuss the proposal and if necessary consult with outside professionals as to whether the proposed services would impair the independence of our principal accountants. If such proposal is accepted, our Audit Committee will inform our CFO and principal accountants of the services that have been pre-approved and included in a General Pre-Approved List. Our Audit Committee is informed of each such service that is provided.

Under Specific Pre-Approval, if any proposed services are not on the General Pre-Approved List, our CFO must submit an application to our Audit Committee for such services. After reviewing the details and estimated fee levels for each engagement and if necessary consulting with outside professionals as to whether the proposed services would impair the independence of our principal accountants, our Audit Committee may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, our CFO must submit an application to our Audit Committee for new fee levels for such services. Our Audit Committee may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

None of the services described in the first paragraph under this Item 16C were waived from the pre-approval requirement pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Table of Contents**Item 16D. Exemptions from the Listing Standards for Audit Committees**

The Company does not avail itself of any exemption from the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the fiscal year ended March 31, 2014, we acquired 38,931 shares of our common stock by means of repurchase of shares constituting less than one unit upon the request of the holders of those shares and 40,000,000 shares under a share buyback program in accordance with Article 459-1 of the Companies Act. For an explanation of the right of our shareholders to demand such repurchases by us, see Common Stock under Item 10.B of this annual report. As of March 31, 2014, we had 3,717,630,462 outstanding shares excluding 104,932,139 shares as treasury stock.

On April 30, 2014, we announced a resolution of the Board of Directors to establish a share buyback program in accordance with Article 459-1 of the Companies Act. The period of repurchase under the program was from May 19, 2014 to July 25, 2014, and we were authorized to purchase up to 100,000,000 shares of our common stock or to a maximum of ¥70,000,000,000. On May 30, 2014, we announced that the aggregate number of shares repurchased through this buyback program was 100,000,000 shares and the aggregate value of shares repurchased was ¥ 65,188,616,000.

The following table sets forth certain information with respect to our purchases of shares of our common stock during the fiscal year ended March 31, 2014.

Month	Total Number of Shares Purchased	Average Price Paid per Share (in yen)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2013	1,983	¥ 690		
May 1 to 31, 2013	40,002,346	881 ⁽¹⁾	40,000,000	40,000,000
June 1 to 30, 2013	18,474	724		
July 1 to 31, 2013	3,567	801		
August 1 to 31, 2013	2,547	745		
September 1 to 30, 2013	1,930	736		
October 1 to 31, 2013	1,745	748		
November 1 to 30, 2013	2,958	762		
December 1 to 31, 2013	7,689	779		
January 1 to 31, 2014	4,377	797		
February 1 to 28, 2014	3,709	705		
March 1 to 31, 2014	3,506	677		
Total	40,054,831	¥ 748	40,000,000	40,000,000

(1) Excludes the 40,000,000 shares of our common stock repurchased through the buyback program during the year ended March 31, 2014. Nomura recognizes the need to set out flexible financial strategies that allow the Board of Directors to respond quickly to any changes in the business environment and is looking into implementing further share buybacks. Details will be announced when finalized.

As of May 31, 2014, 3,630,129,445 shares of Nomura Holdings were outstanding, excluding 192,433,156 shares held as treasury stock.

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Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as the Company, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by the Company. The information set forth below is current as of the date of this annual report.

Corporate Governance Practices Followed

by NYSE-listed U.S. Companies

A NYSE-listed U.S. company must have a majority of Directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.

The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.

A NYSE-listed U.S. company must have an audit committee that satisfies the requirements under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.

A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.

Corporate Governance Practices Followed by the Company

Under the Companies Act, a company which adopts the Committee System is not required to have a majority of outside directors, but is required to have a majority of outside directors on each of the audit, nomination and compensation committees. An outside director is defined under the Companies Act as a non-executive director who does not currently assume, and has never assumed, the position of executive director, executive officer, manager or employee of the company or its subsidiaries.

The Company, while meeting the requirements of the Companies Act, has six outside directors among its eleven Directors.

Under the Companies Act, the Company is not required to hold such executive sessions for its outside directors.

The Company has an Audit Committee consisting of three Directors, all of whom are independent directors under Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The Audit Committee is in charge of monitoring the performance of the Directors and Executive Officers of the Company and to propose the appointment or dismissal of its independent auditors and accounting firm. The Audit Committee satisfies the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934.

The Company has a Nomination Committee consisting of three Directors, two of whom are outside directors. The Nomination Committee is in charge of proposing to the meeting of shareholders the election or dismissal of Directors of the Company.

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Corporate Governance Practices Followed

by NYSE-listed U.S. Companies

A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

Corporate Governance Practices Followed by the Company

The Company has a Compensation Committee consisting of three Directors, two of whom are outside directors. The Compensation Committee is in charge of determining the compensation of each Director and Executive Officer of the Company.

The Compensation Committee establishes the policy with respect to the determination of the individual compensation of each of the Company's Directors and Executive Officers (including stock options in the form of stock acquisition rights as equity compensation) and makes determinations in accordance with that compensation policy. Under the Companies Act, stock options are deemed to be compensation for the services performed by the Company's Directors and Executive Officers.

Item 16H. Mine Safety Disclosure

Not applicable.

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PART III

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18 of this annual report.

Item 18. Financial Statements

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

Table of Contents**Item 19. Exhibits**

Exhibit Number	Description
1.1	Articles of Incorporation of the registrant (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.2	Share Handling Regulations of the registrant (English translation) (filed on April 7, 2010 as an exhibit to the Registration Statement on Form S-8 (File No. 333-165925) and incorporated herein by reference)
1.3	Regulations of the Board of Directors of the registrant (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.4	Regulations of the Nomination Committee (English translation) (filed on June 30, 2009 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee (English translation) (filed on June 30, 2009 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.6	Regulations of the Compensation Committee (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among the registrant, The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
4.1	Limitation of Liability Agreement (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽¹⁾
4.2	Limitation of Liability Agreement (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽²⁾
8.1	Subsidiaries of the registrant See Item 4.C. Information on the Company Organizational Structure.
11.1	Code of Ethics of Nomura Group (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
15.2	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) The Company and each of Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma and Toshinori Kanemoto entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

(2) The Company and each of Dame Clara Furse and Michael Lim Choo San entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% of our total assets. We will furnish a copy of any such instrument to the SEC upon request.

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<u>Consolidated Financial Statements of Nomura Research Institute, Ltd.</u>	A-1
Pursuant to Regulation S-X, Rule 3-09, this annual report contains the consolidated financial statements of Nomura Research Institute, Ltd. (NRI), an equity method affiliate of Nomura Holdings, Inc. (the Company). The consolidated financial statements of NRI contained herein, which are as of March 31, 2013 and 2014 and for the years ended March 31, 2012, 2013 and 2014, have been prepared in accordance with accounting principles generally accepted in Japan. The equity of the Company and its consolidated subsidiaries in the income before income taxes of NRI exceeded 20%, but did not exceed 30%, of such income of the Company and its consolidated subsidiaries for the year ended March 31, 2012, while such percentages for the years ended March 31, 2013 and 2014 did not exceed 20%. The Company and its consolidated subsidiaries' investments in and advances to NRI did not exceed 20% of the total assets of the Company and its consolidated subsidiaries as of March 31, 2012, 2013 or 2014. Accordingly, pursuant to Regulation S-X, Rule 3-09 as well as Item 17 of Form 20-F, of the consolidated financial statements of NRI contained herein, only those as of and for the year ended March 31, 2012 have been audited in accordance with auditing standards generally accepted in the United States.	

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Nomura Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2013 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. at March 31, 2013 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated June 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 26, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

Nomura Holdings, Inc.

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Nomura Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nomura Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nomura Holdings, Inc. as of March 31, 2013 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2014 and our report dated June 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 26, 2014

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

	Millions of yen March 31	
	2013	2014
ASSETS		
Cash and cash deposits:		
Cash and cash equivalents	¥ 805,087	¥ 1,489,792
Time deposits	577,921	363,682
Deposits with stock exchanges and other segregated cash	269,744	335,836
Total cash and cash deposits	1,652,752	2,189,310
Loans and receivables:		
Loans receivable (including ¥524,049 million and ¥303,956 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	1,575,494	1,327,875
Receivables from customers (including ¥2,180 million measured at fair value by applying the fair value option in 2014)	63,792	64,070
Receivables from other than customers	992,847	1,181,742
Allowance for doubtful accounts	(2,258)	(3,009)
Total loans and receivables	2,629,875	2,570,678
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥997,788 million and ¥1,087,138 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	8,295,372	9,617,675
Securities borrowed	5,819,885	7,729,326
Total collateralized agreements	14,115,257	17,347,001
Trading assets and private equity investments:		
Trading assets (including securities pledged as collateral of ¥7,707,813 million and ¥9,266,192 million in 2013 and 2014, respectively; including ¥19,970 million and ¥9,156 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	17,037,191	18,672,318
Private equity investments (including ¥44,134 million and ¥3,476 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	87,158	41,996
Total trading assets and private equity investments	17,124,349	18,714,314
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥355,831 million and ¥350,820 million in 2013 and 2014, respectively)	428,241	408,917
Non-trading debt securities	920,611	1,023,746
Investments in equity securities	123,490	136,740
Investments in and advances to affiliated companies	345,705	345,434
Other (including ¥1,632 million and ¥56,976 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	602,159	784,174
Total other assets	2,420,206	2,699,011
Total assets	¥ 37,942,439	¥ 43,520,314

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

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Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS (Continued)**

	Millions of yen March 31	
	2013	2014
LIABILITIES AND EQUITY		
Short-term borrowings (including ¥77,036 million and ¥49,279 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	¥ 738,445	¥ 602,131
Payables and deposits:		
Payables to customers	476,705	492,516
Payables to other than customers	864,962	1,230,176
Deposits received at banks	1,072,134	1,114,181
Total payables and deposits	2,413,801	2,836,873
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥264,767 million and ¥530,397 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	12,444,317	13,937,690
Securities loaned	2,158,559	2,359,809
Other secured borrowings	806,507	814,500
Total collateralized financing	15,409,383	17,111,999
Trading liabilities	8,491,296	11,047,285
Other liabilities (including ¥2,360 million and ¥1,123 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	978,163	1,141,750
Long-term borrowings (including ¥1,664,536 million and ¥1,984,986 million measured at fair value by applying the fair value option in 2013 and 2014, respectively)	7,592,368	8,227,063
Total liabilities	35,623,456	40,967,101
Commitments and contingencies (Note 23)		
Equity:		
Nomura Holdings, Inc. (NHI) shareholders' equity:		
Common stock		
No par value shares:		
Authorized 6,000,000,000 shares in 2013 and 2014		
Issued 3,822,562,601 shares in 2013 and 2014		
Outstanding 3,710,960,252 shares in 2013 and 3,717,630,462 shares in 2014	594,493	594,493
Additional paid-in capital	691,264	683,638
Retained earnings	1,136,523	1,287,003
Accumulated other comprehensive income (loss)	(57,395)	20,636
Total NHI shareholders' equity before treasury stock	2,364,885	2,585,770
Common stock held in treasury, at cost 111,602,349 shares in 2013 and 104,932,139 shares in 2014	(70,514)	(72,090)
Total NHI shareholders' equity	2,294,371	2,513,680

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Noncontrolling interests	24,612	39,533
Total equity	2,318,983	2,553,213
Total liabilities and equity	¥ 37,942,439	¥ 43,520,314

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

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The following table presents the classification of consolidated variable interest entities (VIEs) assets and liabilities included in the consolidated balance sheets above. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not have any recourse to Nomura beyond the assets held in the VIEs. See Note 8 *Securitizations and Variable Interest Entities* for further information.

	Billions of yen	
	March 31	
	2013	2014
Cash and cash deposits	¥ 13	¥ 18
Trading assets and private equity investments	695	751
Other assets	93	114
 Total assets	 ¥ 801	 ¥ 883
Trading liabilities	¥ 21	¥ 42
Other liabilities	11	27
Borrowings	458	424
 Total liabilities	 ¥ 490	 ¥ 493

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF INCOME**

	Millions of yen Year ended March 31		
	2012	2013	2014
Revenue:			
Commissions	¥ 347,135	¥ 359,069	¥ 474,557
Fees from investment banking	59,638	62,353	91,301
Asset management and portfolio service fees	144,251	141,029	167,247
Net gain on trading	272,557	367,979	476,356
Gain on private equity investments	25,098	8,053	11,392
Interest and dividends	435,890	394,007	416,350
Gain on investments in equity securities	4,005	38,686	15,156
Other	563,186	708,767	179,485
Total revenue	1,851,760	2,079,943	1,831,844
Interest expense	315,901	266,312	274,774
Net revenue	1,535,859	1,813,631	1,557,070
Non-interest expenses:			
Compensation and benefits	534,648	547,591	570,058
Commissions and floor brokerage	93,500	91,388	111,849
Information processing and communications	177,148	179,904	192,168
Occupancy and related depreciation	100,891	91,545	80,142
Business development expenses	48,488	49,010	38,485
Other	496,227	616,463	202,754
Total non-interest expenses	1,450,902	1,575,901	1,195,456
Income before income taxes	84,957	237,730	361,614
Income tax expense	58,903	132,039	145,165
Net income	¥ 26,054	¥ 105,691	¥ 216,449
Less: Net income (loss) attributable to noncontrolling interests	14,471	(1,543)	2,858
Net income attributable to NHI shareholders	¥ 11,583	¥ 107,234	¥ 213,591
Yen			
Per share of common stock:			
Basic			
Net income attributable to NHI shareholders per share	¥ 3.18	¥ 29.04	¥ 57.57
Diluted			
Net income attributable to NHI shareholders per share	¥ 3.14	¥ 28.37	¥ 55.81

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Millions of yen		
	Year ended March 31		
	2012	2013	2014
Net income	¥ 26,054	¥ 105,691	¥ 216,449
Other comprehensive income (loss):			
Change in cumulative translation adjustments, net of tax	(13,801)	74,301	68,090
Defined benefit pension plans:			
Pension liability adjustment	(4,203)	8,702	15,093
Deferred income taxes	1,548	(3,007)	(5,384)
Total	(2,655)	5,695	9,709
Non-trading securities:			
Net unrealized gain on non-trading securities	1,339	17,283	3,358
Deferred income taxes	(498)	(4,650)	(1,109)
Total	841	12,633	2,249
Total other comprehensive income (loss)	(15,615)	92,629	80,048
Comprehensive income	10,439	198,320	296,497
Less: Comprehensive income attributable to noncontrolling interests	14,309	3,332	4,875
Comprehensive income (loss) attributable to NHI shareholders	¥ (3,870)	¥ 194,988	¥ 291,622

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Millions of yen Year ended March 31		
	2012	2013	2014
Common stock			
Balance at beginning of year	¥ 594,493	¥ 594,493	¥ 594,493
Balance at end of year	594,493	594,493	594,493
Additional paid-in capital			
Balance at beginning of year	646,315	698,771	691,264
Issuance of common stock	30,356		
Gain (loss) on sales of treasury stock	719	(1,798)	(7,647)
Issuance and exercise of common stock options	19,466	(5,700)	(210)
Purchase / sale of subsidiary shares, net	1,915	(9)	231
Balance at end of year	698,771	691,264	683,638
Retained earnings			
Balance at beginning of year	1,069,334	1,058,945	1,136,523
Net income attributable to NHI shareholders	11,583	107,234	213,591
Cash dividends	(21,972)	(29,656)	(63,111)
Balance at end of year	1,058,945	1,136,523	1,287,003
Accumulated other comprehensive income (loss)			
Cumulative translation adjustments			
Balance at beginning of year	(97,426)	(110,652)	(38,875)
Net change during the year	(13,226)	71,777	66,579
Balance at end of year	(110,652)	(38,875)	27,704
Defined benefit pension plans			
Balance at beginning of year	(32,270)	(35,132)	(28,518)
Pension liability adjustment	(2,862)	6,614	9,709
Balance at end of year	(35,132)	(28,518)	(18,809)
Non-trading securities			
Balance at beginning of year		635	9,998
Net unrealized gain on non-trading securities	635	9,363	1,743
Balance at end of year	635	9,998	11,741
Balance at end of year	(145,149)	(57,395)	20,636

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)**

	Millions of yen Year ended March 31		
	2012	2013	2014
Common stock held in treasury			
Balance at beginning of year	(97,692)	(99,819)	(70,514)
Repurchases of common stock	(8,944)	(7)	(32,511)
Sales of common stock	1	1	9
Common stock issued to employees	6,693	29,507	30,127
Other net change in treasury stock	123	(196)	799
Balance at end of year	(99,819)	(70,514)	(72,090)
Total NHI shareholders' equity			
Balance at end of year	2,107,241	2,294,371	2,513,680
Noncontrolling interests			
Balance at beginning of year	8,882	281,896	24,612
Cash dividends	(2,760)	(3,422)	(40)
Net income (loss) attributable to noncontrolling interests	14,471	(1,543)	2,858
Accumulated other comprehensive income (loss) attributable to noncontrolling interests			
Cumulative translation adjustments	(575)	2,524	1,511
Pension liability adjustment	207	(919)	
Net unrealized gain on non-trading securities	206	3,270	506
Purchase / sale of subsidiary shares, net	271,515	(247,782)	341
Other net change in noncontrolling interests	(10,050)	(9,412)	9,745
Balance at end of year	281,896	24,612	39,533
Total equity			
Balance at end of year	¥ 2,389,137	¥ 2,318,983	¥ 2,553,213

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Millions of yen Year ended March 31		
	2012	2013	2014
Cash flows from operating activities:			
Net income	¥ 26,054	¥ 105,691	¥ 216,449
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	100,572	91,493	79,468
Stock option expenses	26,869	21,955	21,091
Gain on investments in equity securities	(4,005)	(38,686)	(15,156)
Equity in earnings of affiliates, net of dividends received	(969)	(13,003)	(29,499)
Loss on disposal of office buildings, land, equipment and facilities	5,351	17,641	8,360
Deferred income taxes	37,772	53,957	117,061
Changes in operating assets and liabilities:			
Time deposits	(318,104)	137,526	274,593
Deposits with stock exchanges and other segregated cash	(39,225)	(9,461)	(42,403)
Trading assets and private equity investments	971,327	(1,448,489)	(485,673)
Trading liabilities	(1,058,445)	248,019	2,007,807
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	980,156	1,375,929	(183,884)
Securities borrowed, net of securities loaned	(508,844)	863,511	(1,604,469)
Other secured borrowings	(271,498)	(84,444)	7,992
Loans and receivables, net of allowance for doubtful accounts	28,933	(238,318)	217,397
Payables	218,915	(305,672)	278,325
Bonus accrual	(13,356)	31,415	16,356
Accrued income taxes, net	5,055	50,019	(87,933)
Other, net	104,305	(309,582)	(338,456)
Net cash provided by operating activities	290,863	549,501	457,426
Cash flows from investing activities:			
Payments for purchases of office buildings, land, equipment and facilities	(182,568)	(271,975)	(214,336)
Proceeds from sales of office buildings, land, equipment and facilities	120,435	147,653	176,680
Payments for purchases of investments in equity securities	(138)	(319)	(4,799)
Proceeds from sales of investments in equity securities	5,485	3,741	6,945
Decrease (increase) in loans receivable at banks, net	30,591	22,189	(10,972)
Increase in non-trading debt securities, net	(968)	(54,237)	(103,187)
Business combinations or disposals, net	35,597	(5,919)	
Decrease (increase) in investments in affiliated companies, net	2,146	(1,391)	43,298
Other, net	(638)	(228)	3,176
Net cash provided by (used in) investing activities	9,942	(160,486)	(103,195)
Cash flows from financing activities:			
Increase in long-term borrowings	2,015,446	1,930,357	2,140,351
Decrease in long-term borrowings	(2,883,078)	(2,330,509)	(1,594,148)
Decrease in short-term borrowings, net	(56,383)	(416,174)	(149,437)
Increase (decrease) in deposits received at banks, net	117,047	129,384	(23,605)
Proceeds from sales of common stock held in treasury	10	56	682
Payments for repurchases of common stock held in treasury	(8,287)	(7)	(32,511)
Payments for cash dividends	(29,066)	(14,730)	(51,947)
Net cash provided by (used in) financing activities	(844,311)	(701,623)	289,385
Effect of exchange rate changes on cash and cash equivalents	(6,314)	47,175	41,089
Net increase (decrease) in cash and cash equivalents	(549,820)	(265,433)	684,705

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Cash and cash equivalents at beginning of the year	1,620,340	1,070,520	805,087
Cash and cash equivalents at end of the year	¥ 1,070,520	¥ 805,087	¥ 1,489,792
Supplemental information:			
Cash paid during the year for			
Interest	¥ 338,802	¥ 296,643	¥ 303,331
Income tax payments, net	¥ 16,076	¥ 28,063	¥ 116,037

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Non cash activities

Business acquisitions:

Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥2,132,740 million and ¥1,784,621 million, respectively, for the year ended March 31, 2012.

Business dispositions:

Assets sold, excluding cash and cash equivalents, and debt assumed by the purchaser were ¥1,488,853 million and ¥1,166,556 million, respectively, for the year ended March 31, 2013.

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

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies:

Description of business

Nomura Holdings, Inc. (the Company) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government clients on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura within these consolidated financial statements.

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

In its Retail segment, Nomura provides investment consultation services mainly to individual clients in Japan. In its Asset Management segment, Nomura develops and manages investment trusts, and provides investment advisory services. In its Wholesale segment, Nomura is engaged in the sales and trading of debt and equity securities, derivatives, and currencies on a global basis to various institutions, provides investment banking services such as the underwriting of debt and equity securities as well as mergers and acquisitions and financial advice and invests in private equity businesses and seeks to maximize returns on these investments by increasing the corporate value of investee companies.

Basis of presentation

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States (U.S. GAAP) as applicable to broker-dealers.

These consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest. The Company initially determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity (VIE) under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 810 *Consolidation* (ASC 810). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company consolidates VIEs where Nomura is the primary beneficiary, which is where Nomura holds variable interests that provide power over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses meeting a significance test, provided that Nomura is not acting as a fiduciary for other interest holders. For certain VIEs that qualify as investment companies under ASC 946 *Financial Services Investment Companies* (ASC 946) or for which it is industry practice to apply guidance consistent with the measurement principles in ASC 946, Nomura is the primary beneficiary when it holds an interest that will absorb a majority of the expected losses or a majority of the expected residual returns of the entity, or both.

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

Equity investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of the voting stock of a corporate entity, or at least 3 percent of a limited partnership) are accounted for under the equity method of accounting (equity method investments) and reported within *Other assets Investments in and advances to affiliated companies* or at fair value by electing the fair value option permitted by ASC 825 *Financial Instruments* (ASC 825) and reported within *Trading*

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

assets, Private equity investments or Other assets - Other. Other investments are reported within *Trading assets*. Equity investments in which Nomura has neither control nor significant influence are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income.

Certain entities in which Nomura has a financial interest are investment companies under ASC 946. These entities carry all of their investments at fair value, with changes in fair value recognized through the consolidated statements of income.

The Company's principal subsidiaries include Nomura Securities Co., Ltd. (NSC), Nomura Securities International, Inc. (NSI) and Nomura International plc (NIP).

All material intercompany transactions and balances have been eliminated on consolidation. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Use of estimates

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

Fair value of financial instruments

A significant amount of Nomura's financial assets and financial liabilities are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income. Use of fair value is either specifically required under U.S. GAAP or Nomura makes an election to use fair value for certain eligible items under the fair value option.

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

In all cases, fair value is determined in accordance with ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura's principal market, or in the absence of a principal market, the most advantageous market for the relevant financial asset or financial liability. See Note 2 *Fair value measurements* for further information regarding how Nomura estimates fair value for specific types of financial instruments used in the ordinary course of business.

Private equity business

Private equity investments are generally carried at fair value, with changes in fair value recognized through the consolidated statements of income. See Note 4 *Private equity business* for further information.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Transfers of financial assets**

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

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

Foreign currency translation

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

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

Fee revenue

Revenue Commissions includes amounts charged for executing brokerage transactions accrued on a trade date basis and are included in current period earnings. *Revenue Fees from investment banking* includes securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when related services are performed. *Revenue Asset management and portfolio service fees* are accrued over the period that the related services are provided or when specified performance requirements are met.

Trading assets and trading liabilities

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

Collateralized agreements and collateralized financing

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

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Repurchase agreements where the maturity of the security transferred as collateral matches the maturity of the repurchase agreement (repurchase-to-maturity transactions) are accounted for as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 *Transfers and Servicing* (ASC 860) are met. There were no securities derecognized from the consolidated balance sheets under repurchase-to-maturity transactions as of March 31, 2013 and 2014, respectively.

In June 2014, the FASB issued new guidance which changes the accounting for repurchase-to-maturity transactions. See *Future accounting developments* below for further information regarding this new guidance.

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

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

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

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

Trading balances of secured borrowings consist of liabilities related to transfers of financial assets that are accounted for as secured financing transactions rather than sales and are reported in the consolidated balance sheets within *Long-term borrowings*. The fair value option is generally elected for these transactions, which are carried at fair value on a recurring basis. See Note 8 *Securitizations and Variable Interest Entities* and Note 13 *Borrowings* for further information regarding these transactions.

All Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including collateral transferred under Gensaki Repo transactions, are reported parenthetically within *Trading assets* as *Securities pledged as collateral* in the consolidated balance sheets.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Derivatives**

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, for both trading and non-trading purposes. All freestanding derivatives are carried at fair value in the consolidated balance sheets and reported within *Trading assets* or *Trading liabilities* depending on whether fair value is positive or negative, respectively. Certain derivatives embedded in hybrid financial instruments such as structured notes and certificates of deposit are bifurcated from the host contract and are also carried at fair value in the consolidated balance sheets and reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.

Changes in fair value are recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

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

Trading

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value reported in the consolidated statements of income within *Revenue Net gain on trading*.

Non-trading

In addition to its trading activities, Nomura uses derivative financial instruments for other than trading purposes such as to manage risk exposures arising from recognized assets and liabilities, forecasted transactions and firm commitments. Certain derivatives used for non-trading purposes are formally designated as fair value and net investment hedges under ASC 815.

Nomura designates derivative financial instruments as fair value hedges of interest rate risk arising from specific financial liabilities. These derivatives are effective in reducing the risk associated with the exposure being hedged and they are highly correlated with changes in the fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Changes in fair value of the hedging derivatives are reported together with those of the hedged liabilities through the consolidated statements of income within *Interest expense*.

Derivative financial instruments designated as hedges of the net investment in foreign operations are linked to specific subsidiaries with non-Japanese yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates and is reported through NHI shareholders' equity within *Accumulated other comprehensive income (loss)*. The change in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate is excluded from the measure of hedge effectiveness and is reported in the consolidated statements of income within *Revenue Other*.

See Note 3 *Derivative instruments and hedging activities* for further information.

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Loans receivable

Loans receivable are loans which management intends to hold for the foreseeable future. Loans receivable are either carried at fair value or at amortized cost. Interest earned on loans receivable is generally reported in the consolidated statements of income within *Revenue Interest and dividends*.

Loans receivable carried at fair value

Certain loans which are risk managed on a fair value basis are carried at fair value through election of the fair value option. Nomura makes this election to mitigate volatility in the consolidated statements of income caused by the difference in measurement basis that would otherwise exist between the loans and the derivatives used to risk manage those loans. Changes in the fair value of loans receivable carried at fair value are reported in the consolidated statements of income within *Revenue Net gain on trading*.

Loans receivable carried at amortized cost

Loans receivable which are not carried at fair value are carried at amortized cost. Amortized cost represents cost adjusted for deferred fees and costs, unamortized premiums or discounts on purchased loans and after deducting any applicable allowance for loan losses.

Loan origination fees, net of direct origination costs, are amortized to *Revenue Interest and dividends* as an adjustment to yield over the life of the loan. Net unamortized deferred fees and costs were ¥406 million and ¥808 million as of March 31, 2013 and March 31, 2014, respectively.

See Note 9 *Financing receivables* for further information.

Other receivables

Receivables from customers include amounts receivable on client securities transactions and *Receivables from other than customers* include amounts receivable for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions commissions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥258,604 million and ¥349,573 million as of March 31, 2013 and March 31, 2014, respectively.

These amounts are carried at contractual amounts due less any applicable allowance for credit losses which reflects management's best estimate of probable losses incurred within these receivables which have been specifically identified as impaired. The allowance for credit losses is reported in the consolidated balance sheets within *Allowance for doubtful accounts*.

Loan commitments

Unfunded loan commitments are accounted for as either off-balance sheet instruments, or are carried at fair value on a recurring basis either as trading instruments or through election of the fair value option.

Loan commitments are generally accounted for in a manner consistent with the accounting for the loan receivable upon funding. Where the loan receivable will be classified as a trading asset or will be elected for the fair value option, the loan commitment is also generally held at fair value, with changes in fair value reported in

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the consolidated statements of income within *Revenue Net gain on trading*. Loan commitment fees are recognized as part of the fair value of the commitment.

For loan commitments where the loan will be held for the foreseeable future, Nomura recognizes an allowance for credit losses which is reported within *Other liabilities other* in the consolidated balance sheets which reflects management's best estimate of probable losses incurred within the loan commitments which have been specifically identified as impaired. Loan commitment fees are generally deferred and recognized over the term of the loan when funded as an adjustment to yield. If drawdown of the loan commitment is considered remote, loan commitment fees are recognized over the commitment period as service revenue.

Payables and deposits

Payables to customers include amounts payable on client securities transactions and are generally measured at contractual amounts due.

Payables to other than customers include payables to brokers and dealers for securities failed to receive, cash collateral payable for derivative transactions and net payables arising from unsettled securities transactions. Amounts are measured at contractual amounts due.

Deposits received at banks represent amounts held on deposit within Nomura's banking subsidiaries and are measured at contractual amounts due.

Office buildings, land, equipment and facilities

Office buildings, land, equipment and facilities, held for use by Nomura are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are expensed as incurred in the consolidated statements of income.

The following table presents a breakdown of *Office buildings, land, equipment and facilities* as of March 31, 2013 and 2014.

	Millions of yen March 31	
	2013	2014
Land	¥ 93,800	¥ 94,991
Office buildings	104,320	109,052
Equipment and facilities	52,644	48,101
Software	161,469	156,717
Construction in progress	16,008	56
Total	¥ 428,241	¥ 408,917

Depreciation and amortization charges are generally computed using the straight-line method and at rates based on estimated useful lives of each asset according to general class, type of construction and use. The estimated useful lives for significant asset classes are as follows:

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

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Depreciation and amortization is reported within *Non-interest expenses Information processing and communications* in the amount of ¥54,083 million, ¥55,992 million, ¥57,173 million, and in *Non-interest expenses Occupancy and related depreciation* in the amount of ¥46,489 million, and ¥35,501 million, and ¥22,295 million for the years ended March 31, 2012, 2013 and 2014, respectively.

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

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

Nomura recognized impairment charges of ¥3,135 million, and ¥5,455 million, and ¥1,246 million primarily related to write-downs of software, office buildings, land, equipment, facilities, and other assets for the years ended March 31, 2012, 2013 and 2014, respectively. The current year impairment was primarily attributable to a change in use of certain buildings during the year. These losses are reported in the consolidated statements of income within *Non-interest expenses Other* and within Other in Nomura's segment reporting. The revised carrying values of these assets were based on the estimated fair value of the assets.

Investments in equity securities

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

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets Investments in equity securities* in the consolidated balance sheets, with changes in fair value reported within *Revenue Gain on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥84,739 million and ¥38,751 million, respectively, as of March 31, 2013 and ¥98,736 million and ¥38,004 million, respectively, as of March 31, 2014.

Other non-trading debt and equity securities

Certain non-trading subsidiaries within Nomura and an insurance subsidiary which was acquired during the year ended March 31, 2012 hold debt securities and minority stakes in equity securities for non-trading purposes. Non-trading securities held by non-trading subsidiaries are carried at fair value and reported within *Other assets Non-trading debt securities* and *Other assets Other* in the consolidated balance sheets with changes in fair value reported within *Revenue Other* in the consolidated statements of income. Non-trading securities held by the insurance subsidiary are also carried at fair value within *Other assets Non-trading debt securities* and

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Other assets *Other* in the consolidated balance sheets, and unrealized changes in fair value are reported net-of-tax within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income. Realized gains and losses on non-trading securities are reported within *Revenue* *Other* in the consolidated statements of income.

Where the fair value of non-trading securities held by Nomura's insurance subsidiary has declined below amortized cost, these are assessed to determine whether the decline in fair value is other-than-temporary in nature. Nomura considers quantitative and qualitative factors including the length of time and extent to which fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer and Nomura's intent and ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value. If an other-than-temporary impairment loss exists, for equity securities, the security is written down to fair value, with the entire difference between fair value and amortized cost reported within *Revenue* *Other* in the consolidated statements of income. For debt securities, an other-than-temporary impairment loss is also reported within *Revenue* *Other* in the consolidated statements of income if Nomura intends to sell the debt security or it is more-likely-than-not that Nomura will be required to sell the debt security before recovery of amortized cost. If Nomura does not expect to sell or be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss is reported in the consolidated statements of income and any non-credit loss component reported within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income.

See Note 7 *Non-trading securities* for further information regarding these securities.

Short-term and long-term borrowings

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

Structured notes

Structured notes are debt securities which contain embedded features (often meeting the accounting definition of a derivative) that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variable(s) such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or more complex interest rate calculation.

All structured notes issued by Nomura on or after April 1, 2008 are carried at fair value on a recurring basis through election of the fair value option. This blanket election for structured notes is made primarily to mitigate the volatility in the consolidated statements of income caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions and to generally simplify the accounting Nomura applies to these financial instruments.

Certain structured notes outstanding as of March 31, 2008 were already measured at fair value but others continue to be accounted for by Nomura by bifurcating the embedded derivative from the associated debt host contract. The embedded derivative is accounted for at fair value and the debt host contract is accounted for at amortized cost.

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Changes in the fair value of structured notes elected for the fair value option and bifurcated embedded derivatives are reported within *Revenue Net gain on trading* in the consolidated statements of income.

Income taxes

Deferred tax assets and liabilities are recorded for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities based upon enacted tax laws and tax rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Nomura recognizes and measures unrecognized tax benefits based on Nomura's estimate of the likelihood, based on the technical merits, that tax positions will be sustained upon examination based on the facts and circumstances and information available at the end of each period. Nomura adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. The reassessment of unrecognized tax benefits could have a material impact on Nomura's effective tax rate in the period in which it occurs.

Stock-based and other compensation awards

Stock-based awards issued by Nomura to senior management and other employees are classified as either equity or liability awards depending on the terms of the award.

Stock-based awards such as Stock Acquisition Rights (SARs) which are expected to be settled by the delivery of the Company's shares are classified as equity awards. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

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

Multi-year Performance Deferral (MYPD) awards which contain performance conditions and are expected to result in the issuance of SARs are classified as equity awards. MYPD awards expected to result in the issuance of NSUs are classified as liability awards.

For both equity and liability awards, fair value is determined either by using option pricing models, the market price of the Company's shares or the price of the third party index, as appropriate. Compensation cost is recognized in the consolidated statements of income over the requisite service period, which generally is equal to the vesting period. For MYPD awards with performance conditions, compensation expense is also recognized over the requisite service period to the extent it is probable that the performance conditions will be met. Where an award has graded vesting, compensation expense is recognized using the accelerated recognition method.

Certain new deferred awards granted since May 2013 include Full Career Retirement provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the date that the recipients become eligible for Full Career Retirement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

See Note 16 *Deferred compensation plans* for further information regarding these awards.

Earnings per share

The computation of basic earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities based on the most advantageous conversion rate or exercise price available to the investors, and assuming conversion of convertible debt under the if-converted method.

Cash and cash equivalents

Nomura defines cash and cash equivalents as cash on hand and demand deposits with banks.

Goodwill and intangible assets

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

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

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

Intangible assets not subject to amortization (indefinite-lived intangible assets) are also tested for impairment on an individual asset basis during the fourth quarter of each fiscal year, or more frequently during earlier interim periods if events or circumstances indicate there may be impairment. Similar to goodwill, Nomura tests an indefinite-lived intangible asset by initially qualitatively assessing whether events or circumstances indicate that it is more-likely-than-not that the fair value of the intangible asset is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the intangible asset is deemed not to be impaired and no further analysis is required. If it is more-likely-than-not that the fair value of the intangible asset is below its carrying value, the current estimated fair value of the intangible asset is compared with its carrying value. An impairment loss is recognized if the carrying value of the intangible asset exceeds its estimated fair value.

Intangible assets with finite lives (finite-lived intangible assets) are amortized over their estimated useful lives and tested for impairment either individually or with other assets (asset group) when events and circumstances indicate that the carrying value of the intangible asset (or asset group) may not be recoverable.

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A finite-lived intangible asset is impaired when its carrying amount or the carrying amount of the asset group exceeds its fair value. An impairment loss is recognized only if the carrying amount of the intangible asset (or asset group) is not recoverable and exceeds its fair value.

For both goodwill and intangible assets, to the extent an impairment loss is recognized, the loss establishes a new cost basis for the asset which cannot be subsequently reversed.

See Note 12 *Other assets Other/Other liabilities* for further information regarding goodwill and intangible assets.

Nomura's equity method investments are tested in their entirety for other-than-temporary impairment when there is an indication of impairment. The underlying assets associated with the equity method investments, including goodwill, are not tested separately for impairment.

Restructuring costs

Costs associated with an exit activity are recognized at fair value in the period in which the liability is incurred. Such costs include one-time termination benefits provided to employees, costs to terminate certain contracts and costs to relocate employees. Termination benefits provided to employees as part of ongoing benefit arrangements are recognized as liabilities at the earlier of the date an appropriately detailed restructuring plan is approved by regional executive management or the terms of the involuntary terminations are communicated to employees potentially affected. Contractual termination benefits included in an employee's contract of employment that is triggered by the occurrence of a specific event are recognized during the period in which it is probable that Nomura has incurred a liability and the amount of the liability can be reasonably estimated. A one-time termination benefit is established by a plan of termination that applies to a specified termination event and is recognized when an appropriately detailed restructuring plan is approved by regional executive management and the terms of the involuntary terminations are communicated to those employees potentially affected by the restructuring.

New accounting pronouncements adopted during the current year

The following new accounting pronouncements relevant to Nomura have been adopted during the year ended March 31, 2014:

Disclosures about offsetting assets and liabilities

In December 2011, the FASB issued amendments to ASC 210-20 through issuance of ASU 2011-11 *Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11), and issued a related amendment in January 2013 through ASU 2013-01 *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01). These amendments require an entity to disclose information about rights of offset and related arrangements to enable users of its financial statements to understand the effect or potential effect of those arrangements on its financial position.

ASU 2011-11 and ASU 2013-01 are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013 with required disclosures made retrospectively for all comparative periods presented.

Nomura adopted ASU 2011-11 and ASU 2013-01 from April 1, 2013. Because these amendments only require enhanced disclosures rather than change the guidance around when financial assets and financial

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

liabilities can be offset, they have not had a material impact on these consolidated financial statements. See Note 3 *Derivative instruments and hedging activities* and Note 6 *Collateralized transactions* where the required disclosures have been provided.

Testing indefinite-lived intangible assets for impairment

In July 2012, the FASB issued amendments to ASC 350 *Intangibles Goodwill and Other* (ASC 350) through issuance of ASU 2012-02 *Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02). These amendments simplify indefinite-lived intangible assets impairment testing by permitting an entity to initially assess qualitatively whether it is necessary to perform the current quantitative impairment test required by ASC 350. If an entity determines that it is not more-likely-than-not (i.e. greater than 50%) that an indefinite-lived intangible asset fair value is less than its carrying amount, the quantitative test is not required.

ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 with early adoption permitted.

Nomura adopted ASU 2012-02 from April 1, 2013. Because these amendments only simplify when a quantitative test is required rather than change the quantitative test itself, ASU 2012-02 has not had a material impact on these consolidated financial statements.

Reporting of amounts reclassified out of accumulated other comprehensive income

In February 2013, the FASB issued amendments to ASC 220-10 *Comprehensive Income Overall* through issuance of ASU 2013-02 *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). The amendments require an entity to disclose additional information about amounts reclassified out of accumulated other comprehensive income, including changes in accumulated other comprehensive income balances by component of accumulated other comprehensive income and information about significant items reclassified out of accumulated other comprehensive income.

ASU 2013-02 supersedes the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 *Presentation of Comprehensive Income* and ASU 2011-12 *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* . ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012, with early adoption permitted.

Nomura adopted ASU 2013-02 from April 1, 2013. Because these amendments only require changes in presentation and disclosure of amounts reclassified out of accumulated other comprehensive income rather than change the guidance regarding recognition of such amounts, they have not had a material impact on these consolidated financial statements. See Note 19 *Other comprehensive income (loss)* where the required disclosures have been provided.

Future accounting developments

The following new accounting pronouncements relevant to Nomura will be adopted in future periods:

Release of cumulative translation adjustment amounts

In March 2013, the FASB issued amendments to ASC 810-10 *Consolidation Overall* (ASC 810-10) and ASC 830-30 *Foreign Currency Matters Translation of Financial Statements* (ASC 830-30) through

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issuance of ASU 2013-05 *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* (ASU 2013-05). The amendments resolve diversity in practice about whether guidance in ASC 810-10 or ASC 830-30 applies to the release of cumulative translation adjustment (CTA) amounts into earnings when a parent sells part or all of its investment in a foreign entity (or no longer holds a controlling financial interest in a subsidiary).

ASU 2013-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption permitted.

Nomura will adopt ASU 2013-05 from April 1, 2014 and does not expect a material impact on these consolidated financial statements.

Investment companies

In June 2013, the FASB issued amendments to ASC 946 through issuance of ASU 2013-08 *Amendments to the Scope, Measurement, and Disclosure Requirements* (ASU 2013-08). ASU 2013-08 modifies the guidance under ASC 946 for determining whether an entity is an investment company, which is an entity that is required to measure its investments at fair value, including controlling financial interests in investees that are not investment companies. ASU 2013-08 also requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting, and requires certain additional disclosures including information about financial support provided, or contractually required to be provided, by an investment company to any of its investees.

ASU 2013-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption prohibited.

Nomura will adopt ASU 2013-08 from April 1, 2014 and does not expect a material impact on these consolidated financial statements.

Reporting Discontinued Operations

In April 2014, the FASB issued amendments to ASC 205, *Presentation of Financial Statements* (ASC 205) and ASC 360 *Property, Plant and Equipment* (ASC 360) through issuance of ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, (ASU 2014-08). ASU 2014-08 changes the criteria for discontinued operations reporting with the intention of less disposals qualifying and also introduces new presentation and disclosure requirements.

ASU 2014-08 is effective prospectively for all disposals or expected disposals classified as held for sale that occur within annual periods beginning on or after December 15, 2014 and interim periods within those years. Early adoption is permitted, but only for disposals or expected disposals classified as held for sale that have not been reported in financial statements previously issued or available for issue.

Nomura currently plans to adopt ASU 2014-08 from April 1, 2015 and does not expect these amendments to have a material impact on these consolidated financial statements.

Revenue Recognition

In May 2014, the FASB issued ASC 606 *Revenue from Contracts with Customers* (ASC 606) as well as amendments to other pronouncements, including ASC 350 *Intangibles Goodwill and Other* , ASC 360

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property, Plant, and Equipment , and ASC 605-35 *Revenue Recognition - Construction-Type and Production-Type Contracts* through issuance of ASU 2014-09 *Revenue from Contracts with Customers* (ASU 2014-09). ASU 2014-09 replaces existing revenue recognition guidance in ASC 605 *Revenue Recognition* , replaces certain other industry-specific revenue recognition guidance, specifies the accounting for certain costs to obtain or fulfill a contract with a customer and provides recognition and measurement guidance in relation to sales of non-financial assets. The core principle of ASU 2014-09 is to depict the transfer of goods or services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides guidance on how to achieve this core principle, including how to identify contracts with customers and separate performance obligations in the contract, how to determine and allocate the transaction price to such performance obligations and how to recognize revenue when a performance obligation has been satisfied.

ASU 2014-09 is effective for annual reporting periods, and interim periods within those reporting periods, beginning after December 15, 2016 with early adoption prohibited.

Nomura will adopt ASU 2014-09 from April 1, 2017 and is currently evaluating the potential impact it may have on these consolidated financial statements.

Repurchase agreements and similar transactions

In June 2014, the FASB issued amendments to ASC 860 *Transfers and Servicing* through issuance of ASU 2014-11 *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* (ASU 2014-11). These amendments change the accounting for repurchase-to-maturity transactions which are repurchase agreements where the maturity of the security transferred as collateral matches the maturity of the repurchase agreement. Under ASU 2014-11, all repurchase-to-maturity transactions will be accounted for as secured borrowing transactions in the same way as other repurchase agreements rather than as sales of a financial asset and forward commitment to repurchase. The amendments also change the accounting for repurchase financing arrangements which are transactions involving the transfer of a financial asset to a counterparty executed contemporaneously with a reverse repurchase agreement with the same counterparty. Under ASU 2014-11, all repurchase financings will now be accounted for separately, which will result in secured lending accounting for the reverse repurchase agreement. ASU 2014-11 also introduces new disclosure requirements regarding repurchase agreements and securities lending transactions as well as certain other transactions which involve the transfer of financial assets accounted for as sales and where the transferor retains substantially all of the exposure to the economic return on the transferred assets.

ASU 2014-11 is effective for interim or annual periods beginning after December 15, 2014 with early adoption prohibited. As of adoption date, the accounting for all outstanding repurchase-to-maturity transactions and repurchase financing arrangements is adjusted by means of a cumulative-effect adjustment to the balance sheet and retained earnings.

Nomura will adopt ASU 2014-11 from January 1, 2015 and is currently evaluating the potential impact it may have on these consolidated financial statements.

Stock compensations

In June 2014, the FASB issued amendments to ASC 718 *Compensation - Stock Compensation* (ASC 718) through issuance of ASU 2014-12 *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Required Service Period* (ASU 2014-

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12). ASU 2014-12 requires a performance target that affects vesting and that could be achieved after the requisite service period be accounted for as a performance condition based on the existing guidance in ASC 718 rather than as a nonvesting condition that affects the grant-date fair value of the award.

ASU 2014-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015 with early adoption permitted. ASU 2014-12 may be applied either by prospectively or retrospectively.

Nomura currently plans to adopt ASU 2014-12 from April 1, 2016 and does not expect these amendments to have a material impact on these consolidated financial statements.

2. Fair value measurements:

The fair value of financial instruments

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

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

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

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

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

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

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

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

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

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

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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The following tables present the amounts of Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2013 and 2014 within the fair value hierarchy.

	Billions of yen March 31, 2013				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2013
Assets:					
Trading assets and private equity investments ⁽²⁾					
Equities ⁽³⁾	¥ 1,008	¥ 720	¥ 129	¥	¥ 1,857
Private equity investments ⁽³⁾			87		87
Japanese government securities	3,331				3,331
Japanese agency and municipal securities		72	0		72
Foreign government, agency and municipal securities	3,574	1,466	91		5,131
Bank and corporate debt securities and loans for trading purposes		1,375	69		1,444
Commercial mortgage-backed securities (CMBS)		161	6		167
Residential mortgage-backed securities (RMBS)		2,720	4		2,724
Real estate-backed securities			68		68
Collateralized debt obligations (CDOs) and other		138	12		150
Investment trust funds and other	144	45	13		202
Total trading assets and private equity investments	8,057	6,697	479		15,233
Derivative assets⁽⁵⁾					
Equity contracts	723	1,058	76		1,857
Interest rate contracts	4	21,621	148		21,773
Credit contracts	0	1,706	133		1,839
Foreign exchange contracts		2,094	11		2,105
Commodity contracts	1	0	0		1
Netting				(25,684)	(25,684)
Total derivative assets	728	26,479	368	(25,684)	1,891
Subtotal	¥ 8,785	¥ 33,176	¥ 847	¥ (25,684)	¥ 17,124
Loans and receivables ⁽⁶⁾		521	3		524
Collateralized agreements ⁽⁷⁾		998			998
Other assets					
Non-trading debt securities	409	508	4		921
Other ⁽³⁾	172	15	60		247
Total	¥ 9,366	¥ 35,218	¥ 914	¥ (25,684)	¥ 19,814
Liabilities:					
Trading liabilities					
Equities	¥ 922	¥ 87	¥ 0	¥	¥ 1,009
Japanese government securities	2,151				2,151
Japanese agency and municipal securities		0			0
Foreign government, agency and municipal securities	2,627	477			3,104
Bank and corporate debt securities		288	0		288

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Commercial mortgage-backed securities (CMBS)		1			1
Residential mortgage-backed securities (RMBS)		1			1
Investment trust funds and other	40	12			52
Total trading liabilities	5,740	866	0		6,606
Derivative liabilities ⁽⁵⁾					
Equity contracts	827	1,118	71		2,016
Interest rate contracts	2	21,312	202		21,516
Credit contracts	0	1,871	108		1,979
Foreign exchange contracts	0	1,994	14		2,008
Commodity contracts	1	1	0		2
Netting				(25,636)	(25,636)
Total derivative liabilities	830	26,296	395	(25,636)	1,885
Subtotal	¥ 6,570	¥ 27,162	¥ 395	¥ (25,636)	¥ 8,491
Short-term borrowings ⁽⁸⁾		73	4		77
Payables and deposits ⁽⁹⁾		0	1		1
Collateralized financing ⁽⁷⁾		265			265
Long-term borrowings ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	114	1,263	222		1,599
Other liabilities ⁽¹²⁾	39	11	0		50
Total	¥ 6,723	¥ 28,774	¥ 622	¥ (25,636)	¥ 10,483

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	Billions of yen March 31, 2014				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2014
Assets:					
Trading assets and private equity investments ⁽²⁾					
Equities ⁽³⁾	¥ 2,176	¥ 655	¥ 68	¥	¥ 2,899
Private equity investments ⁽³⁾			42		42
Japanese government securities	2,587				2,587
Japanese agency and municipal securities		192			192
Foreign government, agency and municipal securities	4,615	1,378	26		6,019
Bank and corporate debt securities and loans for trading purposes		1,735	116		1,851
Commercial mortgage-backed securities (CMBS)		156	3		159
Residential mortgage-backed securities (RMBS)		2,221	3		2,224
Real estate-backed securities			0		0
Collateralized debt obligations (CDOs) and other		170	13		183
Investment trust funds and other	136	87	30		253
Total trading assets and private equity investments	9,514	6,594	301		16,409
Derivative assets⁽⁵⁾					
Equity contracts	750	1,102	70		1,922
Interest rate contracts	11	19,398	112		19,521
Credit contracts	4	1,268	42		1,314
Foreign exchange contracts		3,293	19		3,312
Commodity contracts	0	0	0		0
Netting				(23,764)	(23,764)
Total derivative assets	765	25,061	243	(23,764)	2,305
Subtotal	¥ 10,279	¥ 31,655	¥ 544	¥ (23,764)	¥ 18,714
Loans and receivables ⁽⁶⁾		280	26		306
Collateralized agreements ⁽⁷⁾		1,087			1,087
Other assets					
Non-trading debt securities	406	615	3		1,024
Other ⁽³⁾	358	94	56		508
Total	¥ 11,043	¥ 33,731	¥ 629	¥ (23,764)	¥ 21,639
Liabilities:					
Trading liabilities					
Equities	¥ 774	¥ 132	¥ 1	¥	¥ 907
Japanese government securities	3,046				3,046
Foreign government, agency and municipal securities	3,831	688			4,519
Bank and corporate debt securities		396	0		396
Residential mortgage-backed securities (RMBS)		1			1
Collateralized debt obligations (CDOs) and other		0			0
Investment trust funds and other	76	12			88
Total trading liabilities	7,727	1,229	1		8,957

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Derivative liabilities ⁽⁵⁾						
Equity contracts	827	1,368	59			2,254
Interest rate contracts	10	19,142	151			19,303
Credit contracts	4	1,582	37			1,623
Foreign exchange contracts		2,926	14			2,940
Commodity contracts	0	0	0			0
Netting				(24,030)		(24,030)
Total derivative liabilities	841	25,018	261	(24,030)		2,090
Subtotal	¥ 8,568	¥ 26,247	¥ 262	¥ (24,030)	¥	11,047
Short-term borrowings ⁽⁸⁾		46	3			49
Payables and deposits ⁽⁹⁾		0	0			0
Collateralized financing ⁽⁷⁾		530				530
Long-term borrowings ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	134	1,439	394			1,967
Other liabilities ⁽¹²⁾	152	86				238
Total	¥ 8,854	¥ 28,348	¥ 659	¥ (24,030)	¥	13,831

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- (1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.
- (2) Includes investments in certain funds measured at fair value on the basis of NAV per share as a practical expedient.
- (3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (4) Includes collateralized loan obligations (CLOs) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans and student loans.
- (5) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (6) Includes loans for which the fair value option is elected.
- (7) Includes collateralized agreements or collateralized financing for which the fair value option is elected.
- (8) Includes structured notes for which the fair value option is elected.
- (9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
- (10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
- (11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
- (12) Includes loan commitments for which the fair value option is elected.

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

Equities and equity securities reported within *Other assets* Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. Listed equity securities are valued using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid/offer prices as applicable or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2013 and 2014, respectively. Unlisted equity securities are valued using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as yields and liquidity discounts are unobservable. As a practical expedient, fund investments are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily NAV per share are classified in Level 1. Investments in funds where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified in Level 2. Investments in funds where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The Direct Capitalization Method (DCM) is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified in Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued. Nomura refined the fair value measurement of certain investments in unlisted equity securities reported within *Other assets* during the year ended March 31, 2013.

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Private equity investments The valuation of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (DCF) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital (WACC). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (EV/EBITDA) ratios, Price/Earnings (PE) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the investee or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

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

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

Commercial mortgage-backed securities (CMBS) and Residential mortgage-backed securities (RMBS) The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2 because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will

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be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

Real estate-backed securities The fair value of real estate-backed securities is estimated using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or DCM valuation techniques and are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as yields, prepayment rates, default probabilities, loss severities and capitalization rates.

Collateralized debt obligations (CDOs) and other The fair value of CDOs is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used include market spread data for each credit rating, yields, prepayment rates, default probabilities and loss severities. CDOs are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are observable or market-corroborated. CDOs will be classified in Level 3 where one or more of the significant valuation inputs used in the DCF valuations are unobservable.

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

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

Derivatives Interest rate contracts Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements, swaptions, caps and floors. The fair value of exchange-traded interest rate derivatives is primarily determined

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using an unadjusted exchange price. These derivatives are traded in active markets and therefore are classified in Level 1 of the fair value hierarchy. Where these derivatives are not valued at the exchange price due to timing differences, they are classified in Level 2. The fair value of OTC interest rate derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange (FX) rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain longer-dated or more complex OTC interest rate derivatives are classified in Level 3 where forward FX rate, interest rate, volatility or correlation valuation inputs are significant and unobservable.

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

Derivatives Foreign exchange contracts Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives is primarily determined using an unadjusted exchange price. These derivatives are traded in active markets and therefore are classified in Level 1 of the fair value hierarchy. Where these derivatives are not valued at the exchange price due to timing differences, they are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain longer-dated foreign exchange derivatives are classified in Level 3 where forward FX rate or volatility valuation inputs are significant and unobservable.

Derivatives Commodity contracts Nomura enters into OTC commodity derivative transactions such as commodity swaps, commodity forwards and commodity options. The fair value of OTC commodity derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include commodity prices, interest rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura's own creditworthiness on derivative liabilities. OTC commodity derivatives are generally classified in Level 2 of the fair value hierarchy because these valuation inputs and adjustments are observable or market-corroborated.

During the year ended March 31, 2012, Nomura began including valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value. This

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initially involved using the Overnight Indexed Swap curve rather than LIBOR curve to estimate the fair value of certain collateralized derivative contracts. During the year ended March 31, 2013, Nomura refined its valuation methodology to incorporate additional features of collateralized derivative transactions resulting in an additional loss of ¥11 billion recognized during that period. During the year ended March 31, 2014, Nomura recognized an additional loss of ¥10 billion as a result of using more appropriate inputs to calculate the valuation adjustment for certain uncollateralized derivatives. This change reflects increased transparency around how market participants incorporate this funding cost into their pricing of such derivative transactions and consequently, how they estimate fair value. As part of its continuous review of the valuation methodologies applied by market participants, Nomura may further refine its valuation methodology of derivatives in future periods.

Loans The fair value of loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques as quoted prices are typically not available. The significant valuation inputs used are similar to those used in the valuation of corporate debt securities described above. Loans are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs are observable. Certain loans, however, are classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2 or credit spreads of the issuer used in DCF valuations are significant and unobservable.

Collateralized agreements and Collateralized financing The primary types of collateralized agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

Non-trading debt securities These are debt securities held by certain non-trading subsidiaries in the group and are valued and classified in the fair value hierarchy using the same valuation techniques used for other debt securities classified as *Government, agency and municipal securities* and *Bank and corporate debt securities* described above.

Short-term and long-term borrowings (Structured notes) Structured notes are debt securities issued by Nomura or by consolidated variable interest entities (VIEs) which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

The fair value of structured notes is estimated using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves and prepayment rates. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura's own creditworthiness. To reflect Nomura's own creditworthiness, the fair value of structured notes includes a debit adjustment of ¥8 billion as of March 31, 2013 and a credit adjustment of ¥1 billion as of March 31, 2014. This adjustment is

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

Long-term borrowings (Secured financing transactions) Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura's own creditworthiness.

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements, including those classified in Level 3 within the fair value hierarchy, Nomura operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the trading businesses assuming the risk of the financial instrument. Such functions within Nomura with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

The Product Control Valuations Group (PCVG) within Nomura's Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument in accordance with U.S. GAAP. While it is the responsibility of market makers and investment professionals in our trading businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the trading businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer (CFO);

The Accounting Policy Group within Nomura's Finance Department defines the group's accounting policies and procedures in accordance with U.S. GAAP, including those associated with determination of fair value under ASC 820 and other relevant U.S. GAAP pronouncements. This group reports to the Global Head of Accounting Policy and ultimately to the CFO; and

The MVG within Nomura's Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. This group reports to the Chief Risk Officer.

The fundamental components of this governance framework over valuation processes within Nomura particularly as it relates to Level 3 financial instruments are the procedures in place for independent price verification, pricing model validation and revenue substantiation.

Independent price verification processes

The key objective of the independent price verification processes within Nomura is to verify the appropriateness of fair value measurements applied to all financial instruments within Nomura. In applying these

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

control processes, observable inputs are used whenever possible and when unobservable inputs are necessary, the processes seek to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.

The independent price verification processes aim to verify the fair value of all positions to external levels on a regular basis. The process will involve obtaining data such as trades, marks and prices from internal and external sources and examining the impact of marking the internal positions at the external prices. Margin disputes within the collateral process will also be investigated to determine if there is any impact on valuations.

Where third-party pricing information sourced from brokers, dealers and consensus pricing services is used as part of the price verification process, consideration is given as to whether that information reflects actual recent market transactions or prices at which transactions involving identical or similar financial instruments are currently executable. If such transactions or prices are not available, the financial instrument will generally be classified in Level 3.

Where there is a lack of observable market information around the inputs used in a fair value measurement, then the PCVG and the MVG will assess the inputs used for reasonableness considering available information including comparable products, surfaces, curves and past trades. Additional valuation adjustments may be taken for the uncertainty in the inputs used, such as correlation and where appropriate trading desks may be asked to execute trades to evidence market levels.

Model review and validation

For more complex financial instruments pricing models are used to determine fair value measurements. The MVG performs an independent model approval process which incorporates a review of the model assumptions across a diverse set of parameters. Considerations include:

Scope of the model (different financial instruments may require different but consistent pricing approaches);

Mathematical and financial assumptions;

Full or partial independent benchmarking along with boundary and stability tests, numerical convergence, calibration quality and stability;

Model integration within Nomura's trading and risk systems;

Calculation of risk numbers and risk reporting; and

Hedging strategies/practical use of the model.

New models are reviewed and approved by the MVG. The frequency of subsequent MVG reviews (Model Re-approvals) is at least annually.

Revenue substantiation

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Nomura's Product Control function also ensures adherence to Nomura's valuation policies through daily and periodic analytical review of net revenues. This process involves substantiating revenue amounts through explanations and attribution of revenue sources based on the underlying factors such as interest rates, credit spreads, volatilities, foreign exchange rates etc. In combination with the independent price verification processes, this daily, weekly, monthly and quarterly review substantiates the revenues made while helping to identify and resolve potential booking, pricing or risk quantification issues.

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Level 3 financial instruments

As described above, the valuation of Level 3 financial assets and liabilities is dependent on certain significant inputs which cannot be observed in the market. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, non-executable broker quotes or little publicly released information.

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

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

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Quantitative information regarding significant unobservable inputs and assumptions**

The following tables present information about the significant unobservable inputs and assumptions used by Nomura for financial instruments classified in Level 3 as of March 31, 2013 and 2014. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy.

Financial Instrument	Fair value in billions of yen	Valuation technique(s)	March 31, 2013		Weighted Average ⁽²⁾
			Significant unobservable inputs	Range of valuation inputs ⁽¹⁾	
Assets:					
Trading assets and private equity investments					
Equities	¥ 129	DCF	Yields	7.6 %	7.6 %
			Liquidity discounts	25.0 38.0 %	35.4 %
		DCM	Capitalization rates	5.2 6.7 %	6.3 %
Private equity investments	87	DCF	WACC	6.8 %	6.8 %
			Growth rates	0.0 %	0.0 %
			Liquidity discounts	25.0 %	25.0 %
		Market multiples	EV/EBITDA ratios	3.7 11.3 x	11.0 x
			PE ratios	7.7 x	7.7 x
			Price/Book ratios	0.4 x	0.4 x
			Price/Embedded values	0.4 x	0.4 x
			Liquidity discounts	0.0 33.0 %	25.8 %
Foreign government, agency and municipal securities	91	DCF	Credit spreads	0.0 6.5 %	0.7 %
Bank and corporate debt securities and loans for trading purposes	69	DCF	Credit spreads	0.0 24.2 %	2.6 %
			Recovery rates	0.1 36.4 %	28.1 %
Commercial mortgage-backed securities (CMBS)	6	DCF	Yields	0.0 25.0 %	8.0 %

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			Default probabilities	100.0 %	100.0 %
			Loss severities	0.0 - 80.0 %	0.3 %

Residential mortgage-backed securities
(RMBS)

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DCF

Yields

Prepayment rates

Default probabilities