

NOMURA HOLDINGS INC  
Form 20-F  
June 27, 2013  
Table of Contents

**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, 2013

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

(Title of Class)

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

**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, 2013, 3,710,960,252 shares of Common Stock were outstanding, including 22,948,546 shares represented by 22,948,546 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  Other

by the International Accounting Standards Board

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

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I</b>	
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	2
Item 2. <u>Offer Statistics and Expected Timetable</u>	2
Item 3. <u>Key Information</u>	2
Item 4. <u>Information on the Company</u>	17
Item 4A. <u>Unresolved Staff Comments</u>	30
Item 5. <u>Operating and Financial Review and Prospects</u>	30
Item 6. <u>Directors, Senior Management and Employees</u>	71
Item 7. <u>Major Shareholders and Related Party Transactions</u>	89
Item 8. <u>Financial Information</u>	89
Item 9. <u>The Offer and Listing</u>	90
Item 10. <u>Additional Information</u>	91
Item 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	108
Item 12. <u>Description of Securities Other Than Equity Securities</u>	125
<b>PART II</b>	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	127
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	127
Item 15. <u>Controls and Procedures</u>	127
Item 16A. <u>Audit Committee Financial Expert</u>	127
Item 16B. <u>Code of Ethics</u>	127
Item 16C. <u>Principal Accountant Fees and Services</u>	128
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	129
Item 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	129
Item 16F. <u>Change in Registrant's Certifying Accountant</u>	130
Item 16G. <u>Corporate Governance</u>	130
Item 16H. <u>Mine Safety Disclosure</u>	131
<b>PART III</b>	
Item 17. <u>Financial Statements</u>	132
Item 18. <u>Financial Statements</u>	132
Item 19. <u>Exhibits</u>	133
<u>Index to the Consolidated Financial Statements</u>	F-1



**Table of Contents**

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

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

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

*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, 2009, 2010, 2011, 2012 and 2013 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.

**Table of Contents**

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				
	2009	2010	2011	2012	2013
<b>Statement of income data:</b>					
Revenue	¥ 664,511	¥ 1,356,751	¥ 1,385,492	¥ 1,851,760	¥ 2,079,943
Interest expense	351,884	205,929	254,794	315,901	266,312
Net revenue	312,627	1,150,822	1,130,698	1,535,859	1,813,631
Non-interest expenses	1,092,892	1,045,575	1,037,443	1,450,902	1,575,901
Income (loss) before income taxes	(780,265)	105,247	93,255	84,957	237,730
Income tax expense (benefit)	(70,854)	37,161	61,330	58,903	132,039
Net income (loss) <sup>(1)</sup>	¥ (709,411)	¥ 68,086	¥ 31,925	¥ 26,054	¥ 105,691
Less: Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(1,219)	288	3,264	14,471	(1,543)
Net income (loss) attributable to Nomura Holdings, Inc. ( NHI ) shareholders	¥ (708,192)	¥ 67,798	¥ 28,661	¥ 11,583	¥ 107,234
<b>Balance sheet data (period end):</b>					
Total assets	¥ 24,837,848	¥ 32,230,428	¥ 36,692,990	¥ 35,697,312	¥ 37,942,439
Total NHI shareholders equity <sup>(4)</sup>	1,539,396	2,126,929	2,082,754	2,107,241	2,294,371
Total equity <sup>(1)</sup>	1,551,546	2,133,014	2,091,636	2,389,137	2,318,983
Common stock	321,765	594,493	594,493	594,493	594,493
<b>Per share data:</b>					
Net income (loss) attributable to NHI shareholders basic	¥ (364.69)	¥ 21.68	¥ 7.90	¥ 3.18	¥ 29.04
Net income (loss) attributable to NHI shareholders diluted	(366.16)	21.59	7.86	3.14	28.37
Total NHI shareholders equity <sup>(2)</sup>	590.99	579.70	578.40	575.20	618.27
Cash dividends <sup>(2)</sup>	25.50	8.00	8.00	6.00	8.00
Cash dividends in USD <sup>(3)</sup>	\$ 0.26	\$ 0.09	\$ 0.10	\$ 0.07	\$ 0.08
Weighted average number of shares outstanding (in thousands) <sup>(4)</sup>	1,941,907	3,126,790	3,627,799	3,643,481	3,692,796
<b>Return on equity<sup>(5)</sup>:</b>	(40.2)%	3.7%	1.4%	0.6%	4.9%

## Notes:

- (1) On April 1, 2009, we adopted new guidance for the accounting and reporting for noncontrolling interests. In the above table, this guidance has been retrospectively applied to the amounts as of and for the years ended March 31, 2009.
- (2) Calculated using the number of shares outstanding at year end.
- (3) 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.
- (4) The number shown is used to calculate basic earnings per share.
- (5) Calculated as Net income (loss) attributable to NHI shareholders divided by average Total NHI shareholders equity.

**Table of Contents****Foreign Exchange**

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.

<b>Year ended March 31</b>	<b>High</b>	<b>Low</b>	<b>Average<sup>(1)</sup></b>	<b>Year end</b>
2009	110.48	87.80	100.85	99.15
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
<b>Calendar year 2013</b>	<b>High</b>	<b>Low</b>		
January	91.28	86.92		
February	93.64	91.38		
March	96.16	93.32		
April	99.61	92.96		
May	103.52	97.28		
June (through June 21)	100.15	94.29		

(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 21, 2013 was \$1.00 = ¥97.48

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.



## **Table of Contents**

### **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**

In recent years, market trends and economic conditions have been changing in Japan and around the world. The global financial crisis that originated with the collapse of Lehman Brothers Holding Inc. ( Lehman Brothers ) in 2008 which affected not only the global securities market but also the financial services industry as participants, and it 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.

The global economy subsequently showed trends of modest recovery from the middle of 2012 due to factors such as monetary easing policies enacted by Japan and other major industrialized countries and efforts by the European Central Bank aimed at maintaining the structure of the Euro. Our business and revenues may be affected by these changes in the Japanese and global economic environments and financial markets. However, it is uncertain whether this trend will continue, and there are continuing signs of market volatility, including fluctuations in foreign exchange rates, interest rates and equity prices in Japan and globally.

In addition, 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. For example, economic activity as a whole including financial transactions diminished due to the Great East Japan Earthquake in March 2011 because of the accidents at the nuclear power plants and the resulting power shortages and supply line disruptions. As a result, the Japanese economy and our business were severely affected.

If events like these occur, a market/economic downturns may be extended for long periods of time, which can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market/economic downturn, changes from market volatility or governmental fiscal and monetary policy changes in each country and region where we conduct business and other changes in the business 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 intermediary business because of a decline in the volume and value of securities that we broker for our clients. Also, with regard to 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 businesses.

#### *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

## **Table of Contents**

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 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 2013 decreased by 15.9% and 15.0% from the previous years respectively.

### *Our electronic trading business revenues may decline*

Electronic trading is essential for our business in order to execute trades faster with fewer resources. Utilizing these system 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 or market changes that would cause our clients to trade less frequently or in a smaller size. 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 our own account and for the purpose of facilitating our clients' trades. Our positions consist of various types of assets, including financial derivatives transactions in equity, interest rate, currency, credit, commodity and other markets, 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 have worked 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 our lowered 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

## **Table of Contents**

on March 31, 2013, absent other changes, we estimate that the aggregate fair value of assets that will be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥31.0 billion and ¥156.7 billion, respectively.

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

Holding a large amount of securities concentrated in specific assets 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 solution businesses matching with 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 for our business, 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 the value of the assets. 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 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 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 products developed through financial engineering and innovation may be increased by market risk.

## **Table of Contents**

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, 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.



## **Table of Contents**

### *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 assets at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell our assets 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 has been 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 and fiscal problems in the U.S. and European countries which became apparent starting the same year, but also more specifically the following types of events that could cause losses on our trading and investment assets:

sudden and significant reductions in credit ratings with regard to our trading and investment assets by major rating agencies,

sudden changes in trading, tax, accounting, 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 such as swaps and options. 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 trades 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 swap contracts, or systems failure by clearing agents, exchanges, clearing houses or other financial infrastructure.



## **Table of Contents**

Problems 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 credit standing of, or a default by, certain institution could lead to significant liquidity problems or losses in, or defaults by, other 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 finance operations may be impacted 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 expect 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 (which has been renamed as the Financial Instruments and Exchange Act (the 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.



## **Table of Contents**

*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 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 regulation/supervision has been tightening around the world. In light of this challenging business environment, we endeavor 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 seriously damage our business prospects 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 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.

---

**Table of Contents**

*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 operating results*

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 uneconomic for us to continue to conduct all or certain of our businesses, or could cause us to incur significant costs to adjust to such changes.

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

Changes in regulations applicable to accounting standards, consolidated regulatory capital adequacy rules and liquidity ratios could also have a material adverse effect on our business, financial condition, and results of operations. For example, in March 2012, Japan's Financial Services Agency ( FSA ) published the Partial Revision of Public Notice on Consolidated Capital Adequacy of 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 cause our capital adequacy ratio calculated pursuant to such new measures to decrease below the levels at the end of March 2013 or may require us to liquidate 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 Financial Stability Board ( 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, the 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. The costs and impact on us as described above may further increase if we are identified as a G-SIB or a D-SIB in the future.

## **Table of Contents**

*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, for example, the improper use or disclosure of our or our clients' confidential information, such as insider trading, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us.

In July 2012, Japan's Securities and Exchange Surveillance Commission (SESC) issued a recommendation to the Prime Minister of Japan and the Commissioner of the FSA to bring an administrative action against Nomura Securities Co., Ltd. (NSC), the Company's subsidiary, based on the finding that NSC had failed to take necessary and appropriate measures in its business operations to prevent illegal trading with regard to the management of non-public, corporate-related information in connection with public offerings of new shares. In accordance with the SESC's recommendation, in August 2012, the FSA issued a business improvement order to NSC. In response to the order, NSC has implemented a series of measures designed to address the issues identified and is working across its entire operations to prevent similar incidents from occurring in the future.

Although we have precautions in place to detect and prevent any such misconduct and have recently taken steps to enhance such precautions, 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 services firm providing a wide range of products and services to a diverse group of clients, including individuals, corporations, financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Potential conflicts can occur when our services to a particular client or our own interests conflict, or are perceived to conflict, with the interest of another client. Potential conflicts can also occur where non-public information is not appropriately restricted or shared within the firm. While we have extensive internal procedures and controls designed to identify and

## **Table of Contents**

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, potential conflicts could give rise to regulatory scrutiny, enforcement action or litigation.

### **Our business is subject to various operational risks**

Types of operational risk we face 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.

### **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 of Japan, 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



## **Table of Contents**

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 record 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 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.

---

## **Table of Contents**

### **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 of Japan ( 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 anytime request the Company to purchase their shares. Also, holders of shares constituting less than a unit may request the Company to sell them such number of shares that the Company may have as may be necessary to raise such holder's share ownership to a whole unit. Shares constituting less than a unit are transferable under the Companies Act, but may not be traded on any Japanese stock exchange.

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

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

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

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

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

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

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

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

## **Table of Contents**

federal securities laws of the U.S. The Company believes that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of U.S. court judgments, of liabilities predicated solely upon the federal securities laws of the U.S.

### **Special Note Regarding Forward-looking Statements**

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

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

### **Item 4. Information on the Company**

#### **A. History and Development of the Company.**

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

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

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

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

In December 2001, we listed our shares (in the form of American Depositary Shares evidenced by American Depositary Receipts) on the New York Stock Exchange.

We have also enhanced our asset management business through the acquisition of a majority interest in Nomura Asset Management Co., Ltd. ( NAM ) in March 2000. NAM became a wholly-owned subsidiary of Nomura in December 2001.



## **Table of Contents**

In June 2003, we adopted a committee-based corporate governance system under which we established the Nomination Committee, the Audit Committee and the Compensation Committee. See Item 6.C of this annual report.

In February 2007, we acquired Instinet Incorporated, a global agency broker and major provider of electronic trading services for institutional investors, to develop an electronic platform in global equities.

In a series of steps beginning in September 2008, we acquired certain operations, including personnel, of former Lehman Brothers in Asia, Europe and the Middle East.

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

## **B. Business Overview.**

### **Overview**

We are one of the leading financial services groups in Japan and have worldwide operations. As of March 31, 2013, we operated offices in over 30 countries and regions 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 the following three divisions, each followed by its principal business:

Retail investment consultation services

Asset Management development and management of investment trusts, and investment advisory services

Wholesale serving corporations and institutional investors with a broad range of products and services

Nomura discloses segmental information elsewhere in this annual report and in our consolidated financial statements based on these Divisions.

### **Corporate Goals and Principles**

Nomura Group's management vision is to enhance its corporate value by deepening society's trust in the firm 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.

### **Our Business Divisions**

#### **Retail**

In Retail, we conduct business activities by delivering a wide range of financial products and high quality investment services mainly for individuals and corporations in Japan primarily through a network of nationwide branches of Nomura Securities Co., Ltd. ( NSC ). The total number of its head office and local branches was



## **Table of Contents**

177 as of the end of March 2013. 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 ¥11.8 trillion to ¥83.8 trillion as of the end of March 2013 from ¥72.0 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, 2013. 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**

As of March 2013, our Wholesale Division consisted of Global Markets, Investment Banking and certain other non-Retail operations. We formed this division in April 2010 to promote seamless coordination between these underlying businesses and to provide our corporate and institutional clients with timely, high value-added services tailored to their needs.

#### ***Global Markets***

We formed Global Markets in December 2012, integrating Fixed Income and Equities with the aim of enhancing cooperation between these two businesses, so that the new organization would have the flexibility to respond to recent changes in market environments and facilitate our offering of services and products rooted in client needs.

Fixed Income conducts sales, trading and market-making of fixed income-related products on a global basis. Our 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.

Equities conducts sales, trading and market-making of equity-related products globally, including 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.

#### ***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.

## **Table of Contents**

*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, 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 and Nikkei Veritas research polls in 2012. Our Fixed Income Research teams topped the Nikkei Veritas rankings for the third 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 firm is able to fulfill the various needs of our clients. Accordingly, we will continue to build a technology platform 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 information, including our research reports through the internet or mobile phones. In the fiscal year ended March 31, 2013, we have implemented a new platform aiming to improve cost efficiency and increase system stability.

On the wholesale side, 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 plan to further leverage our service entities in India to support our wholesale operations.

### **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,



## **Table of Contents**

our ability to maintain and develop client relationships,

our ability to access and commit capital resources,

our ability to retain and attract qualified employees, and

our general reputation.

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

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

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

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

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

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

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

## **Regulation**

### *Japan*

*Regulation of the Securities Industry and Securities Companies.* Pursuant to the FIEA, the Prime Minister of Japan has the authority to supervise and regulate the securities industry and securities companies, and delegates its authority to the Commissioner of the FSA. The Company, as a holding company of a securities company, as well as its subsidiaries including NSC 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



---

## Table of Contents

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 system, compliance system and risk management system to ensure the protection of investors. The FIEA and its related guideline also provide reporting requirement to the FSA on the Designated Parent Company Group's business and capital adequacy ratio, enhanced public disclosures as well as restrictions on the compensation system, which are designed to reduce excessive risk taking by their executives and employees within the Designated Parent Company Group. We have been designated as the final parent company of Designated Parent Companies within a corporate group (*saishu shitei oyagaisha*, a Final Designated Parent Company) in April 2011 and are subject to these requirements. A violation of the FIEA may result in various administrative sanctions, including the revocation of registration or license, the suspension of business or an order to discharge any director or executive officer who has failed to comply with the FIEA.

*Regulatory Changes.* A bill to amend the FIEA was submitted to the Diet of Japan on March 9, 2012 and was passed on September 6, 2012. A part of the amendment, based on the declaration reached at the G-20 Pittsburg Summit in September 2009 to enhance transparency of the settlement of over-the-counter (OTC) derivative transactions, requires Financial Instruments Business Operators 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 to amend the FIEA was submitted to the Diet of Japan and was passed on June 12, 2013. A part of the amendment includes establishing Orderly Resolution Regime for Financial Institutions to prevent financial crisis that may spread across financial markets and may seriously impact the



---

**Table of Contents**

real economy. Under the Orderly Resolution Regime, the Financial Crisis Response Council, chaired by the Prime Minister, will take measures such as providing liquidity etc. 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.

*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 Securities and Exchange Commission, the Commodity Futures Trading Commission, 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, the Financial Conduct Authority and the London Stock Exchange plc 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 on, creating crimes and penalties. 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 systemic, subject to increased (and sometimes new) prudential oversight including early remediation, capital standards and new regulatory fees (U.S. SIFIs); (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 will include mandates for clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, and internal and external business conduct rules. Some U.S. derivatives rules may be applied extraterritorially and therefore impact some Nomura non-U.S. 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 U.S. 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. 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 systemically important financial institutions (SIFIs) without systemic disruption and exposing taxpayers to the risk of loss. The proposed measures require G-SIFIs to prepare and maintain recovery and resolution plans (RRPs) by December 2012. In light of such a global framework, the Financial Services Authority in the U.K. (U.K. FSA) published a consultation on August 9, 2011 containing its proposals for RRP. The consultation covered the requirement for banks and large investment

---

## **Table of Contents**

firms in the U.K. not limited to G-SIFIs to prepare and maintain RRP. In a separate discussion paper, the UK 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. The feedback statement provides firms with clarity regarding what they are expected to do while final rules are being adjusted to take into account developments in the international area.

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 draft legislation has been split into two parts: the Markets in Financial Instruments Directive and the Markets in Financial Instruments Regulation ( MiFIR ). The draft 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 pushing derivatives onto exchanges.

Additionally 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 and the Market Abuse Regulation. The draft legislation seeks to strengthen market abuse provisions and introduce measures allowing for effective deterrent of market abuse behaviors.

On April 1, 2013, the Financial Services Act 2012 was formally enacted (after having received Royal Assent on December 19, 2012). The implementation of the Financial Services Act 2012 has resulted in U.K. financial services regulation being split into a twin peaks approach. The Prudential Regulation Authority ( PRA ) has been formed as a subsidiary of the Bank of England and will be 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 Financial Conduct Authority ( FCA ) has been established as a separate entity and will be responsible for the prudential supervision of firms not supervised by the PRA and for market conduct matters for all authorized firms. The FCA will also have a single strategic objective of making markets work well. Nomura's main operating subsidiaries in the UK (Nomura International plc and Nomura Bank International plc) are regulated by both the PRA and 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 month-end 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

---

**Table of Contents**

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. The 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. We are required to calculate the market risks increased significantly are required to be calculated requirement as a result of under the Basel 2.5 rule implementation, which is significantly larger than before.

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 these requirements. We believe that we will continue to be in compliance with all applicable capital adequacy requirements in the foreseeable future.

Under the Guideline for Financial Conglomerates Supervision, established by the FSA in June 2005, a financial conglomerate is defined as a corporate group, including two or more different types of financial institutions, such as a securities company and a bank. Nomura is classified as a financial conglomerate. Similar to Financial Instruments Firms I, financial conglomerates are required to maintain 100% capital adequacy ratio on a consolidated basis, unless otherwise specified by other law or notice. The Financial Instruments Business Operators Guidelines, when established by the FSA in July 2007, required corporate groups of financial instruments firms engaging in international operations to report their consolidated capital adequacy ratios to the Commissioner of the FSA semi-annually and additionally if the ratio falls below 120%.

Until the end of March 2011, the Company calculated its consolidated capital adequacy ratio according to the Criteria for bank holding companies to judge whether their capital adequacy status is appropriate in light of their own and their subsidiaries' asset holdings, etc. under Article 52-25 of the Banking Act (the Bank Holding Companies Notice), as permitted under the provision in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. The capital adequacy ratio (the ratio of adjusted capital to quantified total risk-weighted assets) required to be maintained by bank holding companies with international operations under the Bank Holding Companies Notice is 8.0% on a consolidated basis. We elected to calculate our capital adequacy ratio in accordance with the Bank Holding Companies Notice beginning on March 31, 2009.

As discussed above, the FSA amended the FIEA and introduced new rules on consolidated regulation and supervision of securities companies on consolidated basis on April 1, 2011 to improve the stability and transparency of Japan's financial system and ensure the protection of investors. The FSA also amended the FIEA to include reporting on consolidated regulatory capital for the Final Designated Parent Companies. On the 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.

## **Table of Contents**

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 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 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 the 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 2011 and November 2012. 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, 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 the minimum net capital requirements of 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 under the Government Securities Act of 1986.

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.

## **Table of Contents**

### **Management Challenges and Strategies**

The management objective of the Nomura Group is to increase its corporate value through trust gained from society and by increasing satisfaction among shareholders, clients and other stakeholders. In order to respond flexibly to various changes in the environment and achieve stable profit growth to increase corporate value, we also emphasize earnings per share (EPS) as a management target and strive to continuously improve the same.

In order to achieve our management objective, we are placing top priority on ensuring that profits are recorded by all business segments in all regions.

Specifically, as part of these efforts, we have steadily implemented measures to reduce costs by a total of 1 billion dollars through narrowing and deepening our businesses especially in various overseas locations. In addition, we have also striven to exert the comprehensive strength of our Group and enhance cross-regional and cross-business cooperation by accurately meeting client needs.

Basel III (new capital requirement regulations for financial institutions) has been applied in Japan starting from the end of March of this year, ahead of the U.S. and Europe, and the Company is now subject to these regulations. Regulations for financial institutions are starting to be implemented globally, as evidenced by new rules for derivatives and other financial transactions put in place in various countries.

Furthermore, fundamental institutional revisions known as bank reform are scheduled in the West, and financial transactions tax has been introduced in part of European countries and debates are ongoing about integrating the bank supervision system. These regulatory tightening actions affect the trading markets of equities, bonds and derivative products as well as the conditions of competition among financial institutions. Therefore, the Company will take the necessary measures in carefully responding to these changes.

Challenges and strategies in each division are as follows:

#### **Retail Division**

The business policy in the Retail Division is focused on client consultation services and investment proposals that are aligned with the life stage of clients to meet the individual needs of each client. We also offer various services at our business offices as well as through Nomura Net & Call, our integrated service via the internet and call centers to accommodate diverse lifestyles of clients.

In order to accurately meet client investment needs, we will provide quality products and services including those based on tax exemption for small investments in listed shares and investment trusts (so-called Japanese ISA or NISA as its nickname) scheduled to start in 2014.

#### **Asset Management Division**

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

#### **Wholesale Division**

For the Wholesale Division, cross-business and cross-regional cooperation are increasingly important while at the same time strengthening our expertise in each business area is also required in order to accommodate client needs.

## **Table of Contents**

As part of the initiatives taken for each business areas, Global Markets has focused on delivering high value-added products and solutions to our clients by leveraging our sophisticated trading expertise, intellectual capital in research and our global distribution capabilities. In Investment Banking, we will continue our efforts in building a global structure not only to implement cross-border M&A and financing both in domestic and overseas markets but also to provide solution business services associated with the said M&A and financing, while the globalization of the business activities of our clients develops.

In addition, as part of the initiatives aimed at cross-business and cross-regional cooperation, we have identified Asia as a strategic region based on expectations of its medium- to long-term economic growth, and we will further enhance our efforts in that region there. We aim to enhance our presence as a global financial services group by enhancing regional integration between Japan and the rest of Asia and enhancing the coordination of business between Asia and Europe, the Americas and the rest of the world. In implementing the initiatives outlined above, while also helping to strengthen the global financial and capital markets, we aim to bring together the collective strengths of our domestic and international operations to realize our management objectives and to maximize corporate value by enhancing profitability across our businesses in group.

### **Risk Management, Compliance and Other Matters**

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 that we operate.

In addition, we will continuously review and improve our existing overall compliance system and rules with initiatives towards promoting an environment of high ethical standards among all of our executive management and employees. In this way, we will meet the expectations of society and clients toward the Nomura Group and contribute to the further development of the financial and capital markets.

In August 2012, Japan's Financial Services Agency issued a business improvement order to our subsidiary, Nomura Securities Co., Ltd., regarding the management of corporate-related information for public stock offerings.

With regard to this matter, Nomura Securities Co., Ltd. submitted a business improvement report to Japan's Financial Services Agency on August 8, 2012 and the report was accepted. On June 29, 2012, prior to the issuance of the above mentioned business improvement order, Nomura Securities Co., Ltd. announced improvement measures regarding the method of communication for corporate-related information and systems of information control system. All measures were implemented by the end of December 2012. We will continue to conduct voluntary inspections and investigations and will further reinforce and enhance our internal controls structure to prevent recurrence and to regain the trust.

We will continue to strengthen our internal governance system. Since April 2013 of this year, we have implemented reinforcement measures to ensure the independence of our Internal Audit from execution side, so that the effectiveness of the Internal Audit will be strengthened under the business environment which is rapidly changing and highly developed risk management situations. We will further enhance and reinforce our internal control system to maintain the trust of clients, shareholders and investors.

**Table of Contents****C. Organizational Structure.**

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

Name	Country	Ownership Interest (%)
Nomura Holdings, Inc.	Japan	
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Financial Partners Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Facilities, Inc.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Nomura Private Equity Capital Co., Ltd.	Japan	100
Nomura Agri Planning & Advisory Co., Ltd.	Japan	100
Nomura Land and Building Co., Ltd.	Japan	100
The Asahi Fire & Marine Insurance Co., Ltd.	Japan	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.	Luxembourg	100
Nomura Bank (Deutschland) GmbH	Germany	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 Principal Investment plc	U.K.	100
Nomura Capital Markets plc	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





## **Table of Contents**

### **D. Property, Plants and Equipment.**

#### **Our Properties**

As of March 31, 2013, our principal head office is located in Tokyo, Japan and occupies 1,025,685 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 125,299 square feet, our Nagoya branch office, which occupies 82,918 square feet, and the head office of NAM in Tokyo, which occupies 157,228 square feet. Nomura sold part of its investments in Nomura Real Estate Holdings Inc. ( NREH ) in March 2013 which is now accounted for by the equity method as of March 31, 2013. As a result, the properties NREH possesses were unconsolidated. See Note 11 *Business combinations* in our consolidated financial statements included in this annual report.

As of March 31, 2013, our major offices outside Japan are the head offices of Nomura International plc ( NIP ) located in London, which occupies 479,761 square feet, the New York head office of Nomura Securities International, Inc., which occupies 159,835 square feet, and the offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 156,841 square feet. We own the buildings and we either own or lease the land for the offices in London. We lease most of our other overseas office space.

As of March 31, 2013, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 476,271 square feet.

As of March 31, 2013, the aggregate book value of the land and buildings we owned, including capital leases was ¥198 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥53 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, 2013 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 recorded two quarters of contraction in the first half of the year ended March 31, 2013. Although public investment, mainly in the form of post-quake reconstruction spending, expanded in Japan, exports weakened amid a depressed global economy triggered by the European debt crisis, and capital investment

---

**Table of Contents**

consequently stagnated. In the second half of the fiscal year, external demand showed signs of picking up amid progress with inventory adjustments in Asia, and with consumer spending also trending firmly, the Japanese economy headed toward recovery. In particular, the inauguration of new Prime Minister Shinzo Abe's administration in December 2012 fueled expectations for monetary easing action by the Bank of Japan ( BOJ ) that prompted yen depreciation and a rally on equity markets. Economic growth then accelerated in the fourth quarter of the fiscal year, supported chiefly by consumer spending. As a result, Japan's real gross domestic product ( GDP ) in the fiscal year ended March 31, 2013, expanded for a third consecutive year, by 1.2% year-on-year, following 0.2% growth in the prior fiscal year.

Corporate earnings as a whole headed toward recovery in the fiscal year ended March 31, 2013. Although profits decreased in materials sectors such as chemicals and steel/nonferrous metals owing to the overseas economic downturn in the first half of the fiscal year, they rose markedly in the automotive sector as the impact of the Thai floods disappeared and as subsidies for energy-efficient cars in Japan provided a boost. We estimate that recurring profits at major companies (those in the Russell/Nomura Large Cap Index) increased by 13% year-on-year in the fiscal year ended March 31, 2013, marking a turnaround from the 12% decrease in the prior fiscal year. The nonmanufacturing industry performed solidly on the whole, with the exception of the utilities sector, where losses widened.

The stock market performed sluggishly in the first half of the fiscal year ended March 31, 2013, amid European debt concerns, the depressed global economy, and appreciation of the yen. In the second half, the yen weakened and the stock market advanced following the dissolution of the House of Representatives in November 2012, when Liberal Democratic Party President Shinzo Abe called on the BOJ to take monetary easing action. After the Abe administration came into power in December 2012, expectations began to heighten toward Abenomics with its three policy arrows—bold monetary easing, flexible fiscal policy, and private sector-led growth strategies—and these underpinned further stock market gains through the end of the fiscal year. The Tokyo Stock Price Index (the TOPIX ) advanced 21.1% over the course of the fiscal year, from 854.35 points at the end of March 2012 to 1,034.71 points at the end of March 2013.

The Nikkei Stock Average rose 23.0% over the fiscal year as a whole, from 10,083.56 at the end of March 2012 to 12,397.91 at the end of March 2013.

The yields on newly issued 10-year Japanese government bonds trended downward over the fiscal year as a whole, reflecting a deepening of the European debt crisis, the global economic slowdown, and monetary easing moves accompanying these developments, as well as the bold monetary easing action taken in Japan with the launch of the Abe administration. The yields were a little under 1% as of the end of March 2012 and had fallen to the lower 0.7% level by late July in reaction to the global trend toward monetary easing. Concerns about political turbulence in Europe and expectations for monetary easing under new BOJ leadership emerged from January 2013, and yields had subsequently declined to the mid-0.5% level by the end of March 2013.

On the foreign exchange markets, the U.S. economy had a major influence over the value of the yen against the U.S. dollar in the first half of the fiscal year ended March 31, 2013. Against the euro, the value of the yen was affected by debt problems in Greece, Spain and other European economies. The change in government in Japan and the launch of a bold monetary easing program had a major impact on the yen from November 2012, and the currency weakened considerably against both the U.S. dollar and euro. At the end of March 2012, the yen was trading at the ¥83 level against the U.S. dollar and the ¥110 level against the euro. Initially in the fiscal year ended March 31, 2013, the yen appreciated at a moderate pace against the U.S. dollar, rising to the ¥77 level in June amid concerns about recovery in the U.S. economy prompted by weak employment growth and other data. The yen also strengthened to the ¥94 level against the euro in July as growing fiscal instability in Spain reignited concerns about the European debt crisis. In September, the yen weakened to the ¥103 level against the euro after the European Central Bank ( ECB ) announced the unlimited Outright Monetary Transactions ( OMT ) program. Japan's House of Representatives was then dissolved in November, paving the way for the new Abe-led LDP administration in December, and with the new government calling on the BOJ to take monetary easing

---

## **Table of Contents**

action, the yen depreciated against both the U.S. dollar and euro. As a result, 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.

### *Overseas*

Among the economies of the leading industrialized nations, recovery in the U.S. was underpinned by quantitative easing policies, while the European economy contracted as a result of a credit crunch owing to the effects of the sovereign debt crisis and the implementation of fiscal austerity measures to address debt problems. The global economy performed weakly in the first half of the fiscal year ended March 31, 2013, as the recession in Europe had repercussions for emerging economies, but in the second half of the fiscal year it rebounded as the leading industrialized nations took additional monetary easing action and made progress addressing the European debt crisis. In international commodity markets, prices fell markedly for a time, including for crude oil, owing to the effects of the European debt crisis, but later regained stability as global financial markets returned to normal.

U.S. real GDP improved slightly with 2.2% year-on-year growth in 2012, having expanded 1.8% in 2011. This growth reflected solid housing investment and consumer spending as both home prices and share prices rose on the back of further monetary easing, including a third round of quantitative easing ( QE3 ).

The Federal Reserve Board (the FRB ) launched QE3 in September 2012 amid delayed improvement in the jobs market and other developments. It further pursued monetary easing in December 2012 by announcing the zero interest rate policy would be maintained until targets for unemployment and inflation were met, and by unveiling a program of additional Treasury purchases. The U.S. stock market declined in the first half of the fiscal year ended March 31, 2013, as the European sovereign debt crisis resurfaced, but rose in the second half owing to a number of factors, including the unlimited OMT program introduced by the ECB, additional monetary easing action by the FRB, the avoidance of the fiscal cliff (that would have resulted in the discontinuation of major tax breaks in the U.S. at the same time as large cuts in expenditure), and expectations for improvement in both the U.S. economy and corporate earnings. The Dow Jones Industrial Average stood at 13,212.04 at the end of March 2012 then fell below 13,000 in May 2012 before rallying to 14,578.54 at the end of March 2013. The yield on 10-year U.S. Treasuries was around 2.2% at the end of March 2012 and fell to around 1.4% in July 2012 amid stock market declines and expectations of ongoing FRB easing, but had climbed to around 1.9% by the end of March 2013.

In Europe, Eurozone real GDP shrank 0.6% year-on-year in 2012 after growth of 1.4% in 2011. The economy entered a recession as a credit crunch took hold due to the effects of the sovereign debt crisis and as governments adopted austerity measures to address their debt problems. Concerns over sovereign risk entered a temporary lull on the introduction of the ECB's unlimited OMT program and bailout packages for Greece and Spain, but conditions remained severe in the real economy. European stock markets fell on growing market concerns but subsequently rallied, with the result that the benchmark German stock index ( DAX ) advanced by about 12% during the year ended March 31, 2013.

Economic growth slowed across Asia as a whole in 2012, but the picture was mixed, with China's economic growth decelerating while Southeast Asian economies such as Thailand and the Philippines expanded strongly. Real GDP growth in China in 2012 was 7.8%, versus 9.3% in 2011. The economic slowdown was exacerbated in the first half of 2012 by a decrease in exports to Europe and a slowing in real estate-related investment, but in the second half, the economy bottomed and began to recover with support from monetary easing, measures to stimulate consumption, and infrastructure-related investment. The key challenge for China amid an anticipated tightening in labor supply-demand is whether it can make the transition from investment-led to consumption-led economic growth while at the same time reining in inflation.

### **Executive Summary**

Looking back at the global economy during the fiscal year ended March 31, 2013, there was economic slowdown in emerging nations as well as in the leading industrialized nations through the middle of 2012 mainly

---

**Table of Contents**

due to uncertainty over the outcome of the European sovereign debt crisis. The global economy subsequently showed trends of modest recovery over the end of 2012 due to factors such as monetary easing action by major industrialized countries and structural reform efforts by the ECB aimed at maintaining the value of the Euro. Amid this situation, the trend of shifting of funds into risk assets such as stocks was accelerated on a global basis. Meanwhile, economic activity in Japan was weak until the end of 2012 due to factors such as stagnation in exports, but the change in government was followed by correction of the high yen and a rise in stock prices due to positive expectations regarding fiscal and monetary policy aimed at pulling out of deflation, and the business sentiment improved.

The TOPIX began the fiscal year at 856.05 points. The index remained low during the first half of the current fiscal year, including a fall to 695.51 points in June, a low not seen since December 1983. However, a reversal occurred in November and the index recovered to 1,034.71 points at the end of March, 2013. The US dollar-yen exchange rate saw substantial correction of the high yen, moving from the 77 yen range at the beginning of the current fiscal year to 94 yen range by the end of the March, 2013. With respect to financial regulations, Basel III (new capital requirement regulations for financial institutions) and other widespread reforms aimed at supervision of financial institutions have been implemented in a phased manner in Japan and overseas. We need to continue to follow these changes closely.

Amid this environment and under the basic philosophy of placing our clients at heart of everything we do, we strove to accommodate ever-changing needs, diversify our products and services and make proposals with higher added value. The Retail Division promoted investment consultation, while the Asset Management Division worked to increase assets under management on a global basis and enhance investment performance. In the Wholesale Division, we implemented a narrow and deep strategy focused on business areas where we can deliver added value to our clients and enhanced cooperation among regions and business units, thereby we have accommodated to the diversified needs of our clients.

Furthermore, following the cost reduction efforts made during the previous fiscal year, we continued to steadily take steps aimed for an additional cost reduction of \$1.0 billion during the current fiscal year to ensure stable profits in a continuous manner regardless of fluctuation in the market environment. Also, with the aim of the optimal allocation of management resources, shares of Nomura Real Estate Holdings, Inc. were sold in March of this year to convert it from a consolidated subsidiary of the Company to an affiliate accounted for by the equity method. Meanwhile, we have also made steady investments including those on systems for the purpose of operational streamlining, aiming at reorganizing business platforms. As a result, we earned ¥1,813.6 billion for the fiscal year ended March 31, 2013, a 18% increase from the previous fiscal year. Non-interest expenses increased 9% versus the previous fiscal year to ¥1,575.9 billion, income before income taxes was ¥237.7 billion, and net income attributable to the shareholders of NHI was ¥107.2 billion. Consequently, ROE for the full fiscal year was 4.9%.

In Retail, net revenue for the year ended March 31, 2013 increased by 14% from the previous year to ¥397.9 billion, due primarily to increasing commissions from the distribution of investment trusts and brokerage commissions. Non-interest expenses increased by 4% to ¥297.3 billion. As a result, income before income taxes increased by 59% to ¥100.6 billion. In order to accurately respond to the investment needs of each client, we continue with sales activities focused on providing client consultation services and investment proposals based on the same. As a result of such efforts, our monthly total sales reached a level exceeding ¥1.0 trillion. Furthermore, total retail client assets increased to ¥83.8 trillion from ¥72.0 trillion at the end of the previous fiscal year. The number of client accounts increased by 40,000 to end the fiscal year at 502.5 million accounts, indicating steady growth in the business base.

In Asset Management, net revenue for the year ended March 31, 2013 increased by 5% from the previous year to ¥68.9 billion, primarily due to an increase in assets under management. Non-interest expenses increased

**Table of Contents**

by 6% to ¥47.8 billion. As a result, income before income taxes increased by 3% to ¥21.2 billion. In the investment trust business, there was an inflow into funds representing a wide range of investment assets, including Japanese equities and overseas bonds, through products that meet client needs, such as funds aimed at maintaining low and medium risk levels and funds that match the investment environment. In the investment advisory business, there was an increase in mandates from overseas clients, mainly financial institutions in Europe and government agencies in Asia. As a result, assets under management as of March 31, 2013 increased by ¥3.3 trillion to ¥27.9 trillion from the end of the previous fiscal year.

In Wholesale, net revenue for the year ended March 31, 2013 increased by 16% from the previous year to ¥644.9 billion. The environment was continuously challenging in the first half of the fiscal year, characterized by resurgent concerns over economic and financial markets in Europe, and revenue remained low. In the second half of the fiscal year, we posted gains from the sale of an investment to a private equity fund in the third quarter. Also, Japanese market conditions took a favorable turn due to anticipation of economic recovery spurred by the change in government and driven by revenue in Japan in the fourth quarter, net revenue for the fiscal year increased from the previous year. The additional cost reduction of \$1.0 billion announced in September 2012 is progressing on schedule and non-interest expenses decreased by 3% to ¥573.2 billion. As a result, income before income taxes totaled ¥71.7 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		
	2011	2012	2013
Non-interest revenues:			
Commissions	¥ 405,463	¥ 347,135	¥ 359,069
Fees from investment banking	107,005	59,638	62,353
Asset management and portfolio service fees	143,939	144,251	141,029
Net gain on trading	336,503	272,557	367,979
Gain on private equity investments	19,292	25,098	8,053
Gain (loss) on investments in equity securities	(16,677)	4,005	38,686
Other	43,864	563,186	708,767
<b>Total Non-interest revenues</b>	<b>1,039,389</b>	<b>1,415,870</b>	<b>1,685,936</b>
Net interest revenue	91,309	119,989	127,695
<b>Net revenue</b>	<b>1,130,698</b>	<b>1,535,859</b>	<b>1,813,631</b>
Non-interest expenses	1,037,443	1,450,902	1,575,901
<b>Income before income taxes</b>	<b>93,255</b>	<b>84,957</b>	<b>237,730</b>
Income tax expense	61,330	58,903	132,039
<b>Net income</b>	<b>¥ 31,925</b>	<b>¥ 26,054</b>	<b>¥ 105,691</b>
Less: Net income attributable to noncontrolling interests	3,264	14,471	(1,543)
<b>Net income attributable to NHI shareholders</b>	<b>¥ 28,661</b>	<b>¥ 11,583</b>	<b>¥ 107,234</b>

Return on equity 1.4% 0.6% 4.9%

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.



**Table of Contents**

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 the revenue from Fixed Income trading. 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 investments 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 of Nomura Land and Building Co., Ltd ( NLB ) and its related subsidiaries. This contained ¥336,858 million of revenues from real estate sales generated by Nomura Real Estate Holdings Inc. ( NREH ) which was a subsidiary of NLB. The 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 doesn't have a substantial continuing involvement in the real estate. Also, ¥50,139 million of revenues were from Nomura's sale of a portion of its holding shares of NREH in March 2013. This included ¥38,468 million of the unrealized gain from Nomura's remaining shares. With this sale, Nomura no longer maintains controlling financial interest and NREH has changed from a consolidated subsidiary to an affiliate accounted for by the equity method.

Net revenue increased by 36% from ¥1,130,698 million for the year ended March 31, 2011 to ¥1,535,859 million for the year ended March 31, 2012. Commissions decreased by 14%, due primarily to a decrease in commissions from the distribution of investment trusts, reflecting the turmoil in the global financial markets which was mainly caused by the European sovereign debt crisis. Fees from investment banking decreased by 44%, due primarily to a decrease in transaction volume in equity finance for Japanese companies. Net gain on trading was ¥272,557 million for the year ended March 31, 2012, due primarily to downturn in financial markets mainly caused by the European sovereign debt crisis. Net gain on trading also included total gains of ¥28.8 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 gain was due primarily to the widening of Nomura's credit spreads during the period. Gain on private equity investments was ¥25,098 million for the year ended March 31, 2012 due primarily to realized gains on equity securities of certain investee companies. Other was ¥563,186 million for the year ended March 31, 2012, including ¥510,556 million relating to the conversion of NLB into a subsidiary of Nomura Holdings, Inc. Of this amount, ¥24,299 million was recognized at the time of the acquisition and is therefore expected to be non-recurring in nature and the remaining ¥486,257 million relates to operating revenues of NLB which were consolidated into Nomura's group revenue from acquisition date. This included ¥251,377 million of revenues from real estate sales generated by NREH.

Net interest revenue was ¥91,309 million for the year ended March 31, 2011, ¥119,989 million for the year ended March 31, 2012 and ¥127,695 million for the year ended March 31, 2013. 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, 2013, interest revenue decreased by 10% due mainly to a decrease of dividends and interest income on reverse repo transactions in our Europe region and interest expense decreased by 16% due primarily to a decrease in interest expense on repo transactions 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. For the year ended March 31, 2012, interest revenue increased by 26% due mainly to an increase in securitized product trading in our Americas region and interest expense increased by 24% due primarily to an increase in interest expense on securities lending transactions. As a result, net interest revenue for the year ended March 31, 2012 increased by ¥28,680 million from the year ended March 31, 2011.

In our consolidated statements of income, we include gains and losses on investments in equity securities within revenue. We recognized gains and losses on such investments in the amount of losses of ¥16,677 million for the year ended March 31, 2011, gains of ¥4,005 million for the year ended March 31, 2012 and ¥38,686 million for

**Table of Contents**

the year ended March 31, 2013. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes. These investments refer to 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 increased by 9% from ¥1,450,902 million for the year ended March 31, 2012 to ¥1,575,901 million for the year ended March 31, 2013. The increase in non-interest expenses was caused by an increase in other expenses by 24% from ¥496,227 million for the year ended March 31, 2012 to ¥616,463 million for the year ended March 31, 2013 due primarily to the impact of consolidating NLB for a full fiscal year. For the year ended March 31, 2013, other expenses include ¥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, a subsidiary of NLB.

Non-interest expenses increased by 40% from ¥1,037,443 million for the year ended March 31, 2011 to ¥1,450,902 million for the year ended March 31, 2012. The increase in non-interest expenses was caused by an increase in other expenses by 296% from ¥125,448 million for the year ended March 31, 2011 to ¥496,227 million for the year ended March 31, 2012, including ¥382,044 million relating to the conversion of NLB into a subsidiary of Nomura Holdings, Inc. This amount relates to operating expense of NLB which were consolidated into Nomura's group expense from acquisition date. Also, of this amount, ¥226,450 million represented cost of real estate sales incurred in generating real estate revenues by NREH, a subsidiary of NLB.

Income before income taxes was ¥93,255 million for the year ended March 31, 2011, ¥84,957 million for the year ended March 31, 2012 and ¥237,730 million for the year ended March 31, 2013.

We are subject to a number of different taxes in Japan and have adopted the consolidation tax system permitted under Japanese tax law. The consolidation tax system only imposes a national tax. Since April 1, 2004, our domestic statutory tax rate has been approximately 41%. However, as a result of the revisions of domestic tax laws, the domestic statutory tax rates are 38% between April 1, 2012 and March 31, 2015 and 36% thereafter. Our foreign subsidiaries are subject to the income tax rates of the countries in which they operate, which are generally lower than those in Japan. Our effective 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, 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 12.8% and the effect of the tax positions to foreign subsidiaries which increased the effective tax rate by 10.0%. The significant factor reducing the effective tax rate was 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% and the effect of the tax positions to foreign subsidiaries which increased the effective tax rate by 14.1%. The significant factors reducing the effective tax rate were non-taxable revenue which decreased the effective tax rate by 29.7% and change in valuation allowance which decreased the effective tax rate by 22.5%.

Income tax expense for the year ended March 31, 2011 was ¥61,330 million, representing an effective tax rate of 65.8%. The significant factors causing the difference between the effective tax rate of 65.8% and the statutory tax rate of 41% were the effect of the tax positions to foreign subsidiaries which increased the effective tax rate by 10.8%, taxable items to be added to financial profit and non-deductible expenses which increased the effective tax rate by 5.3% and 16.6%, respectively. The significant factor reducing the effective tax rate was non-taxable revenue which decreased the effective tax rate by 8.4%.



**Table of Contents**

Net income attributable to NHI shareholders for the year ended March 31, 2011, 2012 and 2013 was ¥28,661 million, ¥11,583 million and ¥107,234 million, respectively. Our return on equity for the year ended March 31, 2011, 2012 and 2013 was 1.4%, 0.6% and 4.9%, 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 (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, 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 23 *Segment and geographic information* in our consolidated financial statements. The reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 23 *Segment and geographic information* in our consolidated financial statements.

**Retail**

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

*Operating Results of Retail*

	Millions of yen		
	Year ended March 31		
	2011	2012	2013
Non-interest revenues	¥ 389,404	¥ 347,385	¥ 394,294
Net interest revenue	3,029	2,873	3,631
Net revenue	392,433	350,258	397,925
Non-interest expenses	291,245	287,128	297,297
Income before income taxes	¥ 101,188	¥ 63,130	¥ 100,628

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

Net revenue for the year ended March 31, 2012 was ¥350,258 million, decreasing 11% from ¥392,433 million for the year ended March 31, 2011, due primarily to decreasing commissions from the distribution of investment trusts and brokerage commissions.

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

Non-interest expenses for the year ended March 31, 2012 were ¥287,128 million, decreasing 1% from ¥291,245 million for the year ended March 31, 2011 due to primarily to a decrease in compensation and benefits.

**Table of Contents**

Income before income taxes was ¥101,188 million for the year ended March 31, 2011, ¥63,130 million for the year ended March 31, 2012, and ¥100,628 million for the year ended March 31, 2013.

The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the years ended March 31, 2011, 2012, and 2013.

As shown above, revenue from Equities increased from 15% for the year ended March 31, 2012 to 20% for the year ended March 31, 2013. Revenue from Investment trusts and Asset Management decreased from 57% for the year ended March 31, 2012 to 54% for the year ended March 31, 2013. Revenue from Bonds decreased from 26% for the year ended March 31, 2012 to 24% for the year ended March 31, 2013. Revenue from Insurance was 2% for the year ended March 31, 2013.

## **Table of Contents**

### *Retail Client Assets*

The following graph shows amounts and details regarding the composition of retail client assets at March 31, 2011, 2012, and 2013. 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 ¥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.

Retail client assets increased from ¥70.6 trillion as of March 31, 2011 to ¥72.0 trillion as of March 31, 2012, due to balanced business growth, centered on equities, bonds, investment trusts and insurance products. The balance of our clients' investment trusts decreased by 3% from ¥13.9 trillion as of March 31, 2011 to ¥13.5 trillion as of March 31, 2012, reflecting net cash inflows by clients of ¥0.7 trillion and market depreciation of ¥1.1 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		
	2011 <sup>(1)</sup>	2012	2013
Non-interest revenues	¥ 62,670	¥ 63,022	¥ 66,489
Net interest revenue	3,865	2,778	2,448
Net revenue	66,535	65,800	68,937
Non-interest expenses	46,513	45,281	47,768
Income before income taxes	¥ 20,022	¥ 20,519	¥ 21,169

(1) In April 2011, Nomura Bank (Luxembourg) S.A. in the Asset Management segment was integrated into Other. Following with this integration, certain prior period amounts have been reclassified to conform to the current period presentation. 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.

Net revenue decreased by 1% from ¥66,535 million for the year ended March 31, 2011 to ¥65,800 million for the year ended March 31, 2012, due to a decrease in assets under management driven by the impact of weakened market conditions.

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 assets.

Non-interest expenses decreased by 3% from ¥46,513 million for the year ended March 31, 2011 to ¥45,281 million for the year ended March 31, 2012.

Income before income taxes was ¥20,022 million for the year ended March 31, 2011, ¥20,519 million for the year ended March 31, 2012 and ¥21,169 million for the year ended March 31, 2013.

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

	Billions of yen March 31		
	2011	2012	2013
Nomura Asset Management Co., Ltd <sup>(1)</sup> .	¥ 27,328	¥ 26,994	¥ 30,685
Nomura Funds Research and Technologies Co., Ltd <sup>(1)</sup> .	3,020	2,810	2,920
Nomura Corporate Research and Asset Management Inc.	1,841	1,504	1,821
Nomura Private Equity Capital Co., Ltd.	538	579	664
Combined total	¥ 32,727	¥ 31,887	¥ 36,090
Shared across group companies	(8,014)	(7,324)	(8,190)
Total	¥ 24,713	¥ 24,563	¥ 27,900

(1)

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Certain prior period balances 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.

Assets under management were ¥27.9 trillion as of March 31, 2013, a ¥3.2 trillion increase from March 31, 2011 and a ¥3.3 trillion increase from March 31, 2012.

**Table of Contents**

In our investment trust business, there was an inflow into funds representing a wide range of investment assets including Japanese equities and overseas bonds. In our investment advisory business, there was an increase in mandates from overseas clients. As a result, 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 balance of investment trusts such as Nomura High Dividend Infrastructure Equity Premium (Currency Select Course), Nomura US High Yield Bond Fund (Currency Select Course), Nomura Global REIT Premium (Currency Select Course) and Nomura Japan High Dividend Stock Premium (Currency Select Course) increased. Investment trust assets included in assets under management by NAM were ¥15.3 trillion as of March 31, 2012, down ¥0.7 trillion, or 4%, from the previous year due to the impact of weakened market conditions, reflecting net cash inflows by clients of ¥0.2 trillion and market depreciation of ¥0.9 trillion.

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

	2011	March 31 2012	2013
Total of publicly offered investment trusts	22%	22%	22%
Stock investment trusts	17%	17%	18%
Bond investment trusts	43%	44%	43%

**Wholesale**

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

We reorganized Global Markets in December 2012, integrating Fixed Income and Equities with the aim of enhancing cooperation between these two businesses, so that the new organization would have the flexibility respond to recent changes in market environments and facilitate our offering of services and products rooted in client needs.

*Operating Results of Wholesale*

	Millions of yen Year ended March 31		
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013
Non-interest revenues	¥ 532,527	¥ 428,738	¥ 491,773
Net interest revenue	93,607	126,311	153,083
Net revenue	626,134	555,049	644,856
Non-interest expenses	622,000	592,701	573,199
Income (loss) before income taxes	¥ 4,134	¥ (37,652)	¥ 71,657

(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 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 franchises 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 the decline of revenue in Investment Banking.

**Table of Contents**

Net revenue decreased by 11% from ¥626,134 million for the year ended March 31, 2011 to ¥555,049 million for the year ended March 31, 2012, due primarily to the volatile economical and financial market conditions in Europe. Specifically, these conditions contributed to low client activity, which among other factors caused a decrease in revenues in Equities, and lower equity capital markets and M&A activity, which negatively impacted revenues in Investment Banking.

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 which is progressing on schedule.

Non-interest expenses decreased by 5% from ¥622,000 million for the year ended March 31, 2011 to ¥592,701 million for the year ended March 31, 2012 as a result of the initial cost reduction program started in the third quarter of the year ended March 31, 2012.

Income before income taxes was ¥4,134 million for the year ended March 31, 2011, loss before income taxes was ¥37,652 million for the year ended March 31, 2012 and income before income taxes was ¥71,657 million for the year ended March 31, 2013.

*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		
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013
Net revenue	¥ 508,066	¥ 455,756	¥ 560,429
Non-interest expenses	493,291	470,360	459,715
Income (loss) before income taxes	¥ 14,775	¥ (14,604)	¥ 100,714

(1) Certain prior period amounts have been reclassified to conform to the current period presentation.

Net revenue increased 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 ¥274.5 billion for the year ended March 31, 2012 to ¥378.7 billion for the year ended March 31, 2013. In the 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 increased from ¥181.2 billion for the year ended March 31, 2012 to ¥181.7 billion for the year ended March 31, 2013. The 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 BOJ, resulting in greatly increased earnings from our equity business in Japan.

**Table of Contents**

Net revenue decreased from ¥508,066 million for the year ended March 31, 2011 to ¥455,756 million for the year ended March 31, 2012. In Fixed Income, net revenue decreased from ¥281.3 billion for the year ended March 31, 2011 to ¥274.5 billion for the year ended March 31, 2012. In Equities, net revenue decreased from ¥226.8 billion for the year ended March 31, 2011 to ¥181.2 billion for the year ended March 31, 2012. We experienced a challenging fiscal year as exchange volumes decreased and client activity remained low for much of the year. Execution services performed in-line with declining market volume, while derivatives was challenged in some products, but showed resilience with innovative products in Japan along with tailored solutions for industrial corporations globally.

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.

Non-interest expenses decreased by 5% from ¥493,291 million for the year ended March 31, 2011 to ¥470,360 million for the year ended March 31, 2012, primarily due to cost savings initiated by the cost reduction program which started in the third quarter for the year ended March 31, 2012.

Income before income taxes was ¥14,775 million for the year ended March 31, 2011, loss before income taxes was ¥14,604 million for the year ended March 31, 2012 and ¥100,714 million for the year ended March 31, 2013.

*Investment Banking*

We provide a broad range of investment banking services, such as underwriting and advisory activities, to a diverse range of corporations, financial institutions, sovereigns, investment funds and other entities. We underwrite offerings of debt, equity and other financial instruments in Asia, Europe, U.S. and other major financial markets. 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		
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013
Investment Banking (Gross)	¥ 185,011	¥ 141,678	¥ 143,001
Allocation to Other divisions	(82,114)	(66,284)	(70,990)
Investment Banking (Net)	102,897	75,394	72,011
Other	15,171	23,899	12,416
Net revenue	118,068	99,293	84,427
Non-interest expenses	128,709	122,341	113,484
Loss before income taxes	¥ (10,641)	¥ (23,048)	¥ (29,057)

(1) Certain prior period amounts have been reclassified to conform to the current period presentation.

Net revenue decreased 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 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, 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



---

## **Table of Contents**

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 to the additional losses booked against investments in the leisure and utilities sectors.

Net revenue decreased from ¥118,068 million for the year ended March 31, 2011 to ¥99,293 million for the year ended March 31, 2012. Investment banking (net) revenue decreased from ¥102,897 million for the year ended March 31, 2011 to ¥75,394 million for the year ended March 31, 2012, as the business environment proved challenging, especially in equity capital markets and M&A. Other revenue increased from ¥15,171 million for the year ended March 31, 2011 to ¥23,899 million for the year ended March 31, 2012. 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. For the year ended March 31, 2011, realized gains from investments in Japan were ¥11.1 billion. Realized losses from the Terra Firma Investments were ¥3.4 billion and unrealized gains from the Terra Firma Investments were ¥14.6 billion. Realized and unrealized gains arose primarily on investments in the residential real estate, leisure and utilities sectors while realized losses are related to the exit of a media business.

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 third quarter for the year ended March 31, 2013.

Non-interest expenses decreased by 5% from ¥128,709 million for the year ended March 31, 2011 to ¥122,341 million for the year ended March 31, 2012, primarily due to the initial cost reduction program started in the third quarter for the year ended March 31, 2012.

Loss before income taxes was ¥10,641 million for the year ended March 31, 2011, ¥23,048 million for the year ended March 31, 2012 and ¥29,057 million for the year ended March 31, 2013.

## **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 23 *Segment and geographic information* to our consolidated financial statements. 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.

Loss before income taxes in other operating results was ¥15,193 million for the year ended March 31, 2011, income before income taxes in other operating result was ¥35,153 million for the year ended March 31, 2012 and ¥6,591 million for the year ended March 31, 2013, respectively.

Other operating results for the year ended March 31, 2013 include losses from changes in the fair value of the 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.

Other operating results for the year ended March 31, 2012 include gains from changes in the fair value of the financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥16.7 billion, the negative impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥10.4 billion and losses from changes in counterparty credit spreads of ¥16.1 billion.

## **Table of Contents**

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

### **Regulatory Capital Requirements**

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

### **Translation Exposure**

A significant portion of our business is conducted in currencies other than 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.

**Table of Contents**

## 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 3% as of March 31, 2013 as listed below:

	Level 1	Level 2	Level 3	Billions of yen March 31, 2013 Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥ 8,638	¥ 8,739	¥ 546	¥	¥ 17,923	3%
Derivative assets	728	26,479	368	(25,684)	1,891	
Derivative liabilities	830	26,296	395	(25,636)	1,885	

See Note 2 *Fair value measurements* in our consolidated financial statements.

*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 thirdparty transactions, if it is determined that

**Table of Contents**

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.

Fair value amounts recognized for derivative instruments entered into under a legally enforceable master netting agreement are offset in the consolidated balance sheets and 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.

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, 2012	
	Assets	Liabilities
Listed derivatives	¥ 304	¥ 334
OTC derivatives	1,056	974
	¥ 1,360	¥ 1,308

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

**Table of Contents**

The fair value of OTC derivative assets and liabilities as of March 31, 2013 by remaining contractual maturity are shown below:

	Billions of yen						Cross-maturity netting <sup>(1)</sup>	Total fair value
	March 31, 2013							
	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	¥ 796	¥ 1,015	¥ 1,049	¥ 860	¥ 2,854	¥ (5,126)	¥ 1,448	
OTC derivative liabilities	916	790	1,056	767	2,611	(4,814)	1,326	

(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, 2013, we recognized a goodwill impairment loss on goodwill relating to the Wholesale segment of ¥8,293 million within *Non-interest expenses - Other* in the consolidated statements of income, due to a decline in fair value of a reporting unit in the Wholesale segment caused by the prolonged economic downturn. 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*

Challenging market conditions continue to 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.

**Table of Contents***Securitization Products*

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, 2013.

	Millions of yen March 31, 2013				Total <sup>(1)</sup>
	Japan	Europe	Americas	Asia and Oceania	
CMBS <sup>(2)</sup>	¥ 6,014	¥ 15,324	¥ 63,866	¥ 571	¥ 85,775
RMBS <sup>(3)</sup>	38,077	33,200	309,424		380,701
Commercial real estate-backed securities	2,500				2,500
Other securitization products <sup>(4)</sup>	114,127	8,831	138,204	1,867	263,029
<b>Total</b>	<b>¥ 160,718</b>	<b>¥ 57,355</b>	<b>¥ 511,494</b>	<b>¥ 2,438</b>	<b>¥ 732,005</b>

- (1) The balances shown exclude certain CMBS of ¥20,551 million for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860, *Transfers and Servicing* ( ASC 860 ), and in which we have no continuing economic exposure because the beneficial interests in the vehicles have been sold to third parties.
- (2) We have ¥10,617 million exposure, as whole loans and commitments, to U.S. CMBS-related business as of March 31, 2013.
- (3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government-guaranteed collateralized mortgage obligations ( CMO ) of ¥2,343,620 million, because their credit risks are considered minimal.
- (4) Includes collateralized loan obligations ( CLO ), collateralized debt obligations ( CDO ) 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, 2013. 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, 2013.

	Millions of yen March 31, 2013							Total
	AAA	AA	A	BBB	BB	B	Not rated	
Japan	¥	¥	¥ 709	¥	¥ 394	¥ 96	¥ 4,815	¥ 6,014
Europe		59	4,745	3,681	2,989	2,950	900	15,324
Americas	10,797	8,651	5,338	6,695	12,071	11,430	8,884	63,866
Asia and Oceania		571						571
<b>Total</b>	<b>¥ 11,368</b>	<b>¥ 8,710</b>	<b>¥ 10,792</b>	<b>¥ 10,376</b>	<b>¥ 15,454</b>	<b>¥ 14,476</b>	<b>¥ 14,599</b>	<b>¥ 85,775</b>

*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.

**Table of Contents**

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2013.

	Millions of yen March 31, 2013		
	Funded	Unfunded	Total
Europe	¥ 33,468	¥ 28,164	¥ 61,632
Americas	5,166	49,990	55,156
Asia and Oceania	1,482	797	2,279
Total	¥ 40,116	¥ 78,951	¥ 119,067

*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 ( VIEs ), see Note 8 *Securitizations and Variable Interest Entities* in our consolidated financial statements.

**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 consolidates 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.

---

## **Table of Contents**

### *Private equity business in Japan*

We have an established private equity business in Japan, which has been operated primarily through a wholly-owned subsidiary, Nomura Principal Finance Co., Ltd ( NPF ). NPF is an investment company subsidiary pursuant to the provisions of ASC 946 and therefore has carried all of its investments at fair value, with changes in fair value recognized through the consolidated statements of income.

Since its inception in 2000, NPF had made investments in 21 entities, however, we exited from the majority of these investments for the year ended March 31, 2012 and as a result, the fair value of its investment portfolio as of March 31, 2012 was ¥789 million. And, we exited from the remaining investments held by NPF during the year ended March 31, 2013, therefore, the fair value of its investment portfolio was ¥nil as of March 31, 2013.

We also make private equity investments through another 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 47.0% investment in the common stock of Ashikaga Holdings

### *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*

Following a review to determine the optimum structure for our European private equity business, on March 27, 2002, we restructured PFG and, as a result, contributed its investments in certain of its remaining investee companies 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, together with one other PFG investment, Annington Holdings plc ( Annington ), which due to contractual restrictions was not transferred to the partnership.

With effect from March 27, 2002, we ceased consolidating the Terra Firma Investments and accounted for those investments at fair value in accordance with ASC 946.

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 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 ¥234 billion private equity fund ( TFCP II ) and a 2% investor in a ¥623 billion private equity fund ( TFCP III ), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥23,362 million and reduced to ¥4,001 million as a result of adjustments for recyclable distributions. As of March 31, 2013, ¥3,957 million had been drawn down for investments.



**Table of Contents**

For TFCEP III, our total commitment was ¥11,793 million and ¥11,094 million had been drawn down for investments as of March 31, 2013.

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

*Other Investments*

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 Information***Details of deferred tax assets and liabilities*

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, 2013 are as follows:

	<b>Millions of yen March 31, 2013</b>
<b>Deferred tax assets</b>	
Depreciation, amortization and valuation of fixed assets	¥ 10,043
Investments in subsidiaries and affiliates	177,175
Valuation of financial instruments	146,800
Accrued pension and severance costs	17,999
Other accrued expenses and provisions	106,436
Operating losses	341,177
Other	5,228
Gross deferred tax assets	804,858
Less Valuation allowance	(522,220)
<b>Total deferred tax assets</b>	<b>282,638</b>
<b>Deferred tax liabilities</b>	
Investments in subsidiaries and affiliates	88,631
Valuation of financial instruments	53,367
Undistributed earnings of foreign subsidiaries	2,960
Valuation of fixed assets	21,950
Other	4,210
<b>Total deferred tax liabilities</b>	<b>171,118</b>
<b>Net deferred tax assets</b>	<b>¥ 111,520</b>

*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.

---

## **Table of Contents**

### **B. Liquidity and Capital Resources.**

#### **Funding and Liquidity Management**

##### *Overview*

We define liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from an inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Liquidity risk could be due both to Nomura-specific and market-wide events. 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 ). Our primary objective for liquidity risk management is to ensure continuous liquidity across market cycles and periods of market stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within one year can be met without additional unsecured funding or forced 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; (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.*

We centrally control residual cash held at Nomura Group entities for effective utilization purposes. As for the usage of funds, we manage the overall level of unsecured funding and set internal limits on the additional amount of unsecured funding available across Nomura Group. The limit for unsecured funding is set by the EMB and monitored closely by Global Treasury.

In order to enable us to transfer funds smoothly among group entities, we limit issuance of securities by regulated broker-dealers or banking entities. We actively seek to concentrate issuance of all long-term unsecured, non-deposit funding instruments at either Nomura or unregulated issuing entities. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across Nomura Group.

##### *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 stress event, without needing to raise additional unsecured funding or forcing 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.

**Table of Contents**

Collateral requirements to support potential increased intraday collateral requirements from our clearers 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 chaining 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 of liquidity across the entities within the group.

We seek to achieve diversification of our funding sources by market, instrument type, investors and currency in order to reduce our reliance on any one funding source and reduce refinancing risk. We benefit by distributing a significant portion of our debt through our retail and institutional sales force to a diversified global investor base.

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 other debt or equity securities, 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 derivative positions 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 29.7% of total term debt outstanding as of March 31, 2013 from 28.0% as of March 31, 2012.

### 2.1 Short-Term Unsecured Debt

Our short-term unsecured debt consists primarily of short-term bank borrowings (including long-term bank borrowings maturing within one year), commercial paper, deposits at banking entities, certificates of deposit and bonds and notes maturing within one year. Deposits at banking entities and certificates of deposit comprise customer deposits and certificates of deposit held by our banking subsidiaries.

Our total short-term unsecured debt decreased ¥715.8 billion to ¥2,293.3 billion as of March 31, 2013 from ¥3,009.1 billion as of March 31, 2012 mainly due to a ¥629.4 billion decrease in short-term bank borrowings to ¥621.3 billion as of March 31, 2013 from ¥1,250.7 billion as of March 31, 2012. The average outstanding balance of commercial paper was ¥262.0 billion for the period ended in March 31, 2013.

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2012 and 2013:

	Billions of yen March 31	
	2012	2013
Short-term bank borrowings	¥ 1,250.7	¥ 621.3
Other loans	99.0	42.4
Commercial paper	315.6	296.7
Deposit at banking entities	589.8	781.4
Certificates of deposit	234.7	214.5
Bonds and notes maturing within one year	519.3	337.0
<b>Total short-term unsecured debt<sup>(1)</sup></b>	<b>¥ 3,009.1</b>	<b>¥ 2,293.3</b>

(1) Short-term unsecured debt includes the current portion of long-term unsecured debt.



**Table of Contents****2.2 Long-Term Unsecured Debt**

We also routinely issue long term-debt in various maturities and currencies to maintain a long-term funding surplus, and to also achieve both cost-effective funding and a maturity profile where the average duration of our debt is sufficient to meet our long-term cash capital requirements.

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 bond programs.

As a globally competitive financial service group in Japan, we have access to multiple markets worldwide and major funding centers. The Company, NSC, Nomura Europe Finance N.V. ( NEF ) and Nomura Bank International plc ( 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 may be 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 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 the maturity of the debt.

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2012 and 2013.

	Billions of yen	
	March 31	
	2012	2013
Long-term deposit at banking entities	¥ 80.2	¥ 76.2
Long-term bank borrowings	2,589.1	2,173.7
Other loans	144.4	133.9
Bonds and notes <sup>(1)</sup>	3,559.3	4,073.5
<b>Total long-term unsecured debt total</b>	<b>¥ 6,373.0</b>	<b>¥ 6,457.3</b>
NHI shareholders' equity	¥ 2,107.2	¥ 2,294.4

(1) Excludes long-term bonds and notes issued by consolidated VIEs that meet the definition of Variable Interest Entities ( VIEs ) under ASC 810, Consolidation ( ASC 810 ) 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.

Our long-term debt increased ¥84.3 billion to ¥6,457.3 billion as of March 31, 2013 from ¥6,373.0 billion as of March 31, 2012, primarily due to ¥514.2 billion increase in bonds and notes to ¥4,073.5 billion as of March 31, 2013 from ¥3,559.3 billion as of March 31, 2012. The increase was partly offset by a ¥415.4 billion decrease in long-term bank borrowings to ¥2,173.7 billion as of March 31, 2013 from ¥2,589.1 billion as of March 31, 2012.

In the fiscal year ended March 31, 2013, Nomura issued ¥539.6 billion of domestic and global senior bonds.

**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 3.80 years as of March 31, 2013. A major part of our medium-term notes are structured and linked to interest

## **Table of Contents**

or equity, indices, currencies or commodities. Conditions for calling notes linked to indices are individually determined. 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 notes 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 note is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 7.95 years as of March 31, 2013. The average maturity of our entire long-term debt portfolio, including plain vanilla debt securities and borrowings, was 5.19 years as of March 31, 2013. 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. Repo transactions involve the selling of government and government agency securities under agreements with clients to repurchase these securities from clients. Japanese Gensaki Repo transactions have no margin requirements or substitution right. 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 manage 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 for long-term agreements. For more detail of secured borrowings and repurchase agreements, see Note 6 *Collateralized transactions* in our consolidated financial statements.

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

We maintain committed facility agreements with financial institutions for Nomura Group entities in order to provide contingent financing sources. Total unused committed facilities decreased ¥60.3 billion to ¥78.0 billion

## Table of Contents

as of March 31, 2013 from ¥138.3 billion as of March 31, 2012. 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 our sufficiency of 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 additional 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 additional 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, 2013, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

To ensure a readily available source for a 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, 2013, our liquidity portfolio was ¥5,883.5 billion which generated a liquidity surplus taking into account a stress scenario as defined in our liquidity risk policy. We recognize that the liquidity standards for financial institutions continue to be the subject of further discussion among the 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.

**Table of Contents**

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2012 and 2013 and yearly averages maintained during the fiscal year. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for fiscal year ended March 31, 2012	As of March 31, 2012	Average for fiscal year ended March 31, 2013	As of March 31, 2013
Cash, cash equivalent and time deposits <sup>(1)</sup>	¥ 1,156.3	¥ 1,137.3	¥ 911.1	¥ 960.6
Government securities	4,433.1	3,877.4	4,712.3	4,512.3
Others <sup>(2)</sup>	477.4	413.0	480.3	410.6
<b>Total liquidity portfolio</b>	<b>¥ 6,066.8</b>	<b>¥ 5,427.7</b>	<b>¥ 6,103.7</b>	<b>¥ 5,883.5</b>

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

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

The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2012 and 2013 and yearly averages maintained during the fiscal year. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for fiscal year ended March 31, 2012	As of March 31, 2012	Average for fiscal year ended March 31, 2013	As of March 31, 2013
Japanese Yen	¥ 1,970.5	¥ 1,531.1	¥ 1,836.6	¥ 1,362.2
US Dollar	1,714.6	2,273.3	2,445.6	2,355.1
Euro	1,691.1	813.4	816.1	876.5
British Pound	491.5	487.2	695.9	752.6
Others <sup>(1)</sup>	199.1	322.7	309.5	537.1
<b>Total liquidity portfolio</b>	<b>¥ 6,066.8</b>	<b>¥ 5,427.7</b>	<b>¥ 6,103.7</b>	<b>¥ 5,883.5</b>

(1) Others include 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 ), Nomura Securities Co. Ltd ( NSC ), our other major broker-dealer subsidiaries and our bank subsidiaries. In determining the amounts and entities which hold this 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 20 *Regulatory requirements* in our consolidated financial statements included in this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2012 and 2013:

	Billions of yen	
	March 31 2012	March 31 2013
NHI and NSC <sup>(1)</sup>	¥ 1,535.6	¥ 1,616.9



Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Major broker-dealer subsidiaries	2,724.7	3,179.0
Bank subsidiaries	921.7	775.3
Other group entities	245.7	312.3
Total liquidity portfolio	¥ 5,427.7	¥ 5,883.5

**Table of Contents**

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

In addition to the liquidity portfolio, we have ¥1,168.4 billion of other unencumbered assets comprising mainly unpledged trading assets that can be used as an additional source of secured funding. The aggregate value of our liquidity portfolios and other unencumbered assets as of March 31, 2013 was ¥7,051.9 billion which represented 307.5% of our total unsecured debt maturing within one year.

	Billions of yen March 31	
	2012	2013
Net liquidity value of other unencumbered assets	¥ 1,289.6	¥ 1,168.4
Liquidity portfolio	5,427.7	5,883.5
<b>Total</b>	<b>¥ 6,717.3</b>	<b>¥ 7,051.9</b>

In the stress test, we assume the cash outflow as shown below and also assume that in certain instances, legal and regulatory requirements can restrict the flow of funds between entities in our consolidated group, and funds or securities may not freely move among us.

The size and structure of our liquidity portfolio takes into account immediate cash requirements arising from

- (i) Upcoming maturities of unsecured debt (maturities less than one year)
- (ii) Potential buybacks of our outstanding debt
- (iii) Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates
- (iv) Fluctuation of funding needs under normal business circumstances
- (v) Cash and collateral outflows in a stress event

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 assumes no liquidation of assets, no ability to issue additional unsecured funding, a widening of haircuts on outstanding repo funding, collateralization of clearing banks and depositories, drawdowns on loan commitments and loss of liquidity from market losses on inventory.

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 ( 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 ( NSFR ) has a time horizon of one year and has been

developed to provide a sustainable maturity structure of assets and liabilities.

## **Table of Contents**

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 Bank of Japan, 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.

### *Cash Flows*

Nomura s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities, as was generally the case for a number of years through the fiscal year ended March 31, 2011. For the fiscal year ended March 31, 2012, we recorded net cash inflows from operating activities and investing activities, and for the fiscal year ended March 31, 2013, we recorded net cash inflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

**Table of Contents**

The following is the summary information on our consolidated cash flows for the years ended March 31, 2012 and 2013:

	Billions of yen	
	Year Ended March 31	
	2012	2013
Net cash provided by operating activities	¥ 290.9	¥ 549.5
Net income	26.1	105.7
Trading assets and private equity investments	971.3	(1,448.5)
Trading liabilities	(1,058.4)	248.0
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	980.2	1,375.9
Securities borrowed, net of securities loaned	(508.8)	863.5
Other, net	(119.4)	(595.2)
Net cash provided by (used in) investing activities	9.9	(160.5)
Net cash used in financing activities	(844.3)	(701.6)
Long-term borrowings, net	(867.6)	(400.2)
Other, net	23.3	(301.5)
Effect of exchange rate changes on cash and cash equivalents	(6.3)	47.2
Net decrease in cash and cash equivalents	(549.8)	(265.4)
Cash and cash equivalents at beginning of the year	1,620.3	1,070.5
Cash and cash equivalents at end of the year	¥ 1,070.5	¥ 805.1

See the consolidated statements of cash flows in our consolidated financial statements for more detailed information.

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.

For the year ended March 31, 2012, our cash and cash equivalents decreased by ¥549.8 billion to ¥1,070.5 billion. Net cash of ¥844.3 billion was used in financing activities due to cash outflows of ¥867.6 billion by net payments of *Long-term borrowings*. As part of trading activities, while there were net cash outflows of ¥87.1 billion from cash inflows due to a decrease in *Trading assets and Private equity investments* in combination with cash outflows due to a decrease in *Trading liabilities*, they were offset by ¥471.4 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 ¥290.9 billion was provided by operating activities.

*Balance Sheet and Financial Leverage*

Total assets as of March 31, 2013, were ¥37,942.4 billion, a increase of ¥2,245.1 billion compared with ¥35,697.3 billion as of March 31, 2012, reflecting increases in *Securities purchased under agreements to resell* and *Trading assets*. Total liabilities as of March 31, 2013, were ¥35,623.5 billion, a increase of ¥2,315.3 billion compared with ¥33,308.2 billion as of March 31, 2012, reflecting increases in *Securities sold under agreements*

**Table of Contents**

to repurchase and Trading liabilities. NHI shareholders' equity as of March 31, 2013, was ¥2,294.4 billion, an increase of ¥187.2 billion compared with ¥2,107.2 billion as of March 31, 2012, 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	
	2012	2013
NHI shareholders' equity	¥ 2,107.2	¥ 2,294.4
Total assets <sup>(1)</sup>	35,697.3	37,942.4
Adjusted assets <sup>(2)</sup>	21,954.7	23,827.1
Leverage ratio <sup>(3)</sup>	16.9x	16.5x
Adjusted leverage ratio <sup>(4)</sup>	10.4x	10.4x

- (1) Reconciles to the total assets amount disclosed on the face of our consolidated balance sheets and therefore excludes the fair value of securities transferred to counterparties under repo-to-maturity and certain Japanese securities lending transactions which are accounted for as sales rather than collateralized financing arrangements. The fair value of securities derecognized under these agreements has not had a significant impact on our reported Leverage and Adjusted leverage ratios as of March 2012. The fair value of securities derecognized under these agreements as of March 2013 was ¥nil.
- (2) 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	
	2012	2013
Total assets	¥ 35,697.3	¥ 37,942.4
Less:		
Securities purchased under agreements to resell	7,662.7	8,295.4
Securities borrowed	6,079.9	5,819.9
Adjusted assets	¥ 21,954.7	¥ 23,827.1

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

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

Total assets increased by 6.3% reflecting primarily an increase in *Trading assets*. Total NHI shareholders' equity increased by 8.9%. As a result, our leverage ratio fell from 16.9 times as of March 31, 2012 to 16.5 times as of March 31, 2013.



**Table of Contents**

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, 2012 and as of March 31, 2013.

**Capital Management***Capital Management Policy*

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

*Dividends*

Nomura believes that pursuing a 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 are 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 Company's consolidated financial performance.

Nomura paid a dividend of ¥2.0 per share for the first half and a dividend of ¥6.0 per share for the second half in line with its dividend policy for the fiscal year ended March 31, 2013.

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:

<b>Fiscal year ended or ending March 31,</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Total</b>
2008	¥ 8.50	¥ 8.50	¥ 8.50	¥ 8.50	¥ 34.00
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

*Stock Repurchases*

We 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 make announcements immediately after any decision to set up a share buyback program and conduct such programs in accordance with internal guidelines.

*Preferred Stock*

Effective June 28, 2011, in order to respond to Basel III capital adequacy requirements, we have amended our Articles of Incorporation to enable the issuance of each class of preferred stock with a provision for redemption upon the occurrence of certain events. (See *Preferred Stock* under Item 10.B. of this annual report for further information.) We have no plans to issue preferred stock as of June 27, 2013. The amendment did not result in any change to the total number of shares authorized to be issued.



**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.

From the end of March 2009, we elected to calculate the consolidated capital adequacy ratio according to the Bank Holding Companies Notice as permitted under the Financial Instruments Business Operators Guidelines, although we continue to be monitored as a financial conglomerate governed by the Financial Conglomerates Guideline.

The Company has been assigned 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. Note that the Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 Basel III, and, we have calculated 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 2013, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 11.9%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 11.9% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 13.9% 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, 2013 is 3.5% for common equity Tier 1 capital ratio, 4.5% for Tier 1 capital ratio and 8% for consolidated capital adequacy ratio).

The following table presents the Company's consolidated capital adequacy ratios as of March 31, 2012 and March 31, 2013. Comparative amounts as of March 31, 2012 are calculated based on the Capital Adequacy Notice on Final Designated Parent Company in effect as of that date (and therefore prior to the Basel III amendment).

	Billions of yen, except ratios	
	2012	2013
	March 31	
Common equity Tier 1 capital	¥	¥ 2,092.9
Tier 1 capital	2,090.2	2,092.9
Total capital	2,427.0	2,452.1
<b>Risk-Weighted Assets</b>		
Credit risk-weighted assets	8,324.4	9,529.1
Market risk equivalent assets	3,924.6	5,846.1
Operational risk equivalent assets	2,432.0	2,171.4
Total risk-weighted assets	¥ 14,681.0	¥ 17,546.7
<b>Consolidated Capital Adequacy Ratios</b>		
Common equity Tier 1 capital ratio		11.9%
Tier 1 capital ratio	14.2%	11.9%
Consolidated capital adequacy ratio	16.5%	13.9%

## **Table of Contents**

Common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital are calculated by deducting each regulatory adjustment from each capital item, respectively. 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.

As of March 31, 2013, capital items for our common equity Tier 1 capital mainly consists of shareholder's equity relating to the common stock and all or part of 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 50% of expected losses and regulatory adjustment for our Tier 2 capital includes investments in additional Tier 1 capital instruments of other financial institutions and 50% of expected losses. 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. From the end of December, 2011, we are required to calculate market risk equivalent assets under the Basel 2.5 rule, which is significantly larger than under the Basel II rule. Also, from the end of March 2013, a part of securitization products is added to the scope of market risk calculation.

On the end of March, 2011, we started 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, from the end of December, 2012, upon approval from the FSA, we started using the Internal Model Method for credit risk exposure calculation of majority of derivative and repurchase transactions instead of the Current Exposure Method or the Comprehensive Method. Since the end of March 2013, the scope of credit risk-weighted assets calculation has been widened following the implementation of Basel III.

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 our 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 broader 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 as 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 over-the-counter 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

## **Table of Contents**

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 will be 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 are intended to come into effect as of January 2013 as part of Basel III.

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, the FSB and the Basel Committee have updated the list of G-SIBs. We were not designated as a G-SIBs in November 2011 and November 2012. 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.

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 reviewed the Capital Adequacy Notice on Final Designated Parent Company according to Basel 2.5 and Basel III framework and the revised notice in line with Basel 2.5 was implemented at the end of December 2011 and the revised notice in line with Basel III was implemented at the end of March 2013. Following the implementation of the revised notice in line with Basel III, inclusion of risk of fluctuations in CVA and exposures to CCPs into credit risk-weighted assets calculation became effective. It is expected that such regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee.

## **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.

**Table of Contents**

As of May 31, 2013, the credit ratings of the Company and NSC were as follows:

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

<b>Nomura Securities Co., Ltd.</b>	<b>Short-term Debt</b>	<b>Long-term Debt</b>
Standard & Poor's	A-2	A-
Moody's Investors Service	P-2	Baa2
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 long-term and short-term debt provided by these Japanese credit rating agencies, as well as Standard & Poor's and Moody's Investors Service, for unsecured funding and other financing purposes and also for our trading and other business activities. Within the rating classification system of Rating and Investment Information, Inc., a-1 is the highest of five categories for short-term debt and indicates a strong degree of certainty regarding debt repayment; and A is the third highest of nine categories for long-term debt and indicates a high degree of certainty regarding debt repayment with excellence in specific component factors, with a plus (+) or minus (-) sign added to a rating in that category to indicate its relative standing within that category. Within the rating classification system of Japan Credit Rating Agency, Ltd., AA is the second highest of ten categories for long-term debt and indicates a very high level of capacity to honor the financial commitment on the obligation, with a plus (+) or minus (-) sign added to a rating in that category to indicate its relative standing within that category.

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 the following 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 as credit, liquidity or market risk support;

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

## Table of Contents

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 the normal course of business, we also act as a transferor of financial assets to these entities, as well as, and underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities, in connection with our securitization and equity derivative activities. 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 *Securizations and Variable Interest Entities* in our consolidated financial statements within this annual report.

### *Repurchase and securities lending transactions accounted for as sales*

We enter into certain types of repurchase transactions 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 repo-to-maturity transactions and certain types of securities transactions.

We enter into repo-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. We account for these transactions as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 are met. The amounts of securities derecognized from our consolidated balance sheets under open repo-to-maturity transactions as of March 31, 2012 and 2013 were ¥39,797 million and ¥nil, respectively.

We engage in certain Japanese securities lending transactions for funding purposes under which we transfer long securities (such as Japanese listed equities). The agreements supporting these transactions include varying margining requirements, but the amount of cash we borrow from our counterparties is typically significantly less than the fair value of securities we lend. We account for these transactions as sales in our consolidated financial statements where the criteria for derecognition of the transferred financial assets under ASC 860 are met. In particular, we do not maintain effective control over the transferred financial assets as we are not able to be repurchase or redeem the transferred financial assets on substantially agreed terms, even in the event of default by the transferee. Upon adoption of Accounting Standard Update ( ASU ) No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements* as of January 1, 2012, Nomura has not derecognized such transactions that started on and after the adoption date. The amounts of securities derecognized from our consolidated balance sheets under open securities lending transactions as of March 31, 2012 and 2013 were ¥1,930 million and ¥nil, respectively.

**Table of Contents**

**F. Tabular Disclosure of Contractual Obligations.**

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

*Long-term borrowings and contractual interest payments:*

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

*Operating lease commitments:*

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

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

*Capital lease commitments:*

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

*Purchase obligations:*

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

*Commitments to extend credit:*

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

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

*Commitments to invest in partnerships:*

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

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 *Lease* in our consolidated financial statements contains further detail on our operating lease and capital lease. Note 13 *Borrowings* in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 22 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.



**Table of Contents**

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 the clients' creditworthiness and the value of collateral held. We evaluate each client's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management's credit evaluation of the counterparty.

The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2013:

	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	¥ 9,084	¥ 8	¥ 319	¥ 668	¥ 8,089
Long-term borrowings <sup>(1)</sup>	7,414,978	701,517	2,460,980	1,499,218	2,753,263
Contractual interest payments <sup>(2)</sup>	1,170,022	158,257	216,650	151,005	644,110
Operating lease commitments	154,254	17,801	30,896	21,785	83,772
Capital lease commitments <sup>(3)</sup>	54,036	497	3,397	6,965	43,177
Purchase obligations <sup>(4)</sup>	26,228	24,569	1,659		
Commitments to extend credit	369,988	55,459	74,810	126,139	113,580
Commitments to invest in partnerships	29,974	375	17,702	1,503	10,394
Commitments to purchase aircraft	30,143	21,141	9,002		
<b>Total</b>	<b>¥ 9,258,707</b>	<b>¥ 979,624</b>	<b>¥ 2,815,415</b>	<b>¥ 1,807,283</b>	<b>¥ 3,656,385</b>

- (1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
- (2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2013.
- (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 resale and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki Repo transactions. These commitments amount to ¥4,103 billion for resale agreements and ¥1,152 billion for repurchase agreements as of March 31, 2013.

**Table of Contents****Item 6. Directors, Senior Management and Employees****A. Directors and Senior Management.****Directors**

The following table provides information about Directors of the Company as of June 27, 2013. With respect to the information under Brief Personal History below, some of the Directors changed their titles upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name  (Date of Birth)	Responsibilities and Status  in Nomura and Other Companies		Brief Personal History
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.	Apr. 2003	Director and Deputy President of Nomura Securities Co., Ltd. Director and President of the Company
	Representative Director and President of Kanagawa Kaihatsu Kanko Co., Ltd.		
		Jun. 2003	Director and President of Nomura Securities Co., Ltd. Director, President & CEO of the Company
		Apr. 2008	Director and Executive Officer and President of Nomura Securities Co., Ltd. Director and Representative Executive Officer of the Company
Koji Nagai  (Jan. 25, 1959)		Jun. 2008	Director and Chairman of Nomura Securities Co., Ltd. Director and Chairman of Nomura Securities Co., Ltd.
		Jun. 2011	Director and Chairman of the Company (Current)
	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.



**Table of Contents**

Name	Responsibilities and Status	Brief Personal History
(Date of Birth)	in Nomura and Other Companies	
Atsushi Yoshikawa  (Apr. 7, 1954)	Director, Representative Executive Officer and Group COO  Wholesale CEO	Oct. 2008 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2009 Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2011 Co-COO and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2012 Senior Managing Director of the Company
		Director and President of Nomura Securities Co., Ltd.
		Aug. 2012 Representative Executive Officer & Group CEO of the Company
		Director and President of Nomura Securities Co., Ltd.
		Jun. 2013 Director, Representative Executive Officer & Group CEO of the Company (Current)
		Director and President of Nomura Securities Co., Ltd. (Current)
		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.		

**Table of Contents**

Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Nomura and Other Companies		
Hiroyuki Suzuki	Director Member of the Audit Committee	Jun. 2011	Executive Vice President of the Company
(Feb. 3, 1959)	Outside Director of The Nomura Trust and Banking Co., Ltd.	Oct. 2011	CEO and President of Nomura Holding America Inc. Executive Vice President of the Company
	Outside Director of Nomura Asset Management Co., Ltd.	Aug. 2012	CEO and President of Nomura Holding America Inc. Chairman and CEO of Nomura Securities International, Inc. Representative Executive Officer & Group COO of the Company
		Jun. 2013	Director, Representative Executive Officer & Group COO of the Company (Current)
		Apr. 1982	Joined the Company
		Apr. 2005	Senior Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Senior Managing Director of the Company
		Dec. 2008	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2009	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Jun. 2010	Senior Corporate Managing Director of the Company
		Apr. 2011	Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd. Senior Corporate Managing Director of the Company
		Apr. 2013	Executive Vice President of Nomura Securities Co., Ltd. Advisor of the Company
David Benson	Director Director of Nomura Europe Holdings, plc	Jun. 2013	Director of the Company (Current)
(Feb. 9, 1951)	Director of Nomura International plc	Feb. 1997	Joined Nomura International plc
		Jul. 1999	Head of Risk Management, Nomura International plc
		Mar. 2005	COO of Nomura International plc
		Aug. 2007	Resigned from Nomura International plc

**Table of Contents**

<b>Name</b>	<b>Responsibilities and Status</b>	<b>Brief Personal History</b>
<b>(Date of Birth)</b>	<b>in Nomura and Other Companies</b>	
Masahiro Sakane  (Jan 7, 1941)	Outside Director	Nov. 2008 Chief Risk Officer, Senior Managing Director of the Company
	Member of the Nomination Committee	Jan. 2011 Vice Chairman of the Company (Senior Managing Director) Risk and Regulatory Affairs
	Member of the Compensation Committee	Apr. 2011 Vice Chairman of the Company (Senior Managing Director)
	Councilor and Senior Adviser of Komatsu Ltd.	Jun. 2011 Director of the Company (Current)
	Outside Director of Tokyo Electron Limited	Apr. 1963 Joined Komatsu Ltd.
	Outside Director of ASAHI GLASS Co., Ltd.	Jun. 2001 Representative Director and President of Komatsu Ltd.
	Outside Director of Nomura Securities Co., 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.
Toshinori Kanemoto  (Aug. 24, 1945)	Outside Director	Apr. 2013 Director and Councilor of Komatsu Ltd.
	Member of the Audit Committee	Jun. 2013 Councilor and Senior Adviser of Komatsu Ltd. (Current)
	Of-Counsel of City-Yuwa Partners	Apr. 1968 Joined National Police Agency
	Outside Statutory Auditor of Kameda Seika Co., Ltd.	Apr. 1992 Kumamoto Prefecture Police Headquarters, Director-General
	Outside Statutory Auditor of JX Holdings, Inc.	Aug. 1995 Director General of the International Affairs Department, National Police Agency
	Outside Director of Nomura Securities Co., Ltd.	Oct. 1996 President of ICPO-INTERPOL
		Aug. 2000 President, National Police Academy
		Apr. 2001 Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan
		Jan. 2007 Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
		Feb. 2007 Of-Counsel of City-Yuwa Partners (Current)
	Jun. 2011 Outside Director of the Company (Current)	

**Table of Contents**

<b>Name</b>	<b>Responsibilities and Status</b>		
<b>(Date of Birth)</b>	<b>in Nomura and Other Companies</b>		<b>Brief Personal History</b>
Tsuguoki Fujinuma	Outside Director	Apr. 1969	Joined Horie Morita Accounting Firm
(Nov. 21, 1944)	Chairman of the Audit Committee		
	Outside Statutory Auditor of Sumitomo Corporation	Jun. 1970	Joined Arthur & Young Accounting Firm
	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)
Takao Kusakari	Outside Director	Apr. 1964	Joined Nippon Yusen Kabushiki Kaisha (NYK Line)
(Mar. 13, 1940)	Member of the Nomination Committee	Aug. 1999	President of NYK Line
	Member of the Compensation Committee	Apr. 2002	President, Corporate Officer of NYK Line
	Corporate Advisor of NYK Line	Apr. 2004	Chairman, Corporate Officer of NYK Line
	Outside Director of Nomura Securities Co., Ltd.	Apr. 2006	Chairman, Chairman Corporate Officer of NYK Line
		Apr. 2009	Director and Corporate Advisor of NYK Line
		Jun. 2010	Corporate Advisor of NYK Line (Current)
		Jun. 2011	Outside Director of the Company (Current)
Dame Clara Furse	Outside Director	Feb. 1983	Joined Phillips & Drew/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 UK 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
		Jan. 2001	Chief Executive of London Stock Exchange Group

**Table of Contents**

Name	Responsibilities and Status	Brief Personal History
(Date of Birth)	in Nomura and Other Companies	
Michael Lim Choo San (Sep. 10, 1946)	Outside Director  Chairman of the Land Transport Authority of Singapore  Director of Nomura Asia Holding N.V. Non-Executive Chairman of Nomura Singapore Ltd.	Jun. 2010 Outside Director of the Company (Current) Apr. 2013 External Member of the Bank of England's Financial Policy Committee (Current) Aug. 1972 Joined Price Waterhouse, Singapore Jan. 1992 Managing Partner of Price Waterhouse, Singapore  Oct. 1998 Member of the Singapore Public Service Commission (Current) Jul. 1999 Executive Chairman of PricewaterhouseCoopers, Singapore Sep. 2002 Chairman of the Land Transport Authority of Singapore (Current) Nov. 2007 Member of the Legal Service Commission, Singapore (Current) Jun. 2011 Outside Director of the Company (Current) Oct. 2011 Chairman of the Singapore Accountancy Commission (formerly the Pro-Tem Singapore Accountancy Council) (Current) Nov. 2011 Chairman of the Accounting Standards Council, Singapore (Current)

Among the above listed Directors, Masahiro Sakane, Toshinori Kanemoto, Tsuguoki Fujinuma, Takao Kusakari, 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 27, 2013. With respect to the information under Brief Personal History below, some of the Executive Officers changed their titles or positions upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name  (Date of Birth)	Responsibilities and Status  in Nomura and Other Companies	Brief Personal History
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.
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)
Toshihiro Iwasaki  (May 10, 1957)	Executive Managing Director  Asset Management CEO  Director and Chairman, President & CEO of Nomura Asset Management Co., Ltd.	Apr. 1981 Joined the Company Apr. 2004 Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2008 President & CEO of The Nomura Trust and Banking Co., Ltd. Apr. 2011 Deputy President of Nomura Asset Management Co., Ltd. Jun. 2011 Executive Managing Director of the Company  Asset Management CEO Director and Chairman & CEO of Nomura Asset Management Co., Ltd. Aug. 2012 Executive Managing Director of the Company (Current)  Asset Management CEO (Current)  Director and Chairman, President & CEO of Nomura Asset Management Co., Ltd. (Current)



**Table of Contents**

<b>Name</b>	<b>Responsibilities and Status</b>		<b>Brief Personal History</b>
<b>(Date of Birth)</b>	<b>in Nomura and Other Companies</b>		
Shoichi Nagamatsu  (Jul. 6, 1958)	Executive Managing Director	Apr. 1982	Joined the Company
	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.	Jun. 2010	Senior Managing Director of Nomura Securities Co., Ltd. Senior Corporate Managing Director of the Company
	Outside Director of Nomura Asset Management Co., Ltd.	Apr. 2012	Senior Corporate Managing Director of Nomura Securities Co., Ltd. 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 and Chief of Staff of the Company (Current)
			Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. (Current)
			Joined the Company
			Senior Managing Director of the Company
Shigesuke Kashiwagi  (Nov. 13, 1959)	Executive Managing Director	Apr. 1982	Joined the Company
	Chief Financial Officer	Apr. 2004	Senior Managing Director of the Company
	Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.		Senior Managing Director of Nomura Securities Co., Ltd.
	Financial Officer of Nomura Securities Co., Ltd.	Apr. 2006	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2007	Senior Managing Director (Executive Officer) of the Company
		Apr. 2008	Senior Managing Director of the Company
		Apr. 2013	Executive Managing Director of the Company (Current)
			Chief Financial Officer of the Company (Current)
		Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd. (Current)	
		Financial Officer of Nomura Securities Co., Ltd. (Current)	



## **Table of Contents**

### **B. Compensation.**

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

#### **(1) Compensation policy**

We have developed our compensation policy for both executives and employees of 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.

#### **(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 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 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 reflect the performance of both individuals and our business globally,

continually reviewing the appropriateness and relevance of the compensation policy and

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

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.

**Table of Contents**

**(3) Nomura's compensation framework**

The outline of our compensation framework is as follows:

<b>Compensation</b>		
<b>Components</b>	<b>Purposes</b>	<b>Specific Elements</b>
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
	Reflects appropriate internal and market-based comparisons	Deferred compensation
	Reflects broad view on compensation, including individual performances, approaches to risk, compliance and cross divisional cooperation	

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

**(4) Outline of variable compensations**

***Cash bonuses***

A proportion of the 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 vehicles. By linking the economic value to Nomura's stock price or imposing certain vesting periods in place, such plans will:

align employee interest with that of shareholders;

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

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

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

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



## **Table of Contents**

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

voluntary resignation

material restatement in 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.

Nomura has 1. Core deferral plans, 2. Supplemental deferral plans and 3. Multi-Year Performance Deferral plan as its deferred compensation.

### ***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.

##### **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 also introduced the following deferral plans for the fiscal year ended March 31, 2011. These plans were 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.

**Table of Contents****3. Multi-Year Performance Deferral ( MYPD ) plan**

We also introduced MYPD as a part of deferred compensation 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 Plan B SARs 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 the 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 maintains 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 the committee-based corporate governance system, the Compensation Committee of Nomura determines compensation of its Directors and Executive Officers in accordance with the applicable compensation policy.

**1 Aggregate compensation**

	Number of Directors or Executive Officers <sup>(1)</sup>	Millions of yen Year ended March 31, 2013				Total
		Basic Compensation <sup>(2)</sup>	Bonus	Deferred Compensation <sup>(3)</sup>		
Directors	12	¥ 340	¥ 13	¥ 116	¥ 469	
(Outside Directors)	(8)	(157)	( )	( )	(157)	
Executive Officers	8	353	29	274	656	
Total	20	¥ 693	¥ 42	¥ 390	¥ 1,125	

(1) Include 1 Director (including 1 Outside Director) and 3 Executive Officers who resigned in June and July 2012. There were 11 Directors and 5 Executive Officers as of March 31, 2013. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.

(2) Basic compensation of ¥693 million includes other compensation (commuter pass allowance) of ¥1 million that has been provided.

(3) Deferred compensation (such as stock options) granted during the year ended March 31, 2013 and prior is recognized as expense in the financial statements for the year ended March 31, 2013.

(4) Subsidiaries of the Company paid ¥90 million to Outside Directors as compensation etc. for their directorship at those subsidiaries for the year ended March 31, 2013.

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

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

Name	Company	Category	Millions of yen							Total
			Fixed Remuneration (Basic Compensation)			Variable Compensation <sup>(1)</sup> Deferred Compensation				
			Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	(SARs, etc.)	Total		
Nobuyuki Koga	Nomura	Director	82		82		74	74	156	
Koji Nagai	Nomura	Director,  Representative Executive Officer	65	12	77		89	89	166	
Atsushi Yoshikawa	Nomura	(Group CEO) Director,  Representative Executive Officer	62	10	72	1	87	88	160	
Toshio Morita	Nomura	(Group COO) Executive Officer	40	9	49	17	66	83	132	
Toshihiro Iwasaki	Nomura	Executive Officer	60	13	73	6	41	47	120	

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2013 ( this fiscal year ).

**Stock Acquisition Rights ( SARs )**

Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2013	
			Exercise Period of SARs	Exercise Price per Share under SARs
Stock Acquisition Rights No.9	April 24, 2006	35,100	From April 25, 2008 to April 24, 2013	¥ 1
Stock Acquisition Rights No.10	June 12, 2006	147,900	From June 13, 2008 to June 12, 2013	1
Stock Acquisition Rights No.11	July 14, 2006	1,727,000	From July 7, 2008  to July 6, 2013	1,741
Stock Acquisition Rights No.13	April 25, 2007	213,300	From April 26, 2009 to April 25, 2014	1
Stock Acquisition Rights No.14	June 21, 2007	326,600	From June 22, 2009 to June 21, 2014	1
Stock Acquisition Rights No.15	August 1, 2007	113,000	From August 2, 2009 to August 1, 2014	1,883
Stock Acquisition Rights No.16	August 1, 2007	1,799,000	From August 2, 2009 to August 1, 2014	1,883

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Stock Acquisition Rights No.17	August 1, 2007	191,600	From August 2, 2009 to August 1, 2014	1	0
--------------------------------	----------------	---------	--	---	---

**Table of Contents**

Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2013		
			Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.18	October 19, 2007	21,800	From October 20, 2009 to October 19, 2014	¥ 1	0
Stock Acquisition Rights No.19	April 23, 2008	511,400	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	286,800	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	1,298	0
Stock Acquisition Rights No.23	August 5, 2008	1,874,000	From August 6, 2010 to August 5, 2015	1,298	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.26	November 10, 2008	5,200	From November 11, 2010 to November 10, 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	473,300	From May 1, 2011 to April 30, 2016	1	0
Stock Acquisition Rights No.29	June 16, 2009	229,400	From June 17, 2011 to June 16, 2016	1	0
Stock Acquisition Rights No.30	June 16, 2009	381,400	From June 17, 2011 to June 16, 2016	1	0
Stock Acquisition Rights No.31	August 5, 2009	176,000	From August 6, 2011 to August 5, 2016	737	0
Stock Acquisition Rights No.32	August 5, 2009	2,288,000	From August 6, 2011 to August 5, 2016	737	0
Stock Acquisition Rights No.34	May 18, 2010	1,346,200	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.35	May 18, 2010	2,330,700	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.36	May 18, 2010	2,211,800	From May 19, 2013 to May 18, 2017	1	0
Stock Acquisition Rights No.37	July 28, 2010	4,437,700	From April 30, 2012 to April 29, 2017	1	0
Stock Acquisition Rights No.38	July 28, 2010	9,015,400	From April 30, 2013 to April 29, 2018	1	0
Stock Acquisition Rights No.39	November 16, 2010	2,793,700	From November 16, 2012 to November 15, 2017	478	0
Stock Acquisition Rights No.40	June 7, 2011	4,878,100	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	18,879,800	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	18,843,400	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	2,817,000	From November 16, 2013 to November 15, 2018	299	0
Stock Acquisition Rights No.44	June 5, 2012	13,031,700	From April 20, 2013 to April 19, 2018	1	0
Stock Acquisition Rights No.45	June 5, 2012	13,003,400	From April 20, 2014 to April 19, 2019	1	0

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Stock Acquisition Rights No.46	June 5, 2012	12,894,300	From April 20, 2015 to April 19, 2020	1	0
--------------------------------	--------------	------------	--	---	---

**Table of Contents**

Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2013		
			Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.47	June 5, 2012	5,034,500	From April 20, 2016 to April 19, 2021	¥ 1	0
Stock Acquisition Rights No.48	June 5, 2012	5,024,900	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	1,874,900	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	1,873,300	From October 20, 2016 to April 19, 2022	1	0
Stock Acquisition Rights No.51	November 13, 2012	2,847,800	From November 13, 2014 to November 12, 2019	298	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 split.

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

Series of SARs	March 31, 2013		
	Number of Shares under SARs	Directors and Executive Officers (excluding Outside Directors)	Outside Directors
SARs No.10	10,300	1	
SARs No.11	43,000	8	1
SARs No.14	21,800	2	1
SARs No.15	15,000	2	1
SARs No.16	26,000	6	
SARs No.20	8,000	1	1
SARs No.21	26,700	3	
SARs No.22	9,000	1	3
SARs No.23	45,000	7	
SARs No.24	3,000		1
SARs No.28	162,700	1	
SARs No.29	45,000	2	3
SARs No.30	18,000	1	
SARs No.31	19,000	2	3
SARs No.32	40,000	6	
SARs No.34	13,400	1	
SARs No.35	274,700	6	
SARs No.36	48,500	1	
SARs No.40	213,800	7	
SARs No.41	271,200	9	
SARs No.42	271,000	9	
SARs No.44	76,400	6	
SARs No.45	76,000	6	
SARs No.46	75,800	6	
SARs No.47	32,300	6	
SARs No.48	32,200	6	

**Pension, Retirement or Similar Benefits**



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

---

**Table of Contents****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.

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 adoption of 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 11 times during the fiscal year ended March 31, 2013. As a group, the Directors attended approximately 97% 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, 2013. As a group, the member Directors attended 100% of the total number of meetings of the Nomination Committee during the year. As of June 26, 2013, 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.

**Table of Contents**

The Audit Committee met 22 times during the fiscal year ended March 31, 2013. As a group, the member Directors attended 100% of the total number of meetings of the Audit Committee during the year. As of June 26, 2013, 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 Director and Executive Officer's actual compensation. The Compensation Committee met five times during the fiscal year ended March 31, 2013. As a group, the member Directors attended 93% of the total number of meetings of the Compensation Committee during the year. As of June 26, 2013, 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, Toshinori Kanemoto, Tsuguoki Fujinuma, Takao Kusakari, 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		
	2011	2012	2013
Japan	14,918	21,609	16,030
Europe	4,353	4,014	3,618
Americas	2,348	2,420	2,271
Asia and Oceania	5,252	6,352	6,037
Total	26,871	34,395	27,956

As of March 31, 2013, we had 16,030 employees in Japan, including 9,489 in our Retail Division, 849 in our Asset Management Division and 1,632 in our Wholesale Division. Overseas, we had 11,926 employees, of which 3,618 were located in Europe, 2,271 in the Americas, and 6,037 in Asia and Oceania.

**Table of Contents**

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 previous year.

As of March 2013, 7,735 of Nomura Securities' employees in Japan were members of Nomura's employees' union, with which we have a labor contract. Between the company and the labor union, we had been holding constant discussions to develop 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.

**E. Share Ownership.**

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2013. 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	158,463
Koji Nagai	95,500
Atsushi Yoshikawa	125,353
Hiroyuki Suzuki	74,892
David Benson	
Masahiro Sakane	30,000
Toshinori Kanemoto	
Tsuguoki Fujinuma	25,170
Takao Kusakari	
Dame Clara Furse	
Michael Lim Choo San	
Total	509,378

**Executive Officers**

Name	Number of Shareholdings
Koji Nagai	See above
Atsushi Yoshikawa	See above
Toshio Morita	106,481
Toshihiro Iwasaki	27,621
Shoichi Nagamatsu	52,932
Shigesuke Kashiwagi	34,200
Total	221,234

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

## **Table of Contents**

### **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, 2013.

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, 2013, there were 271 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 391,052,735 shares of the Company's common stock, representing 10.2% of Nomura's then outstanding common stock. As of March 31, 2013, there were 22,948,546 ADSs outstanding, representing 22,948,546 shares of the Company's common stock or 0.6% 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 38.8% of NRI's outstanding share capital as of March 31, 2013.

For the year ended March 31, 2013, we purchased ¥55,098 million worth of software and computer equipment, paid NRI ¥48,518 million for other services, and received ¥4,272 million as rents from NRI.

#### **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 22 *Contingencies Investigations, lawsuits and other legal proceedings* 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.

**Table of Contents****B. Significant Changes.**

Except as disclosed in this annual report, there have been no significant changes since March 31, 2013.

**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
2009	1,918	403	17.89	3.96
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
Quarterly highs and lows 2012				
First Quarter	436	368	5.21	4.61
Second Quarter	410	273	5.04	3.51
Third Quarter	327	223	4.12	2.91
Fourth Quarter	417	238	4.93	3.01
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
Monthly highs and lows 2013 (calendar year)				
January	533	463	6.14	5.24
February	564	507	5.99	5.42
March	608	533	6.30	5.86
April	799	535	8.27	5.76
May	980	765	9.64	7.68
June (through June 26)	786	687	8.06	7.01

**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, the Osaka Securities Exchange and the Nagoya Stock Exchange, since 1961.

In December 2001, the Company listed its Common Stock 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.



**Table of Contents**

**D. Selling Shareholders.**

Not applicable.

**E. Dilution.**

Not applicable.

**F. Expenses of the Issue.**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital.**

Not applicable.

**B. Memorandum and Articles of Association.**

**Objects and Purposes in the Company's Articles of Incorporation**

Article 2 of the Company's Articles of Incorporation, which is an exhibit to this annual report, states the Company's purpose.

**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 of 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



---

## **Table of Contents**

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.

### **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, 2013. 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

## **Table of Contents**

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 ADSs is the depositary for the ADSs. Accordingly, holders of ADSs will not be able to directly assert shareholders' rights.

### *Dividends*

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

Under the Company's Articles of Incorporation, dividends, if any, may be distributed to shareholders (or pledgees) appearing in the register of shareholders as of June 30, September 30, December 31 or March 31 of each year, pursuant to a resolution of 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 of 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 of 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 of 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 of 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.

**Table of Contents**

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

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

In the above formula:

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

The aggregate book value of Surplus distributed by the Company may not exceed a prescribed distributable amount (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

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

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

## **Table of Contents**

Act) by a resolution of a 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 of the Company's Board of Directors, and in accordance with the Companies Act, the Company's Board of Directors has adopted a resolution delegating powers to make such stock splits to the Company's executive management board ( EMB ).

In accordance with the Companies Act, the Company's Board of Directors has adopted a resolution delegating to the Company's EMB powers to increase the number of authorized shares permitted to be issued up to the number reflecting the rate of stock splits and to amend the Company's Articles of Incorporation to this effect without approval by a resolution of a 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 of 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 of a 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

---

**Table of Contents**

shares is effected on such stock exchange immediately thereafter. An amount equal to the applicable handling fee will be added to the price so determined pursuant to the Company's Share Handling Regulations.

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

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

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

to receive dividends,

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

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

to participate in any distribution of surplus assets upon liquidation.

*Annual Meeting of Shareholders*

The Company normally holds its ordinary 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.

## **Table of Contents**

The Companies Act provides that certain important matters shall be approved by a special resolution of a 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-subsiidiary 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,

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 ADSs are exercised by the depositary based on instructions from those holders.

### *Subscription Rights*

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

record date.

*Stock Acquisition Rights*

The Company may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorized by the Company's EMB, which has been delegated by the Company's Board of Directors with the authority to issue stock acquisition rights, unless it is made under specially favorable conditions in which case a special resolution of a 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.



## **Table of Contents**

### *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 nonassessable.

### *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 also entitled to exercise shareholders' voting rights at the ordinary 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 of the Board of Directors), (ii) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a general meeting of shareholders), (iii) from any of the Company's subsidiaries (pursuant to a resolution of 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 of 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

## **Table of Contents**

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 of 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 of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of the Company's Board of Directors.

### *General*

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

Under the Company's Articles of Incorporation, the Company is authorized to issue 200,000,000 shares of Class 1 preferred stock, 200,000,000 shares of Class 2 preferred stock, 200,000,000 shares of Class 3 preferred stock and 200,000,000 shares of Class 4 preferred stock. Of these, Class 3 and Class 4 preferred stock are convertible into common stock, while Class 1 and Class 2 preferred stock are not convertible into common stock. See *Right 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 of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of 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.

## **Table of Contents**

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 ordinary general meeting of shareholders in respect of any fiscal year, and if no proposal to pay such preferred dividend was submitted to the relevant ordinary 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 ordinary general meeting of shareholders, the shareholders of the relevant preferred stock will be entitled to vote at all subsequent general meetings of shareholders up to the time when the Board of Directors or general meeting of shareholders adopts a resolution to pay such preferred dividend.

### *Liquidation Rights*

In the event of the Company's voluntary or involuntary liquidation, shareholders of the Company's preferred stock would be entitled, in preference over shareholders of common stock, to receive such amounts of the Company's residual assets as may be determined by a resolution of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of 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.

### *Right 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 of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of 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 of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of 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

## **Table of Contents**

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 of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of 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 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 of the Company's Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors (including the event that the Company's capital adequacy ratio or other measure of regulatory capital falls below a pre-determined threshold, and/or the event that a supervisory agency (or an equivalent body) determines that a write-down, capital injection by a public institution or other equivalent action is necessary for the Company) prior to the time of issuance of the relevant preferred stock. In such an event, the Company will deliver to the relevant shareholders a certain number of shares of the Company's common stock in exchange for the shares of the preferred stock acquired by the Company from them. The number of the Company's common stock to be delivered to a shareholder of the relevant preferred stock would be determined prior to the issuance of such preferred shares by a resolution of 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.

**Table of Contents****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 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 the shares at such price on a particular trading day, or at all.

On June 26, 2013, the closing price of the Company's shares on the Tokyo Stock Exchange was ¥698 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, 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, 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

## **Table of Contents**

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 as non-residents of Japan, and branches and other offices located within Japan of non-resident corporations are considered as 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.

## **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,

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

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

---

## **Table of Contents**

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 and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

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

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

a citizen or resident of the U.S.,

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

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

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

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

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

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

### *Taxation of Dividends*

Under the U.S. federal income tax laws, and subject to the passive foreign investment company ( PFIC ) rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

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





## **Table of Contents**

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

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

### *Taxation of Capital Gains*

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

### *PFIC Rules*

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

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

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

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

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

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

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

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

Under these rules:

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

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

---

**Table of Contents**

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.

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 are generally 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 shareholder ) 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 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, by consulting with their own tax advisers.

**Table of Contents**

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 7%. This rate is applicable for dividends due and payable on or before December 31, 2013, and on or after January 1, 2014, a 15% rate will apply, 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 including its relevant temporary provision for these withholding rates).

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, the fractional tax rate increase in the withholding tax on dividends will be made from January 1, 2013, such as 7.147% applicable from January 1, 2013 to December 31, 2013 and 15.315% applicable thereafter until December 31, 2037, respectively. If a non-resident taxpayer is a resident of a country that Japan has tax treaty with, as described below, such non-residents will not be subject to the surtax to the extent that the applicable rate agreed in the tax treaty is lower than the aggregate domestic rate.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, 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, whereby the withholding tax rate on dividends is also reduced from 15% to 10% for portfolio investors, with, among others, the U.K., France, Australia, the Netherlands and Switzerland due to the treaty renewals.

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 an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Dividends 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 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.

## **Table of Contents**

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 advisors regarding the Japanese tax consequences of the acquisition, ownership and disposition of the shares and ADSs in your particular circumstances.

### **F. Dividends and Paying Agents.**

Not applicable.

### **G. Statement by Experts.**

Not applicable.

### **H. Documents on Display.**

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

### **I. Subsidiary Information.**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

### **Risk Management**

The business activities of the Nomura Group are exposed to various risks such as market risk, credit risk, operational risk and other risks caused by external factors. We have established a risk management framework to provide comprehensive controls, monitoring and reporting of these risks in order to maintain financial soundness and the Company's corporate values.

### **Global Risk Management Structure**

#### **Governance**

The Board of Directors has established the Structure for Ensuring Appropriate Business of Nomura Holdings, Inc. as the Company's basic principle and set up a framework for the management of risk of loss based on this. In addition, they are continuously making efforts to improve, strengthen and build up our risk management capabilities under this framework. Besides this, the Group Integrated Risk Management Committee (GIRMC), upon delegation of the EMB, has established the Integrated Risk Management Policy, describing the overall risk management framework including the fundamental principles concerning risk management and organization and this is under continuous improvement.

## **Table of Contents**

### **Basic Principles of Risk Management**

The Nomura Group defines risks as i.) potential erosion of the Nomura Group's capital base due to unexpected losses from business operations, ii.) potential lack of access to funds due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions, or iii.) potential failure of revenues to cover expenses due to deterioration of earnings environment or deterioration of efficiency or effectiveness of business operations.

It is a fundamental principle that all Directors, Executive Managing Directors, Senior Managing Directors, Corporate Auditors and employees of the Nomura Group shall regard themselves as principals of risk management and appropriately manage risks arising in the course of day-to-day business operations. At the same time, the Nomura Group practices prudent risk management at an individual entity level within the group and also identifies, evaluates and appropriately manages risks within the business units, risk management and internal audit, respectively.

### **Fundamental Policy of Risk Management**

Our fundamental policy concerning risk management is to control risks arising in the course of business operations to the confines of the Company's risk appetite, which is clearly established based on risk tolerance in line with group-wide business strategy, business targets, management strength and capital base. We endeavor to embed this appetite into actual business operations.

Our risk appetite consists of quantitative and qualitative factors. Targets are set for quantitative factors such as capital adequacy, liquidity and profitability. Targets also set for qualitative factors such as Zero Tolerance Risk, which is the risk that Nomura shall tolerate to no extent whatsoever, and for Minimum Tolerance Risk, which is the risk that we may tolerate to a limited extent in consideration of profit potential, risk mitigation methods, monitoring capability and other factors, respectively.

We endeavor to measure risks using quantitative methods to the greatest extent possible and to continually improve our risk measurement methods. We use economic capital, for the risks measured by quantitative methods collectively and use this as the principal reference for assessment of capital adequacy, capital allocation and risk management. When evaluating risks by quantitative methods, we conduct stress testing as a complementary measure to analyze and evaluate the potential impact of each type of risk on our capital base.

## **Table of Contents**

### **Risk Management Organizations**

The organizational structure and core bodies tasked with risk management in the Nomura Group are shown in the following chart.

- (1) Other includes other risks such as Country Risk, System Risk, Liquidity Risk and Business Risk. Prudent risk controls involve identifying, evaluating and appropriately managing risks in each business unit, risk management departments and internal audit departments within the Nomura Group. Any issues that could potentially cause a significant impact on the management of the Nomura Group will be reported to senior management and the GIRMC by the relevant risk management departments in charge of monitoring the relevant risk.

### **Executive Management Board**

The EMB deliberates on and determines management strategy, allocation of management resources and important management matters of the Nomura Group by promoting the effective use of management resources and execution of business with the unified intent of contributing to the increase in shareholders' value. Key responsibilities of the EMB are as follows:

*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 the business units and establishes usage limits which are monitored on a daily basis;

*Business Plan* At the beginning of each financial year, the EMB approves the business plan and budget of the Nomura Group. Introduction of significant new businesses, changes to business plans, the budget and the allocation of management resources during the year are also discussed by the EMB; and

*Reporting* The EMB reports to the Board of Directors on the status of discussions at the EMB on a quarterly basis.



## Table of Contents

### Group Integrated Risk Management Committee

Upon delegation by the EMB, the GIRMC deliberates on and determines important matters concerning integrated risk management of the Nomura to ensure the sound and effective management of the business. The GIRMC is a core organization for group-wide risk management and establishes the risk appetite of the Nomura Group and the framework of integrated risk management in accordance with our risk appetite. The key responsibilities of the GIRMC are as follows:

**Risk Appetite** The GIRMC establishes the risk appetite of the Nomura Group and provides a framework for integrated risk management in accordance with this risk appetite;

**Oversight** The GIRMC supervises risk management in the Nomura Group by establishing and operating group wide risk control processes. These processes consist of identification of specific risks, evaluation and monitoring of these risks and implementation of appropriate risk management measures and reporting; and

**Reporting** The GIRMC reports the status of key risk management issues to the Board of Directors and the EMB on a quarterly basis.

### Chief Risk Officer

The Chief Risk Officer ( CRO ) is responsible for supervising the Risk Management Department and maintaining the effectiveness of the risk management framework independently from the business units within the Nomura Group. The CRO not only regularly reports on the status of the Nomura Group's risk management to the GIRMC, but also reports to and seeks the approval of the GIRMC on measures required for risk management.

### Chief Financial Officer

The CFO has operational authority and responsibility over our liquidity management. Our liquidity risk management policy is based on risk appetite which the GIRMC formulates. Our primary objective for liquidity risk management is to ensure continuous liquidity across market cycles and periods of stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within one year can be met without additional unsecured funding or forced liquidation of trading assets.

### Risk Management Departments

Our Risk Management Departments are defined collectively as the Group Risk Management Department and departments or units in charge of risk management established independently from business units within the Nomura Group. The Risk Management Departments are responsible for establishing and operating of 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/Senior Managing Directors and the GIRMC and others and also reporting to regulatory bodies and handling of regulatory applications concerning risk management methods and other items. Important risk management issues are closely communicated between members of the Risk Management Departments and the CRO. The CRO or Deputy CRO regularly attend the EMB and GIRMC meetings to report specific risk issues.

**Table of Contents****Classification and Definition of Risk**

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

<b>Risk Category</b>	<b>Summary Description</b>
Market Risk	Risk of losses arising from fluctuations in values of financial assets and debts (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 losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor or counterparty.
Country Risk	Risk brought about by a country's political, economic, legal, conventional, religious or other characteristics inherent to the country or risk of losses arising from changes in a country's situation due to a change of regime, fall in predictability of governmental measures, economic downturn or social turmoil.
Operational Risk	Risk of losses arising from inadequate or failed internal processes, people and systems or external events.
System Risk	Within Operational Risk, risk of losses due to system defects including, without limitation, computer crash or malfunction, or risk of losses due to unauthorized use of computers.
Liquidity Risk	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.
Business Risk	Risk of failure of revenues to cover costs due to deterioration of the earnings environment or deterioration of the efficiency or effectiveness of business operations.

**Market Risk**

Market risk refers to the potential loss from fluctuations in the value of assets and liabilities due to fluctuations in market factors, e.g. interest rates, foreign exchange rates, equity prices, credit spreads, indices, volatilities, correlations or other market factors. This type of risk primarily impacts our trading activities. Effective management of this 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. Our 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 the Nomura Group's risk appetite as expressed through economic capital. In addition to VaR, we use stress testing and sensitivity analysis to measure and analyze our 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. 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 our 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.

---

## **Table of Contents**

### *VaR Methodology Assumptions*

Nomura uses a single VaR model which has been implemented globally in order to determine the total trading VaR for the Nomura Group.

Nomura's VaR methodology uses historical simulation to estimate potential profit or loss. Historical market moves are repeatedly applied to our current exposure, forming a distribution of simulated portfolio returns. From this distribution the required 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 our consolidated VaR to the Financial Services Agency of Japan. For internal risk management purposes, VaR is calculated across the Nomura Group at a 99% confidence level and using a 1-day time horizon. For regulatory reporting purposes, we use the same confidence level but a 10-day time horizon, calculated using actual 10-day historical market moves.

For internal information purposes, Nomura also calculates a 1% VaR which represents the potential profits from the same distribution. Differences between 99% and 1% measures can be used to demonstrate that markets do not always follow a simple statistical probability model. Additionally, Nomura calculates other measures used to complement VaR under regulation known as Basel 2.5. One of these, Stressed-VaR (SVAR) is calibrated on a one-year window from a period of financial stress. All VaR and SVAR numbers are calculated within the same system using equivalent assumptions.

The VaR model uses a default historical time window of two years (520 business days). For risk management and backtesting (see below), Nomura uses a weighted VaR. For the calculation of VaR, the probability weight assigned to each P&L in the historical simulation scenarios depends on when it occurred. The older the observation, the lower the weight. An exponential weighting scheme is used with the attenuation coefficient set to 0.995. This choice of parameter implies a weighted average of the data set is 159 business days (just over 7 months).

The SVAR calculation uses one year of market data from a period of financial stress. The one-year window is calibrated to be the one with the largest SVAR, given our current portfolio. The historical data used for SVAR is not exponentially weighted.

Given a set of historical market moves, Nomura's VaR model calculates revenues impacts for current portfolio using a combination of sensitivities (greeks) revaluation, full and partial revaluation. Material basis risks are captured either by using different time series (e.g., stock vs. ADR) or by using sensitivities and basis time series (e.g., Bond / Credit Default Swap (CDS) credit spread basis).

Nomura's VaR model uses time series for each individual underlying, whenever available. Approximately 25,000 time series are currently maintained in the Nomura Group's market database. Time series are generally available for all assets but where a complete time series (i.e., 520 business days) 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.

### *Changes in VaR Models and Assumptions*

Nomura is committed to continuous improvement of our risk modeling and to maintaining risk modeling that is in line with best practices in our industry.

We have documented policies in place approved by the GIRMC which define the process and validation procedures required in order to implement changes to our VaR and other risk models. The Global Risk

## **Table of Contents**

Methodology Group ( GRMG ) within our Risk Management Division has primary responsibility for the ongoing refinement and improvement of our risk models and methodologies. All model changes are communicated by the GRMG to the Global Model Validation Group ( MVG ) and any significant changes are initially independently reviewed and validated by MVG before being implemented.

The nature of the processes required to be performed by GRMG to support a model change and the level of validation required by MVG depends on the significance of the model change. For certain significant changes, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to implementation.

Under delegated authority from the Global Risk Management Committee ( GRMC ) that is delegation by GIRMC for the purpose of deliberating on or determining important matters concerning market, credit risk or reputational risk management of the Nomura Group and assuring the sound and effective management of the businesses, model changes are also formally approved by the Global Risk Analytics Committee ( GRAC ) if certain materiality thresholds defined by the Nomura Group are met. The GRAC is formed of senior risk managers within Nomura including the CRO and the CFO and has delegated authority from the GRMC to approve such changes.

Details of all significant model changes are reported to the GRMC on a quarterly basis or more frequently, if required.

We are required to formally report significant changes in our VaR and other models to the FSA. A significant change is defined internally as any change resulting in a change of more than 10% of Nomura's consolidated group regulatory capital. Insignificant changes are also informally communicated to the FSA on a regular basis.

### *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 1-day P&L with the corresponding VaR estimate. With a 99% VaR measure, one expects 2-3 exceptions (i.e. loss is larger than VaR) a year. We backtest the VaR model at the Nomura Group level as well as at a number of lower levels, and the backtesting results are reviewed on a monthly basis by the Nomura's risk management function.

No backtesting exceptions were experienced at the Nomura Group level for the year ending March 31, 2013.

### *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 the Group can therefore easily be compared and aggregated using VaR.

As a risk measure, however, VaR has well documented limitations. One of the main disadvantages with VaR is that it is a backward looking risk measure. Using historical market moves to infer future P&L for a firm, means that we assume that only events that have actually happened are relevant to analyse the risk of a portfolio.

Moreover, 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 magnitude of loss that can take place 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 on 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 off-set each other in VaR modeling move in the same direction thus increase losses.

**Table of Contents**

We are aware of the limitations of the Nomura Group's VaR model and use VaR only as one component of a diverse risk management process. Other metrics to supplement VaR include stress testing and sensitivity analysis.

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

	Billions of yen												
	Mar. 30, 2012	Apr. 30, 2012	May 31, 2012	Jun. 29, 2012	Jul. 31, 2012	Aug. 31, 2012	Sep. 28, 2012	Oct. 31, 2012	Nov. 30, 2012	Dec. 31, 2012	Jan. 31, 2013	Feb. 28, 2013	Mar. 29, 2013
Equity	¥ 1.37	¥ 1.31	¥ 1.06	¥ 1.20	¥ 1.06	¥ 5.12	¥ 0.99	¥ 1.07	¥ 1.46	¥ 2.43	¥ 1.80	¥ 1.63	¥ 1.26
Interest Rate	6.53	4.45	5.38	5.70	5.64	5.97	6.59	6.11	6.97	6.41	6.26	5.28	5.00
Foreign Exchange	2.52	2.84	2.40	1.70	1.85	2.05	1.88	2.34	3.40	2.14	1.69	1.96	1.87
Subtotal	10.42	8.59	8.84	8.60	8.54	13.14	9.45	9.51	11.82	10.98	9.75	8.86	8.14
Less:													
Diversification Benefit	(3.20)	(3.10)	(3.66)	(3.20)	(3.16)	(7.64)	(2.30)	(2.81)	(4.85)	(3.81)	(3.44)	(2.84)	(3.05)
VaR	¥ 7.22	¥ 5.49	¥ 5.18	¥ 5.40	¥ 5.38	¥ 5.50	¥ 7.15	¥ 6.70	¥ 6.97	¥ 7.16	¥ 6.31	¥ 6.03	¥ 5.09

VaR		
(maximum)	¥ 8.66	: October 17, 2012
(average)	6.11	: Average for the period from April 1, 2012 to March 31, 2013
(minimum)	4.33	: May 4, 2012

	Billions of yen												
	Mar. 31, 2011	Apr. 29, 2011	May 31, 2011	Jun. 30, 2011	Jul. 29, 2011	Aug. 31, 2011	Sep. 30, 2011	Oct. 31, 2011	Nov. 30, 2011	Dec. 30, 2011	Jan. 31, 2012	Feb. 29, 2012	Mar. 30, 2012
Equity	¥ 1.78	¥ 1.88	¥ 1.64	¥ 1.59	¥ 1.68	¥ 2.06	¥ 1.88	¥ 2.39	¥ 1.86	¥ 1.46	¥ 1.80	¥ 1.90	¥ 1.37
Interest Rate	4.08	4.41	5.13	4.31	5.18	3.37	4.03	6.29	5.28	5.03	4.28	4.83	6.53
Foreign Exchange	4.53	3.93	4.13	3.83	3.68	3.15	2.84	3.18	3.14	3.54	4.06	3.13	2.52
Subtotal	10.40	10.21	10.91	9.72	10.54	8.58	8.75	11.86	10.29	10.03	10.15	9.86	10.42
Less:													
Diversification Benefit	(4.12)	(4.13)	(3.80)	(3.72)	(3.69)	(3.60)	(3.59)	(3.71)	(3.68)	(3.63)	(3.73)	(2.50)	(3.20)
VaR	¥ 6.28	¥ 6.08	¥ 7.11	¥ 6.01	¥ 6.85	¥ 4.99	¥ 5.16	¥ 8.15	¥ 6.60	¥ 6.40	¥ 6.42	¥ 7.35	¥ 7.22

VaR		
(maximum)	¥ 9.72	: October 26, 2011
(average)	6.54	: Average for the period from April 1, 2011 to March 31, 2012
(minimum)	4.92	: September 15, 2011

Overall VaR has decreased since March 30, 2012. VaR relating to interest rate risk decreased from ¥6.53 billion at the end of March 2012 to ¥5.00 billion at the end of March 2013 due to lower outright interest rate risk being taken within the Nomura Group. VaR relating to foreign exchange risk decreased from ¥2.52 billion at the end of March 2012 to ¥1.87 billion at the end of March 2013 mainly due to lower levels of FX risk being taken. VaR relating to equity risk decreased slightly from ¥1.37 billion at the end of March 2012 to ¥1.26 billion at the end of March 2013.

During the year ended March 31, 2012, VaR relating to equity risk decreased from ¥1.78 billion at the end of March 2011 to ¥1.37 billion at the end of March 2012 mainly due to reductions in equity related volatility. VaR relating to interest rate risk decreased from ¥4.08 billion at the end of March 2011 to ¥6.53 billion at the end of March 2012 mainly due to increased interest rate risk volatility. VaR relating to foreign exchange risk decreased from ¥4.53 billion at the end of March 2011 to ¥2.52 billion at the end of March 2011 mainly due to reductions in foreign exchange volatility.



## **Table of Contents**

### **Other Controls**

In some business units or portfolios we use additional controls to control or limit risk taking activity. This may include the requirement for business units to fulfill additional conditions and/or seek additional approvals from senior management committees before the execution of certain types of transactions.

### **Stress Testing**

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

### **Model Reviews**

Models are used within the Nomura Group for valuation and risk management of trading positions, financial reporting, and regulatory and internal capital calculations. The Global Model Validation Group (MVG) validates the appropriateness and consistency of these models, functioning independently to those who design and build models. As part of this process, the MVG analyzes a number of factors to assess a model's suitability and to quantify model risk through model reserves and capital adjustments.

### **Non-Trading Risk**

A major market risk in our non-trading portfolio relates to equity investments held for operating purposes which we hold on a long-term basis. Our non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in the 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.

We use regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of our equity investments held for operating purposes. Our simulation indicates that for each 10% change in the TOPIX, the market value of our operating equity investments held for operating purposes can be expected to change by ¥11,951 million at the end of March 2012 and ¥15,327 million at the end of March 2013. The TOPIX closed at 854.35 points at the end of March 2012 and at 1,034.71 points at the end of March 2013. This simulation analyzes data for our entire portfolio of equity investments held for operating purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

### **Credit Risk**

The Nomura Group defines credit risk as risk of losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor.

For controlling credit risk appropriately, the Nomura Group has set out basic principles in its Credit Risk Management Policy, a basic policy concerning credit risk management, which are important to meet the various needs of our clients whilst taking appropriate risks and ensuring sufficient returns to improve our corporate values. Under these basic principles, we have established a robust and comprehensive credit risk management framework.

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

## **Table of Contents**

### **Credit Risk Management Framework**

Under the credit risk management framework, the GIRMC, upon delegation by the EMB, deliberates on and determines important matters concerning integrated risk management of the Nomura Group and accordingly has established important principles concerning credit risk management as described in the Credit Risk Management Policy and other documents. Also, GRMC deliberates on and determines important matters concerning credit risk management of the Nomura Group based on strategic risk allocation and risk appetite of the Nomura Group as determined by the GIRMC. Subject matters for the GRMC include discussion of significant transactions that require consideration for its risk management framework.

The Nomura Group has established an organizational structure with an appropriate system of check-and-balances under the CRO. The Credit Planning Unit is responsible for planning or implementation of amending, revising or abolishing Internal Rating Systems, including development, oversight and continuous revising of the Internal Rating Model.

The Credit Department, which is independent from the business units, conducts credit analysis, internal rating assignment, monitoring of credit risk profiles including credit concentration risk and others. Also, the Credit Risk Control Unit ( CRCU ), also independent from the business units and Credit Department, is responsible for monitoring operations, validation and others items for the Internal Rating System. Additionally, the Internal Audit Department audits the adequacy of credit risk management independently from these departments.

### **Method of Credit Risk Management**

#### *Internal Rating System*

The Nomura Group has established an Internal Rating System to be a unified, exhaustive and objective framework to evaluate credit risk with reasonable manner. Internal Ratings consist of Obligor Ratings, which represent an assessment of an Obligor's creditworthiness, Facility Ratings, which represent an assessment of potential unrecoverable loss for a facility in default and Specialised Lending ( SL ) Rating, which represents the assessment of probability of default of a given SL Transactions. Internal Ratings are classified into 20 grades, which consist of 17 non-default grades and 3 default grades based on creditworthiness.

Obligor Ratings are assigned in principle to obligors which fall into the scope of the credit risk-weighted assets calculation. In order to appropriately reflect the creditworthiness of obligors, Obligor Ratings are not only reviewed periodically at least once a year, but also are reviewed as soon as any significant change in the creditworthiness of the Obligor is identified. The Credit Department, which is functionally independent from the business units, is responsible for assigning Internal Ratings in order to ensure the sound process of rating assignment.

SL Ratings are assigned to each SL transaction and mapped to Slotting Criteria. Frequency and process of SL ratings reviews are conducted in almost the same manner with Obligor Ratings.

The CRCU, functionally independent from business units and the Credit Department, is responsible for validating the appropriateness of the Internal Rating System at least once a year. In addition, the Internal Audit, independent from all the divisions and business units mentioned above, is responsible for auditing the appropriateness of the overall Internal Rating System, as part of their review of credit risk management.

#### *Management of Individual Credit Exposures*

The Nomura Group's main type of credit risk assets are credit exposure arising in derivatives transactions or securities financing transactions ( derivatives in this section) with counterparties.



## **Table of Contents**

Credit exposures against counterparties are managed by means of setting Credit Limits based upon credit analysis of individual obligors. For ongoing risk monitoring, Credit Limits are managed through the daily calculation of potential credit exposures up to maturity, as well as monitoring the actual creditworthiness of obligors with adequate frequency, based upon which Obligor Ratings and Credit Limits are updated.

The exposure calculation model used for counterparty credit risk management, i.e., credit limit monitoring, has also been used for the IMM based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

### *Credit Risk Mitigation Techniques*

Nomura enters into International Swap and Derivatives Association, Inc. ( ISDA ) master agreements or equivalent agreements (called Master Netting Agreements ) with many of its derivatives counterparties. Master Netting Agreements provide protection to reduce losses potentially incurred by a counterparty default.

In addition, to reduce losses potentially incurred by a counterparty default, Nomura requires collateral to mitigate exposure, principally cash or highly liquid bonds, including U.S. and Japanese government securities, when necessary.

### **Scope of Credit Risk Management**

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.

### **Integrated Management**

We evaluate credit risk not only by obligor, but also by obligor group where it is appropriate that their credit risk should be evaluated collectively.

We evaluate credit risk by obligor groups (i.e., by counterparty groups) when significant legal or economic relationships exist between counterparties which mitigate or increase our credit risk when compared to these individual counterparties if considered separately. Such relationships may exist through one counterparty owning a controlling financial interest in another, significant financing relationships existing between or among counterparties or if there are other indicators of significant financial interdependence between counterparties.

### **Credit Risk Reporting**

The global risk management unit is responsible for monitoring, evaluating and analyzing credit risk and for reporting the status of credit risk to the CRO and other Senior Managing Director(s) in charge of risk management and the GIRMC with appropriate frequency.

### **Credit Risk Measurement**

Credit risk is quantitatively-measured by a globally unified methodology. Credit risk is properly measured to reflect the effect of collateral or a guarantee.

### **Credit Risk to Counterparties in Derivatives Transactions**

We measure our credit risk to counterparties in derivatives transactions as the sum of actual current exposure evaluated daily at its fair value, plus potential exposure until maturity of such transactions. All derivative credit limits are controlled through the risk management departments.

**Table of Contents**

As we mentioned previously, we enter into Master Netting Agreements with many of our derivative counterparties. Master Netting Agreements provide protection to reduce our risks of counterparty default and, in some cases, offset our consolidated balance sheet exposure with the same counterparty and provide a more meaningful presentation of our balance sheet credit exposure. In addition, to reduce default risk, we require collateral, principally cash or highly liquid bonds, including U.S. and Japanese government securities when necessary.

The credit exposures in our trading-related derivatives as of March 31, 2013 are summarized in the table below, showing as the fair value by counterparty credit rating and by remaining contract. The credit ratings are internally determined by our Credit Department.

Credit Rating	Billions of yen						Total Fair Value (a)	Collateral Obtained (b)	Replacement Cost (a)-(b)
	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years	Cross- Maturity Netting <sup>(1)</sup>			
AAA	¥ 15	¥ 20	¥ 31	¥ 15	¥ 78	¥ (102)	¥ 57	¥ 18	¥ 39
AA	137	193	230	153	364	(948)	129	44	85
A	423	574	488	375	1,446	(2,661)	645	108	537
BBB	89	105	127	78	315	(522)	192	113	79
BB and lower	69	54	63	25	431	(451)	191	274	(83)
Other <sup>(2)</sup>	63	69	110	214	220	(442)	234	20	214
Sub-total	796	1,015	1,049	860	2,854	(5,126)	1,448	577	871
Listed	447	224	12	2		(242)	443	6	437
Total	¥ 1,243	¥ 1,239	¥ 1,061	¥ 862	¥ 2,854	¥ (5,368)	¥ 1,891	¥ 583	¥ 1,308

- (1) This item represents netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category. Cash collateral netting against net derivatives in accordance with ASC 210-20 *Balance Sheet Offsetting* is also included.
- (2) Other comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.

**Exposure to certain European peripheral countries**

During 2012 and continuing into 2013, the creditworthiness of several peripheral countries within the Eurozone such as Greece, Italy, Ireland, Portugal and Spain ( GIIPS countries) has declined due to economic and fiscal weaknesses.

The worsening of financial, economic and structural issues in the GIIPS countries have adversely influenced major global financial markets. A sustained market/economic downturn can adversely affect our business and can result in substantial losses.

**Table of Contents**

The table below presents information regarding this exposure as at March 31, 2013 as measured in accordance with our internal risk management policies. Country risk exposure under these policies is reported based on the location of the counterparty, issuer or underlier's assets.

	Billions of yen March 31, 2013										
	Net inventory exposures			Net counterparty exposures							
	Debt securities <sup>(1)</sup>	Equity securities <sup>(2)</sup>	Equity and credit derivatives referencing GIIPS underlyings <sup>(3)</sup>	Loans <sup>(4)</sup>	Derivative contracts with GIIPS counterparties <sup>(5)</sup>	Securities financing transactions <sup>(6)</sup>	Total gross funded exposure <sup>(6)</sup>	Unfunded exposure <sup>(7)</sup>	Total gross exposure	Less: Hedges <sup>(8)</sup>	Total net exposure
¥	¥	¥	¥	¥	¥	¥	¥	¥	¥	¥	¥
Greece	2	0	0		9	0	11		11	0	11
Sovereign	2				7		9		9		9
Non-sovereign <sup>(9)</sup>	0	0	0		2	0	3		3	0	2
Ireland	25	(0)	(3)		1	0	23		23	0	23
Sovereign	13		(1)		1		13		13	0	13
Non-sovereign <sup>(9)</sup>	12	(0)	(3)		0	0	10		10	0	10
Italy	113	4	(115)		56	1	59		59	64	(6)
Sovereign	98		(110)		25	0	13		13	63	(50)
Non-sovereign <sup>(9)</sup>	15	4	(5)		31	1	46		46	1	44
Portugal	7	(7)	(2)		0	0	(3)		(3)	4	(6)
Sovereign	6		(13)				(6)		(6)	2	(8)
Non-sovereign <sup>(9)</sup>	0	(7)	11		0	0	4		4	2	2
Spain	74	28	(57)	3	13	6	67	2	68	3	65
Sovereign	74		(17)		6		62		62	1	61
Non-sovereign <sup>(9)</sup>	0	28	(40)	3	8	6	4	2	6	1	4
<b>Total</b>	<b>¥ 220</b>	<b>¥ 24</b>	<b>¥ (177)</b>	<b>¥ 3</b>	<b>¥ 80</b>	<b>¥ 7</b>	<b>¥ 157</b>	<b>¥ 2</b>	<b>¥ 158</b>	<b>¥ 71</b>	<b>¥ 88</b>
Sovereign	192		(141)		39	0	91		91	66	25
Non-sovereign <sup>(9)</sup>	28	24	(36)	3	41	7	66	2	68	5	63

**Table of Contents**

- (1) Fair value amounts of long and short debt securities by GIIPS issuers and also includes GIIPS collateral with a fair value of ¥ nil billion used in open repo-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. This methodology results in an accurate measure of exposure for each relevant single name but has certain limitations when amounts are aggregated across numerous reference credits for tranching products. For junior tranches, this approach may result in disclosure of aggregate exposure amounts in excess of the maximum possible impact to Nomura under the relevant derivative contract. Conversely, for more senior tranches, our actual exposure may be higher than the aggregate amounts disclosed in the table in the event of a large number of simultaneous defaults.

- (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 ¥365.2 billion.
- (6) Fair value amounts of repurchase agreements and securities borrowing and lending transactions when are shown net by counterparty and after deduction of securities collateral and cash margin received of ¥689.6 billion.
- (7) Notional amount of unfunded loan commitments with GIIPS borrowers. These commitments are generally extended either for relationship purposes or as part of our leverage and acquisition finance activities and will expire by June 1, 2016. The borrowers are typically not permitted to draw down on the facilities if a default event such as insolvency or failure to pay occurs or if material misrepresentations have been made to Nomura.
- (8) Hedges consist primarily of single-name CDS contracts where Nomura has purchased net protection against GIIPS net counterparty credit exposures. Amounts disclosed are calculated based on notional amounts of the contracts assuming zero recovery as adjusted for fair value movements. The counterparties to these transactions are non-GIIPS counterparties which are rated as investment grade using Nomura's internal credit rating methodology. Nomura will attempt to match the reference assets and maturity of the CDS hedges to the underlying exposure against which they are hedging. In certain situations, however, hedges of equivalent duration may not be available in the market and therefore a maturity mismatch may exist. These mismatches are actively monitored and managed by Nomura.
- (9) Non-sovereign counterparties are primarily financial institutions located in these countries.

**Table of Contents**

Amounts reported in net inventory exposures and hedges include single-name CDS contracts 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 contracts by relevant GIIPS country and by type of underlying.

	Billions of yen March 31, 2013			
	Purchased protection		Sold protection	
	Notional value	Fair value	Notional value	Fair value
<b>Greece</b>				
Sovereign	¥	¥	¥	¥
Non-sovereign	71	3	73	(3)
	71	3	73	(3)
<b>Ireland</b>				
Sovereign	205	3	211	(3)
Non-sovereign	84	(8)	82	9
	289	(5)	293	5
<b>Italy</b>				
Sovereign	1,930	180	1,913	(185)
Non-sovereign	523	20	548	(20)
	2,452	200	2,461	(205)
<b>Portugal</b>				
Sovereign	210	15	196	(15)
Non-sovereign	224	(0)	230	2
	434	15	426	(13)
<b>Spain</b>				
Sovereign	801	54	977	(70)
Non-sovereign	424	3	419	(3)
	1,225	57	1,396	(74)
<b>Total</b>				
Sovereign	3,145	252	3,297	(273)
Non-sovereign	1,326	18	1,352	(16)
	¥ 4,471	¥ 270	¥ 4,649	¥ (289)

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 our 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:

We have exposure to other European sovereign and non-sovereign counterparties such as entities in France, Germany and the UK who themselves may have significant exposures to these countries. We consider this indirect exposure to GIIPS as part of our usual credit risk management monitoring procedures for these exposures;

---

## **Table of Contents**

We have exposure to redenomination risk if the Euro is no longer used as the currency unit in one or more GIIPS or other Eurozone countries. Redenomination risk arises when obligations of that country are redenominated from Euro into a local currency, the local currency devalues against the Euro and other major global currencies which impacts upon other securities, contracts we have and the wider markets. Nomura monitors and manages redenomination risk through scenario analyses which quantify the potential impact on our GIIPS exposures; and

We have additional exposure to replacement risk arising from financial instruments entered into with GIIPS counterparties. Replacement risk arises if a GIIPS counterparty defaults and we are required to replace the transaction at additional cost to Nomura. Such replacement costs may arise if exposures to hedge are large or on illiquid financial instruments. We manage and mitigate replacement risk relating to GIIPS counterparties by monitoring exposures on selected counterparties that we believe represent the greatest risk, identifying any significant 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**

#### Overview of Operational Risk Management

In our Operational Risk Management Policy, we define operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to our reputation if caused by an Operational Risk. As defined by the Regulations for System Risk Management, System Risk is considered to be a component of Operational Risk as defined above.

#### Operational Risk Principles

The Nomura Group 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 units which owns and manages its risks
  
- 2) 2nd Line of Defence: The Operational Risk Management ( ORM ) function, which defines and co-ordinates the operational risk strategy and framework
  
- 3) 3rd Line of Defence: Internal and External Audit, who provide independent assurance

The Governing body: The GIRMC, with delegated authority from the Board of Directors, which provides formal oversight.

This ensures appropriate oversight and independent review and challenge of operational risk management throughout the Company.

#### Operational Risk Management Framework

We have established an Operational Risk Management Framework in order to allow us to identify, assess, manage, monitor and report on Operational Risk. Operational Risk Appetite is defined through a mixture of qualitative appetite statements and quantitative measures utilising key components of the Operational Risk Management Framework.

This framework is set out below:

#### *Infrastructure of the framework*

Policy framework: Sets minimum standards for operational risk and details how to monitor adherence to these standards

Training and awareness: Action taken by ORM to improve business understanding of ORM

123



**Table of Contents**

*Products and Services*

Scenario analysis: Process to identify high impact, low probability tail events

Event reporting: Process to obtain information on and learn from actual events impacting on the Company and relevant external events

Key Risk Indicators ( KRI ): Metrics which allow monitoring of certain key operational risks

Risk and Control Self Assessment ( RCSA ): Risk and Control Self Assessment process to identify key risks, controls and action plans

*Outputs*

Analysis and reporting: Key aspect of ORM role to analyze and report on ORM information and work with business units to develop actions

Operational risk capital calculation: Calculate operational risk capital under Basel II provisions and allocate to business units to improve the efficiency on profit vs risks

**Operational Risk Classification**

The Nomura Group uses the standard Basel II event type as operational risk classifications (namely, Internal Fraud, External Fraud, Employee Practices and Workplace Safety, Clients, Products & Business Practices, Damage to Physical Assets, Business Disruption and System Failures and Execution, Delivery & Process Management).

**Basel II regulatory capital calculation for operational risk**

The Nomura Group uses The Standardized Approach ( TSA ) for calculating regulatory capital for operational risk. This involves using a 3 year average of gross income, allocated to business lines and multiplied by a fixed percentage determined by the FSA, to establish the amount of required operational risk capital.

The Nomura Group uses consolidated net revenue as gross income, however as for a part of the consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each given segment from management accounting data to each business line in accordance with the categories:

<b>Business Line</b>	<b>Description</b>	<b>Beta Factor</b>
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%

*Calculation Process of Basel II regulatory capital calculation for operational risk*

The Nomura Group then calculates capital for every business line by multiplying respectively allocated annual gross income by the corresponding factors set out above. Any unallocable gross income is multiplied by a fixed percentage of 18%.

**Table of Contents**

Total operational risk capital is calculated as the three-year average of the simple summation of the amounts across each of the business lines and unallocable value in each year. However, where the aggregated amount within a given year is negative, then the input to the numerator for that year shall be zero.

In any given year, negative numbers in any business line shall offset positive numbers in other business lines. However, negative numbers in unallocable value shall not offset positive numbers in other business lines and shall be treated as zero.

Operational risk capital is calculated twice a year; reference dates for the calculation are the end of March and the end of September.

**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:

<b>Type of Services:</b>	<b>Amount of Fee (U.S. Dollars)</b>
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, 2012 to March 31, 2013, the Bank of New York Mellon has waived a total of \$160,054.72 in fees (including \$27,719.90 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.

**Table of Contents**

**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, 2013, 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, 2013, 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 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, 2013. 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, 2013. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2013 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 accountants for SEC reporting purposes for the last eleven 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 of our annual financial statements or services that are normally provided by the accountant 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 reasonably 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 work for risk management and regulatory matters.

	Millions of yen	
	Year ended March 31 2012	2013
Audit Fees	¥ 3,002	¥ 2,901
Audit-Related Fees	217	64
Tax Fees	128	57
All Other Fees	120	777
<b>Total</b>	<b>¥ 3,467</b>	<b>¥ 3,799</b>

Audit-Related Fees included fees for services relating to consultations on accounting issues relating to our business such as securitization. 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 the pre-approval procedure for 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 proposal must be made no less frequently than 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 generally been pre-approved and included in a General Pre-Approved List. Our Audit Committee is informed of each such service that is provided.

Under the pre-approval procedure for 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, 2013, we acquired 19,209 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. 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, 2013, we had 3,710,960,252 outstanding shares excluding 111,602,349 shares as treasury stock.

We had not established share buyback programs nor purchased our common stock utilizing the programs during the year ended March 31, 2013.

On April 26, 2013, 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 8, 2013 to May 31, 2013, and we were authorized to purchase up to 40,000,000 shares of our common stock or to a maximum of ¥35,000,000,000. On May 10, 2013, we announced that the aggregate number of shares repurchased through this buyback program was 40,000,000 shares and the aggregate value of shares repurchased was ¥32,470,386,300.

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, 2013.

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, 2012	889	352		
May 1 to 31, 2012	956	303		
June 1 to 30, 2012	1,043	271		
July 1 to 31, 2012	1,736	277		
August 1 to 31, 2012	1,856	278		
September 1 to 30, 2012	1,008	283		
October 1 to 31, 2012	1,471	276		
November 1 to 30, 2012	1,182	305		
December 1 to 31, 2012	2,213	373		
January 1 to 31, 2013	1,859	498		
February 1 to 28, 2013	2,918	529		
March 1 to 31, 2013	2,078	566		
<b>Total</b>	<b>19,209</b>	<b>386</b>		

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, 2013, 3,695,023,003 shares of Nomura Holdings were outstanding, excluding 127,539,598 shares held as treasury stock.





**Table of Contents**

**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	Corporate Governance Practices Followed by the Company
<p>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.</p>	<p>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.</p> <p>The Company, while meeting the requirements of the Companies Act, has six outside directors among its eleven Directors.</p>
<p>The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.</p>	<p>Under the Companies Act, the Company is not required to hold such executive sessions for its outside directors.</p>
<p>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.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>

**Table of Contents**

**Corporate Governance Practices Followed**

**by NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

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.

**Table of Contents**

**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) <sup>(1)</sup>
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) <sup>(2)</sup>
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, Toshinori Kanemoto, Tsuguoki Fujinuma and Takao Kusakari 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.



**Table of Contents****NOMURA HOLDINGS, INC.****INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<b>Consolidated Financial Statements of Nomura Holdings, Inc.:</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Balance Sheets as of March 31, 2012 and 2013</u>	F-4
<u>Consolidated Statements of Income for the Years Ended March 31, 2011, 2012 and 2013</u>	F-7
<u>Consolidated Statements of Comprehensive Income for the Years Ended March 31, 2011, 2012 and 2013</u>	F-8
<u>Consolidated Statements of Changes in Equity for the Years Ended March 31, 2011, 2012 and 2013</u>	F-9
<u>Consolidated Statements of Cash Flows for the Years Ended March 31, 2011, 2012 and 2013</u>	F-11
<u>Notes to the Consolidated Financial Statements</u>	F-13
<b><u>Consolidated Financial Statements of Nomura Research Institute, Ltd.</u></b>	A-1
<p>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. ( Company ). The consolidated financial statements of NRI contained herein, which are as of March 31, 2012 and 2013 and for the years ended March 31, 2011, 2012 and 2013, 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, 2011 and 2013 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, 2011, 2012 or 2013. 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.</p>	

**Table of Contents**

**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, 2012 and 2013, 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, 2013. 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, 2012 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2013, 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, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 27, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 27, 2013

**Table of Contents**

**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, 2013, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (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, 2013, 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, 2012 and 2013, 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, 2013 and our report dated June 27, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 27, 2013



**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

	Millions of yen	
	2012	March 31 2013
<b>ASSETS</b>		
Cash and cash deposits:		
Cash and cash equivalents	¥ 1,070,520	¥ 805,087
Time deposits	653,462	577,921
Deposits with stock exchanges and other segregated cash	229,695	269,744
Total cash and cash deposits	1,953,677	1,652,752
Loans and receivables:		
Loans receivable (including ¥458,352 million and ¥524,049 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	1,293,372	1,575,494
Receivables from customers	58,310	63,792
Receivables from other than customers	864,629	992,847
Allowance for doubtful accounts	(4,888)	(2,258)
Total loans and receivables	2,211,423	2,629,875
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥752,407 million and ¥997,788 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	7,662,748	8,295,372
Securities borrowed	6,079,898	5,819,885
Total collateralized agreements	13,742,646	14,115,257
Trading assets and private equity investments:		
Trading assets (including securities pledged as collateral of ¥4,732,118 million and ¥7,707,813 million in 2012 and 2013, respectively; including ¥16,548 million and ¥19,970 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	13,921,639	17,037,191
Private equity investments (including ¥53,635 million and ¥44,134 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	201,955	87,158
Total trading assets and private equity investments	14,123,594	17,124,349
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥355,804 million and ¥355,831 million in 2012 and 2013, respectively)	1,045,950	428,241
Non-trading debt securities	862,758	920,611
Investments in equity securities	88,187	123,490
Investments in and advances to affiliated companies	193,954	345,705
Other (including ¥1,627 million and ¥1,632 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	1,475,123	602,159
Total other assets	3,665,972	2,420,206
Total assets	¥ 35,697,312	¥ 37,942,439

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

**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS (Continued)**

	Millions of yen March 31	
	2012	2013
<b>LIABILITIES AND EQUITY</b>		
Short-term borrowings (including ¥153,497 million and ¥77,036 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	¥ 1,185,613	¥ 738,445
Payables and deposits:		
Payables to customers	764,857	476,705
Payables to other than customers	767,860	864,962
Deposits received at banks	904,653	1,072,134
Total payables and deposits	2,437,370	2,413,801
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥307,083 million and ¥264,767 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	9,928,293	12,444,317
Securities loaned	1,700,029	2,158,559
Other secured borrowings	890,952	806,507
Total collateralized financing	12,519,274	15,409,383
Trading liabilities	7,495,177	8,491,296
Other liabilities (including ¥4,246 million and ¥2,360 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	1,165,901	978,163
Long-term borrowings (including ¥1,925,421 million and ¥1,664,536 million measured at fair value by applying the fair value option in 2012 and 2013, respectively)	8,504,840	7,592,368
Total liabilities	33,308,175	35,623,456
Commitments and contingencies (Note 22)		
Equity:		
Nomura Holdings, Inc. ( NHI ) shareholders' equity:		
Common stock		
No par value shares:		
Authorized 6,000,000,000 shares in 2012 and 2013		
Issued 3,822,562,601 shares in 2012 and 2013		
Outstanding 3,663,483,895 shares in 2012 and 3,710,960,252 shares in 2013	594,493	594,493
Additional paid-in capital	698,771	691,264
Retained earnings	1,058,945	1,136,523
Accumulated other comprehensive income (loss)	(145,149)	(57,395)
Total NHI shareholders' equity before treasury stock	2,207,060	2,364,885
Common stock held in treasury, at cost 159,078,706 shares in 2012 and 111,602,349 shares in 2013	(99,819)	(70,514)
Total NHI shareholders' equity	2,107,241	2,294,371

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Noncontrolling interests	281,896	24,612
Total equity	2,389,137	2,318,983
Total liabilities and equity	¥ 35,697,312	¥ 37,942,439

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

F-5

**Table of Contents**

The following table presents the classification of consolidated variable interest entities ( VIEs ) assets and liabilities. 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 *Securitized and Variable Interest Entities* for further information.

	Billions of yen	
	March 31	
	2012	2013
Cash and cash deposits	¥ 52	¥ 13
Trading assets and private equity investments	999	695
Other assets	555	93
 Total assets	 ¥ 1,606	 ¥ 801
Trading liabilities	¥ 42	¥ 21
Other liabilities	35	11
Borrowings	992	458
 Total liabilities	 ¥ 1,069	 ¥ 490

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		
	2011	2012	2013
<b>Revenue:</b>			
Commissions	¥ 405,463	¥ 347,135	¥ 359,069
Fees from investment banking	107,005	59,638	62,353
Asset management and portfolio service fees	143,939	144,251	141,029
Net gain on trading	336,503	272,557	367,979
Gain on private equity investments	19,292	25,098	8,053
Interest and dividends	346,103	435,890	394,007
Gain (loss) on investments in equity securities	(16,677)	4,005	38,686
Other	43,864	563,186	708,767
<b>Total revenue</b>	<b>1,385,492</b>	<b>1,851,760</b>	<b>2,079,943</b>
Interest expense	254,794	315,901	266,312
<b>Net revenue</b>	<b>1,130,698</b>	<b>1,535,859</b>	<b>1,813,631</b>
<b>Non-interest expenses:</b>			
Compensation and benefits	518,993	534,648	547,591
Commissions and floor brokerage	92,088	93,500	91,388
Information processing and communications	182,918	177,148	179,904
Occupancy and related depreciation	87,843	100,891	91,545
Business development expenses	30,153	48,488	49,010
Other	125,448	496,227	616,463
<b>Total non-interest expenses</b>	<b>1,037,443</b>	<b>1,450,902</b>	<b>1,575,901</b>
<b>Income before income taxes</b>	<b>93,255</b>	<b>84,957</b>	<b>237,730</b>
Income tax expense	61,330	58,903	132,039
<b>Net income</b>	<b>¥ 31,925</b>	<b>¥ 26,054</b>	<b>¥ 105,691</b>
Less: Net income (loss) attributable to noncontrolling interests	3,264	14,471	(1,543)
<b>Net income attributable to NHI shareholders</b>	<b>¥ 28,661</b>	<b>¥ 11,583</b>	<b>¥ 107,234</b>
<b>Yen</b>			
<b>Per share of common stock:</b>			
<b>Basic</b>			
Net income attributable to NHI shareholders per share	¥ 7.90	¥ 3.18	¥ 29.04
<b>Diluted</b>			
Net income attributable to NHI shareholders per share	¥ 7.86	¥ 3.14	¥ 28.37

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		
	2011	2012	2013
Net income	¥ 31,925	¥ 26,054	¥ 105,691
Other comprehensive income (loss):			
Change in cumulative translation adjustments, net of tax	(24,151)	(13,801)	74,301
Defined benefit pension plans:			
Pension liability adjustment	4,074	(4,203)	8,702
Deferred income taxes	(1,542)	1,548	(3,007)
<b>Total</b>	<b>2,532</b>	<b>(2,655)</b>	<b>5,695</b>
Non-trading securities:			
Net unrealized gain on non-trading securities		1,339	17,283
Deferred income taxes		(498)	(4,650)
<b>Total</b>		<b>841</b>	<b>12,633</b>
Total other comprehensive income (loss)	(21,619)	(15,615)	92,629
Comprehensive income	10,306	10,439	198,320
Less: Comprehensive income attributable to noncontrolling interests	2,209	14,309	3,332
Comprehensive income (loss) attributable to NHI shareholders	¥ 8,097	¥ (3,870)	¥ 194,988

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		
	2011	2012	2013
<b>Common stock</b>			
Balance at beginning of year	¥ 594,493	¥ 594,493	¥ 594,493
Balance at end of year	594,493	594,493	594,493
<b>Additional paid-in capital</b>			
Balance at beginning of year	635,828	646,315	698,771
Issuance of common stock		30,356	
Gain (loss) on sales of treasury stock	3,191	719	(1,798)
Issuance and exercise of common stock options	7,296	19,466	(5,700)
Purchase / sale of subsidiary shares, net		1,915	(9)
Balance at end of year	646,315	698,771	691,264
<b>Retained earnings</b>			
Balance at beginning of year	1,074,213	1,069,334	1,058,945
Cumulative effect of change in accounting principle <sup>(1)</sup>	(4,734)		
Net income attributable to NHI shareholders	28,661	11,583	107,234
Cash dividends	(28,806)	(21,972)	(29,656)
Balance at end of year	1,069,334	1,058,945	1,136,523
<b>Accumulated other comprehensive income (loss)</b>			
Cumulative translation adjustments			
Balance at beginning of year	(74,330)	(97,426)	(110,652)
Net change during the year	(23,096)	(13,226)	71,777
Balance at end of year	(97,426)	(110,652)	(38,875)
<b>Defined benefit pension plans</b>			
Balance at beginning of year	(34,802)	(32,270)	(35,132)
Pension liability adjustment	2,532	(2,862)	6,614
Balance at end of year	(32,270)	(35,132)	(28,518)
<b>Non-trading securities</b>			
Balance at beginning of year			635
Net unrealized gain on non-trading securities		635	9,363
Balance at end of year		635	9,998
Balance at end of year	(129,696)	(145,149)	(57,395)

**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)**

	Millions of yen		
	2011	Year ended March 31 2012	2013
<b>Common stock held in treasury</b>			
Balance at beginning of year	(68,473)	(97,692)	(99,819)
Repurchases of common stock	(37,378)	(8,944)	(7)
Sales of common stock	4	1	1
Common stock issued to employees	8,155	6,693	29,507
Other net change in treasury stock		123	(196)
<b>Balance at end of year</b>	<b>(97,692)</b>	<b>(99,819)</b>	<b>(70,514)</b>
<b>Total NHI shareholders' equity</b>			
Balance at end of year	2,082,754	2,107,241	2,294,371
<b>Noncontrolling interests</b>			
Balance at beginning of year	6,085	8,882	281,896
Cash dividends	(100)	(2,760)	(3,422)
Net income (loss) attributable to noncontrolling interests	3,264	14,471	(1,543)
Accumulated other comprehensive income (loss) attributable to noncontrolling interests			
Cumulative translation adjustments	(1,055)	(575)	2,524
Net unrealized gain on non-trading securities		206	3,270
Pension liability adjustment		207	(919)
Purchase / sale of subsidiary shares, net	0	271,515	(247,782)
Other net change in noncontrolling interests	688	(10,050)	(9,412)
<b>Balance at end of year</b>	<b>8,882</b>	<b>281,896</b>	<b>24,612</b>
<b>Total equity</b>			
Balance at end of year	¥ 2,091,636	¥ 2,389,137	¥ 2,318,983

- (1) *Cumulative effect of change in accounting principle* for the year ended March 31, 2011 is an adjustment to initially apply Accounting Standards Update ( ASU ) No. 2009-17 *Consolidation (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* ( ASU 2009-17 ).

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		
	2011	2012	2013
<b>Cash flows from operating activities:</b>			
Net income	¥ 31,925	¥ 26,054	¥ 105,691
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	75,587	100,572	91,493
Stock option expenses	18,638	26,869	21,955
(Gain) loss on investments in equity securities	16,677	(4,005)	(38,686)
Equity in earnings of affiliates, net of dividends received	(6,800)	(969)	(13,003)
Loss on disposal of office buildings, land, equipment and facilities	6,348	5,351	17,641
Deferred income taxes	55,199	37,772	53,957
Changes in operating assets and liabilities:			
Time deposits	(155,251)	(318,104)	137,526
Deposits with stock exchanges and other segregated cash	(67,738)	(39,225)	(9,461)
Trading assets and private equity investments	(1,481,908)	971,327	(1,448,489)
Trading liabilities	1,206,394	(1,058,445)	248,019
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	327,668	980,156	1,375,929
Securities borrowed, net of securities loaned	(446,152)	(508,844)	863,511
Other secured borrowings	(160,031)	(271,498)	(84,444)
Loans and receivables, net of allowance for doubtful accounts	(354,691)	28,933	(238,318)
Payables	319,506	218,915	(305,672)
Bonus accrual	(8,802)	(13,356)	31,415
Accrued income taxes, net	(26,174)	5,055	50,019
Other, net	414,515	104,305	(309,582)
<b>Net cash provided by (used in) operating activities</b>	<b>(235,090)</b>	<b>290,863</b>	<b>549,501</b>
<b>Cash flows from investing activities:</b>			
Payments for purchases of office buildings, land, equipment and facilities	(186,350)	(182,568)	(271,975)
Proceeds from sales of office buildings, land, equipment and facilities	109,888	120,435	147,653
Payments for purchases of investments in equity securities	(221)	(138)	(319)
Proceeds from sales of investments in equity securities	3,247	5,485	3,741
(Increase) decrease in loans receivable at banks, net	(60,350)	30,591	22,189
Increase in non-trading debt securities, net	(286,013)	(968)	(54,237)
Business combinations or disposals, net	5,570	35,597	(5,919)
Decrease (increase) in investments in affiliated companies, net	(8,936)	2,146	(1,391)
Other, net	(49)	(638)	(228)
<b>Net cash provided by (used in) investing activities</b>	<b>(423,214)</b>	<b>9,942</b>	<b>(160,486)</b>
<b>Cash flows from financing activities:</b>			
Increase in long-term borrowings	2,267,658	2,015,446	1,930,357
Decrease in long-term borrowings	(1,188,034)	(2,883,078)	(2,330,509)
Decrease in short-term borrowings, net	(97,282)	(56,383)	(416,174)
Increase in deposits received at banks, net	368,354	117,047	129,384
Proceeds from sales of common stock held in treasury	8	10	56
Payments for repurchases of common stock held in treasury	(37,378)	(8,287)	(7)
Payments for cash dividends	(29,083)	(29,066)	(14,730)
<b>Net cash provided by (used in) financing activities</b>	<b>1,284,243</b>	<b>(844,311)</b>	<b>(701,623)</b>
Effect of exchange rate changes on cash and cash equivalents	(26,246)	(6,314)	47,175
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>599,693</b>	<b>(549,820)</b>	<b>(265,433)</b>

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Cash and cash equivalents at beginning of the year	1,020,647	1,620,340	1,070,520
Cash and cash equivalents at end of the year	¥ 1,620,340	¥ 1,070,520	¥ 805,087
Supplemental information:			
Cash paid during the year for			
Interest	¥ 259,679	¥ 338,802	¥ 296,643
Income tax payments, net	¥ 32,305	¥ 16,076	¥ 28,063

F-11

**Table of Contents**

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.

Other:

During the year ended March 31, 2011, as a result of adoption of ASU 2009-17, assets excluding cash and cash equivalent increased by ¥275,464 million and liabilities increased by ¥289,757 million.

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

F-12

---

**Table of Contents**

**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 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 VIE 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 assets* or *Private equity investments* or *Other assets Other*. Investments undertaken by Nomura's merchant banking business are reported within *Private equity investments* and *Other assets Other*. Other investments are

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

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, including subsidiaries such as Nomura Principal Finance Co., Ltd. ( NPF ), 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.



---

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Collateralized agreements and collateralized financing**

*Collateralized agreements* consist of resale agreements and securities borrowed. *Collateralized financing* consists of repurchase agreements, securities loaned and other secured borrowings.

Resale and repurchase agreements ( repo transactions ) principally involve the buying or selling of government and government agency securities under agreements with clients to resell or repurchase these securities to or from those clients. Repo transactions are generally accounted for as collateralized agreements or collateralized financing transactions and are recorded on the consolidated balance sheets at the amount at which the securities were originally acquired or sold with applicable accrued interest, as appropriate. Certain repo transactions are carried at fair value through election of the fair value option. No allowance for credit losses is generally recorded on repurchase agreements due to the strict collateralization requirements.

Repo transactions where the maturity of the security transferred as collateral matches the maturity of the repo transaction ( repo-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. The amounts of securities derecognized from the consolidated balance sheets under repo-to-maturity transactions as of March 31, 2012 and March 31, 2013 were ¥39,797 million and ¥nil, respectively.

Nomura also enters into Gensaki Repo transactions which are the standard type of repurchase transaction 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 recorded on the consolidated balance sheets at the amount that the securities were originally acquired or sold with applicable accrued interest, as appropriate.

Repo transactions (including Gensaki Repo transactions) are presented in the consolidated balance sheets net-by-counterparty, where offsetting is consistent with ASC 210-20 *Balance Sheet Offsetting* ( ASC 210-20 ).

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

Nomura adopted Accounting Standard Update ( ASU ) No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements* ( ASU 2011-03 ) from January 1, 2012 and certain Japanese securities lending transactions undertaken after adoption date were accounted for as secured borrowings rather than sales in these consolidated financial statements as the criteria for derecognition of the transferred financial assets under ASC 860 were no longer be met. The agreements governing these transactions included varying margining requirements, but the amount of cash Nomura borrows from its counterparties was typically less than the fair value of securities Nomura lends. The amount of the haircut was set by percentages agreed between the two parties. Following adoption of ASU 2011-03, the levels of cash collateral, haircuts and ongoing margining received by Nomura in these transactions are now irrelevant in determining whether these should be accounted for as sales or secured borrowings.

However, since the amendments were to be applied prospectively, any outstanding transactions as of adoption date continued to be reported as sales through until maturity.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The amounts of securities derecognized from the consolidated balance sheets under this type of securities lending transaction as of March 31, 2012 and March 31, 2013 were ¥1,930 million and ¥nil, respectively.

*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 *Securitized 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 Gensaki Repo transactions, are reported parenthetically within *Trading assets* as *Securities pledged as collateral* in the consolidated balance sheets.

**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 are presented in the consolidated balance sheets on a net-by-counterparty basis where offsetting is consistent with ASC 210-20. 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.

*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 accounting hedges under ASC 815 *Derivatives and Hedging* (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

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

**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 or 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 ¥552 million and ¥406 million as of March 31, 2012 and March 31, 2013, 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 not delivered to a purchaser by the settlement date, margin deposits, 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 ¥nil and ¥258,604 million as of March 31, 2012 and March 31, 2013, respectively.

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

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 receivables which have been specifically identified as impaired. The allowance for credit losses is reported in the consolidated balance sheets within the *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 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 not received from a seller by the settlement date and net payables arising from unsettled securities transactions. Amounts are measured at contractual amounts due. The net payable arising from unsettled securities transactions reported within *Payables to other than customers* was ¥396,116 million and ¥nil as of March 31, 2012 and March 31, 2013, respectively.

*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.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents a breakdown of *Office buildings, land, equipment and facilities* as of March 31, 2012 and 2013.

	Millions of yen	
	March 31	
	2012	2013
Land	¥ 594,146	¥ 93,800
Office buildings	235,995	104,320
Equipment and facilities	60,840	52,644
Software	141,069	161,469
Construction in progress	13,900	16,008
Total	¥ 1,045,950	¥ 428,241

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

Depreciation and amortization is reported within *Non-interest expenses Information processing and communications* in the amount of ¥52,455 million, ¥54,083 million, ¥55,992 million, and in *Non-interest expenses Occupancy and related depreciation* in the amount of ¥23,132 million, and ¥46,489 million, and ¥35,501 million for the years ended March 31, 2011, 2012 and 2013, 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 recorded non-cash impairment charges of ¥1,532 million, and ¥3,135 million, and ¥5,455 million substantially related to write-downs of software, office buildings, land, equipment, facilities, and other assets for the years ended March 31, 2011, 2012 and 2013, respectively. The current year impairment was primarily attributable to a decline in profitability of certain land and buildings. 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.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****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 (loss) on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥69,552 million and ¥18,635 million, respectively, as of March 31, 2012 and ¥84,739 million and ¥38,751 million, respectively, as of March 31, 2013.

**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 *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

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

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 primarily 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.

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.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

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.

Multi-Year Performance Deferral ( MYPD ) awards which contain certain performance conditions are also classified as equity awards because these are expected to result in the issuance of SARs.

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

For both equity and liability awards, fair value is determined either by using option pricing models, the market price of the Company's 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.

See Note 16 *Deferred compensation plans* for further information regarding these types of 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 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.



---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

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 are also tested for impairment on an individual asset basis during the fourth quarter of each fiscal year, or more frequently during interim periods if events or circumstances indicate there may be impairment. 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 are amortized over current estimated useful lives.

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, 2013:

*Goodwill impairment testing*

In September 2011, the FASB issued amendments to ASC 350 *Intangibles Goodwill and Other* (ASC 350) through issuance of ASU 2011-08 *Testing Goodwill for Impairment* (ASU 2011-08). These amendments simplify goodwill impairment testing by permitting an entity to initially assess qualitatively whether it is necessary to perform the quantitative two-step goodwill impairment test required by ASC 350. If an entity determines that it is not more-likely-than-not (i.e. greater than 50%) that a reporting unit's fair value is less than its carrying amount, the quantitative test is not required, whereas prior guidance required the quantitative test at least on annual basis.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

ASU 2011-08 is effective prospectively for goodwill impairment tests performed in fiscal years beginning after December 15, 2011 with early adoption permitted.

Nomura adopted ASU 2011-08 from April 1, 2012. Because the amendments only simplify when a quantitative test is required rather than change the quantitative test itself, these amendments have not had, and are not expected to have, a material impact on these consolidated financial statements.

*Presentation of comprehensive income*

In June 2011, the FASB issued amendments to ASC 220 *Comprehensive Income* ( ASC 220 ) through issuance of ASU 2011-05 *Presentation of Comprehensive Income* ( ASU 2011-05 ). These amendments revise the manner in which entities present comprehensive income in their financial statements. The amendments remove certain presentation options in ASC 220 and require entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements.

ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 with early adoption permitted.

In December 2011, the FASB issued 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 2011-12 ) which deferred certain aspects of ASU 2011-05.

Nomura adopted ASU 2011-05 from April 1, 2012 excluding those aspects that are deferred by ASU 2011-12. Because these amendments only change how comprehensive income is presented within these consolidated financial statements rather than changing whether an item must be reported in other comprehensive income or when an item of other comprehensive income is reclassified to earnings, these amendments have not had, and are not expected to have, a material impact on these consolidated financial statements.

**Future accounting developments**

The following new accounting pronouncements relevant to Nomura will be adopted in future periods:

*Testing indefinite-lived intangible assets for impairment*

In July 2012, the FASB issued 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. Early adoption is permitted.

Nomura will adopt ASU 2012-02 from April 1, 2013. Because the amendments only simplify when a quantitative test is required rather than change the quantitative test itself, they are not expected to have a material impact on these consolidated financial statements.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

*Disclosures about offsetting assets and liabilities*

In December 2011, the FASB issued amendments to ASC 210-20 *Balance Sheet Offsetting* ( 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 will adopt 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 assets and liabilities can be offset, they are not expected to have 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 and ASU 2011-12.

ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012, with early adoption permitted.

Nomura will adopt 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 are not expected to have a material impact on these consolidated financial statements.

*Release of cumulative translation adjustment amounts*

In March 2013, the FASB issued amendments to ASC 810-10 *Consolidation Overall* and ASC 830-30 *Foreign Currency Matters Translation of Financial Statements* through 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 or ASC 830 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.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

Nomura currently plans to adopt ASU 2013-05 from April 1, 2014 and is currently evaluating the potential impact it may have on these consolidated financial statements.

*Determination of investment company status*

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 ). These amendments change the definition of 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 also introduces 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 not permitted.

Nomura will adopt ASU 2013-08 from April 1, 2014 and is currently evaluating the potential impact it may have 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

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

uncertainties and Nomura is unable to predict the accurate impact of future developments in the market. Where appropriate, Nomura uses economic hedging strategies to mitigate its risk, although these hedges are also subject to unpredictable movements in the market.

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

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

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

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.

**Table of Contents**

**NOMURA HOLDINGS, INC.**

**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.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present the amounts of Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2012 and 2013 within the fair value hierarchy.

	Billions of yen March 31, 2012				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting <sup>(1)</sup>	Balance as of March 31, 2012
<b>Assets:</b>					
Trading assets and private equity investments <sup>(2)</sup>					
Equities <sup>(3)</sup>	¥ 745	¥ 1,194	¥ 125	¥	¥ 2,064
Private equity investments <sup>(3)</sup>			202		202
Japanese government securities	2,143				2,143
Japanese agency and municipal securities		151	10		161
Foreign government, agency and municipal securities	3,072	1,185	37		4,294
Bank and corporate debt securities and loans for trading purposes		1,276	62		1,338
Commercial mortgage-backed securities ( CMBS )		135	8		143
Residential mortgage-backed securities ( RMBS )		2,010	5		2,015
Real estate-backed securities		1	91		92
Collateralized debt obligations ( CDO ) and other		103	20		123
Investment trust funds and other	95	85	9		189
<b>Total trading assets and private equity investments</b>	<b>6,055</b>	<b>6,140</b>	<b>569</b>		<b>12,764</b>
<b>Derivative assets<sup>(5)</sup></b>					
Equity contracts	584	937	82		1,603
Interest rate contracts	14	18,850	57		18,921
Credit contracts	0	1,650	214		1,864
Foreign exchange contracts	0	1,229	131		1,360
Commodity contracts	1	3	0		4
Netting				(22,392)	(22,392)
<b>Total derivative assets</b>	<b>599</b>	<b>22,669</b>	<b>484</b>	<b>(22,392)</b>	<b>1,360</b>
<b>Subtotal</b>	<b>¥ 6,654</b>	<b>¥ 28,809</b>	<b>¥ 1,053</b>	<b>¥ (22,392)</b>	<b>¥ 14,124</b>
Loans and receivables <sup>(6)</sup>		447	11		458
Collateralized agreements <sup>(7)</sup>		752			752
<b>Other assets</b>					
Non-trading debt securities	680	177	6		863
Other <sup>(3)</sup>	216	6	72		294
<b>Total</b>	<b>¥ 7,550</b>	<b>¥ 30,191</b>	<b>¥ 1,142</b>	<b>¥ (22,392)</b>	<b>¥ 16,491</b>
<b>Liabilities:</b>					
<b>Trading liabilities</b>					
Equities	¥ 579	¥ 413	¥ 0	¥	¥ 992
Japanese government securities	2,624				2,624
Foreign government, agency and municipal securities	1,800	490			2,290
Bank and corporate debt securities		233	1		234
Commercial mortgage-backed securities ( CMBS )		1			1

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Residential mortgage-backed securities ( RMBS )		0			0
Collateralized debt obligations ( CDO ) and other		0			0
Investment trust funds and other	43	3			46
Total trading liabilities	5,046	1,140	1		6,187
Derivative liabilities <sup>(5)</sup>					
Equity contracts	617	1,016	68		1,701
Interest rate contracts	12	18,708	96		18,816
Credit contracts	0	1,727	225		1,952
Foreign exchange contracts	0	1,297	113		1,410
Commodity contracts	1	4	0		5
Netting				(22,576)	(22,576)
Total derivative liabilities	630	22,752	502	(22,576)	1,308
Subtotal	¥ 5,676	¥ 23,892	¥ 503	¥ (22,576)	¥ 7,495
Short-term borrowings <sup>(8)</sup>		153	0		153
Payables and deposits <sup>(9)</sup>		0	(0)		(0)
Collateralized financing <sup>(7)</sup>		307			307
Long-term borrowings <sup>(8)(10)(11)</sup>	154	1,549	(13)		1,690
Other liabilities <sup>(12)</sup>	93	4			97
Total	¥ 5,923	¥ 25,905	¥ 490	¥ (22,576)	¥ 9,742

F-30



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Billions of yen March 31, 2013					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting <sup>(1)</sup>	Balance as of March 31, 2013	
<b>Assets:</b>						
Trading assets and private equity investments <sup>(2)</sup>						
Equities <sup>(3)</sup>	¥ 1,008	¥ 720	¥ 129	¥		¥ 1,857
Private equity investments <sup>(3)</sup>			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 ( CDO ) and other		138	12			150
Investment trust funds and other	144	45	13			202
<b>Total trading assets and private equity investments</b>	<b>8,057</b>	<b>6,697</b>	<b>479</b>			<b>15,233</b>
<b>Derivative assets<sup>(5)</sup></b>						
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)
<b>Total derivative assets</b>	<b>728</b>	<b>26,479</b>	<b>368</b>	<b>(25,684)</b>		<b>1,891</b>
<b>Subtotal</b>	<b>¥ 8,785</b>	<b>¥ 33,176</b>	<b>¥ 847</b>	<b>¥ (25,684)</b>		<b>¥ 17,124</b>
Loans and receivables <sup>(6)</sup>		521	3			524
Collateralized agreements <sup>(7)</sup>		998				998
Other assets						
Non-trading debt securities	409	508	4			921
Other <sup>(3)</sup>	172	15	60			247
<b>Total</b>	<b>¥ 9,366</b>	<b>¥ 35,218</b>	<b>¥ 914</b>	<b>¥ (25,684)</b>		<b>¥ 19,814</b>
<b>Liabilities:</b>						
<b>Trading liabilities</b>						
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
Commercial mortgage-backed securities ( CMBS )		1				1
Residential mortgage-backed securities ( RMBS )		1				1
Investment trust funds and other	40	12				52
<b>Total trading liabilities</b>	<b>5,740</b>	<b>866</b>	<b>0</b>			<b>6,606</b>

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Derivative liabilities <sup>(5)</sup>					
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 <sup>(8)</sup>		73	4		77
Payables and deposits <sup>(9)</sup>		0	1		1
Collateralized financing <sup>(7)</sup>		265			265
Long-term borrowings <sup>(8)(10)(11)</sup>	114	1,263	222		1,599
Other liabilities <sup>(12)</sup>	39	11	0		50
Total	¥ 6,723	¥ 28,774	¥ 622	¥ (25,636)	¥ 10,483

F-31

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (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 ( CLO ) 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, 2012 and 2013. 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 as 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.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*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 trade in active markets. Certain securities may be classified in Level 3 because they trade 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 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

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 ( CDO ) 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, 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,

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

swaptions, caps and floors. The fair value of exchange-traded interest rate 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 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 using the Overnight Indexed Swap ( OIS ) curve rather than the London Interbank Offered Rate ( LIBOR ) curve to estimate the fair value of certain

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

collateralized derivative contracts. During the quarter ended December 31, 2012, Nomura further refined this valuation methodology to incorporate additional features of the collateral. Nomura believes the changes introduced are more representative of how market participants in the principal market for these derivatives would determine fair value. The impact of this change on the fair value measurements applied to these derivatives was a loss of ¥11 billion during the period through to March 31, 2013. 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 as 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 resale 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. Resale 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 bonds* 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 an adjustment of ¥37 billion and ¥8 billion as of March 31, 2012 and 2013, respectively. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

*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 as 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 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 Global Head of Market and Quantitative Risk.

The fundamental components of this governance framework over valuation processes within Nomura particularly as it relates to Level 3 financial instruments are the procedures in place for independent price verification, pricing model validation and revenue substantiation.

*Independent price verification processes*

The key objective of the independent price verification processes within Nomura is to verify the appropriateness of fair value measurements applied to all financial instruments within Nomura. In applying these control processes, observable inputs are used whenever possible and when unobservable inputs are necessary, the processes seek to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.



---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

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 as 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 reviews is generally based on the model risk rating and the materiality of usage of the model with more frequent review where warranted by market conditions.

*Revenue substantiation*

Nomura's Product Control function also ensures adherence to Nomura's valuation policies through daily and periodic analytical review of net revenues. This process involves substantiating revenue amounts through explanations and attribution of revenue sources based on the underlying factors such as interest rates, credit spreads, volatility, 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.

F-38

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

**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.

**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 as Level 3 as of March 31, 2012 and 2013. 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.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<b>Financial Instrument</b>	<b>Fair value in billions of yen</b>	<b>Valuation technique(s)</b>	<b>March 31, 2012 Significant unobservable inputs</b>	<b>Range of valuation inputs<sup>(1)</sup></b>
<b>Assets:</b>				
Trading assets and private equity investments				
Equities	¥ 125	DCF	Credit spreads	6.5 7.5 %
			Liquidity discounts	20.0 30.0 %
		Market multiples	PE ratios	12.2 x
			Price/Book ratios	1.7 x
			Liquidity discounts	20.0 %
		DCM	Capitalization rates	5.2 6.5 %
Private equity investments	202	DCF	WACC	6.8 12.0 %
			Growth rates	0.0 2.0 %
			Operating margins	23.0 %
			Liquidity discounts	0.0 30.0 %
		Market multiples	EV/EBITDA ratios	4.3 12.6 x
			PE ratios	12.9 x
			Price/Book ratios	0.5 0.7 x
			Price/Embedded values	0.5 x
			Liquidity discounts	0.0 50.0 %
Japanese agency and municipal securities	10	DCF	Credit spreads	0.1 %
Foreign government, agency and municipal securities	37	DCF	Credit spreads	0.6 17.0 %
Bank and corporate debt securities and loans for trading purposes	62	DCF	Credit spreads	0.4 25.6 %
Commercial mortgage-backed securities ( CMBS )	8	DCF	Yields	3.0 24.5 %

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

			Prepayment rates	0.0	25.0 %
			Default probabilities	0.0	60.0 %
			Loss severities	0.0	50.0 %
Residential mortgage-backed securities ( RMBS )	5	DCF	Yields	1.6	30.0 %
			Prepayment rates	1.0	5.0 %
			Default probabilities	2.0	4.0 %
			Loss severities	20.0	40.0 %
Real estate-backed securities	91	DCF	Yields	4.0	15.0 %
			Default probabilities	24.0	65.0 %
			Loss severities	80.0	100.0 %
		DCM	Capitalization rates	6.7	11.4 %
Collateralized debt obligations ( CDO ) and other	20	DCF	Yields	12.0	30.0 %
			Prepayment rates	0.0	15.0 %
			Default probabilities	1.5	3.0 %
			Loss severities	30.0	60.0 %

F-40

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial Instrument	Fair value in billions of yen	Valuation technique(s)	March 31, 2012	Range of valuation inputs <sup>(1)</sup>	
			Significant unobservable inputs		
Investment trust funds and other	9	DCF	Credit spreads Correlations	0.0	13.6 %
				0.50	0.70
Derivatives, net:					
Equity contracts	14	Option models	Dividend yield Volatilities	0.1	13.5 %
			Correlations	12.1	65.1 %
				(0.95)	0.94
Interest rate contracts	(39)	DCF	Forward FX rates	53.2	105.4
			Interest rates	0.8	4.7 %
			Volatilities	5.5	121.0 %
			Correlations	(0.55)	1.00
Credit contracts	(11)	DCF	Credit spreads	1.3	1,912.4 bps
			Recovery rates	5.0	52.0 %
			Volatilities	10.0	75.0 %
			Correlations	0.11	1.00
Foreign exchange contracts	18	Option models	Volatilities	10.0	18.5 %
		DCF	Forward FX rates	2.5	11,052.0
Loans and receivables	11	DCF	Credit spreads	3.0	15.0 %
Other assets					
Non-trading debt securities	6	DCF	Credit spreads	0.6	2.0 %
Other <sup>(3)</sup>	72	DCF	WACC	6.8	9.3 %
			Growth rates	0.0	%
		Market multiples	PE ratios	12.9	x
			Price/Book ratios	0.5	x

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

			Liquidity discounts	25.0 %	
Liabilities:					
Long-term borrowings	¥ (13)	DCF	Yields	22.0	67.0 %
			Prepayment rates	15.0 %	
			Default probabilities	2.0	6.0 %
			Loss severities	30.0	60.0 %
			Volatilities	5.5	118.5 %
			Correlations	(0.76)	1.00

F-41

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial Instrument	Fair value in billions of yen	Valuation technique(s)	March 31, 2013		Weighted Average <sup>(2)</sup>
			Significant unobservable inputs	Range of valuation inputs <sup>(1)</sup>	
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		3.7 11.3 x	11.0 x
			EV/EBITDA ratios	7.7 x	7.7 x
			PE ratios	0.4 x	0.4 x
			Price/Book ratios	0.4 x	0.4 x
			Price/Embedded values		
			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 )		DCF	Yields	0.0 25.0 %	8.0 %
	6		Default probabilities	100.0 %	100.0 %
			Loss severities	0.0 80.0 %	0.3 %
Residential mortgage-backed securities ( RMBS )	4	DCF	Yields	0.0 40.0 %	3.3 %
			Prepayment rates	0.0 8.2 %	4.5 %
			Default probabilities	0.3 17.0 %	14.7 %



Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

			Loss severities	22.0	90.0 %	64.2 %
Real estate-backed securities			Yields	1.8	15.0 %	1.9 %
	68	DCF	Default probabilities	24.0	65.0 %	42.6 %
			Loss severities	80.0	100.0 %	88.0 %
		DCM	Capitalization rates		6.8 %	6.8 %

F-42

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Financial Instrument	Fair value in billions of yen	Valuation technique(s)	March 31, 2013		Weighted Average <sup>(2)</sup>
			Significant unobservable inputs	Range of valuation inputs <sup>(1)</sup>	
Collateralized debt obligations ( CDO ) and other	12	DCF	Yields	0.0 58.6 %	17.1 %
			Prepayment rates	0.0 15.0 %	13.8 %
			Default probabilities	2.0 5.0 %	2.1 %
			Loss severities	30.0 75.0 %	45.6 %
Investment trust funds and other	13	DCF		0.0 6.5 %	0.6 %
			Credit spreads Correlations	0.50 0.70	0.60
Derivatives, net:					
Equity contracts	5	Option models		0.0 11.0 %	
			Dividend yield Volatilities	5.7 92.4 %	
			Correlations	(0.77) 0.99	
Interest rate contracts	(54)	DCF/Option models	Forward FX rates	62.9 121.7	
			Interest rates	0.6 4.2 %	
		Option models	Volatilities	13.5 118.1 %	
			Correlations	(0.70) 0.99	
Credit contracts	25	DCF/Option models	Credit spreads	0.0 7.5 %	
			Recovery rates	15.0 40.0 %	
		Option models	Volatilities	10.0 70.0 %	
			Correlations	0.33 0.90	
Foreign exchange contracts	(3)	Option models	Volatilities	1.4 20.7 %	
		DCF	Forward FX rates	2.7 12,484.0	
Loans and receivables	3	DCF	Credit spreads	3.0 %	3.0 %

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Other assets						
Non-trading debt securities	4	DCF	Credit spreads	0.2	2.5 %	1.7 %
Other <sup>(3)</sup>						
	60	DCF	WACC	6.8	6.8 %	6.8 %
			Growth rates	0.0	1.0 %	0.9 %
			Yields		7.6 %	7.6 %
			Liquidity discounts	0.0	30.0 %	8.0 %
		Market multiples	EV/EBITDA ratios	6.9	12.5 x	9.9 x
			PE ratios	7.7	44.4 x	25.8 x
			Price/Book ratios	0.0	5.6 x	1.7 x
			Liquidity discounts	25.0	30.0 %	29.8 %
Liabilities:						
Long-term borrowings	¥ 222	DCF	Volatilities	13.5	118.1 %	
			Correlations	(0.77)	0.99	

F-43

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
- (2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
- (3) Valuation technique(s) and unobservable inputs represent those equity securities reported within *Other assets*.

**Qualitative discussion of the ranges of significant unobservable inputs**

*Derivatives Equity contracts* The significant unobservable inputs are dividend yield, volatilities and correlations. The range of dividend yields varies as some companies do not pay any dividends, for example due to a lack of profits or as a policy during a growth period, and hence have a zero dividend yield while others may pay a high dividend for example to return money to investors. The range of volatilities is wide as the volatilities of shorter-dated equity derivatives are typically higher than those of longer-dated instruments. Correlations represent the relationships between one input and another ( pairs ) and can either be positive or negative amounts. The range of correlations moves from positive to negative because the movement of some pairs is very closely related in the same direction causing high positive correlations while others generally move in opposite directions causing high negative correlations with pairs that have differing relationships throughout the range.

*Derivatives Interest rate contracts* The significant unobservable inputs are forward FX rates, interest rates, volatilities and correlations. The wide range of forward FX rates is primarily due to long-dated exchange rates of different currencies against the Japanese Yen. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is wide as the volatilities of shorter-dated interest rate derivatives are typically higher than those of longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related in the same direction causing high positive correlations while others generally move in opposite directions causing high negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of the inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

*Derivatives Credit contracts* The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads is relatively narrow with the low end of the range arising from exposure to underlying reference names with very limited risk of a default and the high end arising from exposure to underlying reference names with a much greater risk of default. The range of recovery rates varies mainly due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. High positive correlations are those for which the movement is closely related with the correlation falling as the relationship becomes less strong. Other than for volatilities where the majority of inputs are away from the higher end of the range, the other significant unobservable inputs are spread across the relevant ranges.

*Derivatives Foreign exchange contracts* The significant unobservable inputs are volatilities and forward FX rates. The range of volatilities is relatively low with the lower end coming from currencies that trade in narrow ranges versus the US dollar. The wide range of forward FX rates is primarily due to long-dated exchange rates of different currencies against the US dollar. All significant unobservable inputs are spread across the relevant ranges.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Long-term borrowings* The range of volatilities is wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related in the same direction causing high positive correlations while others generally move in opposite directions causing high negative correlations with pairs that have differing relationships through the range. Other than for volatilities where the majority of inputs are away from the lower end of the range, the other significant unobservable inputs are spread across the relevant ranges.

**Sensitivity of fair value to changes in unobservable inputs**

For each class of financial instrument described in the above tables, changes in the each of the significant unobservable inputs and assumptions used by Nomura will impact upon the determination of a fair value measurement for the financial instrument. The sensitivity of these Level 3 fair value measurements to changes in unobservable inputs and interrelationships between those inputs are described below:

*Equities, Private equity investments* and equity securities reported within *Other assets* When using DCF valuation techniques to determine fair value, a significant increase (decrease) in yields, credit spreads or liquidity discount in isolation would result in a significantly lower (higher) fair value measurement. Conversely, a significant increase (decrease) in operating margin or growth rate would result in a corresponding significantly higher (lower) fair value measurement. There is little interrelationship between these measures. When using market multiples to determine fair value, a significant increase (decrease) in the relevant multiples such as PE ratios, EV/EBITDA ratios, Price/Book ratios, Price/Embedded Value ratios in isolation would result in a higher (lower) fair value measurement. Conversely, a significant increase (decrease) in the liquidity discount applied to the holding in isolation would result in a significantly lower (higher) fair value measurement. Generally changes in assumptions around multiples result in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant. When using DCM, a significant increase (decrease) in the capitalization rate would result in a significantly lower (higher) fair value measurement.

*Japanese agency and municipal securities, Foreign government, agency and municipal securities, Bank and corporate debt securities and loans for trading purposes, Loans and receivables and Non-trading debt securities* Significant increases (decreases) in the credit spreads used in a DCF valuation technique would result in a significantly lower (higher) fair value measurement, while significant increases (decreases) in recovery rates would result in a significantly higher (lower) fair value measurement.

*Commercial mortgage-backed securities ( CMBS ), Residential mortgage-backed securities ( RMBS ), Real estate-backed securities and Collateralized debt obligations ( CDO ) and other* Significant increases (decreases) in yields, prepayment rates, default probabilities and loss severities in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in default probabilities is accompanied by a directionally similar change in loss severities and a directionally opposite change prepayment rates. When using DCM, a significant increase (decrease) in the capitalization rate would result in a significantly lower (higher) fair value measurement.

*Investment trust funds and other* Significant increases (decreases) in credit spreads used in a DCF valuation technique would result in a significantly lower (higher) fair value measurement, while significant increases (decreases) in correlation would result in a significantly higher (lower) fair value measurement.

*Derivatives* Where Nomura is long the underlying risk of a derivative, significant increases (decreases) in the underlying of the derivative, such as interest rates, credit spreads or forward FX rates in isolation or significant decreases (increases) in dividend yields would result in a significantly higher (lower) fair value measurement. Where Nomura is short the underlying risk of a derivative, the impact



**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

of these changes would have a converse effect on the fair value measurements reported by Nomura. Where Nomura is long optionality, recovery rates or correlation, significant increases (decreases) in volatilities, recovery rates or correlation will generally result in a significantly higher (lower) fair value measurement. Where Nomura is short optionality, recovery rates or correlation, the impact of these changes would have a converse effect on the fair value measurements.

*Long-term borrowings* Significant increases (decreases) in yields, prepayment rates, default probabilities, and loss severities in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in default probabilities is accompanied by a directionally similar change in the assumption used for loss severities and a directionally opposite change in prepayment rates. Where Nomura is long optionality or correlation, significant increases (decreases) in volatilities or correlation will generally result in a significantly higher (lower) fair value measurement. Where Nomura is short optionality or correlation, the impact of these changes would have a converse effect on the fair value measurements.

**Movements in Level 3 financial instruments**

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified as Level 3 for the years ended March 31, 2012 and 2013. Financial instruments classified as Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable parameters.

For the year ended March 31, 2013, gains and losses related to Level 3 assets did not have a material impact on Nomura's liquidity and capital resources management.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Billions of yen  
Year ended March 31, 2012

	Balance as of April 1, 2011	Total gains (losses) recognized in comprehensive income	Total gains (losses) in other comprehensive income	Purchases / issues <sup>(2)</sup>	Sales / redemptions <sup>(2)</sup>	Settlements	Foreign exchange movements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Balance as of March 31, 2012
<b>Assets:</b>										
Trading assets and private equity investments										
Equities	¥ 121	¥ (11)	¥	¥ 57	¥ (27)	¥	¥ (1)	¥ 8	¥ (22)	¥ 125
Private equity investments	289	23		4	(112)		(2)			202
Japanese agency and municipal securities		0		27	(18)			1	(0)	10
Foreign government, agency and municipal securities	23	11		415	(403)			4	(13)	37
Bank and corporate debt securities and loans for trading purposes	51	(0)		159	(154)		(0)	44	(38)	62
Commercial mortgage-backed securities ( CMBS )	28	0		8	(33)		0	6	(1)	8
Residential mortgage-backed securities ( RMBS )	3	0		3	(13)		0	13	(1)	5
Real estate-backed securities	128	1		7	(45)		(0)			91
Collateralized debt obligations ( CDO ) and other	34	(1)		21	(24)		0	8	(18)	20
Investment trust funds and other	10	(1)		2	(2)		(0)	0		9
<b>Total trading assets and private equity investments</b>	<b>687</b>	<b>22</b>		<b>703</b>	<b>(831)</b>		<b>(3)</b>	<b>84</b>	<b>(93)</b>	<b>569</b>
Derivatives, net <sup>(4)</sup>										
Equity contracts	28	(13)				6	(2)	(4)	(1)	14
Interest rate contracts	11	(3)				(24)	(4)	12	(31)	(39)
Credit contracts	(55)	(30)				52	3	25	(6)	(11)
Foreign exchange contracts	2	22				(6)	0	0	(0)	18
Commodity contracts	(2)	0				(0)	(0)	2	0	(0)
<b>Total derivatives, net</b>	<b>(16)</b>	<b>(24)</b>				<b>28</b>	<b>(3)</b>	<b>35</b>	<b>(38)</b>	<b>(18)</b>
<b>Subtotal</b>	<b>¥ 671</b>	<b>¥ (2)</b>	<b>¥</b>	<b>¥ 703</b>	<b>¥ (831)</b>	<b>¥ 28</b>	<b>¥ (6)</b>	<b>¥ 119</b>	<b>¥ (131)</b>	<b>¥ 551</b>
Loans and receivables	11	(4)		10	(5)		(0)		(1)	11
Other assets										
Non-trading debt securities	0	0	(0)	8	(2)		(0)			6
Other	25	(1)	(1)	66	(17)		0	0	(0)	72
<b>Total</b>	<b>¥ 707</b>	<b>¥ (7)</b>	<b>¥ (1)</b>	<b>¥ 787</b>	<b>¥ (855)</b>	<b>¥ 28</b>	<b>¥ (6)</b>	<b>¥ 119</b>	<b>¥ (132)</b>	<b>¥ 640</b>
<b>Liabilities:</b>										
Trading liabilities										
Equities	¥	¥	¥	¥ (0)	¥ 0	¥	¥	¥ 0	¥	¥ 0
Bank and corporate debt securities		(0)		2	(1)					1



Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Total trading liabilities	¥	¥ (0)	¥	¥ 2	¥ (1)	¥	¥	¥ 0	¥	¥ 1
Short-term borrowings	1	0		16	(15)		0	0	(2)	0
Payables and deposits	1	(0)		(0)	(1)					(0)
Long-term borrowings	144	(50)		77	(183)		(10)	2	(93)	(13)
Total	¥ 146	¥ (50)	¥	¥ 95	¥ (200)	¥	¥ (10)	¥ 2	¥ (95)	¥ (12)

F-47

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Billions of yen  
Year ended March 31, 2013

	Balance as of April 1, 2012	Total gains (losses) in comprehensive income <sup>(1)</sup>	Total recognized in other comprehensive income	Purchases / issues <sup>(2)</sup>	Sales / redemptions <sup>(2)</sup>	Settlements	Foreign exchange movements	Transfers into Level 3 <sup>(3)</sup>	Transfers out of Level 3 <sup>(3)</sup>	Balance as of March 31, 2013
<b>Assets:</b>										
Trading assets and private equity investments										
Equities	¥ 125	¥ 2	¥	¥ 38	¥ (22)	¥	¥ 5	¥ 6	¥ (25)	¥ 129
Private equity investments	202	9		4	(137)		9			87
Japanese agency and municipal securities	10	0		1	(11)			0	(0)	0
Foreign government, agency and municipal securities	37	39		728	(731)		0	62	(44)	91
Bank and corporate debt securities and loans for trading purposes	62	7		245	(286)		7	69	(35)	69
Commercial mortgage-backed securities ( CMBS )	8	3		11	(15)		1	4	(6)	6
Residential mortgage-backed securities ( RMBS )	5	1		19	(20)		0	2	(3)	4
Real estate-backed securities	91	2		1	(26)		0			68
Collateralized debt obligations ( CDO ) and other	20	(1)		11	(17)		1	3	(5)	12
Investment trust funds and other	9	2		2	(0)		0	0	(0)	13
<b>Total trading assets and private equity investments</b>	<b>569</b>	<b>64</b>		<b>1,060</b>	<b>(1,265)</b>		<b>23</b>	<b>146</b>	<b>(118)</b>	<b>479</b>
Derivatives, net <sup>(4)</sup>										
Equity contracts	14	(9)				(11)	4	(1)	8	5
Interest rate contracts	(39)	(15)				(1)	(1)	(0)	2	(54)
Credit contracts	(11)	(16)				12	6	15	19	25
Foreign exchange contracts	18	(1)				1	(1)	(6)	(14)	(3)
Commodity contracts	(0)	0				(0)	(0)	0	(0)	(0)
<b>Total derivatives, net</b>	<b>(18)</b>	<b>(41)</b>				<b>1</b>	<b>8</b>	<b>8</b>	<b>15</b>	<b>(27)</b>
<b>Subtotal</b>	<b>¥ 551</b>	<b>¥ 23</b>		<b>¥ 1,060</b>	<b>¥ (1,265)</b>	<b>¥ 1</b>	<b>¥ 31</b>	<b>¥ 154</b>	<b>¥ (103)</b>	<b>¥ 452</b>
Loans and receivables	11	(0)		0	(3)		1		(6)	3
Other assets										
Non-trading debt securities	6	0	0	0	(2)		0			4
Other <sup>(5)</sup>	72	21	0	1	(32)		0	0	(2)	60
<b>Total</b>	<b>¥ 640</b>	<b>¥ 44</b>	<b>¥ 0</b>	<b>¥ 1,061</b>	<b>¥ (1,302)</b>	<b>¥ 1</b>	<b>¥ 32</b>	<b>¥ 154</b>	<b>¥ (111)</b>	<b>¥ 519</b>
<b>Liabilities:</b>										
Trading liabilities										
Equities	¥ 0	¥ (0)	¥	¥ 0	¥ (0)	¥	¥ 0	¥ 0	¥	¥ 0

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Bank and corporate debt securities	1	(0)	0	(1)	0	(0)	0
<b>Total trading liabilities</b>	<b>¥ 1</b>	<b>¥ (0)</b>	<b>¥ 0</b>	<b>¥ (1)</b>	<b>¥ 0</b>	<b>¥ 0</b>	<b>¥ (0)</b>
Short-term borrowings	0	(0)	6	(1)	1	(2)	4
Payables and deposits	(0)	(1)	(0)	(0)			1
Long-term borrowings	(13)	(155)	108	(82)	3	110	222
Other liabilities		0	0	(0)	0	(0)	0
<b>Total</b>	<b>¥ (12)</b>	<b>¥ (156)</b>	<b>¥ 114</b>	<b>¥ (84)</b>	<b>¥ 3</b>	<b>¥ 111</b>	<b>¥ 227</b>

F-48

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

- (1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain (loss) on private equity investments*, and also within *Gain (loss) on investments in equity securities*, *Revenue Other* and *Non-interest expenses Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.
- (2) Amounts reported in *Purchases / issues* include increases in trading liabilities while *Sales / redemptions* include decreases in trading liabilities.
- (3) If financial instruments move from Level 3 to another Level or move from another Level to Level 3, the amount reported in *Transfers into Level 3* and *Transfers out of Level 3* are the fair value as of the beginning of the quarter during which the movement occurs. Therefore if financial instruments move from another Level to Level 3, all gains/ (losses) during the quarter are included in the table and if financial instruments move from Level 3 to another Level, all gains/ (losses) during the year are excluded from the table.
- (4) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayments rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (5) Includes the impact of the refined fair value measurement of certain investments in unlisted equity securities.

F-49

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Unrealized gains and losses recognized for Level 3 financial instruments**

The following table presents the amounts of unrealized gains (losses) for the years ended March 31, 2012 and 2013, relating to those financial instruments which Nomura classified as Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date.

	Billions of yen March 31	
	2012	2013
	Unrealized gains / (losses) <sup>(1)</sup>	
<b>Assets:</b>		
Trading assets and private equity investments		
Equities	¥ (2)	¥ 1
Private equity investments	(12)	(10)
Japanese agency and municipal securities	(0)	0
Foreign government, agency and municipal securities	2	2
Bank and corporate debt securities and loans for trading purposes	(3)	(0)
Commercial mortgage-backed securities ( CMBS )	3	1
Residential mortgage-backed securities ( RMBS )	(0)	0
Real estate-backed securities	1	(0)
Collateralized debt obligations ( CDO ) and other	(1)	(0)
Investment trust funds and other	(0)	2
<b>Total trading assets and private equity investments</b>	<b>(12)</b>	<b>(4)</b>
<b>Derivatives, net<sup>(2)</sup></b>		
Equity contracts	(6)	7
Interest rate contracts	(9)	24
Credit contracts	(45)	12
Foreign exchange contracts	16	(4)
Commodity contracts	0	0
<b>Total derivatives, net</b>	<b>(44)</b>	<b>39</b>
<b>Subtotal</b>	<b>¥ (56)</b>	<b>¥ 35</b>
Loans and receivables	(3)	(0)
Other assets		
Non-trading debt securities	0	0
Other <sup>(3)</sup>	(2)	24
<b>Total</b>	<b>¥ (61)</b>	<b>¥ 59</b>
<b>Liabilities:</b>		
Trading liabilities		
Equities	¥	¥ 0

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Total trading liabilities	¥	¥	0
Short-term borrowings		0	(1)
Payables and deposits		(0)	(1)
Long-term borrowings		(63)	(162)
Other liabilities			(0)
Total	¥	(63)	¥ (164)

F-50

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain (loss) on private equity investments*, and also within *Gain (loss) on investments in equity securities*, *Revenue Other* and *Non-interest expenses Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.
- (2) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (3) Includes the impact of the refined fair value measurement of certain investments in unlisted equity securities.

**Transfers between levels of the fair value hierarchy**

Nomura assumes that all transfers of financial instruments from one level to another level within the fair value hierarchy occur at the beginning of the relevant quarter in which the transfer takes place. Amounts reported below therefore represent the fair value of the financial instruments at the beginning of the relevant quarter when the transfer was made.

*Transfers between Level 1 and Level 2*

For the nine months ended December 31, 2011, there were no significant transfers between Level 1 and Level 2.

For the three months ended March 31, 2012, a total of ¥115 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥113 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments were traded became inactive. During the same period, a total of ¥180 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This also comprised primarily ¥171 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive.

For the year ended March 31, 2013, a total of ¥631 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥361 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments were traded became inactive. This also comprised primarily ¥249 billion of debt securities reported within *Other assets Nontrading debt securities*, ¥15 billion of exchange traded funds reported within *Investment trust funds and other* and ¥6 billion of equity securities reported within *Other assets Other* which were transferred because the observable markets in which these instruments were traded became inactive. During the same period, a total of ¥80 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥72 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became inactive. This also comprised primarily ¥8 billion of short sales of exchange traded funds reported within *Investment trust funds and other* which were transferred because the observable markets in which these instruments were traded became inactive.

For the three months ended March 31, 2012, a total of ¥12 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥7 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments were traded became active. During the same period, a total of ¥7 billion of financial

---

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥7 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

For the year ended March 31, 2013, a total of ¥455 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥441 billion of equities reported within *Trading assets and private equity investments Equities* which were transferred because the observable markets in which these instruments were traded became active. This also comprised primarily ¥5 billion of exchange traded funds reported within *Investment trust funds and other* and ¥7 billion of equity securities reported within *Other assets Other* which were transferred because the observable markets in which these instruments were traded became active. During the same period, a total of ¥391 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥388 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became active.

*Transfers out of Level 3*

For nine months ended December 31, 2011, there were no significant transfers out of Level 3.

For the three months ended March 31, 2012, a total of ¥25 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥16 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities and loans, which were transferred because credit spreads became observable. During the same period, a total of ¥48 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥48 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became observable.

A total of ¥21 billion of net derivative assets were also transferred out of Level 3. This comprised primarily ¥19 billion of net interest rate derivative assets which were transferred because certain volatility and correlation valuation inputs became observable.

For the year ended March 31, 2013, a total of ¥126 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥25 billion of *Equities* which were transferred because certain yields and liquidity discounts became observable, ¥44 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became observable and ¥35 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities and loans, which were transferred because certain credit spreads and recovery rates became observable. This also comprised primarily ¥6 billion of *CMBS* which were transferred because certain yields, default probabilities and loss severities became observable, ¥5 billion of *CDO and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became observable and ¥6 billion of *Loans and receivables*, principally loans, which were transferred because certain credit spreads became observable. During the same period, a total of ¥61 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥59 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became observable.

For the year ended March 31, 2013, a total of ¥15 billion of net derivative liabilities were also transferred out of Level 3. This comprised primarily ¥8 billion of net equity derivative liabilities which were transferred because certain dividend yields, volatility and correlation valuation inputs became observable, ¥19 billion of net credit derivative liabilities which were transferred because certain credit spread, recovery rate, volatility and correlation valuation inputs became observable and ¥14 billion of net foreign exchange derivative assets which were transferred because certain volatility and forward FX rate valuation inputs became observable.



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Transfers into Level 3*

For the nine months ended December 31, 2011, there were no significant transfers into Level 3.

For the three months ended March 31, 2012, a total of ¥15 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥9 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities, which were transferred because credit spreads became unobservable. The amount of gains and losses on these transfer reported in *Bank and corporate debt securities and loans for trading purposes* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥1 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. The amount of gains and losses on these transfer reported in financial liabilities which were recognized in the quarter when the transfer into Level 3 occurred were not significant.

A total of ¥34 billion of net derivative assets were also transferred into Level 3. This comprised primarily ¥14 billion of net interest rate derivative assets which were transferred because certain volatility and correlation valuation inputs became unobservable and ¥21 billion of net credit derivative assets which were transferred because certain credit spread, recovery rate, volatility and correlation valuation inputs became unobservable. Losses on these interest rate and credit contracts which were recognized in the quarter when the transfer into Level 3 occurred were ¥5 billion and ¥2 billion, respectively.

For the year ended March 31, 2013, a total of ¥146 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥6 billion of *Equities* which were transferred because certain yields and liquidity discounts became unobservable, ¥69 billion of *Bank and corporate debt securities and loans for trading purposes*, principally debt securities and loans, which were transferred because certain credit spread and recovery rate valuation inputs became unobservable and ¥62 billion of *Foreign government, agency and municipal securities* which were transferred because certain credit spreads became unobservable. The amount of gains and losses on these transfer reported in *Equities* and *Bank and corporate debt securities and loans for trading purposes* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. Gains on these transfer reported in *Foreign government, agency and municipal securities* which were recognized in the quarter when the transfer into Level 3 occurred were ¥9 billion. During the same period, a total of ¥111 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥110 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable. Losses on these transfer reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred were ¥7 billion.

For the year ended March 31, 2013, a total of ¥8 billion of net derivative assets were also transferred into Level 3. This comprised ¥15 billion of net credit derivative assets which were transferred because certain credit spread, recovery rate, volatility and correlation valuation inputs became unobservable and ¥6 billion of net foreign exchange derivative liabilities which were transferred because certain volatility and forward FX rate valuation inputs became unobservable. The amount of gains and losses on the credit contracts and foreign exchange contracts which were recognized in the quarter when the transfer into Level 3 occurred were not significant.

**Investments in investment funds that calculate NAV per share**

In the normal course of business, Nomura invests in non-consolidated funds which meet the definition of investment companies or are similar in nature and which do not have readily determinable fair values. For certain of these investments, Nomura uses NAV per share as the basis for valuation as a practical expedient. Some of these investments are redeemable at different amounts from NAV per share.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2012 and 2013. Investments are presented by major category relevant to the nature of Nomura's business and risks.

	Fair value <sup>(1)</sup>	Unfunded commitments <sup>(2)</sup>	Billions of yen March 31, 2012 Redemption frequency (if currently eligible) <sup>(3)</sup>	Redemption notice period <sup>(4)</sup>
Hedge funds	¥ 109	¥ 0	Monthly	Same day-95 days
Venture capital funds	4	1		
Private equity funds	61	12	Quarterly	30 days
Real estate funds	11	15		
<b>Total</b>	<b>¥ 185</b>	<b>¥ 28</b>		

	Fair value <sup>(1)</sup>	Unfunded commitments <sup>(2)</sup>	Billions of yen March 31, 2013 Redemption frequency (if currently eligible) <sup>(3)</sup>	Redemption notice period <sup>(4)</sup>
Hedge funds	¥ 68	¥ 16	Monthly	Same day-95 days
Venture capital funds	4	1		
Private equity funds	63	7	Quarterly	30 days
Real estate funds	3			
<b>Total</b>	<b>¥ 138</b>	<b>¥ 24</b>		

(1) Fair value generally determined using NAV per share as a practical expedient.

(2) The contractual amount of any unfunded commitments Nomura is required to make to the entities in which the investment is held.

(3) The range in frequency with which Nomura can redeem investments.

(4) The range in notice period required to be provided before redemption is possible.

*Hedge funds:*

These investments include funds of funds that invest in multiple asset classes. Nomura has developed the business of issuing structured notes linked to hedge funds. As a result, most of the risks are transferred as pass-through. The fair values of these investments are estimated using the NAV per share of the investments. Although most of these funds can be redeemed within six months, certain funds cannot be redeemed within six months due to contractual, liquidity or gating issues. The redemption period cannot be estimated for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

*Venture capital funds:*

These investments include primarily start-up funds. The fair values of these investments in this category are estimated using the NAV per share of the investments. Most of these funds cannot be redeemed within six months. The redemption period cannot be estimated for certain suspended or liquidating funds. These investments contain restrictions against transfers of the investments to third parties.



**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

*Private equity funds:*

These investments are made mainly in various sectors in Europe, United States and Japan. The fair values of these investments in this category are estimated using the NAV per share. Redemption is restricted for most of these investments. Some of these investments contain restrictions against transfers of the investments to third parties.

*Real estate funds:*

These are investments in commercial and other types of real estate. The fair values of these investments in this category are estimated using the NAV per share of the investments. Redemption is restricted for most of these investments. These investments contain restrictions against transfers of the investments to third parties.

**Fair value option for financial assets and financial liabilities**

Nomura carries certain eligible financial assets and liabilities at fair value through the election of the fair value option permitted by ASC 815 and ASC 825. When Nomura elects the fair value option for an eligible item, changes in that item's fair value are recognized through earnings. Election of the fair value option is generally irrevocable unless an event that gives rise to a new basis of accounting for that instrument occurs.

The financial assets and financial liabilities primarily elected for the fair value option by Nomura, and the reasons for the election, are as follows:

Equity method investments reported within *Trading assets and private equity investments* held for capital appreciation or current income purposes which Nomura generally has an intention to exit rather than hold indefinitely. Nomura elects the fair value option to more appropriately represent the purpose of these investments in these consolidated financial statements.

Loans reported within *Loans and receivables* which are risk managed on a fair value basis and loan commitments related to loans receivable for which the fair value option will be elected upon funding. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between loans and the derivatives used to risk manage those instruments.

Resale and repurchase agreements reported within *Collateralized agreements and Collateralized financing* which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between the resale and repurchase agreements and the derivatives used to risk manage those instruments.

All structured notes issued on or after April 1, 2008 reported within *Short-term borrowings* and *Long-term borrowings*. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions. Nomura also elects the fair value option for certain notes issued by consolidated VIEs for the same purpose and for certain structured notes issued prior to April 1, 2008.

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Financial liabilities reported within *Long-term borrowings* recognized in transactions which are accounted for as secured financing transactions under ASC 860. Nomura elects the fair value option for these financial liabilities to mitigate volatility through earnings that otherwise would arise had this election not been made. Even though Nomura usually has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheets and continue to be carried at fair value, with changes in fair value recognized through earnings.

F-55

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Interest and dividends arising from financial instruments for which the fair value option has been elected are recognized within *Interest and dividends*, *Interest expense* or *Net gain on trading*.

The following table presents gains (losses) due to changes in fair value for financial instruments measured at fair value using the fair value option for the years ended March 31, 2011, 2012 and 2013.

	Billions of yen		
	Year ended March 31		
	2011	2012	2013
	Gains/(Losses) <sup>(1)</sup>		
<b>Assets:</b>			
Trading assets and private equity investments <sup>(2)</sup>			
Trading assets	¥ (4)	¥ 0	¥ 2
Private equity investments	0	(12)	(10)
Loans and receivables	8	(6)	19
Collateralized agreements <sup>(3)</sup>	6	10	(0)
Other assets <sup>(2)</sup>		(0)	1
<b>Total</b>	<b>¥ 10</b>	<b>¥ (8)</b>	<b>¥ 12</b>
<b>Liabilities:</b>			
Short-term borrowings <sup>(4)</sup>	¥ (7)	¥ (14)	¥ (4)
Collateralized financing <sup>(3)</sup>	(0)	(1)	(1)
Long-term borrowings <sup>(4)(5)</sup>	(37)	(11)	(51)
Other liabilities <sup>(6)</sup>		0	0
<b>Total</b>	<b>¥ (44)</b>	<b>¥ (26)</b>	<b>¥ (56)</b>

- (1) Includes gains and losses reported primarily within *Net gain on trading* and *Gain on private equity investments* in the consolidated statements of income.
- (2) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (3) Includes resale and repurchase agreements.
- (4) Includes structured notes and other financial liabilities.
- (5) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.
- (6) Includes loan commitments.

Nomura currently carries its investment in the common stock of Ashikaga Holdings Co., Ltd. ( Ashikaga Holdings ) at fair value through election of the fair value option. Nomura held 45.5% of the common stock as of March 31, 2011 and 47.0% as of March 31, 2012 and 2013. This investment is reported within *Trading assets and private equity investments*, *Private equity investments* and *Other assets* in the consolidated balance sheets.

Ashikaga Holdings recognized total revenue of ¥106 billion, total expense of ¥90 billion and net income after tax of ¥16 billion for the year ended March 31, 2011, determined in accordance with accounting principles generally accepted in Japan. Ashikaga Holdings recognized total revenue of ¥101 billion, total expense of ¥84 billion and net income after tax of ¥17 billion for the year ended March 31, 2012. As of March 31, 2012, its total assets and total liabilities were ¥5,354 billion and ¥5,097 billion, respectively, determined in accordance with accounting

principles generally accepted in Japan. Ashikaga Holdings recognized total revenue of

F-56

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

¥99 billion, total expense of ¥80 billion and net income after tax of ¥15 billion for the year ended March 31, 2013. As of March 31, 2013, its total assets and total liabilities were ¥5,434 billion and ¥5,155 billion, respectively, determined in accordance with accounting principles generally accepted in Japan.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques at a rate which incorporates observable changes in its credit spread. Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in Nomura's creditworthiness, were ¥9 billion for the year ended March 31, 2011, mainly because of the widening of Nomura's credit spread. Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in Nomura's creditworthiness, were ¥17 billion for the year ended March 31, 2012, mainly because of the widening of Nomura's credit spread. Losses from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in Nomura's creditworthiness, were ¥31 billion for the year ended March 31, 2013, mainly because of a tightening of Nomura's credit spread.

There was no significant impact on financial assets for which the fair value option was elected attributable to instrument-specific credit risk.

As of March 31, 2012, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥13 billion less than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

As of March 31, 2013, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion more than the principal balance of such loans and receivables. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥20 billion more than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

**Concentrations of credit risk**

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura has credit risk concentrations on bonds issued by the Japanese Government, U.S. Government, Governments within the European Union ( EU ), their states and municipalities, and their agencies. These concentrations generally arise from taking trading positions and are reported within *Trading assets* in the consolidated balance sheets. Government, agency and municipal securities, including *Securities pledged as collateral*, represented 18% of total assets as of March 31, 2012 and 22% as of March 31, 2013.



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present geographic allocations of Nomura's trading assets related to government, agency and municipal securities. See Note 3 *Derivative instruments and hedging activities* for further information regarding the concentration of credit risk for derivatives.

	Billions of yen March 31, 2012				
	Japan	U.S.	EU	Other	Total <sup>(1)</sup>
Government, agency and municipal securities	¥ 2,304	¥ 1,319	¥ 2,527	¥ 448	¥ 6,598

  

	Billions of yen March 31, 2013				
	Japan	U.S.	EU	Other	Total <sup>(1)</sup>
Government, agency and municipal securities	¥ 3,403	¥ 1,313	¥ 3,262	¥ 556	¥ 8,534

- (1) Other than above, there were ¥640 billion and ¥715 billion of government, agency and municipal securities in *Other assets Non-trading debt securities* as of March 31, 2012 and 2013, respectively. The vast majority of these securities are Japanese government, agency and municipal securities.

**Estimated fair value of financial instruments not carried at fair value**

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheets since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortized cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within *Cash and cash equivalents, Time deposits, Deposits with stock exchanges and other segregated cash, Receivables from customers, Receivables from other than customers, Securities purchased under agreements to resell and Securities borrowed* and financial liabilities reported within *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned and Other secured borrowings* in the consolidated balance sheets. These would be generally classified in either Level 1 or Level 2 of the fair value hierarchy.

The estimated fair values of other financial instruments which are longer-term in nature or may contain more than minimal credit risk may be different to their carrying value. Financial assets of this type primarily include certain loans which are reported within *Loans receivable* while financial liabilities primarily include long-term borrowings which are reported within *Long-term borrowings*. The estimated fair value of loans receivable which are not elected for the fair value option is estimated in the same way as other loans carried at fair value on a recurring basis. Where quoted market prices are available, such market prices are utilized to estimate fair value. The fair value of long-term borrowings which are not elected for the fair value option is estimated in the same way as other borrowings carried at fair value on a recurring basis using quoted market prices where available or by DCF valuation techniques. All of these financial assets and financial liabilities would be generally classified in Level 2 or Level 3 within the fair value hierarchy using the same methodology as is applied to these instruments when they are elected for the fair value option.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instrument of which a portion of the ending balance was carried at fair value as of March 31, 2012 and 2013.

	Carrying value	Billions of yen March 31, 2012 <sup>(1)</sup>			
		Fair value	Fair value by level		
			Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and cash equivalents	¥ 1,071	¥ 1,071	¥ 1,071	¥	¥
Time deposits	653	653		653	
Deposits with stock exchanges and other segregated cash	230	230		230	
Loans receivable <sup>(2)</sup>	1,290	1,286		1,031	255
Securities purchased under agreements to resell	7,663	7,663		7,663	
Securities borrowed	6,080	6,080		6,080	
<b>Total Assets</b>	<b>¥ 16,987</b>	<b>¥ 16,983</b>	<b>¥ 1,071</b>	<b>¥ 15,657</b>	<b>¥ 255</b>
<b>Liabilities:</b>					
Short-term borrowings	¥ 1,186	¥ 1,186	¥	¥ 1,186	¥ 0
Deposits received at banks	905	905		905	
Securities sold under agreements to repurchase	9,928	9,928		9,928	
Securities loaned	1,700	1,700		1,700	
Long-term borrowings	8,505	8,242	154	8,084	4
<b>Total Liabilities</b>	<b>¥ 22,224</b>	<b>¥ 21,961</b>	<b>¥ 154</b>	<b>¥ 21,803</b>	<b>¥ 4</b>

	Carrying value	Billions of yen March 31, 2013 <sup>(1)</sup>			
		Fair value	Fair value by level		
			Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and cash equivalents	¥ 805	¥ 805	¥ 805	¥	¥
Time deposits	578	578		578	
Deposits with stock exchanges and other segregated cash	270	270		270	
Loans receivable <sup>(2)</sup>	1,575	1,576		1,352	224
Securities purchased under agreements to resell	8,295	8,295		8,295	
Securities borrowed	5,820	5,820		5,820	
<b>Total Assets</b>	<b>¥ 17,343</b>	<b>¥ 17,344</b>	<b>¥ 805</b>	<b>¥ 16,315</b>	<b>¥ 224</b>
<b>Liabilities:</b>					
Short-term borrowings	¥ 738	¥ 738	¥	¥ 734	¥ 4
Deposits received at banks	1,072	1,072		1,071	1
Securities sold under agreements to repurchase	12,444	12,444		12,440	4

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Securities loaned	2,159	2,159		2,159	
Long-term borrowings	7,592	7,430	114	7,093	223
<b>Total Liabilities</b>	<b>¥ 24,005</b>	<b>¥ 23,843</b>	<b>¥ 114</b>	<b>¥ 23,497</b>	<b>¥ 232</b>

- (1) Includes financial instruments which are carried at fair value on a recurring basis.
- (2) Carrying values are shown after deducting allowance for loan losses.

F-59

---

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Assets and liabilities measured at fair value on a nonrecurring basis**

In addition to financial instruments carried at fair value on a recurring basis, Nomura also measures other financial and nonfinancial assets and liabilities at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition such as to measure impairment.

For the year ended March 31, 2012, certain land and buildings were measured at fair value on a nonrecurring basis. The carrying amount of these assets, which are reported within *Other assets Office buildings, land, equipment and facilities* in the consolidated balance sheets, were written down to their fair value of ¥17 billion as a result of impairment. Fair value was determined based on internal appraisal value and consequently, this nonrecurring fair value measurement has been determined using valuation inputs which would be classified as Level 3 in the fair value hierarchy.

For the year ended March 31, 2013, goodwill allocated to a certain reporting unit was measured at fair value on a nonrecurring basis. The relevant goodwill, which is reported within *Other assets Other* in the consolidated balance sheets, was wholly impaired. Fair value was determined based on DCF and consequently, this nonrecurring fair value measurement has been determined using valuation inputs which would be classified in Level 3 of the fair value hierarchy.

**3. Derivative instruments and hedging activities:**

Nomura uses a variety of derivative financial instruments, including futures, forwards, options and swaps, for both trading and non-trading purposes.

*Derivatives used for trading purposes*

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet client needs, for trading purposes, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

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

Futures and forward contracts are commitments to either purchase or sell securities, foreign currency or other capital market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are executed through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency exposures. Entering into swap agreements may involve the risk of credit losses in the event of counterparty default.

To the extent these derivative financial instruments are economically hedging financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments. Credit risk associated with these financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce default risk, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, for OTC derivatives, Nomura generally enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalents ( Master Netting Agreements ) with each of its counterparties. Master Netting Agreements provide a right of offset in the event of bankruptcy and mitigate the credit risk exposure from these transactions. In some cases, they enable unrealized gains and losses arising from Nomura's dealings in OTC derivatives to be presented on a net-by-counterparty basis and on a net-by-cash collateral basis in accordance with ASC 210-20.

Nomura offset ¥1,051 billion of cash collateral receivables against net derivative liabilities and ¥867 billion of cash collateral payables against net derivative assets as of March 31, 2012. Cash collateral receivables and cash collateral payables of ¥191 billion and ¥335 billion, respectively, have not been offset against net derivatives as of March 31, 2012.

Nomura offset ¥985 billion of cash collateral receivables against net derivative liabilities and ¥1,033 billion of cash collateral payables against net derivative assets as of March 31, 2013. Cash collateral receivables and cash collateral payables of ¥220 billion and ¥497 billion, respectively, have not been offset against net derivatives as of March 31, 2013.

*Derivatives used for non-trading purposes*

Nomura's principal objectives in using derivatives for non-trading purposes are to manage interest rate risk, to modify the interest rate characteristics of certain financial liabilities, to manage net investment exposure to fluctuations in foreign exchange rates arising from certain foreign operations and to mitigate equity price risk arising from certain stock-based compensation awards given to employees.

Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

Nomura designates 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*.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Derivative financial instruments designated as hedges of the net investment in foreign operations relate to specific subsidiaries with non-Japanese yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates and is reported through Nomura Holdings, Inc. ( NHI ) shareholders' equity within *Accumulated other comprehensive income (loss)*. Changes in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate are excluded from the measure of hedge effectiveness and are reported in the consolidated statements of income within *Revenue Other*.

**Concentrations of credit risk for derivatives**

The following tables present Nomura's significant concentration of exposures to credit risk in OTC derivatives with financial institutions. The gross fair value of derivative assets represents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

	Billions of yen March 31, 2012			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 18,881	¥ (17,553)	¥ (797)	¥ 531

	Billions of yen March 31, 2013			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 20,169	¥ (18,415)	¥ (981)	¥ 773

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Derivative activities**

The following table quantifies the volume of Nomura's derivative activity through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

	Billions of yen March 31, 2012			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional <sup>(1)</sup>	Fair value <sup>(1)</sup>
Derivatives used for trading and non-trading purposes <sup>(2)(3)</sup> :				
Equity contracts	¥ 16,079	¥ 1,603	¥ 14,497	¥ 1,687
Interest rate contracts	636,833	18,843	592,413	18,597
Credit contracts	37,067	1,864	41,785	1,952
Foreign exchange contracts	59,296	1,356	62,999	1,407
Commodity contracts	50	4	45	5
<b>Total</b>	<b>¥ 749,325</b>	<b>¥ 23,670</b>	<b>¥ 711,739</b>	<b>¥ 23,648</b>
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 1,855	¥ 78	¥	¥
Foreign exchange contracts	190	4	97	1
<b>Total</b>	<b>¥ 2,045</b>	<b>¥ 82</b>	<b>¥ 97</b>	<b>¥ 1</b>
<b>Total derivatives</b>	<b>¥ 751,370</b>	<b>¥ 23,752</b>	<b>¥ 711,836</b>	<b>¥ 23,649</b>

	Billions of yen March 31, 2013			
	Derivative assets		Derivative liabilities	
	Notional	Fair value	Notional <sup>(1)</sup>	Fair value <sup>(1)</sup>
Derivatives used for trading and non-trading purposes <sup>(2)(3)</sup> :				
Equity contracts	¥ 14,130	¥ 1,857	¥ 14,550	¥ 2,017
Interest rate contracts	727,129	21,685	711,914	21,452
Credit contracts	44,582	1,839	42,889	1,979
Foreign exchange contracts	81,002	2,104	80,280	2,007
Commodity contracts	29	1	39	2
<b>Total</b>	<b>¥ 866,872</b>	<b>¥ 27,486</b>	<b>¥ 849,672</b>	<b>¥ 27,457</b>
Derivatives designated as hedging instruments:				
Interest rate contracts	¥ 1,748	¥ 88	¥ 162	¥ 0
Foreign exchange contracts	92	1	24	1
<b>Total</b>	<b>¥ 1,840</b>	<b>¥ 89</b>	<b>¥ 186</b>	<b>¥ 1</b>

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Total derivatives	¥ 868,712	¥ 27,575	¥ 849,858	¥ 27,458
-------------------	-----------	----------	-----------	----------

- (1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
- (2) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

F-63



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(3) As of March 31, 2012 and 2013, the amounts reported include derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. These amounts have not been separately presented since such amounts were not significant. Changes in fair value are recognized either through earnings or other comprehensive income depending on the purpose for which the derivatives are used.

*Derivatives used for trading purposes*

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value recognized through the consolidated statements of income within *Revenue Net gain on trading*.

The following table presents amounts included in the consolidated statements of income related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen		
	Year ended March 31		
	2011	2012	2013
Derivatives used for trading and non-trading purposes <sup>(1)(2)</sup> :			
Equity contracts	¥ 206	¥ (137)	¥ (69)
Interest rate contracts	132	42	65
Credit contracts	88	(73)	(18)
Foreign exchange contracts	(171)	(67)	(329)
Commodity contracts	(10)	(4)	(0)
<b>Total</b>	<b>¥ 245</b>	<b>¥ (239)</b>	<b>¥ (351)</b>

- (1) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.
- (2) Includes net gains (losses) on derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. For the years ended March 31, 2011, 2012 and 2013, these amounts have not been separately presented as net gains (losses) for these non-trading derivatives were not significant.

*Fair value hedges*

Nomura issues Japanese yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to a floating rate and applies fair value hedge accounting to these instruments. Derivative financial instruments designated as fair value hedges are carried at fair value. Changes in fair value of the hedging derivatives are recognized together with those of the hedged liabilities in the consolidated statements of income within *Interest expense*.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents amounts included in the consolidated statements of income related to derivatives designated as fair value hedges by type of underlying derivative contract and the nature of the hedged item.

	Billions of yen Year ended March 31		
	2011	2012	2013
<b>Derivatives designated as hedging instruments:</b>			
Interest rate contracts	¥ 22	¥ 76	¥ 33
<b>Total</b>	<b>¥ 22</b>	<b>¥ 76</b>	<b>¥ 33</b>
<b>Hedged items:</b>			
Long-term borrowings	¥ (22)	¥ (76)	¥ (33)
<b>Total</b>	<b>¥ (22)</b>	<b>¥ (76)</b>	<b>¥ (33)</b>

*Net investment hedges*

Nomura designates foreign currency forwards and foreign currency denominated long-term debt as hedges of certain subsidiaries with significant foreign exchange risks and applies hedge accounting to these instruments. Accordingly, the effective hedging portion of the foreign exchange gains (losses) arising from the derivative contracts and non-derivative financial products designated as hedges is recognized through the consolidated statements of comprehensive income within *Other comprehensive income (loss) Change in cumulative translation adjustments, net of tax*. This is offset by the foreign exchange adjustments arising from consolidation of the relevant foreign subsidiaries.

The following table presents gains (losses) from derivatives and non-derivatives designated as net investment hedges included in the consolidated statements of comprehensive income.

	Billions of yen Year ended March 31		
	2011	2012	2013
<b>Hedging instruments:</b>			
Foreign exchange contracts	¥ 0	¥ (1)	¥ (14)
Long-term borrowings	17	4	(15)
<b>Total</b>	<b>¥ 17</b>	<b>¥ 3</b>	<b>¥ (29)</b>

- (1) The portion of the gains (losses) representing the amount of hedge ineffectiveness and the amount excluded from the assessment of hedge effectiveness are recognized within *Revenue Other* in the consolidated statements of income. The amount of gains (losses) was not significant during the years ended March 31, 2011, 2012 and 2013.

*Derivatives containing credit risk related contingent features*

Nomura enters into certain OTC derivatives and other agreements containing credit-risk-related contingent features. These features would require Nomura to post additional collateral or settle the instrument upon occurrence of a credit event, the most common of which would be a

downgrade in the Company's long-term credit rating.

F-65

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2012, was ¥912 billion with related collateral pledged of ¥732 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2012, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥77 billion.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2013, was ¥960 billion with related collateral pledged of ¥754 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2013, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥102 billion.

**Credit derivatives**

Credit derivatives are derivative instruments in which one or more of their underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities that expose the seller of credit protection to potential loss from credit risk related events specified in the contract.

Written credit derivatives are instruments or embedded features where Nomura assumes third party credit risk, either as guarantor in a guarantee-type contract, or as the party that provides credit protection in an option-type contract, credit default swap, or any other credit derivative contract.

Nomura enters into credit derivatives as part of its normal trading activities as both purchaser and seller of protection for credit risk mitigation, proprietary trading positions and for client transactions.

The most significant type of credit derivatives used by Nomura are single-name credit default swaps where settlement of the derivative is based on the credit risk of a single third party. Nomura also writes credit derivatives linked to the performance of credit default indices and issues other credit risk related portfolio products.

Nomura would have to perform under a credit derivative contract if a credit event as defined in the respective contract occurs. Typical credit events include bankruptcy, failure to pay and restructuring of obligations of the reference asset.

Credit derivative contracts written by Nomura are either cash or physically settled. In cash-settled instruments, once payment is made upon an event of a default, the contract usually terminates with no further payments due. Nomura generally has no right to assume the reference assets of the counterparty in exchange for payment, nor does Nomura usually have any direct recourse to the actual issuers of the reference assets to recover the amount paid. In physically settled contracts, upon a default event, Nomura takes delivery of the reference asset in return for payment of the full notional amount of the contract.

Nomura actively monitors and manages its credit derivative exposures. Where protection is sold, risks may be mitigated by purchasing credit protection from other third parties either on identical underlying reference assets or on underlying reference assets with the same issuer which would be expected to behave in a correlated fashion. The most common form of recourse provision to enable Nomura to recover from third parties any amounts paid under a written credit derivative is therefore not through the derivative itself but rather through the separate purchase of credit derivatives with identical or correlated underlyings.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura quantifies the value of these purchased contracts in the following tables in the column titled "Purchased Credit Protection". These amounts represent purchased credit protection with identical underlyings to the written credit derivative contracts which act as a hedge against Nomura's exposure. To the extent Nomura is required to pay out under the written credit derivative, a similar amount would generally become due to Nomura under the purchased hedge.

Credit derivatives have a stated notional amount which represents the maximum payment Nomura may be required to make under the contract. However, this is generally not a true representation of the amount Nomura will actually pay as in addition to purchased credit protection, other risk mitigating factors reduce the likelihood and amount of any payment, including:

*The probability of default:* Nomura values credit derivatives taking into account the probability that the underlying reference asset will default and that Nomura will be required to make payments under the contract. Based on historical experience and Nomura's assessment of the market, Nomura believes that the probability that all reference assets on which Nomura provides protection will default in a single period is remote. The disclosed notional amount, therefore, significantly overstates Nomura's realistic exposure on these contracts.

*The recovery value on the underlying asset:* In the case of a default, Nomura's liability on a contract is limited to the difference between the notional amount and the recovery value of the underlying reference asset. While the recovery value on a defaulted asset may be minimal, this does reduce amounts paid on these contracts.

Nomura holds assets as collateral in relation to written credit derivatives. However, these amounts do not enable Nomura to recover any amounts paid under the credit derivative but rather mitigate the risk of economic loss arising from a counterparty defaulting against amounts due to Nomura under the contract. Collateral requirements are determined on a counterparty level rather than individual contract, and also generally cover all types of derivative contracts rather than just credit derivatives.

The following tables present information about Nomura's written credit derivatives and purchased credit protection with identical underlyings as of March 31, 2012 and March 31, 2013.

	Carrying value (Asset) / Liability <sup>(1)</sup>		Billions of yen March 31, 2012 Maximum potential payout/Notional Years to maturity				Notional Purchased credit protection
			Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
	Total						
Single-name credit default swaps	¥ 562	¥ 20,159	¥ 2,902	¥ 6,750	¥ 8,510	¥ 1,997	¥ 18,692
Credit default indices	124	10,738	1,667	2,089	5,807	1,175	9,334
Other credit risk related portfolio products	223	3,298	1,084	1,201	441	572	2,138
Credit risk related options and swaptions	(1)	781	0		439	342	651
<b>Total</b>	<b>¥ 908</b>	<b>¥ 34,976</b>	<b>¥ 5,653</b>	<b>¥ 10,040</b>	<b>¥ 15,197</b>	<b>¥ 4,086</b>	<b>¥ 30,815</b>

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Carrying value		Maximum potential payout/Notional				Notional Purchased credit protection
	(Asset) / Liability <sup>(1)</sup>	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Single-name credit default swaps	¥ 210	¥ 24,659	¥ 4,575	¥ 7,961	¥ 9,877	¥ 2,246	¥ 22,431
Credit default indices	(16)	12,722	1,482	3,555	6,815	870	11,592
Other credit risk related portfolio products	230	2,586	666	1,112	215	593	1,710
Credit risk related options and swaptions	0	51			27	24	42
<b>Total</b>	<b>¥ 424</b>	<b>¥ 40,018</b>	<b>¥ 6,723</b>	<b>¥ 12,628</b>	<b>¥ 16,934</b>	<b>¥ 3,733</b>	<b>¥ 35,775</b>

(1) Carrying value amounts are shown on a gross basis prior to cash collateral or counterparty netting.

The following tables present information about Nomura's written credit derivatives by external credit rating of the underlying asset. Ratings are based on Standard & Poor's Financial Services LLC (S&P), or if not rated by S&P, based on Moody's Investors Service, Inc. If ratings from either of these agencies are not available, the ratings are based on Fitch Ratings Ltd. or Japan Credit Rating Agency, Ltd. For credit default indices, the rating is determined by taking the weighted average of the external credit ratings given for each of the underlying reference entities comprising the portfolio or index.

	Maximum potential payout/Notional							Total
	AAA	AA	A	BBB	BB	Other <sup>(1)</sup>		
Single-name credit default swaps	¥ 2,196	¥ 1,749	¥ 5,878	¥ 5,550	¥ 2,974	¥ 1,812	¥ 20,159	
Credit default indices	140	711	5,358	2,905	1,619	5	10,738	
Other credit risk related portfolio products	20	18	3	111	212	2,934	3,298	
Credit risk related options and swaptions	0	0	137	532	112		781	
<b>Total</b>	<b>¥ 2,356</b>	<b>¥ 2,478</b>	<b>¥ 11,376</b>	<b>¥ 9,098</b>	<b>¥ 4,917</b>	<b>¥ 4,751</b>	<b>¥ 34,976</b>	

	Maximum potential payout/Notional							Total
	AAA	AA	A	BBB	BB	Other <sup>(1)</sup>		
Single-name credit default swaps	¥ 2,400	¥ 1,594	¥ 5,945	¥ 8,208	¥ 4,073	¥ 2,439	¥ 24,659	
Credit default indices	14	589	6,360	3,516	1,910	333	12,722	
Other credit risk related portfolio products	77	17	9	127	243	2,113	2,586	
Credit risk related options and swaptions			18		33		51	
<b>Total</b>	<b>¥ 2,491</b>	<b>¥ 2,200</b>	<b>¥ 12,332</b>	<b>¥ 11,851</b>	<b>¥ 6,259</b>	<b>¥ 4,885</b>	<b>¥ 40,018</b>	

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

- (1) Other includes credit derivatives where the credit rating of the underlying reference asset is below investment grade or where a rating is unavailable.

F-68

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

**4. Private equity business:**

Nomura makes private equity investments primarily in Japan and Europe.

Private equity investments made by certain entities which Nomura consolidates 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 Nomura. In accordance with Nomura 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 Nomura's business segments.

Nomura also has a subsidiary which is not an investment company but which makes investments in entities engaged in Nomura's 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.

*Private equity business in Japan*

Nomura has an established private equity business in Japan, which has been operated primarily through a wholly-owned subsidiary, Nomura Principal Finance Co., Ltd ( NPF ). NPF is an investment company subsidiary pursuant to the provisions of ASC 946 and therefore has carried all of its investments at fair value, with changes in fair value recognized through the consolidated statements of income.

Since its inception in 2000, NPF has made investments in 21 entities, however, Nomura exited from the majority of these investments for the year ended March 31, 2012 and as a result, the fair value of its investment portfolio as of March 31, 2012 was ¥789 million. Nomura exited from the remaining investments held by NPF during the year ended March 31, 2013, therefore, the fair value of its investment portfolio was ¥nil as of March 31, 2013.

Nomura also makes private equity investments through another wholly-owned subsidiary, Nomura Financial Partners Co., Ltd. ( NFP ), NFP is not an investment company subsidiary as it invests in entities engaged in Nomura's core business. Nomura elected the fair value option to account for its 47.0% investment in the common stock of Ashikaga Holdings.

*Private equity business in Europe*

In Europe, Nomura's 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*

Following a review to determine the optimum structure for Nomura's European private equity business, on March 27, 2002, Nomura restructured PFG and, as a result, contributed its investments in certain of its remaining



---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

investee companies 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 Nomura, assumed the management and control of these investments, together with one other PFG investment, Annington Holdings plc ( Annington ), which due to contractual restrictions was not transferred to the partnership.

With effect from March 27, 2002, Nomura ceased consolidating the Terra Firma Investments and accounted for those investments at fair value in accordance with ASC 946.

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

In December 2012, Nomura completed the sale of Annington 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*

In addition to the Terra Firma Investments, Nomura is a 10% investor in a ¥234 billion private equity fund ( TFCP II ) and a 2% investor in a ¥623 billion private equity fund ( TFCP III ), also raised and managed by Terra Firma Capital Partners Limited.

Nomura s total commitment for TFCP II was originally ¥23,362 million and reduced to ¥4,001 million as a result of adjustments for recyclable distributions. As of March 31, 2013, ¥3,957 million had been drawn down for investments.

For TFCP III, Nomura s total commitment was ¥11,793 million and ¥11,094 million had been drawn down for investments as of March 31, 2013.

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.

*Other Investments*

Nomura also makes 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.

**5. Investment company accounting**

Certain entities, including NPF, are investment companies and therefore carry all of their investments at fair value, with changes in fair value recognized through the consolidated statements of income.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the aggregate fair value and the cost of investments held by all investment company subsidiaries within Nomura and for which investment company accounting has been retained in these consolidated financial statements.

	Millions of yen March 31	
	2012	2013
Closing cost <sup>(1)</sup>	¥ 31,691	¥ 24,393
Gross unrealized appreciation	110,600	11,711
Gross unrealized depreciation	(9,971)	(7,277)
Closing fair value	¥ 132,320	¥ 28,827

(1) Cost is defined as the historical cost of each investment (i.e. purchase price) as adjusted for subsequent additional investment. The following table summarizes performance of the investments held by investment company subsidiaries during the period.

	Millions of yen March 31		
	2011	2012	2013
Opening fair value	¥ 267,168	¥ 208,754	¥ 132,320
Purchase / (sales) of investees during the period <sup>(1)</sup>	(70,292)	(109,724)	(127,396)
Realized gains / (losses) during the period <sup>(2)</sup>	10,070	35,931	19,181
Change in unrealized gains / (losses) during the period <sup>(3)</sup>	1,808	(2,641)	4,722
Closing fair value	¥ 208,754	¥ 132,320	¥ 28,827

(1) Acquisition cost of new investees and additional investments or sales proceeds of investees disposed of during the period.

(2) Realized gains and losses are calculated as the difference between sales proceeds and the carrying values.

(3) Includes the effect of foreign exchange movements.

**6. Collateralized transactions:**

Nomura enters into collateralized transactions, including resale and repurchase agreements, securities borrowed and loaned transactions, and other secured borrowings mainly to meet clients' needs, finance trading inventory positions and obtain securities for settlements. Under these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In many cases, Nomura is permitted to use the securities received to secure repurchase agreements, enter into securities lending transactions or to cover short positions with counterparties. Securities borrowed transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities loaned transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair value of securities received as collateral, securities borrowed with collateral and securities borrowed without collateral which Nomura is permitted to sell or repledge and the portion that has been sold or repledged are as follows.

	Billions of yen March 31	
	2012	2013
The fair value of securities received as collateral, securities borrowed as collateral and securities borrowed without collateral where Nomura is permitted by contract or custom to sell or repledge the securities	¥ 32,075	¥ 35,281
The portion of the above that has been sold (reported within <i>Trading liabilities</i> in the consolidated balance sheets) or repledged	23,895	28,488

Nomura pledges firm-owned securities to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party, including Gensaki Repo transactions, are reported in parentheses as *Securities pledged as collateral* within *Trading assets* in the consolidated balance sheets. Assets owned, which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them, are summarized in the tables below.

	Millions of yen March 31	
	2012	2013
<b>Trading assets:</b>		
Equities and convertible securities	¥ 47,966	¥ 86,108
Government and government agency securities	1,333,482	1,314,277
Bank and corporate debt securities	139,863	161,233
Commercial mortgage-backed securities ( CMBS )	40,183	33,723
Residential mortgage-backed securities ( RMBS )	1,527,946	1,674,898
Collateralized debt obligations ( CDO ) and other	82,298	84,065
Investment trust funds and other		16,335
Deposits with stock exchanges and other segregated cash		4,110
	¥ 3,171,738	¥ 3,374,749
<b>Non-trading debt securities</b>	¥ 54,969	¥ 49,811
Investments in and advances to affiliated companies	¥ 33,921	¥ 37,636

(1) Includes CLO and ABS those on credit card loans, auto loans and student loans.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Assets subject to lien, except for those disclosed above, are as follows.

	Millions of yen	
	2012	2013
	March 31	
Loans and receivables	¥ 55,236	¥ 706
Trading assets	1,515,079	1,208,753
Office buildings, land, equipment and facilities	116,530	955
Non-trading debt securities	337,681	315,781
Other	260,683	83
	¥ 2,285,209	¥ 1,526,278

Assets in the above table were primarily pledged for secured borrowings, including other secured borrowings, collateralized borrowings of consolidated VIEs and trading balances of secured borrowings, and derivative transactions. See Note 13 *Borrowings* for further information regarding trading balances of secured borrowings.

**7. Non-trading securities:**

Non-trading securities held by Nomura's insurance subsidiary are carried at fair value within *Other assets Non-trading debt securities* and *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 recognized within *Revenue Other* in the consolidated statements of income.

The following tables present information regarding the cost and/or amortized cost, gross unrealized gains and losses and fair value of non-trading securities held by Nomura's insurance subsidiary as of March 31, 2012 and 2013.

	Cost and/or amortized cost	Millions of yen		Fair value
		March 31, 2012		
		Unrealized gains	Unrealized losses	
Government, agency and municipal securities	¥ 150,203	¥ 445	¥ 164	¥ 150,484
Other debt securities	37,356	115	182	37,289
Equity securities	53,358	3,194	2,069	54,483
Total	¥ 240,917	¥ 3,754	¥ 2,415	¥ 242,256

	Cost and/or amortized cost	Millions of yen		Fair value
		March 31, 2013		
		Unrealized gains	Unrealized losses	
Government, agency and municipal securities	¥ 177,374	¥ 5,294	¥ 126	¥ 182,542
Other debt securities	54,032	726	86	54,672
Equity securities	39,997	12,923	109	52,811

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Total	¥ 271,403	¥ 18,943	¥	321	¥ 290,025
-------	-----------	----------	---	-----	-----------

F-73

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the year ended March 31, 2012, non-trading securities of ¥317,806 million were disposed of resulting in ¥6,331 million of realized gains and ¥1,282 million of realized losses. Total proceeds received from these disposals were ¥322,855 million. For the year ended March 31, 2013, non-trading securities of ¥525,965 million were disposed of resulting in ¥12,050 million of realized gains and ¥1,134 million of realized losses. Total proceeds received from these disposals were ¥536,881 million. Related gains and losses were computed using the average method.

The following table presents an analysis of the fair value of non-trading debt securities by residual contractual maturity as of March 31, 2013. Actual maturities may differ from contractual maturities as certain securities contain features that allow redemption of the securities prior to their contractual maturity.

	Millions of yen March 31, 2013				
	Total	Years to maturity			
		Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Non-trading debt securities	¥ 237,214	¥ 36,906	¥ 84,878	¥ 98,199	¥ 17,231

The following tables present the fair value and gross unrealized losses of non-trading securities aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2012 and 2013.

	Millions of yen March 31, 2012					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥ 14,954	¥ 164	¥	¥	¥ 14,954	¥ 164
Other debt securities	5,920	182			5,920	182
Equity securities	21,049	2,069			21,049	2,069
Total	¥ 41,923	¥ 2,415	¥	¥	¥ 41,923	¥ 2,415

	Millions of yen March 31, 2013					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Government, agency and municipal securities	¥ 56,400	¥ 80	¥ 2,903	¥ 46	¥ 59,303	¥ 126
Other debt securities	10,404	86			10,404	86
Equity securities	1,517	109			1,517	109
Total	¥ 68,321	¥ 275	¥ 2,903	¥ 46	¥ 71,224	¥ 321

As of March 31, 2012, the total number of non-trading securities in unrealized loss positions was approximately 70. As of March 31, 2013, the total number of non-trading securities in unrealized loss positions was approximately 80.





---

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the years ended March 31, 2012 and 2013, other-than-temporary impairment losses recognized for non-trading equity securities and reported within *Revenue Other* were ¥1,078 million and ¥4,900 million, respectively. For the year ended March 31, 2013 the credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities were not significant. For the year ended March 31, 2013, the non-credit loss component of other-than-temporary impairment losses recognized for certain non-trading debt securities and reported within *Other comprehensive income (loss)* were ¥7 million. For the year ended March 31, 2013, other gross unrealized losses of non-trading securities were considered temporary.

**8. Securitizations and Variable Interest Entities:****Securitizations**

Nomura utilizes special purpose entities ( SPEs ) to securitize commercial and residential mortgage loans, government agency and corporate securities and other types of financial assets. Those SPEs are incorporated as stock companies, Tokumei kumiai (silent partnerships), Cayman special purpose companies ( SPCs ) or trust accounts. Nomura's involvement with SPEs includes structuring SPEs, underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura accounts for the transfer of financial assets in accordance with ASC 860. This statement requires that Nomura accounts for the transfer of financial assets as a sale when Nomura relinquishes control over the assets. ASC 860 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests, and (c) the transferor has not maintained effective control over the transferred assets. Nomura may retain an interest in the financial assets, including residual interests in the SPEs. Any such interests are accounted for at fair value and reported within *Trading assets* in Nomura's consolidated balance sheets, with the change in fair value reported within *Revenue-Net gain on trading*. Fair value for retained interests in securitized financial assets is determined by using observable prices; or in cases where observable prices are not available for certain retained interests, Nomura estimates fair value based on the present value of expected future cash flows using its best estimates of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. Nomura may also enter into derivative transactions in relation to the assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the years ended March 31, 2012 and 2013, Nomura received cash proceeds from SPEs in new securitizations of ¥349 billion and ¥407 billion, respectively, and the amounts of associated profit on sale were not significant. For the years ended March 31, 2012 and 2013, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,336 billion and ¥1,783 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥723 billion and ¥951 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥3,782 billion and ¥4,109 billion as of March 31, 2012 and 2013, respectively. Nomura's retained interests were ¥165 billion and ¥300 billion as of March 31, 2012 and 2013, respectively. For the years ended March 31, 2012 and 2013, Nomura received cash flows of ¥14 billion and ¥26 billion, respectively, from the SPEs on the retained interests held in the SPEs. Nomura had outstanding collateral service agreements and written credit default swap agreements in the amount of ¥27 billion and ¥18 billion as of March 31, 2012 and 2013, respectively. Nomura does not provide financial support to SPEs beyond its contractual obligations.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present the fair value of retained interests where Nomura has continuing involvement in SPEs and their classification in the fair value hierarchy, categorized by the type of transferred assets.

	Billions of yen March 31, 2012					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥	¥ 163	¥	¥ 163	¥ 161	¥ 2
Bank and corporate debt securities			0	0		0
Mortgage and mortgage-backed securities			2	2	2	
Total	¥	¥ 163	¥ 2	¥ 165	¥ 163	¥ 2

	Billions of yen March 31, 2013					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥	¥ 296	¥	¥ 296	¥ 296	¥
Bank and corporate debt securities			0	0		0
Mortgage and mortgage-backed securities		2	2	4	2	2
Total	¥	¥ 298	¥ 2	¥ 300	¥ 298	¥ 2

The following table presents the key economic assumptions used to determine the fair value of the retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions.

	Billions of yen, except percentages Material retained interests held <sup>(1)</sup> as of March 31	
	2012	2013
Fair value of retained interests <sup>(1)</sup>	¥ 157	¥ 288
Weighted-average life (Years)	7.0	6.0
Constant prepayment rate	8.1%	10.1%
Impact of 10% adverse change	(1.3)	(2.6)
Impact of 20% adverse change	(2.4)	(5.0)
Discount rate	3.3%	3.6%
Impact of 10% adverse change	(3.7)	(4.2)
Impact of 20% adverse change	(7.1)	(8.2)

(1) The sensitivity analysis covers the material retained interests held of ¥157 billion out of ¥165 billion as of March 31, 2012 and ¥288 billion out of ¥300 billion as of March 31, 2013. Nomura considers the amount or the probability of anticipated credit loss from the retained interests which Nomura continuously holds would be minimal.

Changes in fair value based on 10% or 20% adverse changes generally cannot be extrapolated since the relationship of the change in assumption to the change in fair value may not be linear. The impact of a change in a particular assumption is calculated holding all other assumptions

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

constant. For this reason, concurrent changes in assumptions may magnify or counteract the sensitivities disclosed above. The sensitivity analyses are hypothetical and do not reflect Nomura's risk management practices that may be undertaken under those stress scenarios.

F-76

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents the type and carrying value of financial assets included within *Trading assets* which have been transferred to SPEs but which do not meet the criteria for derecognition under ASC 860. These transfers are accounted for as secured financing transactions and generally reported within *Long-term borrowings*. The assets are pledged as collateral of the associated liabilities and cannot be removed unilaterally by Nomura and the liabilities are non-recourse to Nomura.

	<b>Billions of yen</b>	
	<b>March 31</b>	
	<b>2012</b>	<b>2013</b>
<b>Assets</b>		
Trading assets		
Equities	¥ 116	¥ 72
Debt securities	84	86
Mortgage and mortgage-backed securities	27	24
Long-term loans receivable	21	8
<b>Total</b>	<b>¥ 248</b>	<b>¥ 190</b>
<b>Liabilities</b>		
Long-term borrowings	¥ 223	¥ 177

**Variable Interest Entities ( VIEs )**

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities. Nomura consolidates VIEs for which Nomura is the primary beneficiary, including those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura's aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary beneficiary.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents the classification of consolidated VIEs' assets and liabilities in these consolidated financial statements. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not have any recourse to Nomura beyond the assets held in the VIEs.

	Billions of yen	
	March 31	
	2012	2013
Consolidated VIE assets		
Cash and cash equivalents	¥ 52	¥ 13
Trading assets		
Equities	730	353
Debt securities	180	200
Mortgage and mortgage-backed securities	84	138
Investment trust funds and other	0	
Derivatives	4	3
Private equity investments	1	1
Securities purchased under agreements to resell	7	12
Office buildings, land, equipment and facilities	140 <sup>(2)</sup>	17
Other <sup>(1)</sup>	408 <sup>(2)</sup>	64
<b>Total</b>	<b>¥ 1,606</b>	<b>¥ 801</b>
Consolidated VIE liabilities		
Trading liabilities		
Debt securities	¥ 4	¥ 6
Derivatives	38	15
Securities sold under agreements to repurchase	0	4
Borrowings		
Long-term borrowings	992	458
Other	35	7
<b>Total</b>	<b>¥ 1,069</b>	<b>¥ 490</b>

(1) Includes aircraft purchase deposits of ¥17 billion and ¥16 billion as of March 31, 2012 and 2013, respectively. In relation to these aircraft purchase deposits, certain of these SPEs have commitments to purchase aircraft. See Note 22 *Commitments, contingencies and guarantees* for further information.

(2) Includes real estate and real estate for sale held by SPEs related to a consolidated subsidiary. That subsidiary was de-consolidated during the year ended March 31, 2013.

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura's variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure. The risks associated with VIEs in which Nomura is involved are limited to the amount recorded in the consolidated balance sheets, the amount of commitments and financial guarantees and the notional amount of the derivative instruments. Nomura believes the notional amount of derivative instruments generally exceeds the amount of actual risk.

	Billions of yen March 31, 2012		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 58	¥	¥ 58
Debt securities	133		133
Mortgage and mortgage-backed securities	2,137		2,137
Investment trust funds and other	96		96
Derivatives	0	9	27
Private equity investments	25		25
Loans			
Short-term loans	2		2
Long-term loans	29		29
Other	5		5
Commitments to extend credit and other guarantees			19
<b>Total</b>	<b>¥ 2,485</b>	<b>¥ 9</b>	<b>¥ 2,531</b>

	Billions of yen March 31, 2013		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 65	¥	¥ 65
Debt securities	173		173
Mortgage and mortgage-backed securities	2,843		2,843
Investment trust funds and other	161		161
Derivatives	0		18
Private equity investments	28		28
Loans			
Short-term loans	7		7
Long-term loans	82		82
Other	4		4
Commitments to extend credit and other guarantees			33
<b>Total</b>	<b>¥ 3,363</b>	<b>¥</b>	<b>¥ 3,414</b>

**9. Financing receivables:**

In the normal course of business, Nomura extends financing to clients primarily in the form of collateralized agreements such as reverse repurchase agreements and securities borrowing transactions and loans. These financing receivables are recognized as assets on Nomura's consolidated balance sheets and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

F-79



---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

*Collateralized agreements*

*Collateralized agreements* consist of reverse repurchase agreements disclosed as *Securities purchased under agreements to resell* and securities borrowing transactions disclosed as *Securities borrowed* in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Reverse repurchase agreements and securities borrowing transactions are generally recorded in the consolidated balance sheets at the amount at which the securities are purchased with applicable accrued interest. No allowance for credit losses is generally recorded on these transactions due to the strict collateralization requirements.

*Loans receivable*

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and unsecured loans extended by licensed banking entities within Nomura such as The Nomura Trust & Banking Co., Ltd and Nomura Bank International plc. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are loans provided to clients in connection with securities brokerage business. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value ( LTV ) ratio. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these loans is not significant as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients extended by non-licensed banking entities within Nomura. Corporate loans include loans secured by real estate or securities, as well as unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

In addition to the loans above, Nomura has advances to affiliated companies which are loans provided to related parties of Nomura. As these loans are generally not secured, Nomura is exposed to the risk of default of the counterparty.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets by portfolio segment.

	Millions of yen March 31, 2012		
	Carried at amortized cost	Carried at fair value <sup>(1)</sup>	Total
Loans receivable			
Loans at banks	¥ 235,407	¥ 50,109	¥ 285,516
Short-term secured margin loans	165,246		165,246
Inter-bank money market loans	95,461		95,461
Corporate loans	338,906	408,243	747,149
Total loans receivable	¥ 835,020	¥ 458,352	¥ 1,293,372
Advances to affiliated companies	10,649		10,649
Total	¥ 845,669	¥ 458,352	¥ 1,304,021

	Millions of yen March 31, 2013		
	Carried at amortized cost	Carried at fair value <sup>(1)</sup>	Total
Loans receivable			
Loans at banks	¥ 263,608	¥ 153	¥ 263,761
Short-term secured margin loans	288,574		288,574
Inter-bank money market loans	76,968		76,968
Corporate loans	422,295	523,896	946,191
Total loans receivable	¥ 1,051,445	¥ 524,049	¥ 1,575,494
Advances to affiliated companies	12,376		12,376
Total	¥ 1,063,821	¥ 524,049	¥ 1,587,870

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option. There were no significant purchases or sales of loans receivable and no reclassifications of loans receivable to trading assets during the years ended March 31, 2012 and 2013.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

*Allowance for loan losses*

Management establishes an allowance for loan losses for loans carried at amortized cost which reflects management's best estimate of probable losses incurred. The allowance for loan losses which is reported in the consolidated balance sheets within *Allowance for doubtful accounts* comprises two components:

A specific component for loans which have been individually evaluated for impairment; and

A general component for loans which, while not individually evaluated for impairment, have been collectively evaluated for impairment based on historical loss experience

The specific component of the allowance for loan losses reflects probable losses incurred within loans which have been individually evaluated for impairment. A loan is defined as being impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include an assessment of the ability of borrowers to pay by considering various factors such as the nature of the loan, prior loan loss experience, current economic conditions, the current financial situation of the borrower and the fair value of any underlying collateral. Loans that experience insignificant payment delays or insignificant payment shortfalls are not classified as impaired. The impairment is measured on a loan by loan basis by adjusting the carrying value of the loan to either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance for loan losses is for loans not individually evaluated for impairment and includes judgment about collectability based on available information at the balance sheet date and the uncertainties inherent in those underlying assumptions. The allowance is based on historical loss experience adjusted for qualitative factors such as current economic conditions.

While management has based its estimate of the allowance for loan losses on the best information available, future adjustments to the allowance for loan losses may be necessary as a result of changes in the economic environment or variances between actual results and original assumptions.

Loans are charged-off when Nomura determines that the loans are uncollectible. This determination is based on factors such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that the proceeds from collateral will not be sufficient to pay the loans.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present changes in the allowance for losses for the years ended March 31, 2011, 2012 and 2013.

	Millions of yen							
	Year ended March 31, 2011							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 783	¥ 25	¥ 5	¥ 3,576	¥	¥ 4,389	¥ 1,036	¥ 5,425
Provision for losses	(253)	13	(5)	(599)	11	(833)	143	(690)
Charge-offs	(32)					(32)	(59)	(91)
Other <sup>(1)</sup>	(159)	(1)		445		285	(69)	216
Ending balance	¥ 339	¥ 37	¥	¥ 3,422	¥ 11	¥ 3,809	¥ 1,051	¥ 4,860

	Millions of yen							
	Year ended March 31, 2012							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 339	¥ 37	¥	¥ 3,422	¥ 11	¥ 3,809	¥ 1,051	¥ 4,860
Provision for losses	213	(11)		(592)	40	(350)	20	(330)
Charge-offs		(2)				(2)	(1)	(3)
Other <sup>(1)</sup>		(0)		(72)		(72)	433	361
Ending balance	¥ 552	¥ 24	¥	¥ 2,758	¥ 51	¥ 3,385	¥ 1,503	¥ 4,888

	Millions of yen							
	Year ended March 31, 2013							
	Allowance for loan losses							
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Subtotal	Allowance for receivables other than loans	Total allowance for doubtful accounts
Opening balance	¥ 552	¥ 24	¥	¥ 2,758	¥ 51	¥ 3,385	¥ 1,503	¥ 4,888
Provision for losses	238	13		(2,630)	(22)	(2,401)	(13)	(2,414)
Charge-offs	(1)	(11)		(26)		(38)		(38)
Other <sup>(1)</sup>		0		(7)		(7)	(171)	(178)
Ending balance	¥ 789	¥ 26	¥	¥ 95	¥ 29	¥ 939	¥ 1,319	¥ 2,258

- (1) Includes the effect of foreign exchange movements.

F-83

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following tables present the allowance for loan losses and loans by impairment methodology and type of loans as of March 31, 2012 and 2013.

	Millions of yen March 31, 2012						
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total	
Allowance by impairment methodology							
Evaluated individually	¥ 14	¥ 10	¥	¥ 2,680	¥	¥	¥ 2,704
Evaluated collectively	538	14		78	51		681
Total allowance for loan losses	¥ 552	¥ 24	¥	¥ 2,758	¥ 51	¥	¥ 3,385

Loans by impairment methodology							
Evaluated individually	¥ 212	¥ 58,636	¥ 95,461	¥ 329,312	¥ 394	¥	¥ 484,015
Evaluated collectively	235,195	106,610		9,594	10,255		361,654
Total loans	¥ 235,407	¥ 165,246	¥ 95,461	¥ 338,906	¥ 10,649	¥	¥ 845,669

	Millions of yen March 31, 2013						
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total	
Allowance by impairment methodology							
Evaluated individually	¥ 6	¥	¥	¥ 7	¥	¥	¥ 13
Evaluated collectively	783	26		88	29		926
Total allowance for loan losses	¥ 789	¥ 26	¥	¥ 95	¥ 29	¥	¥ 939

Loans by impairment methodology							
Evaluated individually	¥ 76	¥ 83,399	¥ 76,968	¥ 412,675	¥ 5,595	¥	¥ 578,713
Evaluated collectively	263,532	205,175		9,620	6,781		485,108
Total loans	¥ 263,608	¥ 288,574	¥ 76,968	¥ 422,295	¥ 12,376	¥	¥ 1,063,821

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

*Nonaccrual and past due loans*

Loans which are individually evaluated as impaired are assessed for nonaccrual status in accordance with Nomura's policy. When it is determined to suspend interest accrual as a result of an assessment, any accrued but unpaid interest is reversed. Loans are generally only returned to an accrual status if the loan is brought contractually current, i.e. all overdue principal and interest amounts are paid. In limited circumstances, a loan which has not been brought contractually current will also be returned to an accrual status if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time or there has been a sustained period of repayment performance by the borrower.

As of March 31, 2012, there were ¥40,565 million of loans which were on a nonaccrual status, primarily unsecured corporate loans. The amount of loans which were 90 days past due was not significant.

As of March 31, 2013, there were ¥5,855 million of loans which were on a nonaccrual status, primarily secured corporate loans. The amount of loans which were 90 days past due was not significant.

Once a loan is impaired and placed on a nonaccrual status, interest income is subsequently recognized using the cash basis method.

*Loan impairment and troubled debt restructurings*

In the ordinary course of business, Nomura may choose to recognize impairment and also restructure a loan classified as held for investment either because of financial difficulties of the borrower, or simply as a result of market conditions or relationship reasons. A troubled debt restructuring ( TDR ) occurs when Nomura (as lender) for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that Nomura would not otherwise consider.

Any loan being restructured under a TDR will generally already be identified as impaired with an applicable allowance recognized in the allowance for loan losses. If not (for example if the loan is collectively assessed for impairment with other loans), the restructuring of the loan under a TDR will immediately result in the loan as being classified as impaired. An impairment loss for a loan restructuring under a TDR which only involves modification of the loan's terms (rather than receipt of assets in full or partial settlement) is calculated in the same way as any other impaired loan. Assets received in full or partial satisfaction of a loan in a TDR are recognized at fair value.

As of March 31, 2012, the amount of loans which were classified as impaired but against which no allowance for loan losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment was ¥35,721 million, the total unpaid principal balance was ¥38,103 million and the related allowance was ¥2,693 million, primarily for unsecured corporate loans.

As of March 31, 2013, the amount of loans which were classified as impaired but against which no allowance for loan losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment, the total unpaid principal balance and the related allowance was not significant.

The amount of TDRs which occurred during the years ended March 31, 2012 and 2013, was not significant.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Credit quality indicators*

Nomura is exposed to credit risks deriving from a decline in the value of loans or a default caused by deterioration of creditworthiness or bankruptcy of the borrower. Nomura's risk management framework for such credit risks is based on a risk assessment through an internal credit rating process, in depth pre-financing credit analysis of each individual loan and continuous post-financing monitoring of borrower's creditworthiness. Loans considered as collateralized transactions are not subject to an internal credit rating process as Nomura monitors the value of posted collateral closely and understands means to prevent potential losses.

The following tables present an analysis of each class of loans not carried at fair value using Nomura's internal ratings or equivalent credit quality indicators applied by subsidiaries as of March 31, 2012 and 2013.

	Millions of yen				
	March 31, 2012				
	AAA-BBB	BB-CCC	CC-D	Others <sup>(1)</sup>	Total
Secured loans at banks	¥ 92,207	¥ 29,169	¥	¥ 33,511	¥ 154,887
Unsecured loans at banks	80,507		13		80,520
Short-term secured margin loans				165,246	165,246
Secured inter-bank money market loans	1,461				1,461
Unsecured inter-bank money market loans	94,000				94,000
Secured corporate loans	131,767	93,331	4,232	70,657	299,987
Unsecured corporate loans	1,339	37,580			38,919
Advances to affiliated companies	10,255			394	10,649
<b>Total</b>	<b>¥ 411,536</b>	<b>¥ 160,080</b>	<b>¥ 4,245</b>	<b>¥ 269,808</b>	<b>¥ 845,669</b>

	Millions of yen				
	March 31, 2013				
	AAA-BBB	BB-CCC	CC-D	Others <sup>(1)</sup>	Total
Secured loans at banks	¥ 105,199	¥ 30,826	¥	¥ 33,208	¥ 169,233
Unsecured loans at banks	93,266	1,103	6		94,375
Short-term secured margin loans				288,574	288,574
Secured inter-bank money market loans	1,968				1,968
Unsecured inter-bank money market loans	75,000				75,000
Secured corporate loans	220,189	164,205	7,969	3,570	395,933
Unsecured corporate loans		26,362			26,362
Advances to affiliated companies	6,781	527		5,068	12,376
<b>Total</b>	<b>¥ 502,403</b>	<b>¥ 223,023</b>	<b>¥ 7,975</b>	<b>¥ 330,420</b>	<b>¥ 1,063,821</b>

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

Nomura reviews internal counterparty credit ratings at least once a year by using available borrower's credit information including financial statements and other information. Internal counterparty credit ratings are also reviewed more frequently for high-risk borrowers or problematic exposures and any significant credit event of a counterparty will trigger an immediate credit review process.





**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Leases:****Lessor**

Nomura leases office buildings and aircraft in Japan and overseas. These leases are classified as operating leases and the related assets are stated at cost, net of accumulated depreciation, except for land, which is stated at cost in the consolidated balance sheets and reported within *Other assets Office buildings, land, equipment and facilities*.

A portion of such rentals is paid from Nomura Research Institute, Ltd. ( NRI ), an affiliated company. See Note 21 *Affiliated companies and other equity-method investees* for more information.

The following table presents the lease deposits and rents received from NRI.

	Millions of yen		
	As of or for the year ended		
	March 31		
	2011	2012	2013
Lease deposits	¥	¥ 11,738	¥
Rental income		3,848	4,272

The following table presents the types of assets which Nomura leases under operating leases.

	Cost	Millions of yen March 31, 2013 Accumulated depreciation	Net carrying amount
Real estate <sup>(1)</sup>	¥ 3,426	¥ (1,215)	¥ 2,211
Aircraft	17,872	(1,332)	16,540
Total	¥ 21,298	¥ (2,547)	¥ 18,751

(1) Cost, accumulated depreciation and net carrying amounts include amounts relating to real estate space utilized by Nomura. Nomura recognized rental income of ¥2,747 million, ¥66,180 million and ¥78,667 million for the years ended March 31, 2011, 2012 and 2013, respectively in the consolidated statements of income within *Revenue Other*.

The future minimum lease payments to be received on noncancelable operating leases as of March 31, 2013 was ¥7,187 million and this future minimum lease payments to be received are scheduled as below:

Total	Millions of yen					
	Less than 1	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

	year						
Minimum lease payments to be received	¥ 7,187	¥ 1,350	¥ 1,239	¥ 1,166	¥ 581	¥ 490	¥ 2,361
<b>Lessee</b>							

Nomura leases its office spaces, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancelable operating lease agreements which are customarily renewed upon expiration.

F-87

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura also leases certain equipment and facilities in Japan and overseas under non-cancelable operating lease agreements. Rental expenses, net of sublease rental income, for the years ended March 31, 2011, 2012 and 2013 were ¥48,957 million, ¥43,536 million and ¥46,975 million, respectively. A portion of such rental expenses was paid to Nomura Land and Building Co., Ltd. ( NLB ) that became a consolidated subsidiary of Nomura in May 2011.

The following table presents lease deposits and rents paid to NLB.

	Millions of yen		
	As of or for the year ended March 31		
	2011	2012	2013
Lease deposits	¥ 4,229	¥	¥
Rental expenses <sup>(1)</sup>	4,358	622	

(1) Rental expenses for the year ended March 31, 2012 were those paid to NLB for the period before NLB was consolidated.

The following table presents the future minimum lease payments under non-cancelable operating leases with remaining terms exceeding one year as of March 31, 2013:

	Millions of yen March 31 2013
Total minimum lease payments	¥ 154,254
Less: Sublease rental income	(9,338)
Net minimum lease payments	¥ 144,916

The future minimum lease payments above are scheduled as below as of March 31, 2013:

	Total	Millions of yen					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments	¥ 154,254	¥ 17,801	¥ 16,503	¥ 14,393	¥ 11,200	¥ 10,585	¥ 83,772

Nomura leases certain equipments and facilities office in Japan and overseas under capital lease agreements. If the lease is classified as a capital lease, Nomura recognizes the real estate at the lower of its fair value or present value of minimum lease payments, which is reported within *Other Assets Office buildings, land, equipment and facilities* in the consolidated balance sheets. The balances of capital lease assets as of March 31, 2012 and 2013 were ¥27,902 million and ¥24,170 million, respectively.

The following table presents the future minimum lease payments under capital leases as of March 31, 2013:

	Millions of yen March 31 2013	
Total minimum lease payments	¥	54,036
Less: Amount representing interest		(28,483)
Present value of net lease payments	¥	25,553

F-88

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The future minimum lease payments above are scheduled as below as of March 31, 2013:

	Millions of yen						
	Total	Years of payment					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments	¥ 54,036	¥ 497	¥ 405	¥ 2,992	¥ 3,511	¥ 3,454	¥ 43,177

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utilities and tax increases.

**11. Business combinations:**

During the year ended March 31, 2013, there were no significant business combinations.

For the purpose of streamlining Nomura's management structure for faster decision-making in relation to reorganization, on May 13, 2011, the Company entered into an agreement with one of its affiliated companies, NLB to implement a share exchange ( Share Exchange Agreement ) effective on July 1, 2011. In advance of the effective date of the Share Exchange Agreement, the Company acquired an additional 39.0% of the issued shares of NLB ( Share Purchases ) as of May 24, 2011. As a result of the Share Purchases, NLB became a consolidated subsidiary of Nomura during the three months ended June 30, 2011. Nomura's total consideration in relation to the Share Purchases was approximately ¥37,620 million. The difference between the fair value of the acquired net assets of NLB and the acquisition cost was accounted for as a bargain purchase gain of ¥44,963 million which is reported within *Revenue Other* in the consolidated statements of income.

The Share Purchases were accounted for as a step acquisition in these consolidated financial statements, because Nomura held 38.5% of the outstanding shares of NLB prior to the Share Purchases. Nomura remeasured the previously held equity investments in NLB and other companies which were acquired as a result of the Share Purchases at fair value. The change in fair value was a loss of ¥16,555 million which was reported within *Revenue Other* in the consolidated statements of income. The remeasurement to fair value was determined primarily based on the cost of the Share Purchases, in which the financial condition and assets of NLB were considered in reference to the valuation results provided by third party appraisers. As of the date of the Share Purchases, the previously held equity investments were remeasured at the fair value of ¥38,379 million. Further, equity investments in NLB previously held by other affiliated companies of Nomura were also remeasured at fair value, resulting in an additional loss of ¥4,109 million which was also reported within *Revenue Other* in the consolidated statements of income.

There were no other material acquisition-related costs incurred in connection with this business combination.

The operating results of NLB and other companies acquired as a result of the Share Purchases have been included in the consolidated statements of income from May 2011 and revenue generated by NLB and these other companies and net income from them which have been included in the consolidated statements of income were ¥488,536 million, and ¥5,107 million for the year ended March 31, 2012. Such revenues are generally reported in *Revenue Other*.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table provides a summary of the fair value of the assets acquired and the liabilities assumed, as of the date of the Share Purchases.

	<b>Millions of yen</b>
<b>Assets:</b>	
Cash and cash deposits	¥ 78,634
Loans receivable <sup>(1)</sup>	54,023
Receivables from other than customers	12,865
Office buildings, land, equipment and facilities	715,683
Intangible assets <sup>(2)</sup>	60,048
Assets other than above <sup>(3)</sup>	1,290,121
<b>Total assets</b>	<b>2,211,374</b>
<b>Liabilities:</b>	
Short-term borrowings	82,800
Long-term borrowings	952,932
Liabilities other than above	748,889
<b>Total liabilities</b>	<b>1,784,621</b>
Equity attributable to NHI shareholders	120,962
Noncontrolling interests of NLB <sup>(4)</sup>	22,397
Noncontrolling interests attributable to other than shareholders of NLB <sup>(5)</sup>	283,394
Acquisition costs and fair value of previously held equity investments	75,999
Goodwill	¥ (44,963)

(1) Valuation is based on the difference between the gross contractual amounts receivable of ¥54,131 million and the estimate of the contractual cash flows not expected to be collected of ¥108 million.

(2) Includes finite-lived intangible assets related to client contracts and lease agreements which are amortized based on a weighted-average amortization period of nine years with no estimated residual value.

(3) Includes real estate classified as held for sale.

(4) Valuation is based on the acquisition cost of the Share Purchases.

(5) Valuation is based on either the market value or the net asset value as of the date of acquisition.

Based on the Share Exchange Agreement, 118 common shares of the Company were allotted and delivered for each share of NLB, and NLB became a wholly owned subsidiary of Nomura as of July 1, 2011. On the same day, the Company issued 103,429,360 common shares. In addition, the common shares of NLB which the Company acquired through the Share Exchange Agreement include the shares that had been held by one of Nomura's subsidiaries, Nomura Asset Management Co., Ltd., and the acquisition of those shares is accounted for as a transaction between entities under common control.





**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following selected (unaudited) pro-forma financial information presents *revenue* and *net income (loss)* amounts as if the Share Purchases occurred on April 1, 2010.

	Millions of yen, except per share data Year ended March 31	
	2011	2012
Total revenue	¥ 2,011,241	¥ 1,892,851
Net income (loss) attributable to NHI shareholders	¥ 58,533	¥ (13,951)
Basic net income (loss) attributable to NHI shareholders per share	16.13	(3.83)
Diluted net income (loss) attributable to NHI shareholders per share	16.06	(3.83)

*Revenue Other* in the consolidated statements of income for the year ended March 31, 2012 and 2013 include real estate sales of ¥251,377 million and ¥336,858 million generated by Nomura Real Estate Holdings Inc. ( NREH ) which was a subsidiary of NLB. Revenues are recognized when the sales have closed, the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the real estate and Nomura does not have substantial continuing involvement in the real estate. The costs of real estate sales corresponding to these revenues were ¥226,450 million and ¥306,570 million reported within *Non-interest expenses Other* in the consolidated statements of income. Nomura disposed of part of its investment in NREH in March 2013 and subsequently accounts for its remaining investment using the equity method of accounting. Following deconsolidation of NREH, real estate sales and costs of real estate will no longer be separately reported on a gross basis in the consolidated statements of income within *Revenue Other* and *Non-interest expenses Other*, respectively and Nomura's share of net income of NREH will be reported within *Revenue Other*. See Note 21 *Affiliated companies and other equity-method investees* for further information regarding NREH.

**12. Other assets Other / Other liabilities:**

The following table presents *Other assets-Other* and *Other liabilities* in the consolidated balance sheets by type.

	Millions of yen March 31	
	2012	2013
Other assets Other:		
Securities received as collateral	¥ 92,743	¥ 47,739
Goodwill and other intangible assets	160,227	115,661
Deferred tax assets	201,244	145,602
Investments in equity securities for other than operating purposes <sup>(1)</sup>	113,006	71,813
Other	907,903 <sup>(2)</sup>	221,344
<b>Total</b>	<b>¥ 1,475,123</b>	<b>¥ 602,159</b>
Other liabilities:		
Obligation to return securities received as collateral	¥ 92,743	¥ 47,739
Accrued income taxes	16,169	56,353
Other accrued expenses and provisions	378,957	402,192
Other <sup>(3)</sup>	678,032	471,879
<b>Total</b>	<b>¥ 1,165,901</b>	<b>¥ 978,163</b>

(1) Includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments were comprised of listed equity securities and unlisted equity securities of ¥58,460 million and ¥54,546 million respectively, as of March 31, 2012, and ¥50,930 million and ¥20,883 million

F-91

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

respectively, as of March 31, 2013. These securities are carried at fair value, with changes in fair value recognized within *Revenue other* in the consolidated statements of income.

- (2) Includes real estate classified as held for sale which is carried at the lower of net book value or fair value less cost to sell. For the year ended March 31, 2013, Nomura recognized losses of ¥32,019 million within *Non-interest expenses Other* for real estate classified as held for sale where fair value less cost to sell is lower than net book value. As a result, *Net income attributable to NHI shareholders* for the year ended March 31, 2013 decreased by ¥4,241 million.
- (3) Includes liabilities relating to the investment contracts which were underwritten by Nomura's insurance subsidiary. As of March 31, 2012 and 2013, carrying values were ¥292,120 million and ¥281,864 million, respectively, and estimated fair values were ¥294,242 million and ¥285,914 million, respectively. Fair value is estimated by discounting future cash flows and using valuation inputs which would be generally classified in Level 3 of the fair value hierarchy.

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

Changes in goodwill, which are reported in the consolidated balance sheets within *Other assets Other*, are as follows.

	Millions of yen	
	Year ended March 31 2012	2013
Balance at beginning of year	¥ 70,223	¥ 74,034
Increases due to business combinations	4,898 <sup>(4)</sup>	
Impairment		(8,293) <sup>(1)</sup>
Other <sup>(2)</sup>	(1,087)	8,501
Balance at end of year <sup>(3)</sup>	¥ 74,034	¥ 74,242

- (1) For the year ended March 31, 2013, Nomura recognized a goodwill impairment loss relating to the Wholesale segment of ¥8,293 million which was reported within *Non-interest expenses Other* in the consolidated statements of income, due to a decline in fair value of a reporting unit in the Wholesale segment caused by the prolonged economic downturn. The fair value was determined based on DCF.
- (2) Includes currency translation adjustments as of March 31, 2012 and 2013 of ¥(1,083) million and 8,501 million, respectively.
- (3) The amounts attributable to the Wholesale segment as of March 31, 2012 and 2013 were ¥68,718 million and ¥68,218 million, respectively. The amounts attributable to Other as of March 31, 2012 and 2013 were ¥5,316 million and ¥6,024 million, respectively.
- (4) Relates to GE Capital Finance (China) Co., Ltd which is a subsidiary of Nomura Bank International plc.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Intangible assets subject to amortization as of March 31, 2012 and 2013 are shown below.

	Millions of yen					
	Gross carrying amount	March 31, 2012 Accumulated amortization	Net carrying amount	Gross carrying amount	March 31, 2013 Accumulated amortization	Net carrying amount
Client relationships	¥ 88,733	¥ (34,947)	¥ 53,786	¥ 62,586	¥ (30,187)	¥ 32,399
Lease agreements	16,500	(1,445)	15,055			
Other	1,126	(383)	743	644	(180)	464
Total	¥ 106,359	¥ (36,775)	¥ 69,584	¥ 63,230	¥ (30,367)	¥ 32,863

Amortization expenses for the years ended March 31, 2011, 2012 and 2013 were ¥5,031 million, ¥19,129 million and ¥9,976 million, respectively. Estimated amortization expenses for the next five years are shown below.

Year ending March 31	Millions of yen Estimated amortization expense
2014	¥ 5,739
2015	5,739
2016	5,162
2017	4,880
2018	4,793

The amounts of other intangible assets not subject to amortization, which primarily including trademarks, were ¥16,609 million and ¥8,556 million as of March 31, 2012 and 2013, respectively.

**13. Borrowings:**

Short-term and long-term borrowings of Nomura as of March 31, 2012 and 2013 are shown below.

	Millions of yen March 31	
	2012	2013
Short-term borrowings <sup>(1)</sup> :		
Commercial paper	¥ 315,579	¥ 296,656
Bank borrowings	743,119	344,983
Other	126,915	96,806
Total	¥ 1,185,613	¥ 738,445

Long-term borrowings:

Long-term borrowings from banks and other financial institutions <sup>(2)</sup>	¥ 3,494,323	¥ 2,631,019
Bonds and notes issued <sup>(3)</sup> :		

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Fixed-rate obligations:		
Japanese yen denominated	1,124,504	1,303,757
Non-Japanese yen denominated	860,975	1,079,275
Floating-rate obligations:		
Japanese yen denominated	788,224	390,261
Non-Japanese yen denominated	117,121	69,286
Index / Equity-linked obligations:		
Japanese yen denominated	1,241,950	1,296,966
Non-Japanese yen denominated	654,775	644,414
	4,787,549	4,783,959
Subtotal	8,281,872	7,414,978
Trading balances of secured borrowings	222,968	177,390
Total	¥ 8,504,840	¥ 7,592,368

F-93

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (1) Includes secured borrowings of ¥8,647 million as of March 31, 2012 and ¥13,779 million as of March 31, 2013.  
 (2) Includes secured borrowings of ¥224,543 million as of March 31, 2012 and ¥3,039 million as of March 31, 2013.  
 (3) Includes secured borrowings of ¥757,018 million as of March 31, 2012 and ¥458,342 million as of March 31, 2013.

*Trading balances of secured borrowings*

These are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These borrowings are part of Nomura's trading activities intended to generate profits from the distribution of financial products secured by those financial assets.

Long-term borrowings consisted of the following:

	Millions of yen March 31	
	2012	2013
Debt issued by the Company	¥ 3,178,278	¥ 3,509,117
Debt issued by subsidiaries guaranteed by the Company	2,076,721	2,207,268
Debt issued by subsidiaries not guaranteed by the Company <sup>(1)</sup>	3,249,841	1,875,983
Total	¥ 8,504,840	¥ 7,592,368

- (1) Includes trading balances of secured borrowings.

As of March 31, 2012, fixed-rate long-term borrowings mature between 2012 and 2042 at interest rates ranging from 0.10% to 10.00%. Floating-rate obligations, which are generally based on LIBOR, mature between 2012 and 2039 at interest rates ranging from 0.00% to 8.54%. Index / Equity-linked obligations mature between 2012 and 2042 at interest rates ranging from 0.00% to 32.50%.

As of March 31, 2013, fixed-rate long-term borrowings mature between 2013 and 2042 at interest rates ranging from 0.00% to 11.00%. Floating-rate obligations, which are generally based on LIBOR, mature between 2013 and 2052 at interest rates ranging from 0.00% to 5.29%. Index / Equity-linked obligations mature between 2013 and 2043 at interest rates ranging from 0.00% to 42.50%.

Certain borrowing agreements of subsidiaries contain provisions whereby the borrowings are redeemable at the option of the borrower at specified dates prior to maturity and include various equity-linked or other index-linked instruments.

Nomura enters into swap agreements to manage its exposure to interest rates and foreign exchange rates. Principally, debt securities and notes issued are effectively converted to LIBOR-based floating rate obligations through such swap agreements. The carrying value of the long-term borrowings includes adjustments to reflect fair value hedges.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Following table presents the effective weighted-average interest rates of borrowings, including the effect of fair value hedges as of March 31, 2012 and 2013.

	<b>March 31</b>	
	<b>2012</b>	<b>2013</b>
Short-term borrowings	0.43%	0.61%
Long-term borrowings	1.34%	1.71%
Fixed-rate obligations	2.04%	2.39%
Floating-rate obligations	0.90%	0.91%
Index / Equity-linked obligations	1.22%	1.72%
<i>Maturities of long-term borrowings</i>		

The following table presents the aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges and liabilities measured at fair value, as of March 31, 2013:

<b>Year ending March 31</b>	<b>Millions of yen</b>
2014	¥ 701,517
2015	1,320,270
2016	1,140,710
2017	693,281
2018	805,937
2019 and thereafter	2,753,263
<b>Subtotal</b>	<b>7,414,978</b>
Trading balances of secured borrowings	177,390
<b>Total</b>	<b>¥ 7,592,368</b>

*Borrowing facilities*

As of March 31, 2012 and 2013, Nomura had unutilized borrowing facilities of ¥138,301 million and ¥77,935 million, respectively. The terms for these unutilized borrowing facilities do not significantly differ from existing borrowings.

*Subordinated borrowings*

As of March 31, 2012 and 2013, subordinated borrowings were ¥637,487 million and ¥562,137 million, respectively.

**14. Earnings per share:**

Basic and diluted earnings per share ( EPS ) are presented on the face of the consolidated statements of income. Basic EPS is calculated by dividing net income attributable to NHI shareholders by the weighted average number of common shares outstanding during the year. The calculation of diluted EPS is similar to basic EPS, except that the weighted average number of common shares is adjusted to reflect all dilutive instruments where potential common shares are deliverable during the year. In addition, net income attributable to NHI shareholders is adjusted for any change in income or loss that would result from the assumed conversion of dilutive instruments issued by subsidiaries and affiliates.





**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation of the amounts and the numbers used in the calculation of net income attributable to NHI shareholders per share (basic and diluted) is as follows.

	Millions of yen except per share data presented in yen Year ended March 31			
	2011	2012	2013	
<b>Basic</b>				
Net income attributable to NHI shareholders	¥ 28,661	¥ 11,583	¥ 107,234	
Weighted average number of shares outstanding	3,627,798,587	3,643,481,439	3,692,795,953	
Net income attributable to NHI shareholders per share	¥ 7.90	¥ 3.18	¥ 29.04	
<b>Diluted</b>				
Net income attributable to NHI shareholders	¥ 28,642	¥ 11,561	¥ 107,181	
Weighted average number of shares outstanding	3,642,689,381	3,680,124,235	3,777,360,671	
Net income attributable to NHI shareholders per share	¥ 7.86	¥ 3.14	¥ 28.37	

Net income attributable to NHI shareholders was adjusted to reflect the decline in Nomura's equity share of earnings of subsidiaries and affiliates for the years ended March 31, 2011, 2012 and 2013 arising from options to purchase common shares issued by subsidiaries and affiliates. The weighted average number of shares used in the calculation of diluted EPS reflects the increase in potential issuance of common shares arising from stock-based compensation plans by the Company, which would have minimal impact on EPS for the years ended March 31, 2011, 2012 and 2013.

Antidilutive stock options to purchase 59,670,700, 24,840,700 and 10,880,700 common shares were not included in the computation of diluted EPS for the years ended March 31, 2011, 2012 and 2013, respectively.

The Company conducted a share buyback of 75,000,000 common shares which amounted to ¥37,362 million from August 9, 2010 to August 31, 2010.

On July 1, 2011, the Company issued 103,429,360 common shares in accordance with NLB becoming a wholly owned subsidiary of Nomura. See Note 11 *Business combinations* for further information.

*Subsequent Events*

The Company conducted a share buyback from May 8, 2013 to May 31, 2013. See Note 19 *Shareholders' equity* for further information.

On May 15, 2013, the Company adopted a resolution to issue SARs pursuant to the SAR Plan B awards. See Note 16 *Deferred compensation plans* for further information.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****15. Employee benefit plans:**

Nomura provides various pension plans and other post-employment benefits which cover certain eligible employees worldwide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society ( NSHIS ).

**Defined benefit pension plans**

The Company and certain subsidiaries in Japan (the Japanese entities ) have contributory funded benefit pension plans for eligible employees. The benefits are paid as annuity payments subsequent to retirement or as lump-sum payments at the time of retirement based on the combination of years of service, age at retirement and employee's choice. The benefits under the plans are calculated based upon position, years of service and reason for retirement. In addition to the plans described above, certain Japanese entities also have unfunded lump-sum payment plans. Under these plans, employees with at least two years of service are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon position, years of service and the reason for retirement. Nomura's funding policy is to contribute annually the amount necessary to satisfy local funding standards. In December 2008, certain contributory funded benefit pension plans and unfunded lump-sum payment plans were amended and cash balance pension plans were introduced. Participants receive an annual benefit in their cash balance pension plan account, which is computed based on compensation of the participants, adjusted for changes in Japanese government bond rates. This plan amendment contributed to a reduction in the benefit obligations of the subsidiaries.

Certain overseas subsidiaries have various local defined benefit plans covering certain employees. Nomura recognized an asset for pension benefits for these plans amounting to ¥5,838 million and ¥9,067million as of March 31, 2012 and 2013, respectively.

*Net periodic benefit cost*

The net periodic benefit cost of the defined benefit plans includes the following components. Nomura's measurement date is March 31 for its defined benefit plans for Japanese entities.

Japanese entities' plans

	Millions of yen		
	Year ended March 31		
	2011	2012	2013
Service cost	¥ 9,328	¥ 9,016	¥ 9,322
Interest cost	4,480	4,649	4,302
Expected return on plan assets	(3,182)	(3,262)	(4,072)
Amortization of net actuarial losses	3,088	3,687	3,630
Amortization of prior service cost	(1,148)	(1,479)	(1,545)
Net periodic benefit cost	¥ 12,566	¥ 12,611	¥ 11,637

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

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Benefit obligations and funded status*

The following table presents a reconciliation of the changes in projected benefit obligation ( PBO ) and the fair value of plan assets, as well as a summary of the funded status.

Japanese entities plans

	Millions of yen	
	As of or for the year ended March 31 2012	2013
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of year	¥ 213,653	¥ 242,490
Service cost	9,016	9,322
Interest cost	4,649	4,302
Actuarial gain	9,415	14,874
Benefits paid	(14,785)	(9,805)
Acquisition, divestitures and other	20,542 <sup>(1)</sup>	(26,784) <sup>(2)</sup>
Projected benefit obligation at end of year	¥ 242,490	¥ 234,399
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	¥ 120,727	¥ 159,652
Actual return on plan assets	6,696	20,915
Employer contributions	32,291	31,083
Benefits paid	(8,114)	(8,362)
Acquisition and divestitures	8,052 <sup>(1)</sup>	(11,614) <sup>(2)</sup>
Fair value of plan assets at end of year	¥ 159,652	¥ 191,674
Funded status at end of year	(82,838)	(42,725)
Amounts recognized in the consolidated balance sheets	¥ (82,838)	¥ (42,725)

(1) Increased mainly because of a business combination during the period.

(2) Decreased mainly because of a deconsolidation during the period.

The accumulated benefit obligation ( ABO ) was ¥238,614 million and ¥231,321 million as of March 31, 2012 and 2013, respectively.

PBO, ABO, and fair value of plan assets for pension plans with ABO and PBO in excess of plan assets as of March 31, 2012 and 2013 are set forth in the tables below.

Japanese entities plans

	Millions of yen	
	March 31	
	2012	2013
<b>Plans with ABO in excess of plan assets:</b>		
PBO	¥ 242,490	¥ 234,399
ABO	238,614	231,321
Fair value of plan assets	159,652	191,674
<b>Plans with PBO in excess of plan assets:</b>		
PBO	¥ 242,490	¥ 234,399
ABO	238,614	231,321
Fair value of plan assets	159,652	191,674

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Amounts in accumulated other comprehensive income, pre-tax, that have not yet been recognized as components of net periodic benefit cost consist of as follows.

Japanese entities plans

	<b>Millions of yen For the year ended March 31, 2013</b>
Net actuarial loss	¥ 62,837
Net prior service cost	(11,798)
<b>Total</b>	<b>¥ 51,039</b>

Amounts in accumulated other comprehensive income, pre-tax, expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows.

Japanese entities plans

	<b>Millions of yen For the year ending March 31, 2014</b>
Net actuarial loss	¥ 2,653
Net prior service cost	(1,165)
<b>Total</b>	<b>¥ 1,488</b>

*Assumptions*

The following table presents the weighted-average assumptions used to determine projected benefit obligations at year end.

Japanese entities plans

	<b>March 31</b>	
	<b>2012</b>	<b>2013</b>
Discount rate	1.8%	1.5%
Rate of increase in compensation levels	2.8%	2.5%

The following table presents the weighted-average assumptions used to determine Japanese entities plans net periodic benefit costs for the year.

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

	Year ended March 31		
	2011	2012	2013
Discount rate	2.1%	1.8%	1.5%
Rate of increase in compensation levels	2.5%	2.8%	2.5%
Expected long-term rate of return on plan assets	2.6%	2.6%	2.6%

Generally, Nomura determines the discount rates for its defined benefit plans by referencing indices for long-term, high-quality bonds and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plans' liabilities.

F-99

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

*Plan assets*

Plan assets are managed with an objective to generate sufficient long-term value in order to enable future pension payouts. While targeting a long-term rate of return on plan assets, Nomura aims to minimize short-term volatility by managing the portfolio through diversifying risk. Based on this portfolio policy, the plan assets are invested diversely.

The plan assets of domestic plans target to invest 23% in equities (including private equity), 50% in debt securities, 15% in life insurance company general accounts, and 12% in other investments. Investment allocations are generally reviewed and revised at the time of the actual revaluation that takes place every five years or when there is a significant change in prerequisites for the portfolio.

The following tables present information about the fair value of plan assets as of March 31, 2012 and March 31 2013 within the fair value hierarchy.

For details of the levels of inputs used to measure the fair value of plan assets, see Note 2 *Fair value measurements* .

Japanese entities' plans

	Millions of yen			Balance as of March 31, 2012
	Level 1	Level 2	Level 3	
<b>Pension plan assets:</b>				
Equities	¥ 27,230	¥	¥	¥ 27,230
Private equity			9,802	9,802
Japanese government securities	59,867			59,867
Japanese agency and municipal securities		219		219
Foreign government securities	757			757
Bank and corporate debt securities		4,011		4,011
Investment trust funds and other <sup>(1)</sup>		13,983	12,434	26,417
Life insurance company general accounts		23,501		23,501
Other assets		7,848		7,848
<b>Total</b>	<b>¥ 87,854</b>	<b>¥ 49,562</b>	<b>¥ 22,236</b>	<b>¥ 159,652</b>

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Millions of yen March 31, 2013			Balance as of March 31, 2013
	Level 1	Level 2	Level 3	
Pension plan assets:				
Equities	¥ 30,568	¥	¥	¥ 30,568
Private equity			12,323	12,323
Japanese government securities	74,243			74,243
Bank and corporate debt securities		3,667		3,667
Investment trust funds and other <sup>(1)</sup>		19,586	15,035	34,621
Life insurance company general accounts		26,448		26,448
Other assets		9,804		9,804
<b>Total</b>	<b>¥ 104,811</b>	<b>¥ 59,505</b>	<b>¥ 27,358</b>	<b>¥ 191,674</b>

(1) Includes hedge funds and real estate funds.

The fair value of the non-Japan plan assets as of March 31, 2012 was ¥32 million, ¥20,848 million and ¥6,083 million for Level 1, Level 2 and Level 3, respectively. The fair value of the non-Japan plan assets as of March 31, 2013 was ¥21 million, ¥25,296 million and ¥6,906 million for Level 1, Level 2 and Level 3, respectively.

Level 1 plan assets primarily include equity securities and government securities. Unadjusted quoted prices in active markets for identical assets that Nomura has the ability to access at the measurement date are classified as Level 1. Level 2 plan assets primarily include investment trust funds, corporate debt securities and investments in life insurance company's general accounts. Investment trust funds are valued at their net asset values as calculated by the sponsor of the funds. Investments in life insurance company's general accounts are valued at conversion value.

The following tables present information about the plan assets for which Nomura has utilized significant Level 3 valuation inputs to estimate fair value.

Japanese entities' plans

	Millions of yen Year ended March 31, 2012				Balance as of March 31, 2012
	Balance as of April 1, 2011	Unrealized and realized gains / loss	Purchases / sales and other settlement	Net transfers in / (out of) Level 3	
Private equity	¥ 838	¥ 974	¥ 7,990	¥	¥ 9,802
Investment trust funds and other	8,807	(353)	3,980		12,434
<b>Total</b>	<b>¥ 9,645</b>	<b>¥ 621</b>	<b>¥ 11,970</b>	<b>¥</b>	<b>¥ 22,236</b>



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Balance as of April 1, 2012	Millions of yen			Balance as of March 31, 2013
		Year ended March 31, 2013 Unrealized and realized gains / loss	Purchases / sales and other settlement	Net transfers in / (out of) Level 3	
Private equity	¥ 9,802	¥ 2,479	¥ 42	¥	¥ 12,323
Investment trust funds and other	12,434	1,131	1,470		15,035
<b>Total</b>	<b>¥22,236</b>	<b>¥ 3,610</b>	<b>¥ 1,512</b>	<b>¥</b>	<b>¥ 27,358</b>

The fair value of Level 3 non-Japan plan assets, consisting of real estate funds and annuities, was ¥6,083 million and ¥6,906 million as of March 31, 2012 and 2013, respectively. The plan purchased ¥4,416 million of Level 3 assets during the year ended March 31, 2012. The amounts of gains and losses, purchases and sales other than above, transfers between Level 1 or Level 2 and Level 3 relating to these assets during the years ended March 31, 2012 and 2013 were not significant.

*Cash Flows*

Nomura expects to contribute approximately ¥29,664 million to Japanese entities' plans in the year ending March 31, 2014 based upon Nomura's funding policy to contribute annually the amount necessary to satisfy local funding standards.

Expected benefit payments for the next five fiscal years and in aggregate for the five fiscal years thereafter are as follows.

Japanese entities' plans

Year ending March 31	Millions of yen
2014	¥ 9,284
2015	9,558
2016	10,193
2017	10,214
2018	10,655
2019-2023	53,891

**Defined contribution pension plans**

In addition to defined benefit pension plans, the Company, NSC and other Japanese and non-Japanese subsidiaries have defined contribution pension plans.

Nomura contributed ¥3,233 million, ¥3,741 million and ¥3,600 million to defined contribution pension plans for Japanese entities' plans for the years ended March 31, 2011, 2012 and 2013, respectively.

The contributions to overseas defined contribution pension plans were ¥6,903 million, ¥7,882 million and ¥7,448 million for the years ended March 31, 2011, 2012 and 2013, respectively.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Health care benefits**

The Company and certain subsidiaries provide certain health care benefits to both active and retired employees through NSHIS. The Company and certain subsidiaries also sponsor certain health care benefits to retired employees ( Special Plan ) and who participate in the Special Plan on a pay-all basis, i.e., by requiring a retiree contribution based on the estimated per capita cost of coverage. The Special Plan is a multi-employer post-retirement plan because it is jointly administered by NSHIS and the Japanese government, and the funded status of it is not computed separately. Therefore, although the Company and certain subsidiaries contribute some portion of the cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not reserve for future costs. The health care benefit costs, which are equivalent to the required contribution, amounted to ¥6,760 million, ¥7,614 million and ¥7,434 million for the years ended March 31, 2011, 2012 and 2013, respectively.

**16. Deferred compensation plans:**

Nomura issues compensation awards to senior management and other employees, certain of which are linked to the Company's share price, in order to retain and motivate key staff.

These stock-based compensation awards comprise Plan A and Plan B Stock Acquisition Rights ( SARs ), Notional Stock Units ( NSUs ), Collared Notional Stock Units ( CSUs ) and Multi-Year Performance Deferral Awards ( MYPD awards ). SAR Plan A awards are effectively awards of stock options while SAR Plan B awards, NSUs and CSUs are analogous to awards of restricted stock. MYPD awards are performance-based incentive awards for senior management linked to the profitability of Nomura. The Company also issues other deferred compensation awards, namely Notional Index Units ( NIUs ) which are linked to world stock index quoted by Morgan Stanley Capital International.

**SAR Plan A awards**

The Company issues SAR Plan A awards over the Company's common stock pursuant to several stock option plans which vest and become exercisable two years after the grant date, and expire approximately seven years after the grant date, subject to forfeiture on termination of employment. The exercise price generally is not less than the fair value of the Company's common stock on grant date.

The fair value of these stock options as of grant date is estimated using a Black-Scholes option-pricing model and using the following assumptions:

Expected volatilities based on historical volatility of the Company's common stock;

Expected dividend yield based on the current dividend rate at the time of grant;

Expected lives of the awards determined based on historical experience; and

The risk-free interest rate-estimate based on yen swap rate with a maturity equal to the expected lives of options.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The weighted-average grant date fair values of options granted during the years ended March 31, 2011, 2012 and 2013 were ¥127, ¥48 and ¥78 per share, respectively. The weighted-average assumptions used in each of the years were as follows:

	Year ended March 31		
	2011	2012	2013
Expected volatility	40.51%	41.78%	43.11%
Expected dividends yield	1.73%	3.31%	2.12%
Expected lives (in years)	6	6	7
Risk-free interest rate	0.76%	0.63%	0.45%

The following table presents activity relating to SAR Plan A awards for the year ended March 31, 2013:

	Outstanding (number of shares)	Weighted-average exercise price	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2012	15,354,300	¥ 988	3.9
Granted	2,857,000	298	
Exercised	(18,000)	478	
Forfeited	(171,000)	896	
Expired	(1,476,800)	1,120	
Outstanding as of March 31, 2013	16,545,500	¥ 848	3.8
Exercisable as of March 31, 2013	10,880,700	¥ 1,134	2.7

No SAR Plan A awards were exercised during the years ended March 31, 2011 and 2012. The total intrinsic value of SAR Plan A awards exercised during the year ended March 31, 2013 was ¥2 million.

The aggregate intrinsic values of SAR Plan A awards outstanding and exercisable as of March 31, 2013 were ¥1,854 million and ¥277 million, respectively.

As of March 31, 2013, there was ¥215 million of total unrecognized compensation cost related to SAR Plan A awards. This cost is expected to be recognized over a weighted average period of 1.5 years.

**SAR Plan B awards**

The Company issues SAR Plan B awards over the Company's common stock pursuant to several stock unit plans which vest and become exercisable approximately from one to five years after the grant date, and expire approximately from six to ten years after the grant date. The exercise price is a nominal ¥1 per share.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents activity relating to SAR Plan B awards for the year ended March 31, 2013:

	Outstanding (number of shares)	Weighted-Average grant date fair value per share		Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2012	114,375,600	¥	544	5.6
Granted	55,589,300		298	
Exercised	(47,317,900)		584	
Forfeited	(5,103,600)		378	
Outstanding as of March 31, 2013	117,543,400	¥	419	5.7
Exercisable as of March 31, 2013	15,856,000	¥	714	4.1

The weighted-average grant date fair value per share for the years ended March 31, 2011 and 2012 were ¥638 and ¥397, respectively.

The total intrinsic values of SAR Plan B awards exercised during the years ended March 31, 2011, 2012 and 2013 were ¥3,934 million, ¥3,284 million and ¥15,299 million, respectively.

The aggregate intrinsic values of SAR Plan B awards outstanding and exercisable as of March 31, 2013 were ¥67,705 million and ¥9,133 million, respectively.

As of March 31, 2013, total unrecognized compensation cost relating to SAR Plan B awards was ¥10,365 million. This cost is expected to be recognized over a weighted average period of 2.6 years. The total fair values of awards vested during the years ended March 31, 2011, 2012 and 2013 were ¥4,909 million, ¥3,868 million and ¥3,624 million, respectively.

Total compensation expense recognized within *Non-interest expenses Compensation and benefits* in the consolidated statements of income relating to SAR Plan A and SAR Plan B awards for the years ended March 31, 2011, 2012 and 2013 was ¥18,638 million, ¥26,869 million and ¥19,091 million, respectively. Total related tax benefits recognized in the consolidated statements of income for compensation expense for the years ended March 31, 2011, 2012 and 2013 was ¥546 million, ¥1,092 million and ¥1,081 million, respectively. The dilutive effect of outstanding compensation plans is included in the weighted average number of shares outstanding used in diluted EPS computations.

Cash received from the exercise of SAR Plan A and SAR Plan B awards during the year ended March 31, 2013 was ¥56 million and the tax benefit realized from exercise of these awards was ¥1,181 million.

**NSU and CSU awards**

NSUs and CSUs are cash-settled awards linked to the price of the Company's common stock which have graded vesting over three to five years from grant date. NSUs replicate the key features of SAR Plan B awards described above but are settled in cash rather than the Company's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of the Company's common stock is subject to a cap and floor.

The fair value of NSUs and CSUs are determined using the price of the Company's common stock.



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents activity related to NSUs and CSUs for the year ended March 31, 2013:

	NSUs		CSUs	
	Outstanding (number of units)	Stock price	Outstanding (number of units)	Stock price
Outstanding as of March 31, 2012	68,410,978	¥ 373	33,096,488	¥ 373
Granted	38,795,388	308 <sup>(1)</sup>	75,425,312	260 <sup>(1)</sup>
Vested	(39,569,233)	355 <sup>(2)</sup>	(32,433,846)	338 <sup>(2)</sup>
Forfeited	(5,105,557)		(5,351,130)	
Outstanding as of March 31, 2013	62,531,576	¥ 583 <sup>(3)</sup>	70,736,824	¥ 316 <sup>(3)</sup>

(1) Weighted-average price of the Company's common stock used to determine number of awards granted

(2) Weighted-average price of the Company's common stock used to determine the final cash settlement amount of the awards

(3) The price of the Company's common stock used to remeasure the fair value of the remaining outstanding unvested awards as of March 31, 2013

Total compensation expense recognized within *Non-interest expenses - Compensation and benefits* in the consolidated statements of income relating to NSUs and CSUs for the years ended March 31, 2011, 2012 and 2013 was ¥13,708 million, ¥27,257 million and ¥33,286 million, respectively. Total unrecognized compensation cost relating to NSU, based on the fair value of these awards as of March 31, 2013 was ¥5,171 million which will be recognized through the consolidated statements of income over a remaining weighted-average period of 2.4 years. Total unrecognized compensation cost relating to CSU, based on the fair value of these awards as of March 31, 2013 was ¥5,662 million which will be recognized through the consolidated statements of income over a remaining weighted-average period of 2.6 years.

**MYPD awards**

During the year ended March 2013, Nomura issued MYPD awards, which are new performance-based incentive awards for senior management and other senior employees. Under the terms of the award, employees are granted notional performance units which are linked to the profitability of Nomura and specific business segments over a cumulative two year performance period. At the end of the performance period, depending on the extent to which profitability targets are met, the notional performance units are converted into a pre-determined amount of SAR Plan B awards or NSUs.

The MYPD awards are classified as equity awards because these are expected to result in the issuance of SARs. Since these awards contain both performances and service conditions, total compensation cost is recognized over the requisite service period of the employee who receives the award, to the extent it is deemed probable that the performance condition will be met.

The following table presents activity relating to MYPD awards for the year ended March 31, 2013:

	Outstanding (number of shares) <sup>(2)</sup>	Stock price
Granted	28,697,850	¥ 298 <sup>(1)</sup>
Forfeited	(1,542,900)	298
Outstanding as of March 31, 2013	27,154,950	¥ 298

- (1) Weighted-average price of the Company's common stock used to determine number of awards granted during the year.
- (2) Based on the probable number of SARs which will be issued on conversion of notional performance units at the end of the performance period.

F-106

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Total compensation expense recognized within *Non-interest expenses Compensation and benefits* in the consolidated statements of income relating to MYPD awards, based on the current estimate of the extent to which it is probable that the performance conditions within the awards will be met for the year ended March 31, 2013 was ¥2,864 million. As of March 31, 2013, total unrecognized compensation cost relating to MYPD awards was ¥5,233 million. This cost is expected to be recognized over a weighted average period of 3.5 years.

**NIU awards**

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International which have graded vesting over three to five years from the grant date.

The fair value of NIUs is determined using the price of the index.

The following table presents activity relating to NIUs for the year ended March 31, 2013:

	<b>Outstanding (number of units)</b>	<b>Index price<sup>(1)</sup></b>
Outstanding as of March 31, 2012	36,871,138	\$3,320
Granted	46,783,794	2,982 <sup>(2)</sup>
Vested	(29,201,184)	3,398 <sup>(3)</sup>
Forfeited	(4,692,807)	
Outstanding as of March 31, 2013	49,760,941	\$3,674 <sup>(4)</sup>

(1) The price of each unit is determined using 1/1000th of the index price.

(2) Weighted-average index price used to determine number of awards granted.

(3) Weighted-average index price used to determine the final cash settlement amount of the awards.

(4) Index price used to remeasure the total fair value of the remaining outstanding unvested awards as of March 31, 2013.

Total compensation expense recognized within *Non-interest expenses Compensation and benefits* in the consolidated statements of income relating to NIUs for the year ended March 31, 2012 and March 31, 2013 were ¥8,819 and ¥8,266 million respectively. Total unrecognized compensation cost, based on the fair value of these awards as of March 31, 2013 was ¥3,602 million which will be recognized through the consolidated statements of income over a remaining weighted-average period of 2.6 years.

*Subsequent events*

On May 15, 2013, the Company adopted a resolution to issue SARs No. 52, No. 53 and No. 54 of common stock pursuant to the SAR Plan B awards for directors and certain employees of the Company and subsidiaries and has issued SARs on June 5, 2013. The total number of SARs issued is 212,587 for the acquisition of 21,258,700 shares. The exercise price is a nominal ¥1 per share. The SARs vest and are exercisable approximately one to three years after the grant date and expire approximately six to eight years after the grant date.

In May 2013, Nomura also granted the issuance of NSUs, CSUs and NIUs to certain senior management and employees. These awards have a total grant date fair value of ¥45 billion and a vesting period of up to three years.

All new deferred awards granted in May 2013 include Full Career Retirement provisions which permit the 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.





**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Restructuring initiatives:**

During the fiscal year ended March 31, 2012, in anticipation of an ongoing environment of economic uncertainty, Nomura undertook a group-wide restructuring initiative primarily focusing on its Wholesale Division to improve profitability, select accretive businesses aligned with market conditions and to allocate business resources to growth regions accordingly.

As a result of this initial restructuring initiative, Nomura has recognized total restructuring costs of ¥12,397 million and ¥372 million in the consolidated statements of income for the years ended March 31, 2012 and March 31, 2013, respectively and in total, ¥12,769 million as of March 31, 2013. The restructuring costs primarily comprise employee termination costs reported within *Noninterest expenses Compensation and benefits*. Liabilities relating these restructuring costs including currency translation adjustments were ¥7,083 million and ¥2,148 million as of March 31, 2012 and 2013, respectively. For the year ended March 31, 2013, ¥5,710 million had been settled.

This initial restructuring initiative was largely completed during in the year ended March 31, 2013 and therefore the amount of further restructuring costs to be incurred going forward is not expected to be material.

During the second quarter of the year ended March 31, 2013, Nomura has undertaken a further restructuring initiative also focusing on the Wholesale Division to further revise business models and increase business efficiencies.

As a result of this further restructuring initiative, Nomura has recognized ¥15,588 million of restructuring costs in the consolidated statements of income for the year ended March 31, 2013. The restructuring costs primarily comprise employee termination costs which are reported within *Noninterest expenses Compensation and benefits*. As of March 31, 2013, ¥5,741 million of this amount had been settled and the remaining ¥8,165 million after currency translation adjustments is reported as a liability.

This restructuring program is scheduled to be completed during the year ended March 31, 2014, however the total costs to be incurred going forward are currently under evaluation.

**18. Income taxes:**

The components of income tax expense reflected in the consolidated statements of income are as follows.

	Millions of yen		
	Year ended March 31		
	2011	2012	2013
<b>Current:</b>			
Domestic	¥ 175	¥ 13,481	¥ 71,918
Foreign	5,956	7,650	6,164
Subtotal	6,131	21,131	78,082
<b>Deferred:</b>			
Domestic	56,194	34,274	55,257
Foreign	(995)	3,498	(1,300)
Subtotal	55,199	37,772	53,957
<b>Total</b>	<b>¥ 61,330</b>	<b>¥ 58,903</b>	<b>¥ 132,039</b>



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The income tax benefit recognized from net operating losses for the years ended March 31, 2011, 2012 and 2013 totaled ¥4,645 million, ¥1,358 million and ¥2,944 million, respectively.

The Company and its wholly-owned domestic subsidiaries have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Since April 1, 2004, Nomura's domestic effective statutory tax rate had been approximately 41%. Due to the revisions of domestic tax laws during the third quarter ended December 31, 2011, our effective statutory tax rates are 38% for the fiscal years beginning between April 1, 2012 and March 31, 2015, and 36% thereafter.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income (loss) is affected by a number of items, including various tax credits, certain expenses not allowable for income tax purposes and different tax rates applicable to foreign subsidiaries.

The following table presents a reconciliation of the effective income tax rate reflected in the consolidated statements of income to Nomura's effective statutory tax rate for the years ended March 31, 2011, 2012 and 2013.

	Year ended March 31		
	2011	2012	2013
Our effective statutory tax rate	41.0%	41.0%	38.0%
Impact of:			
Changes in deferred tax valuation allowance	1.6	(22.5)	(0.7)
Taxable items to be added on financial profit	5.3	3.8	1.5
Non-deductible expenses	16.6	23.3	12.9
Non-taxable revenue	(8.4)	(29.7)	(9.3)
Dividends from foreign subsidiaries	0.0	0.9	0.2
Tax effect of undistributed earnings of foreign subsidiaries	(0.0)	(1.1)	0.2
Different tax rate applicable to income (loss) of foreign subsidiaries	10.8	14.1	10.0
Effect of changes in domestic tax laws		45.7	0.9
Expiration of loss carryforwards	1.3	2.8	1.3
Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates	(1.3)	(8.8)	
Other	(1.1)	(0.2)	0.5
Effective tax rate	65.8%	69.3%	55.5%

Net deferred tax assets of ¥201,244 million and ¥145,602 million reported within *Other assets* *Other* in the consolidated balance sheets as of March 31, 2012 and 2013, respectively, represent tax effects of the total of the temporary differences and tax loss carryforwards in those tax jurisdictions with net deductible amounts in future years. The net deferred tax liabilities of ¥63,493 million and ¥34,082 million reported within *Other liabilities* in the consolidated balance sheets as of March 31, 2012 and 2013, respectively, represent the total of the temporary differences in those tax jurisdictions with net taxable amounts in future years.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Details of deferred tax assets and liabilities are as follows.

	Millions of yen March 31	
	2012	2013
<b>Deferred tax assets</b>		
Depreciation, amortization and valuation of fixed assets	¥ 70,406	¥ 10,043
Investments in subsidiaries and affiliates	177,522	177,175
Valuation of financial instruments	197,961	146,800
Accrued pension and severance costs	34,291	17,999
Other accrued expenses and provisions	84,628	106,436
Operating losses	313,245	341,177
Other	20,034	5,228
Gross deferred tax assets	898,087	804,858
Less Valuation allowance	(490,986)	(522,220)
Total deferred tax assets	407,101	282,638
<b>Deferred tax liabilities</b>		
Investments in subsidiaries and affiliates	78,262	88,631
Valuation of financial instruments	56,732	53,367
Undistributed earnings of foreign subsidiaries	3,167	2,960
Valuation of fixed assets	117,112	21,950
Other	14,077	4,210
Total deferred tax liabilities	269,350	171,118
<b>Net deferred tax assets</b>	<b>¥ 137,751</b>	<b>¥ 111,520</b>

The valuation allowance mainly relates to deferred tax assets of consolidated subsidiaries with operating loss carryforwards for tax purposes. Based on the cumulative and continuing losses of these subsidiaries, management of Nomura believes that it is more likely than not that the related deferred tax assets will not be realized. The allowances against deferred tax assets are determined based on a review of future realizable value. Changes in the valuation allowance for deferred tax assets are shown below.

	Millions of yen Year ended March 31		
	2011	2012	2013
Balance at beginning of year	¥ 501,554	¥ 461,966	¥ 490,986
Net change during the year	(39,588) <sup>(1)</sup>	29,020 <sup>(2)</sup>	31,234 <sup>(3)</sup>
Balance at end of year	¥ 461,966	¥ 490,986	¥ 522,220

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

- (1) Includes negative ¥33,523 million related to foreign subsidiaries which is mainly due to an effect of utilized loss carryforwards in certain U.S. subsidiaries, negative ¥2,657 million and negative ¥3,408 million related to Japanese subsidiaries and the Company, respectively, which is due mainly to a result of a review of future realizable value for the deferred tax assets previously recorded. In total, ¥39,588 million of allowances decreased for the year ended March 31, 2011.
- (2) Includes ¥24,715 million related to foreign subsidiaries which is mainly due to an increase in non-recoverability of losses in certain foreign subsidiaries, ¥20,014 million related to Japanese subsidiaries which is mainly due to the effect of the conversion of Nomura Land and Building Co., Ltd. into a subsidiary of Nomura Holdings, Inc., and negative ¥15,709 million related to the Company which is due mainly to the decrease of allowance for the deferred tax assets previously recorded. In total, ¥29,020 million of allowances increased for the year ended March 31, 2012.

F-110

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (3) Includes ¥52,862 million related to foreign subsidiaries which is mainly due to an increase in non-recoverability of losses in certain foreign subsidiaries, negative ¥22,903 million related to the de-consolidation of NREH into an equity method affiliate, and ¥1,275 million related to Japanese subsidiaries and the Company, which is determined based on a review of future realizable value. In total, ¥31,234 million of allowances increased for the year ended March 31, 2013.

As of March 31, 2013, no deferred income taxes have been provided on undistributed earnings of foreign subsidiaries totaling ¥2,190 million not expected to be remitted in the foreseeable future. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

As of March 31, 2013, Nomura has net operating loss carryforwards, for income tax purposes, of ¥1,339,383 million mainly resulting from certain U.S. and European subsidiaries. These losses, except for ¥771,418 million, which can be carried forward indefinitely, expire as follows: 2013 through 2022 ¥315,415 million, 2023 and thereafter ¥252,550 million. Nomura believes that it is more likely than not that these loss carryforwards, less valuation allowance, will be realized.

The total amount of unrecognized tax benefits were not significant as of March 31, 2011, 2012 and 2013. Also there were no significant movements of the gross amounts in unrecognized tax benefits and the amount of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2011, 2012 and 2013. Nomura recognizes the accrual of interest related to unrecognized tax benefits and penalties related to unrecognized tax benefits within *Income tax expense* in the consolidated statements of income.

Nomura is under continuous examination by the Japanese National Tax Agency and other tax authorities in major operating jurisdictions such as the United Kingdom ( U.K. ) and U.S. Nomura regularly assesses the likelihood of additional assessments in each tax jurisdiction and the impact on the consolidated financial statements. A liability for unrecognized tax benefits are recorded in the amount that is sufficient to cover potential exposure for an additional tax assessment depending on likelihood. It is reasonably possible that there may be a significant increase in unrecognized tax benefits within 12 months of March 31, 2013. Quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes. However, Nomura does not expect that any change in the gross balance of unrecognized tax benefits would have a material effect on its financial condition.

Nomura operates in multiple taxing jurisdictions, and faces audits from various tax authorities regarding many issues including but not limited to transfer pricing, deductibility of certain expenses, creditability of foreign taxes, and other matters. The table below summarizes the major jurisdictions in which Nomura operates and the earliest year in which Nomura remains subject to examination. Under Hong Kong Special Administrative Region ( Hong Kong ) tax law, the statute of limitation does not apply if the entity records a tax loss, thus not stated in below table.

<b>Jurisdiction</b>	<b>Year</b>
Japan	2008 <sup>(1)</sup>
U.K.	2012
U.S.	2009

- (1) For transfer pricing, the earliest year in which Nomura remains subject to examinations is 2007.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Revisions of domestic tax laws**

On December 2, 2011, the Act to partially revise the Income Tax Act and others in order to construct a tax system corresponding to changes in the structure of economic system (Act No. 114 of 2011) (Act 114) was promulgated. Under Act 114, effective from the fiscal year beginning on or after April 1, 2012, corporate income tax rate has been reduced from 30% to 25.5% and the use of operating loss carryforwards for tax purposes limited to 80% of the current year taxable income before deducting operating loss carryforwards for tax purposes. Also, 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) (Act 117) was promulgated. Under Act 117, effective for three fiscal years beginning between April 1, 2012 and March 31, 2015, a Special Reconstruction Corporate Tax has been imposed on companies, which is calculated by multiplying the base corporate income tax by 10%. As a result, domestic statutory tax rates to calculate deferred tax assets and liabilities are 38% for the temporary differences expected to be reversed between April 1, 2012 and March 31, 2015 and 36% thereafter.

Due to these revisions, for the year ended March 31, 2012, net deferred tax assets decreased by ¥5,510 million as at the revision of domestic tax laws. For the year ended March 31, 2012, income tax expenses increased by ¥5,510 million and net income attributable to NHI shareholders decreased by ¥13,251 million.

**19. Shareholders equity:**

Changes in shares of common stock outstanding are shown below.

	Shares		
	Year ended March 31		
	2011	2012	2013
Number of shares outstanding at beginning of year	3,669,044,614	3,600,886,932	3,663,483,895
New issue		103,429,360	
Common stock held in treasury:			
Repurchases of common stock	(75,030,934)	(50,093,031)	(19,209)
Sales of common stock	2,409	1,530	601
Common stock issued to employees	6,870,600	9,271,600	47,335,900
Other net change in treasury stock	243	(12,496)	159,065
Number of shares outstanding at end of year	3,600,886,932	3,663,483,895	3,710,960,252

The amount available for dividends and acquisition of treasury stock is subject to the restrictions under the Companies Act of Japan. Additional paid-in capital and retained earnings include amounts which the Companies Act of Japan prohibits for the use of dividends and acquisition of treasury stock. As of March 31, 2011, 2012 and 2013, the amounts available for distributions were ¥480,471 million, ¥483,126 million and ¥538,021 million, respectively. These amounts are based on the amounts recorded in the Company's unconsolidated financial statements maintained in accordance with accounting principles and practices prevailing in Japan. U.S. GAAP adjustments incorporated in the accompanying consolidated financial statements but not recorded in the Company's unconsolidated financial statements have no effect on the determination of the amounts available for distributions under the Companies Act of Japan.

Retained earnings include Nomura's share of investee undistributed earnings which have been accounted for based on the equity method, and those Nomura's share of investee undistributed earnings amounted to ¥77,145 million, ¥50,922 million and ¥125,944 million as of March 31, 2011, 2012 and 2013, respectively.





**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

Change in cumulative translation adjustment, net of tax in other comprehensive income (loss) for the year ended March 31, 2013 includes reclassification adjustment of ¥9,844 million for loss due to substantially complete liquidation of an investment in a foreign entity and the amount of income tax benefit allocated to this reclassification adjustment is ¥2,985 million.

Dividends on common stock per share were ¥8 for the year ended March 31, 2011, ¥6 for the year ended March 31, 2012 and ¥8 for the year ended March 31, 2013.

The Company issued new shares of common stock and repurchased common stock in accordance with NLB becoming a wholly owned subsidiary of Nomura for the year ended March 31, 2012. See Note 11 *Business combinations* for further information.

The change in common stock held in treasury includes the change in shares issued to employees under stock-based compensation plans, shares sold to enable shareholders to hold round lots of the 100 share minimum tradable quantity (adding-to-holdings requests) or shares acquired to create round lots or eliminate odd lots. Common stock held in treasury also includes, as of March 31, 2011, 2012 and 2013, 1,062,910 shares, or ¥2,189 million, 908,498 shares, or ¥1,985 million, and 1,257,966 shares, or ¥2,161 million, respectively, held by affiliated companies.

*Subsequent Events*

On April 26, 2013, the board of directors approved a resolution to set up a share buyback program, pursuant to the company's articles of incorporation set out in accordance with Article 459-1 of the Companies Act of Japan as follows: (a) total number of shares authorized for repurchase is up to 40,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥35 billion and (c) the share buyback program will run from May 8, 2013, to May 31, 2013. Under this buyback program, the Company repurchased 40,000,000 shares of common stock at a cost of ¥32,470 million.

**20. Regulatory requirements:**

In April 2011, the Company has been assigned as Final Designated Parent Company who must calculate consolidated capital adequacy ratio and since then, our consolidated capital adequacy ratio has been calculated based on Capital Adequacy Notice on Final Designated Parent Company. Note that Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and Basel III and we have calculated Basel III-based consolidated capital adequacy ratio since March 2013.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital, total capital, credit risk-weighted assets, market risk and operational risk. As of March 31, 2013, we were in compliance with the requirement for common equity Tier1 capital ratio, Tier 1 capital ratio and consolidated capital adequacy ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of March 31, 2013 is 3.5% for common equity Tier 1 capital ratio, 4.5% for Tier 1 capital ratio and 8% for consolidated capital adequacy ratio). Also, as of March 31, 2012, the Company was in compliance with the minimum capital requirement set out in the Basel 2.5-based Capital Adequacy Notice on Final Designated Parent Company.

Under the Financial Instruments and Exchange Act (the "FIEA"), NSC and Nomura Financial Products & Services, Inc. ("NFPS") are subject to the capital adequacy rules of the FSA. This rule requires the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

equity, net unrealized gains and losses on securities held, reserves and subordinated debts) less illiquid assets. The business risks are divided into three categories: (1) market risks, (2) counterparty risks, and (3) basic risks. Under this rule, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. As of March 31, 2012 and 2013, the capital adequacy ratio of NSC exceeded 120%. As of March 31, 2013, the capital adequacy ratio of NFPS exceeded 120%.

Financial Instruments Firms in Japan are required to segregate cash deposited by clients on securities transactions under the FIEA. As of March 31, 2012 and 2013, NSC segregated bonds with a market value of ¥269,979 million and ¥459,037 million and equities with a market value of ¥6,353 million and ¥7,861 million, respectively, which were either included in *Trading assets* on the accompanying consolidated balance sheets or borrowed under lending and borrowing securities contracts, as a substitute for cash.

In the U.S., Nomura Securities International, Inc. ( NSI ) is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commission merchant with the Commodity Futures Trading Commission ( CFTC ). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority and the Chicago Mercantile Exchange Group as its designated self regulatory organization. NSI is subject to the Securities and Exchange Commission's Uniform Net Capital Rule ( Rule 15c3-1 ) and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. The subsidiary is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. The subsidiary is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. As of March 31, 2012 and 2013, the subsidiary was in compliance with all applicable regulatory capital adequacy requirements.

In Europe, Nomura Europe Holdings plc ( NEHS ) is regulated on a consolidated basis by the Prudential Regulatory Authority in the U.K., which imposes minimum capital adequacy requirements on NEHS. Nomura International plc ( NIP ), the most significant of NEHS' subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the Prudential Regulation Authority in the U.K. Nomura Bank International plc ( NBI ), another subsidiary of NEHS, is also regulated by the Prudential Regulation Authority in the U.K. on a standalone basis. As of March 31, 2012 and 2013, the NEHS, NIP and NBI were in compliance with all relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited ( NIHK ) and Nomura Singapore Ltd ( NSL ) are regulated by the respective authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing in securities and futures contracts, and advising on securities, futures contracts and corporate finance. NIHK assumed from its fellow subsidiary, Nomura Securities (Hong Kong) Ltd, the roles of the exchange participant at the Stock Exchange of Hong Kong Ltd., the futures commission merchant at the Hong Kong Futures Exchange Ltd. and the clearing participants at the Hong Kong Securities Clearing Co. Ltd., the SEHK Options Clearing House Ltd. and HKFE Clearing Corporation Ltd with effect from April 22, 2013. NIHK has a branch located in Taiwan which is regulated by its local regulators under its respective jurisdictions. Activities of NIHK including its branch are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain its liquid capital at a level not less than its required liquid capital. Liquid capital means an amount by which its liquid assets exceed its ranking liabilities. Required liquid capital is calculated in accordance with the provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with Asian Currency Unit ( ACU ) license governed by

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

the Monetary Authority of Singapore ( MAS ). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. The regulations require NSL to maintain a minimum capital of SGD15 million. Currently, NSL is observing relevant financial ratios which fulfill the requirement from MAS. As of March 31, 2012 and 2013, NIHK and NSL were in compliance with all relevant regulatory capital related requirements.

**21. Affiliated companies and other equity-method investees:**

Nomura's significant affiliated companies and other equity-method investees include JAFCO Co., Ltd. ( JAFCO ), NRI, NREH, and Fortress Investment Group LLC ( Fortress ).

During the year ended March 31, 2012, NLB was consolidated and Chi-X Europe Limited ( Chi-X Europe ) was disposed of. Both of these companies have historically been reported as significant affiliated companies of Nomura.

**JAFCO**

JAFCO, which is a listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies.

In May 2011, the Company purchased 382,000 shares of NLB for ¥18,145 million from JAFCO when Nomura purchased additional issued shares of NLB and made it a subsidiary. See Note 11 *Business combinations* for further information. In addition, Nomura indirectly acquired an additional 0.3% equity interest in JAFCO at the same time.

As of March 31, 2013, Nomura's ownership of JAFCO was 24.4% and there was no remaining equity method goodwill included in the carrying amount of the investment.

**NRI**

NRI develops and manages computer systems and provides research services and management consulting services. One of the major clients of NRI is Nomura.

In May 2011, Nomura indirectly acquired an additional 0.9% equity interest in NRI, when Nomura purchased additional issued shares of NLB and made it a subsidiary.

In July 2011, the Company acquired 381,520 shares of NLB from NRI and issued 45,019,360 common shares to NRI as a result of the share exchange. See Note 11 *Business combinations* for further information.

As of March 31, 2013, Nomura's ownership of NRI was 38.8% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥56,473 million.

**NLB**

NLB owns certain of Nomura's leased office space in Japan. NLB became a consolidated subsidiary of Nomura on May 24, 2011 and is therefore no longer an affiliated company of Nomura. See Note 11 *Business combinations* for further information. In addition, lease transactions with Nomura while NLB was an affiliated company of Nomura are disclosed in Note 10 *Leases*.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Fortress**

Fortress is a global investment management firm. Fortress raises, invests and manages private equity funds, hedge funds and publicly traded alternative investment vehicles. The investment in Fortress is treated as an investment in a limited partnership and is accounted for by the equity method of accounting.

As of March 31, 2013, Nomura's ownership of Fortress was 12.5% and there was no remaining equity method goodwill included in the carrying value of the investment.

**Chi-X Europe**

The investment in Chi-X Europe was accounted for by the equity method from December 31, 2009.

On February 18, 2011, BATS Global Markets, Inc. ( BATS ) entered into a definitive agreement to acquire 100% of the outstanding stock of Chi-X Europe. After regulatory approval, Nomura exchanged its shares in Chi-X Europe for approximately 7% (fully diluted) of the outstanding stock of BATS. As a result, Chi-X Europe is therefore no longer an affiliated company of Nomura.

**NREH**

NREH was a consolidated subsidiary of Nomura until March, 2013. In March 2013, Nomura sold 32,040 thousand shares of NREH. As a result, Nomura's voting interest fell to 34.0%. Since Nomura no longer maintains a controlling financial interest in NREH, NREH has been deconsolidated and is now an affiliated company accounted for by the equity method from March 2013.

As part of deconsolidation process, a gain of ¥50,139 million, including unrealized gain of ¥38,468 million from Nomura's remaining shares, was recognized which is reported in the consolidated statements of income within *Revenue Other*.

NREH is a listed company in the First Section of the Tokyo Stock Exchange and the fair value of the retained investment in NREH was estimated using quoted market price.

As of March 31, 2013, Nomura's ownership of NREH was 34.0% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥11,012 million.

**Summary financial information**

A summary of financial information for JAFCO, NRI, NLB and NREH is as follows.

	Millions of yen	
	March 31	
	2012 <sup>(1)</sup>	2013 <sup>(1)(3)</sup>
Total assets	¥ 564,086	¥ 2,307,795
Total liabilities	200,020	1,551,699

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Millions of yen		
	Year ended March 31		
	2011	2012 <sup>(2)</sup>	2013 <sup>(3)</sup>
Net revenues	¥ 590,985	¥ 161,209	¥ 143,193
Non-interest expenses	535,564	105,520	69,899
Net income attributable to the companies	29,392	31,007	48,706

(1) NLB's assets and liabilities are not included because it was not an affiliated company of Nomura as of March 31, 2012 and 2013.

(2) For NLB, financial information while it was an affiliated company of Nomura is included.

(3) NREH is accounted for by the equity method from March 2013. NREH's assets and liabilities are included however Net revenues, Non-interest expenses and Net income attributable to NREH are not included.

A summary of financial information for Fortress is as follows.

	Millions of yen	
	March 31	
	2012 <sup>(1)</sup>	2013 <sup>(1)</sup>
Total assets	¥ 184,650	¥ 203,332
Total liabilities	96,312	88,881

	Millions of yen		
	Year ended March 31		
	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	2013 <sup>(1)</sup>
Net revenues	¥ 89,710	¥ 73,306	¥ 95,356
Non-interest expenses	154,161	166,006	73,956
Net income (loss) attributable to the company	(24,400)	(36,994)	6,487

(1) Financial information for Fortress is as of its fiscal years ended December 31, 2010, 2011 and 2012, respectively. Nomura recognizes its share of Fortress's earnings on a three-month lag.

A summary of balances and transactions with affiliated companies and other equity-method investees, except for lease transactions with NLB and NRI, which are disclosed in Note 10 *Leases*, is presented below.

	Millions of yen	
	March 31	
	2012	2013
Investments in affiliated companies	¥ 183,305	¥ 333,329
Advances to affiliated companies	10,649	12,376
Other receivables from affiliated companies	5,160	8,856
Other payables to affiliated companies	5,643	4,270

	Millions of yen		
	Year ended March 31		
	2011	2012	2013

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Revenues	¥ 3,056	¥ 5,635	¥ 7,418
Non-interest expenses	52,796	49,810	48,755
Purchase of software, securities and tangible assets	20,945	22,904	55,099

F-117

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The aggregate carrying amount and fair value of investments in affiliated companies and other equity-method investees for which a quoted market price is available are as follows.

	Millions of yen March 31	
	2012	2013
Carrying amount	¥ 172,647	¥ 322,747
Fair value	208,827	404,967

Equity in earnings of equity-method investees, including those above, was a gain of ¥11,602 million, gain of ¥5,716 million and gain of ¥18,597 million for the years ended March 31, 2011, 2012 and 2013, respectively. Equity in earnings of equity-method investees is reported within *Revenue Other* in the consolidated statements of income. Dividends from equity-method investees for the years ended March 31, 2011, 2012 and 2013 were ¥4,802 million, ¥4,747 million and ¥5,594 million, respectively.

**22. Commitments, contingencies and guarantees:****Commitments***Credit and investment commitments*

In connection with its banking and financing activities, Nomura provides commitments to extend credit which generally have fixed expiration dates. In connection with its investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite notes that may be issued by the clients. The outstanding commitments under these agreements are included below in commitments to extend credit.

Nomura has commitments to invest in various partnerships and other entities, primarily in connection with its merchant banking activities, and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest in partnerships.

Certain consolidated VIEs which are engaged in the aircraft leasing business have commitments to purchase aircraft. The outstanding commitments under these agreements are included in commitments to purchase aircraft.

The following table presents a summary of the key types of outstanding commitments provided by Nomura as of March 31, 2012 and 2013.

	Millions of yen March 31	
	2012	2013
Commitments to extend credit	¥ 332,009	¥ 369,988
Commitments to invest in partnerships	28,825	29,974
Commitments to purchase aircraft	52,411	30,143



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of March 31, 2013, these commitments had the following maturities:

	Total contractual amount	Millions of yen Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	¥ 369,988	¥ 55,459	¥ 74,810	¥ 126,139	¥ 113,580
Commitments to invest in partnerships	29,974	375	17,702	1,503	10,394
Commitments to purchase aircraft	30,143	21,141	9,002		

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

*Other commitments*

The amounts of commitments to purchase real estate for sale and rental were ¥234,400 million as of March 31, 2012 and ¥nil as of March 31, 2013. Purchase obligations for goods or services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements amounted to ¥37,237 million as of March 31, 2012 and ¥26,228 million as of March 31, 2013.

Nomura has commitments under resale and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki Repo transactions. These commitments amounted to ¥2,519 billion for resale agreements and ¥1,711 billion for repurchase agreements as of March 31, 2012 and ¥4,103 billion for resale agreements and ¥1,152 billion for repurchase agreements as of March 31, 2013. These amounts include certain types of repurchase transactions and securities transactions which Nomura accounts for as sales rather than collateralized financings in accordance with ASC 860.

In Japan, there is a market in which participants lend and borrow debt and equity securities without collateral to and from financial institutions. Under these arrangements, Nomura had obligations to return debt and equity securities borrowed without collateral of ¥269 billion and ¥340 billion as of March 31, 2012 and 2013, respectively.

As a member of securities clearing houses and exchanges, Nomura may be required to pay a certain share of the financial obligations of another member who may default on its obligations to the clearing house or the exchange. These guarantees are generally required under the membership agreements. To mitigate these risks, exchanges and clearing houses often require members to post collateral. The potential for Nomura to make payments under such guarantees is deemed remote.

**Contingencies***Investigations, lawsuits and other legal proceedings*

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fine, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.



**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 *Contingencies* (ASC 450), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company's financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

For those significant actions and proceedings described below where the counterparty has alleged a specific amount of damages, the Company currently estimates that the reasonably possible loss for the matter would not exceed the amount specified in each case. For each of these matters, the specific amount alleged (which is the Company's current estimate of the maximum reasonably possible loss) is indicated in the description of the matter below. For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

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

In April 2010, Lehman Brothers Holdings Inc. and Lehman Brothers Special Financing Inc. (collectively, Lehman Inc.) commenced proceedings in the U.S. Bankruptcy Court in New York objecting to the proof of claims filed by the Company's subsidiary, Nomura Securities Co., Ltd. (NSC) in respect of swaps and other derivative transactions in the total amount of approximately \$37 million, and affirmatively sought recovery of damages. On August 21, 2012, the parties filed a stipulation dismissing with prejudice the proceedings and resolving the claim.

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, the Fairfield Funds), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (under the liquidation with its trustee's on-going recovery procedure pursuant to the Securities Investor Protection Act in the U.S. since December 2008). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the U.S. Bankruptcy Court, where it is presently pending. The second suit was brought by the Madoff Trustee. NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the U.S. Bankruptcy Court. Both actions seek to recover approximately \$35 million. The \$35 million amount is Nomura's current estimate of the maximum reasonably possible loss from this matter.

In March 2011, PT Bank Mutiara Tbk. (Bank Mutiara) commenced proceedings in the Commercial Court of the Canton of Zurich against a SPC established at the request of NIP (the main operating subsidiary of Nomura in the U.K.). The SPC is included as part of NIP's consolidated accounts. These are proceedings to challenge the SPC's rights over approximately \$156 million in an account held in Switzerland. The SPC has a security interest over the money pursuant to a loan facility with Telltop Holdings Limited, a third party company. Telltop Holdings Limited is currently in liquidation. The SPC does not believe that Bank Mutiara has any enforceable security interest over the funds and is seeking release of the monies.

In April 2011, the Federal Home Loan Bank of Boston (FHLB-Boston) commenced proceedings in the Superior Court of Massachusetts against numerous issuers, sponsors and underwriters of residential mortgage-backed securities (MBS), and their controlling persons, including Nomura Asset Acceptance Corporation (NAAC), Nomura Credit & Capital, Inc. (NCCI), Nomura Securities International, Inc. (NSI) and Nomura Holding America Inc. (NHA). The action alleges that FHLB-Boston purchased residential MBS issued by NAAC for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHLB-Boston seeks rescission of its purchases or compensatory damages pursuant to state law. FHLB-Boston alleges that it purchased certificates in four offerings issued by NAAC but does not specify the amount of its purchases or the amount of any alleged losses. Due to the lack of information at this early stage of the litigation and the uncertainties involved, including lack of information concerning the alleged purchases by the plaintiff, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In July 2011, the National Credit Union Administration Board (NCUA) commenced proceedings in the United States District Court for the Central District of California as liquidating agent of Western Corporate Federal Credit Union (WesCorp) against various issuers, sponsors and underwriters of residential MBS purchased by WesCorp. The complaint alleges that WesCorp purchased residential MBS issued by NAAC and Nomura Home Equity Loan Inc. (NHEL), among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that WesCorp purchased certificates in two offerings in the original principal amount of approximately \$83 million and seeks rescission of its purchases or compensatory damages. The court has issued tentative rulings dismissing NCUA's claims, but no order has yet been entered. Due to the legal uncertainties involved, as well as the lack of any discovery concerning the facts, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In September 2011, the Federal Housing Finance Agency (FHFA), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (the GSEs), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of residential MBS, and their controlling persons, including NAAC, NHEL, NCCI, NSI and NHA, (the Company's U.S. subsidiaries). The action alleges that the GSEs

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

purchased residential MBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleges that the GSEs purchased certificates in seven offerings in the original principal amount of approximately \$2,046 million and seeks rescission of its purchases or compensatory damages. The court has denied the motion to dismiss filed by the Company's U.S. subsidiaries and the parties are involved in the discovery process. Given the lack of any expert discovery at this stage of the litigation and certain legal uncertainties, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In October 2011, the NCUA commenced proceedings in the United States District Court for the District of Kansas as liquidating agent of U.S. Central Federal Credit Union ( U.S. Central ) against various issuers, sponsors and underwriters of residential MBS purchased by U.S. Central, including NHEL. The complaint alleges that U.S. Central purchased residential MBS issued by NHEL, among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleges that U.S. Central purchased a certificate in one offering in the original principal amount of approximately \$50 million and seeks rescission of its purchase or compensatory damages. The court denied, in part, motions to dismiss filed by the defendants, but has certified for interlocutory appeal an issue that would substantially resolve the action in the defendants' favor. Due to the lack of factual information at this early stage of the litigation and the legal uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In November 2011, NIP was served with a claim filed by the trustee (the Madoff Trustee ) appointed for the liquidation of Bernard L. Madoff Investment Securities LLC ( BLMIS ) in the United States Bankruptcy Court Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. The amount that the Madoff Trustee is currently seeking to recover from NIP is approximately \$21 million. The specified amount alleged is the Company's current estimate of the maximum reasonably possible loss from this matter.

In August 2012, The Prudential Insurance Company of America and certain of its affiliates filed several complaints in the Superior Court of New Jersey against various issuers, sponsors and underwriters of residential MBS, including an action against NHEL, NCCI and NSI. The action against these Nomura subsidiaries has been removed to federal court. The complaint alleges that the plaintiffs purchased over \$183 million in residential mortgage-backed securities from five different offerings. The plaintiffs allege that the offering materials contained material misrepresentations that were fraudulent regarding the underwriting practices and quality of the loans underlying the securities. The plaintiffs allege causes of action for fraud, aiding and abetting fraud, negligent misrepresentation, and New Jersey Civil RICO, and seek to recover, among other things, compensatory and treble damages. Due to the lack of factual information at this early stage of the litigation and the legal uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to this matter at this time.

In March 2013, Banca Monte dei Paschi di Siena SpA ( MPS ) issued a claim in the Italian Courts against two former directors of MPS and NIP. MPS alleges that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (the Transactions ) and alleges that NIP is jointly liable for the unlawful conduct of MPS's former directors. MPS is claiming damages of not less than EUR700 million. An investigation has also been commenced by the Public Prosecutor's office in Siena, Italy into various

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

allegations against MPS and certain of its former directors, including in relation to the Transactions. Starting on April 15, 2013, the Public Prosecutor in Siena issued seizure orders in relation to the Transactions seeking to seize the Transactions and approximately EUR 1.9 billion of assets said to be held or receivable in various NIP and Nomura Bank International plc ( NBI ) accounts in, or managed through, Italy and alleging that the Transactions involved offenses under Italian law. NBI was informed on April 23, 2013 that a seizure order had been effected over a small amount of cash and certain receivables in Italy. On April 26, 2013, the relevant Italian criminal judge issued an order declining to validate the various seizure orders issued by the Public Prosecutor. Accordingly, on the same date, the Public Prosecutor ordered the immediate restitution of all assets subject to seizure. The Public Prosecutor has subsequently lodged an appeal against the order of the relevant Italian criminal judge that declined to validate the seizure orders. It is not possible for the Company to determine whether any loss is probable or to estimate the amount of any loss in this proceeding. Numerous legal and factual issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before the amount of any potential liability can be reasonably estimated for this claim. The Company cannot predict if, how, or when the claim will be resolved or what any eventual settlement, fine, penalty or other relief may be, particularly since the claim is at an early stage in its development and the claimant is seeking substantial damages.

NSC is the leading securities firm in Japan with approximately five million client accounts. Accordingly, with a significant number of client transactions, NSC is from time to time party to various Japanese civil litigation and other dispute resolution proceedings with clients relating to investment losses. These include an action commenced against NSC in April 2012 by a corporate client seeking ¥5,102 million in damages for losses on the pre-maturity cash out of 16 series of currency-linked structured notes purchased from NSC between 2003 and 2008. The plaintiff alleges among other things, insufficient explanation in the sale of the structured notes by NSC. NSC believes these allegations are without merit. The specified amount alleged is the Company's current estimate of the maximum reasonably possible loss from this matter.

**Subsequent Events**

In April 2013, another action in relation to investment losses was commenced against NSC by a corporate client seeking ¥10,247 million in damages for losses on currency derivative transactions and the pre-maturity cash out or redemption of 11 series of equity-linked structured notes purchased from NSC between 2005 and 2011. The plaintiff alleges among other things, insufficient explanation before entering into the transaction or in the sale of the structured notes by NSC. NSC believes these allegations are without merit. The specified amount alleged is the Company's current estimate of the maximum reasonably possible loss from this matter.

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

*Other mortgage-related contingencies in the U.S.*

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

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties.

---

**Table of Contents**

**NOMURA HOLDINGS, INC.**

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

The representations included, but were not limited to, information concerning the borrower's credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator's guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the MBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. It is our policy to review each claim that has been received, and the subsidiaries have contested those claims believed to be without merit or have agreed to repurchase certain loans for those claims that the subsidiaries have determined to have merit. In several instances, following the rejection of repurchase demands, investors have instituted actions through the trustee alleging breach of contract. These breach of contract claims, which seek to enforce the repurchase demands made, are at a very early stage.

The Company cannot provide an estimate of reasonably possible loss relating to the existing unresolved demands or the likelihood of additional breach of representation claims at this time due to the uncertainties involved. Specifically, macroeconomic conditions, including the unemployment rate, affect the rate of defaults in residential mortgages. Further, the Company's exposure with respect to such claims is influenced by the particular originators which underwrote the loans at issue, the particular representations made (which were not uniform across all securitizations), and fluctuations in values in the residential real estate markets which affect the loss severity for defaulting loans. As at June 13, 2013, the subsidiaries have received claims to repurchase loans with original principal of \$4,663 million that are unresolved. Further, due to the lack of factual information at this early stage and the legal uncertainties involved, the Company cannot provide an estimate of reasonably possible loss related to breach of contract claims arising from rejected repurchase demands.

**Guarantees**

ASC 460 *Guarantees* specifies the disclosures to be made in regards to obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation at inception.

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen March 31			
	2012			2013
	Carrying value	Maximum potential payout / Notional total	Carrying value	Maximum potential payout / Notional total
Derivative contracts <sup>(1)(2)</sup>	¥ 3,997,315	¥ 107,572,427	¥ 4,510,650	¥ 123,980,481
Standby letters of credit and other guarantees <sup>(3)</sup>	264	21,674	277	9,084

(1) Credit derivatives are disclosed in Note 3 *Derivative instruments and hedging activities* and are excluded from derivative contracts.

(2) Derivative contracts primarily consist of equity, interest rate and foreign exchange contracts.

(3) Collateral held in connection with standby letters of credit and other guarantees as of March 31, 2012 was ¥6,377 million and as of March 31, 2013 is ¥6,374 million.

The following table presents maturity information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees as of March 31, 2013.

	Millions of yen Maximum potential payout/Notional Years to Maturity					
	Carrying value	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Derivative contracts	¥ 4,510,650	¥ 123,980,481	¥ 39,561,164	¥ 31,284,453	¥ 13,333,026	¥ 39,801,838
Standby letters of credit and other guarantees	277	9,084	8	319	668	8,089

**23. Segment and geographic information:****Operating segments**

Nomura's operating management and management reporting are prepared based on the Retail, the Asset Management, and the Wholesale segments. Nomura structures its business segments based upon the nature of its main products and services, its client base and its management structure.

The accounting policies for segment information materially follow U.S. GAAP, except for the impact of unrealized gains/losses on investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in Other, based upon Nomura's allocation methodologies as used by management to assess each segment's performance.





**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Business segments results are shown in the following tables. Net interest revenue is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management. In April 2011, Nomura Bank (Luxembourg) S.A. in the Asset Management segment was integrated into Other. And, in accordance with the realignment in April 2012, certain prior period amounts have been reclassified to confirm with the current fiscal year presentation (Wholesale and Other).

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
<b>Year ended March 31, 2011</b>					
Non-interest revenue	¥ 389,404	¥ 62,670	¥ 532,527	¥ 71,684	¥ 1,056,285
Net interest revenue	3,029	3,865	93,607	(9,192)	91,309
Net revenue	392,433	66,535	626,134	62,492	1,147,594
Non-interest expenses	291,245	46,513	622,000	77,685	1,037,443
Income (loss) before income taxes	¥ 101,188	¥ 20,022	¥ 4,134	¥ (15,193)	¥ 110,151
<b>Year ended March 31, 2012</b>					
Non-interest revenue	¥ 347,385	¥ 63,022	¥ 428,738	¥ 572,918	¥ 1,412,063
Net interest revenue	2,873	2,778	126,311	(11,973)	119,989
Net revenue	350,258	65,800	555,049	560,945	1,532,052
Non-interest expenses	287,128	45,281	592,701	525,792	1,450,902
Income (loss) before income taxes	¥ 63,130	¥ 20,519	¥ (37,652)	¥ 35,153	¥ 81,150
<b>Year ended March 31, 2013</b>					
Non-interest revenue	¥ 394,294	¥ 66,489	¥ 491,773	¥ 695,695	¥ 1,648,251
Net interest revenue	3,631	2,448	153,083	(31,467)	127,695
Net revenue	397,925	68,937	644,856	664,228	1,775,946
Non-interest expenses	297,297	47,768	573,199	657,637	1,575,901
Income (loss) before income taxes	¥ 100,628	¥ 21,169	¥ 71,657	¥ 6,591	¥ 200,045

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in Other column.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents the major components of income (loss) before income taxes in Other.

	Millions of yen Year ended March 31		
	2011	2012	2013
Net gain related to economic hedging transactions	¥ 2,290	¥ 8,372	¥ 989
Realized gain on investments in equity securities held for operating purposes	219	198	1,001
Equity in earnings of affiliates	8,996	10,613	14,401
Corporate items <sup>(1)(3)</sup>	(34,476)	(32,129)	17,652
Other <sup>(2) (3)</sup>	7,778	48,099	(27,452)
Total <sup>(3)</sup>	¥ (15,193)	¥ 35,153	¥ 6,591

(1) Includes the gain due to the business combination with NLB in *Corporate items* during the year ended March 31, 2012.

(2) Includes the impact of Nomura's own creditworthiness.

(3) 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.

The table below presents a reconciliation of the combined business segments' results included in the preceding table to Nomura's reported *Net revenue*, *Non-interest expenses* and *Income before income taxes* in the consolidated statements of income.

	Millions of yen Year ended March 31		
	2011	2012	2013
Net revenue	¥ 1,147,594	¥ 1,532,052	¥ 1,775,946
Unrealized gain (loss) on investments in equity securities held for operating purposes	(16,896)	3,807	37,685
Consolidated net revenue	¥ 1,130,698	¥ 1,535,859	¥ 1,813,631
Non-interest expenses	¥ 1,037,443	¥ 1,450,902	¥ 1,575,901
Unrealized gain (loss) on investments in equity securities held for operating purposes			
Consolidated non-interest expenses	¥ 1,037,443	¥ 1,450,902	¥ 1,575,901
Income before income taxes	¥ 110,151	¥ 81,150	¥ 200,045
Unrealized gain (loss) on investments in equity securities held for operating purposes	(16,896)	3,807	37,685
Consolidated income before income taxes	¥ 93,255	¥ 84,957	¥ 237,730

**Geographic information**

Nomura's identifiable assets, revenues and expenses are generally allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding global nature of Nomura's activities and

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

F-127

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below present a geographic allocation of net revenue and income (loss) before income taxes from operations by geographic areas, and long-lived assets associated with Nomura's operations. Net revenue in Americas and Europe substantially represents Nomura's operations in the U.S. and the U.K., respectively. Net revenue and long-lived assets have been allocated based on transactions with external customers while income (loss) before income taxes has been allocated based on the inclusion of intersegment transactions.

	Millions of yen		
	Year ended March 31		
	2011	2012	2013
<b>Net revenue<sup>(1)</sup>:</b>			
Americas	¥ 168,889	¥ 143,350	¥ 208,962
Europe	257,135	195,826	172,761
Asia and Oceania	44,474	34,819	43,265
Subtotal	470,498	373,995	424,988
Japan	660,200	1,161,864	1,388,643
Consolidated	¥ 1,130,698	¥ 1,535,859	¥ 1,813,631
<b>Income (loss) before income taxes:</b>			
Americas	¥ 4,410	¥ (24,612)	¥ 25,730
Europe	(43,627)	(91,544)	(93,099)
Asia and Oceania	(16,296)	(12,937)	(12,063)
Subtotal	(55,513)	(129,093)	(79,432)
Japan	148,768	214,050	317,162
Consolidated	¥ 93,255	¥ 84,957	¥ 237,730
		<b>March 31</b>	
	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Long-lived assets:</b>			
Americas	¥ 91,295	¥ 94,698	¥ 118,302
Europe	115,352	114,195	111,381
Asia and Oceania	31,642	23,892	20,471
Subtotal	238,289	232,785	250,154
Japan	270,945	973,711	294,002
Consolidated	¥ 509,234	¥ 1,206,496	¥ 544,156

(1) There is no revenue derived from transactions with a single major external customer.

**24. Supplementary subsidiary guarantee information required under SEC rules:**

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

The Company provides several guarantees of borrowings of its subsidiaries. The Company has fully and unconditionally guaranteed the securities issued or to be issued by Nomura America Finance LLC, which is an indirect, wholly owned finance subsidiary of the Company.

F-128

**Table of Contents**

**Consolidated Financial Statements**

**Nomura Research Institute, Ltd.**

*At 31st March, 2012 and 2013 (unaudited) and  
for the years ended 31st March, 2011 (unaudited), 2012,  
and 2013 (unaudited) with Report of Independent Auditors*

Unless otherwise noted, the amounts included in the financial statements are expressed in millions of yen with fractional amounts rounded off.

A-1

**Table of Contents**

**Report of Independent Auditors**

The Board of Directors and Shareholders of

Nomura Research Institute, Ltd.

We have audited the accompanying consolidated balance sheet of Nomura Research Institute, Ltd. (the Company ) as of March 31, 2012, and the related consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the 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 audit provides 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 Research Institute, Ltd. at March 31, 2012 and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The accompanying consolidated balance sheet of Nomura Research Institute, Ltd. as of March 31, 2013, and the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years ended March 31, 2011 and 2013 were not audited by us in accordance with auditing standards generally accepted in the United States and, accordingly, we do not express an opinion on them in accordance with auditing standards generally accepted in the United States.

/s/ Ernst & Young ShinNihon LLC

June 27, 2012



**Table of Contents****Nomura Research Institute, Ltd.****Consolidated Balance Sheets**

	Millions of yen 31st March,	
	2012	2013 (unaudited)
<b>Assets</b>		
Current assets:		
Cash and bank deposits ( <i>Notes 2 and 10</i> )	¥ 8,462	¥ 10,274
Short-term investment securities ( <i>Notes 2, 3 and 10</i> )	81,079	90,186
Accounts receivable and other receivables ( <i>Notes 2 and 4</i> )	76,192	76,530
Inventories	178	223
Deferred income taxes ( <i>Note 8</i> )	7,066	7,291
Other current assets	3,906	4,803
Allowance for doubtful accounts	(79)	(74)
Total current assets	176,804	189,233
Property and equipment ( <i>Note 5</i> ):		
Land	13,600	12,141
Buildings, net	33,167	40,502
Machinery and equipment, net	12,899	10,743
Leased assets, net ( <i>Note 12</i> )	114	70
Construction in progress	7,789	
Property and equipment, net	67,569	63,456
Software and other intangibles	57,862	42,854
Investment securities ( <i>Notes 2 and 3</i> )	61,273	88,378
Investments in affiliates ( <i>Notes 2 and 3</i> )	1,253	10,441
Deferred income taxes ( <i>Note 8</i> )	15,778	14,381
Long-term loans receivable ( <i>Note 2</i> )	7,821	7,937
Lease investment assets	446	436
Other assets ( <i>Note 6</i> )	14,024	15,179
Allowance for doubtful accounts	(46)	(46)
Total assets	¥ 402,784	¥ 432,249

See accompanying notes to consolidated financial statements.

**Table of Contents****Nomura Research Institute, Ltd.****Consolidated Balance Sheets (Continued)**

	Millions of yen 31st March, 2012                      2013 (unaudited)	
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable ( <i>Note 2</i> )	¥ 21,811	¥ 20,498
Current portion of convertible bonds ( <i>Note 2</i> )		49,996
Current portion of long-term loans payable ( <i>Note 2</i> )	2,531	2,453
Lease obligations, current	201	268
Accrued expenses	19,781	18,664
Income taxes payable	10,093	11,318
Advance payments received	4,807	5,184
Asset retirement obligations	8	3
Other current liabilities	10,149	9,806
<b>Total current liabilities</b>	<b>69,381</b>	<b>118,190</b>
Convertible bonds ( <i>Note 2</i> )	49,997	
Long-term loans payable ( <i>Note 2</i> )	6,677	4,250
Lease obligations	411	342
Deferred income taxes ( <i>Note 8</i> )	27	38
Employees' retirement benefits ( <i>Note 7</i> )	17,251	17,965
Asset retirement obligations	699	601
Guarantee deposits received	64	
Commitments and contingent liabilities ( <i>Note 17</i> )		
Net assets ( <i>Notes 9 and 11</i> ):		
Shareholders' equity:		
Common stock:		
Authorized 750,000,000 shares at 31st March, 2012 and 2013		
Issued 225,000,000 shares at 31st March, 2012 and 2013	18,600	18,600
Additional paid-in capital	14,800	14,800
Retained earnings	286,907	305,058
Treasury stock, at cost:		
28,834,693 shares at 31st March, 2012 and 27,384,993 shares at 31st March, 2013	(68,841)	(65,381)
<b>Total shareholders' equity</b>	<b>251,466</b>	<b>273,077</b>
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities ( <i>Note 3</i> )	7,966	17,937
Foreign currency translation adjustment	(2,575)	(1,640)
<b>Total accumulated other comprehensive income</b>	<b>5,391</b>	<b>16,297</b>
Share subscription rights ( <i>Note 18</i> )	1,420	1,411
Minority interests		78
<b>Total net assets</b>	<b>258,277</b>	<b>290,863</b>
<b>Total liabilities and net assets</b>	<b>¥ 402,784</b>	<b>¥ 432,249</b>

See accompanying notes to consolidated financial statements.



**Table of Contents****Nomura Research Institute, Ltd.****Consolidated Statements of Income and Comprehensive Income**

	Millions of yen Year ended 31st March,		
	2011 (Unaudited)	2012	2013 (Unaudited)
Sales	¥ 326,329	¥ 335,555	¥ 363,891
Cost of sales	233,120	235,516	262,315
Gross profit	93,209	100,039	101,576
Selling, general and administrative expenses (Notes 13 and 14)	54,782	56,886	57,562
Operating profit	38,427	43,153	44,014
Other income (expenses):			
Interest and dividend income	1,585	1,363	1,268
Interest expense	(8)	(71)	(57)
Equity in earnings (losses) of affiliates	(12)	111	339
Loss on property and equipment			(7,732)
Gain (loss) on investment securities (Note 3)	130	(130)	(75)
Gain on bargain purchase			4,661
Gain on investments in affiliates (Note 3)		8,564	
Special dividend income		3,011	
Reversal of share-based compensation (Note 18)		73	158
Impact of applying accounting standard for asset retirement obligations	(364)		
Other, net	96	131	291
	1,427	13,052	(1,147)
Income before income taxes and minority interests	39,854	56,205	42,867
Provision for income taxes (Note 8):			
Current	14,865	19,501	16,679
Deferred	1,799	3,783	(2,419)
	16,664	23,284	14,260
Income before minority interests	23,190	32,921	28,607
Income (loss) attributable to minority interests	2		(3)
Net income (Note 11)	¥ 23,188	¥ 32,921	¥ 28,610
Income (loss) attributable to minority interests	¥ 2	¥	¥ (3)
Income before minority interests	23,190	32,921	28,607
Other comprehensive income (Note 15):			
Valuation difference on available-for-sale securities	(2,178)	1,708	9,701
Foreign currency translation adjustment	(406)	94	898
Share of other comprehensive income of affiliates	(13)	6	307
Total other comprehensive income	(2,597)	1,808	10,906
Comprehensive income	¥ 20,593	¥ 34,729	¥ 39,513

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥ 20,591	¥ 34,729	¥ 39,516
Comprehensive income attributable to minority interests	2		(3)

See accompanying notes to consolidated financial statements.

A-5

**Table of Contents****Nomura Research Institute, Ltd.****Consolidated Statements of Changes in Net Assets**

	Millions of yen										
	Shareholders equity				Total shareholders equity	Accumulated other comprehensive income			Share subscription rights	Minority interests	Total net assets
Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities		Foreign currency translation adjustment	Total accumulated other comprehensive income				
<b>Balance at 1st April, 2010 (Unaudited)</b>	¥ 18,600	¥ 15,018	¥ 251,800	¥ (72,526)	¥ 212,892	¥ 8,436	¥ (2,256)	¥ 6,180	¥ 1,155	¥ 10	¥ 220,237
Disposition of treasury stock				241	241						241
Loss on disposition of treasury stock		(24)			(24)						(24)
Net income			23,188		23,188						23,188
Cash dividends paid			(10,122)		(10,122)						(10,122)
Net changes other than in shareholders equity						(2,178)	(419)	(2,597)	162	(10)	(2,445)
<b>Balance at 1st April, 2011 (Unaudited)</b>	18,600	14,994	264,866	(72,285)	226,175	6,258	(2,675)	3,583	1,317		231,075
Disposition of treasury stock				3,444	3,444						3,444
Loss on disposition of treasury stock		(194)	(735)		(929)						(929)
Net income			32,921		32,921						32,921
Cash dividends paid			(10,145)		(10,145)						(10,145)
Net changes other than in shareholders equity						1,708	100	1,808	103		1,911
<b>Balance at 1st April, 2012</b>	18,600	14,800	286,907	(68,841)	251,466	7,966	(2,575)	5,391	1,420		258,277
Disposition of treasury stock				3,460	3,460						3,460
Loss on disposition of treasury stock			(944)		(944)						(944)
Net income			28,610		28,610						28,610
Cash dividends paid			(10,220)		(10,220)						(10,220)
Change of scope of equity			705		705						705

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

method

Net changes  
other than in  
shareholders  
equity

9,971	935	10,906	(9)	78	10,975
-------	-----	--------	-----	----	--------

**Balance at 31st  
March, 2013**

<b>(Unaudited)</b>	¥ 18,600	¥ 14,800	¥ 305,058	¥ (65,381)	¥ 273,077	¥ 17,937	¥ (1,640)	¥ 16,297	¥ 1,411	¥ 78	¥ 290,863
--------------------	----------	----------	-----------	------------	-----------	----------	-----------	----------	---------	------	-----------

See accompanying notes to consolidated financial statements.

A-6

**Table of Contents****Nomura Research Institute, Ltd.****Consolidated Statements of Cash Flows**

	Millions of yen Year ended 31st March,		
	2011 (Unaudited)	2012	2013 (Unaudited)
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	¥ 39,854	¥ 56,205	¥ 42,867
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	30,666	30,875	42,475
Interest and dividend income	(1,585)	(4,374)	(1,268)
Interest expense	8	71	57
Loss on property and equipment			7,732
Loss (gain) on investment securities	(130)	130	75
Gain on bargain purchase			(4,661)
Gain on investments in affiliates		(8,564)	
Impact of applying accounting standard for asset retirement obligations	364		
Changes in operating assets and liabilities:			
Accounts receivable and other receivables, net of advance payments received	(1,727)	(5,728)	1,834
Allowance for doubtful accounts	(23)	(42)	(7)
Accounts payable	(4,305)	1,482	(4,218)
Inventories	176	78	(18)
Employees' retirement benefits	(3,463)	(3,438)	(1,728)
Other	2,872	834	(683)
Subtotal	62,707	67,529	82,457
Interest and dividends received	1,395	4,499	1,528
Interest paid	(5)	(72)	(56)
Income taxes paid	(15,319)	(18,889)	(15,564)
Net cash provided by operating activities	48,778	53,067	68,365
<b>Cash flows from investing activities</b>			
Payments for time deposits	(1,129)	(782)	(1,111)
Proceeds from time deposits	331	853	1,051
Purchase of short-term investment securities	(19,933)	(13,234)	
Proceeds from sales and redemption of short-term investment securities	6,300	14,910	11,800
Acquisition of property and equipment	(9,565)	(20,848)	(15,668)
Proceeds from sales of property and equipment	5	34	1,158
Purchase of software and other intangibles	(10,211)	(21,399)	(16,162)
Proceeds from sales of software and other intangibles		346	
Payments for asset retirement obligations	(64)	(31)	(40)
Purchase of investment securities	(31)	(29,285)	(21,415)
Proceeds from sales and redemption of investment securities	6,558	5,351	6,614
Purchase of investments in affiliates	(15)		(2,264)
Proceeds from sales of investments in affiliates (Note 16)		16,326	
Other	30	27	17
Net cash used in investing activities	¥ (27,724)	¥ (47,732)	¥ (36,020)



**Table of Contents****Nomura Research Institute, Ltd.****Consolidated Statements of Cash Flows (Continued)**

	Millions of yen		
	Year ended 31st March,		
	2011	2012	2013
	(Unaudited)		(Unaudited)
<b>Cash flows from financing activities</b>			
Increase in short-term loans payable	¥ 3,500	¥ 6,922	¥ 554
Decrease in short-term loans payable	(3,500)	(6,922)	(554)
Proceeds from long-term loans payable	11,783		
Repayment of long-term loans payable		(2,575)	(2,506)
Proceeds from issuance of short-term bonds	9,997		
Redemption of short-term bonds	(10,000)		
Repayment of obligation under finance leases	(69)	(53)	(107)
Proceeds from sales of treasury stock	(0)	2,337	2,344
Cash dividends paid	(10,121)	(10,148)	(10,219)
<b>Net cash provided by (used in) financing activities</b>	<b>1,590</b>	<b>(10,439)</b>	<b>(10,488)</b>
Effect of exchange rate changes on cash and cash equivalents	(335)	63	722
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>22,309</b>	<b>(5,041)</b>	<b>22,579</b>
Cash and cash equivalents at beginning of year	59,776	82,085	77,044
<b>Cash and cash equivalents at end of year (Note 10)</b>	<b>¥ 82,085</b>	<b>¥ 77,044</b>	<b>¥ 99,623</b>

See accompanying notes to consolidated financial statements.

**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

**1. Significant Accounting Policies**

***Description of Business***

The NRI Group (Nomura Research Institute, Ltd. (the Company) and its 21 consolidated subsidiaries) and its affiliates (3 companies) engage in the following four business services: consulting services, comprised of research, management consulting and system consulting; system development & application sales, comprised of system development and the sales of package software products; system management & operation services, comprised of outsourcing services, multi-user system services, and information services; and product sales. Information on the Company's operations by segment is included in Note 19.

***Basis of Presentation***

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications have been made to present the accompanying consolidated financial statements in a format which is familiar to readers outside Japan.

***Basis of Consolidation and Application of Equity Method***

The accompanying consolidated financial statements for the years ended 31st March, 2011, 2012 and 2013 include the accounts of the Company and all companies which are controlled directly or indirectly by the Company. All subsidiaries (15, 15 and 21 for the years ended 31st March, 2011, 2012 and 2013, respectively) have been consolidated. The major consolidated subsidiaries are NRI Netcom, Ltd., NRI SecureTechnologies, Ltd., and NRI System Techno, LTD. as of 31st March, 2013.

The Company's investments in affiliated companies over which it has the ability to exercise significant influence are accounted for by the equity method, and, accordingly, the Company's share of such affiliates' income or loss is included in consolidated income. All affiliated companies (2, 2 and 3 for the years ended 31st March, 2011, 2012 and 2013, respectively) have been accounted for by the equity method. The affiliated companies are Nippon Clearing Services Co., Ltd., and MC NRI GLOBAL SOLUTIONS, INC., and Daiko Clearing Services Corporation (Daiko Clearing Services) as of 31st March, 2013.

NRI System Techno, LTD., Nomura Research Institute Financial Technologies India Private Limited and UBsecure, Inc., newly acquired subsidiaries, and Nomura Research Institute Taiwan Co., Ltd. and Nomura Research Institute Seoul Co., Ltd., newly established subsidiaries during the year ended 31st March, 2013, are included in the scope of consolidation.

The Company acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, this affiliated company is newly accounted for by the equity method.

**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements (Continued)**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

***Cash Equivalents***

Cash equivalents, as presented in the consolidated statements of cash flows, are defined as low-risk, highly liquid, short-term investments maturing within three months from their respective acquisition dates which are readily convertible into cash.

***Investment Securities***

The Company holds investment securities in its major shareholder, Nomura Holdings, Inc. The Company's investment in Nomura Holdings, Inc. is included in Investments in affiliates.

The Company and its consolidated subsidiaries determine the appropriate classification of investment securities as either trading, held-to-maturity or available-for-sale securities based on their holding objectives. Available-for-sale securities include marketable securities and non-marketable securities.

Securities held for trading purposes are stated at market value and the cost of securities sold is determined by the moving average method.

Held-to-maturity securities are carried at amortized cost.

Marketable securities classified as available-for-sale securities are stated at market value as of the balance sheet date and the cost of securities sold is determined by the moving average method. Unrealized gain or loss on marketable securities classified as available-for-sale securities is included as a separate component of net assets, net of the applicable taxes.

Non-marketable securities classified as available-for-sale securities are stated at cost and the cost of securities sold is determined by the moving average method.

***Inventories***

Inventories are stated at cost based on the identified cost method (in cases where profitability has declined, the book value is reduced accordingly).

***Depreciation of Property and Equipment (other than leased assets)***

Property and equipment is stated at cost. Depreciation is calculated principally by the declining-balance method over the estimated useful lives of the related assets. Buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives.

***Amortization of Software and Other Intangibles (other than leased assets)***

Development costs of computer software to be sold are amortized by the straight-line method over a useful life of three years, based on the estimated volume of sales or the estimated sales revenue with the minimum amortization amount. Software intended for use by the Company for the purpose of rendering customer services is being amortized by the straight-line method over useful lives of up to five years.

Other intangible assets are amortized by the straight-line method over their respective estimated useful lives.



**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements (Continued)**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

***Depreciation and Amortization of Leased Assets***

Leased tangible assets under finance leases that do not transfer ownership are mainly depreciated by the declining-balance method over the lease period. Leased intangible assets under finance leases that do not transfer ownership are amortized by the straight-line method over the lease period.

***Allowance for Doubtful Accounts***

The allowance for doubtful accounts has been provided based on the Company's and its consolidated subsidiaries' historical experience with respect to write-offs and an estimate of the amount of specific uncollectible accounts.

***Retirement and Severance Benefits for Employees***

The allowance for employees' retirement benefits has been provided on an accrual basis as of the balance sheet date based on an estimate of the projected benefit obligation and the employees' pension plan assets. The retirement benefit obligation at transition was fully expensed upon transition. Prior service liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years). Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (10 to 15 years) from the next fiscal year after the incurrence.

***Revenue Recognition***

Revenues arising from made-to-order software and consulting projects are recognized by the percentage-of-completion method. The percent completed is estimated by the ratio of the costs incurred to the estimated total costs.

***Appropriation of Capital Surplus and Retained Earnings***

Under the Corporation Law of Japan, the appropriation of capital surplus and retained earnings with respect to a given period is made by resolution of the shareholders at a general meeting or by resolution of the Board of Directors. Appropriations from capital surplus and retained earnings are reflected in the consolidated financial statements applicable to the period in which such resolutions are approved.

***Accounting Change***

***(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)***

In response to a revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on or after 1st April, 2012 in accordance with the provisions of the revised Corporation Tax Law. As a result of this change, operating profit and income before income taxes and minority interests for the year ended 31st March, 2013 increased by ¥348 million from the corresponding amounts which would have been recorded under the previous method.

***Accounting Standards to Be Applied***

Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No.26 of 17th May, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 of 17th May, 2012)



---

**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements (Continued)**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

1) Overview

From the perspective of improving financial reporting and in light of global trends, the accounting standard and related guidance have been revised mainly in the areas of the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs, the calculation method for retirement benefit obligations and service costs and the enhancement of disclosure.

2) Scheduled date of application

From the beginning of annual periods beginning on or after 1st April, 2013

3) Impact of application of accounting standards

The impact of the application of these accounting standards on the consolidated financial statements is expected to be immaterial.

***Additional Information***

***(Accounting for Trust-type Employee Stock Ownership Incentive Plan)***

The Company introduced a Trust-type Employee Stock Ownership Incentive Plan in March 2011. The purpose of this plan is to promote the Company's perpetual growth by providing incentives to employees for increasing the Company's corporate value in the mid- to long-term and to enhance benefits and welfare of employees.

This is an incentive plan under which gains from the Company's share price appreciation are returned to all participants in the Employee Stock Ownership Group (the ESOP Group).

The Employee Stock Ownership Trust (the ESOP Trust) was established exclusively for the ESOP Group to carry out this plan. The ESOP Trust acquired a number of the Company's shares, which the ESOP Group would acquire over a period of five years subsequent to the establishment of the ESOP Trust. Then, the ESOP Trust sells them to the ESOP Group each time the ESOP Group makes an acquisition of the Company's shares. When the share price appreciates and earnings have accumulated in the ESOP Trust upon its termination, a cash distribution of the funds will be made to each beneficiary in proportion to the respective beneficiary's contribution. Since the Company guarantees the loans of the ESOP Trust taken out to purchase the Company's shares, the Company is obligated to pay the remaining liabilities of the ESOP Trust under a guarantee agreement if any obligations remain upon termination of the ESOP Trust.

The Company accounts for the transactions involving the ESOP Trust as its own with the assets, liabilities, expenses and income of the ESOP Trust included in the accompanying consolidated financial statements. Therefore, the Company's shares owned by the ESOP Trust are treated as treasury stock of the Company, and the loans of the ESOP Trust are treated as the loans of the Company. Also, the Company does not recognize the transfer of treasury stock when the Company sells treasury stock to the ESOP Trust. Each time the ESOP Trust sells treasury stock to the ESOP Group, however, the Company recognizes the transfer of treasury stock. As the amounts equal to the capital gain realized by the ESOP Trust will be distributed to the beneficiaries after the termination of the trust, the amounts are treated as expenses for the corresponding year the gain is incurred.

The ESOP Trust owned 3,520,800 shares of the Company's at 31st March, 2013.





---

**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements (Continued)**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

**2. Financial Instruments**

1) Qualitative information

(a) Policy for financial instruments

In the course of business operations, the Company raises short-term funds through bank loans and commercial paper, and raises long-term funds through bank loans and issuances of corporate bonds. The Company manages funds by utilizing low-risk financial instruments. The Company's policy is to only enter into derivative transactions to reduce risks, and not for speculative purposes.

(b) Details of financial instruments and related risk and risk management system

Although accounts receivable and other receivables, are exposed to customers' credit risk, the historical loan loss ratio is low and those receivables are usually settled in a short period of time. The Company tries to reduce credit risk by managing due dates and balances of each customer, as well as monitoring and analyzing customers' credit status. The Company has little exposure of foreign currency exchange risk, since those receivables are mostly in Japanese yen. Investment securities, comprised of shares of companies with which the Company has operational relationships, bonds and bond investment trusts, are exposed to issuers' credit risk, risks of volatility of market prices, and foreign currency exchange and interest rates. To reduce these risks, the Company monitors market value and the issuers' financial status periodically. Long-term loans receivable is a construction assistance fund receivable due January 2017. Accounts payable are settled in a short period of time. Redemption of the convertible bonds, issued by the Company for capital expenditures, is March 2014. Long-term loans payable relates to the borrowing by the ESOP Trust to introduce the Trust-type Employee Stock Ownership Incentive Plan. Final installment payment is April 2016. Variable interest rates applied to long-term loans payable are exposed to interest rate fluctuation risk. The Company reduces liquidity risk relating to raising funds by developing a cash flow plan to manage all surplus funds in the Group, and by holding various financing methods.

(c) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, and when there is no quoted market price available, fair value is based on management assumption. Since various assumptions and factors are reflected in estimating the fair value, differences in the assumptions and factors may result in different indications of fair value.

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

## 2) Fair value of financial instruments

The carrying amount of financial instruments on the consolidated balance sheets as of 31st March, 2012 and 2013 and estimated fair value are shown in the following table. The following table does not include non-marketable securities whose fair value is not readily determinable (see Note 2).

	Millions of yen					
	31st March, 2012			31st March, 2013		
	Carrying amount	Estimated fair value	Difference	Carrying amount	Estimated fair value	Difference
<b>Assets:</b>						
Cash and bank deposits	¥ 8,462	¥ 8,462	¥	¥ 10,274	¥ 10,274	¥
Accounts receivable and other receivables	76,192	76,192		76,530	76,530	
Short-term investment securities, investment securities, and investments in affiliates	135,869	135,869		180,870	178,257	(2,613)
Long-term loans receivable	7,821	8,274	453	7,937	8,367	430
<b>Total</b>	<b>¥ 228,344</b>	<b>¥ 228,797</b>	<b>¥ 453</b>	<b>¥ 275,611</b>	<b>¥ 273,428</b>	<b>¥ (2,183)</b>
<b>Liabilities:</b>						
Accounts payable	¥ 21,811	¥ 21,811	¥	¥ 20,498	¥ 20,498	¥
Convertible bonds*	49,997	49,297	(700)	49,996	49,996	
Long-term loans payable**	9,208	9,208		6,703	6,703	
<b>Total</b>	<b>¥ 81,016</b>	<b>¥ 80,316</b>	<b>¥ (700)</b>	<b>¥ 77,197</b>	<b>¥ 77,197</b>	<b>¥</b>

\* Convertible bonds as of 31st March, 2013 are the current portion of convertible bonds.

\*\* Long-term loans payable included the current portion of long-term loans payable totaling ¥2,531 million and ¥2,453 million as of 31st March, 2012 and 2013, respectively.

Note 1: Methods to determine the estimated fair value of financial instruments.  
Assets

a. Cash and bank deposits  
Their carrying amount approximates the fair value due to the short maturity of these instruments.

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

### b. Accounts receivable and other receivables

Their carrying amount approximates the fair value due to the generally short maturities of these instruments. For those receivables due after one year, the present value is further discounted by the rate corresponding to the credit risk and the amount is presented in the consolidated balance sheet, therefore, the carrying amount approximates fair value.

### c. Short-term investment securities, investment securities and investments in affiliates

The fair value of stocks is based on quoted market prices. The fair value of bonds is based on either quoted market prices or prices provided by the financial institution making markets in these securities.

### d. Long-term loans receivable

Long-term loans receivable consists of deposits and guarantee money. The fair value of long-term receivables is based on the present value of the total future cash flows, which are the principal and the interest, discounted by risk free rate relating to the time remaining until maturity.

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

## Liabilities

## a. Accounts payable

Their carrying amount approximates the fair value due to the short maturity of these instruments.

## b. Convertible bonds

The fair value of convertible bonds is based on the quoted market price.

## c. Long-term loans payable

The fair value of long-term loans payable, to which variable rates are applied, approximates the carrying amount because the variable rates reflect market interest rates over a short term.

Note 2: Non-marketable securities whose fair value is not readily determinable are as follows.

	Millions of yen	
	31st March, 2012	31st March, 2013
Unlisted companies' shares	¥ 7,623	¥ 7,959
Investments in partnerships	113	176

\*1. Unlisted companies' shares are not measured at fair value because they have no market prices on exchanges, and their fair value is not readily determinable. Unlisted companies' shares included investments in affiliates accounted for under the equity method totaling ¥887 million and ¥1,069 million as of 31st March, 2012 and 2013, respectively.

\*2. For investments in partnerships, when all or a part of the asset of partnership consist of non-marketable securities whose fair value is not readily determinable, such components are not measured at fair value.

Note 3: Redemption schedule for cash and bank deposits, receivables and marketable securities with maturities at 31st March, 2012 and 2013

						Millions of yen	
		31st March, 2012				31st March, 2013	
Due within one year	Due after one year through	Due after five years through	Due within one year	Due after one year through	Due after five years through		

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

		five years	ten years		five years	ten years
Cash and bank deposits	¥ 8,462	¥	¥	¥ 10,274	¥	¥
Accounts receivable	56,486			53,959	80	1
Investment securities:						
Available-for-sale securities with maturities:						
Government bonds		25,000	1	10,000	35,001	
Corporate bonds	18,300					
Other	100					
Long-term loans receivable		8,400			8,400	
	¥ 83,348	¥ 33,400	¥ 1	¥ 74,233	¥ 43,481	¥ 1

\* Other receivables are not included in the above table as there is no applicable redemption schedule.

A-15

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

Note 4: Repayment schedule for convertible bonds and long-term loans payable at 31st March, 2012 and 2013

	Millions of yen 31st March, 2012				
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Convertible bonds	¥	¥ 49,997	¥	¥	¥
Long-term loans payable*	2,531	2,487	2,442	1,748	
	¥ 2,531	¥ 52,484	¥ 2,442	¥ 1,748	¥

	Millions of yen 31st March, 2013				
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Convertible bonds	¥ 49,996	¥	¥	¥	¥
Long-term loans payable*	2,453	2,416	1,834		
	¥ 52,449	¥ 2,416	¥ 1,834	¥	¥

\* Long-term loans payable represents loans by the ESOP Trust upon introduction of the Trust-type Employee Stock Ownership Incentive Plan. Under the loan contracts, the timing of the installment payments is determined, but the amount of each installment payment is not specified. Therefore, the repayment schedule was calculated at an estimated amount by reference to the acquisition price of the Company's shares that the ESOP Group was expected to purchase from the ESOP Trust.

**3. Investments**

The Company did not hold any held-to-maturity securities with determinable market value at 31st March, 2012 and 2013.

The following is a summary of the information concerning available-for-sale securities included in short-term investment securities, investment securities and investments in affiliates at 31st March, 2012 and 2013:

**Securities Classified as Available-for-Sale Securities**

	Millions of yen	
	31st March, 2012	31st March, 2013

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

	Acquisition cost	Carrying amount	Unrealized gain (loss)	Acquisition cost	Carrying amount	Unrealized gain (loss)
Equity securities	¥ 17,558	¥ 29,465	¥ 11,907	¥ 17,506	¥ 43,263	¥ 25,757
Bonds:						
Government bonds	25,440	25,456	16	45,451	45,516	65
Corporate bonds	18,329	18,296	(33)			
	43,769	43,752	(17)	45,451	45,516	65
Other	69,559	69,501	(58)	90,411	90,362	(49)
Total	¥ 130,886	¥ 142,718	¥ 11,832	¥ 153,368	¥ 179,141	¥ 25,773

A-16

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

Non-marketable securities whose fair value is not readily determinable were included in the above table. Acquisition cost in the above table is the carrying amount after recognizing impairment loss. Impairment loss on available-for-sale securities whose fair value is not readily determinable as a result of a permanent decline in value for the years ended 31st March, 2012 and 2013 amounted to ¥237 million and ¥69 million, respectively. The Company has established a policy for the recognition of impairment losses under the following conditions:

- i) For marketable securities whose fair value has declined by 30% or more, the Company recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.
- ii) For non-marketable securities whose fair value is not readily determinable, of which net asset value has declined by 50% or more, the Company recognizes impairment loss except in cases where the decline in fair value is expected to be recoverable.

Proceeds from sales of available-for-sale securities during the years ended 31st March, 2011, 2012 and 2013 were as follows:

	Millions of yen 31st March,		
	2011	2012	2013
Proceeds ( <i>Note 16</i> )	¥ 226	¥ 16,546	¥ 2
Gross gain	168	8,714	
Gross loss		(22)	

Non-marketable securities whose fair value is not readily determinable were included in the above table.

**4. Accounts Receivable and Other Receivables**

For projects that have not been completed as of the balance sheet date, the percentage-of-completion method is applied and the estimated revenue to be earned from each project has been included in accounts receivable and other receivables in the amounts of ¥19,706 million and ¥22,490 million at 31st March, 2012 and 2013, respectively.

**5. Property and Equipment**

Property and equipment at 31st March, 2012 and 2013 is summarized as follows:

	Years		Millions of yen 31st March,	
	Useful Life		2012	2013
Land			¥ 13,600	¥ 12,141
Buildings	15	50	70,842	78,756
Machinery and equipment	3	15	56,907	55,780
Leased assets			320	545
Construction in progress			7,789	
Accumulated depreciation			(81,889)	(83,766)



Property and equipment, net	¥ 67,569	¥ 63,456
-----------------------------	----------	----------

A-17

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****6. Other Assets**

Other assets at 31st March, 2012 and 2013 consisted of the following:

	Millions of yen 31st March,	
	2012	2013
Lease deposits	¥ 10,720	¥ 10,839
Other	3,304	4,340
<b>Other assets</b>	<b>¥ 14,024</b>	<b>¥ 15,179</b>

Other includes golf club memberships.

**7. Retirement and Severance Benefits**

The Company has a defined benefit pension plan, a lump-sum payment plan and a defined contribution pension plan. In addition to the plans, an extra retirement payment may be provided. The Company also has an employee retirement benefit trust. Certain consolidated subsidiaries have defined benefit pension plans, defined benefit lump-sum payment plans, employees' pension fund trusts and defined contribution pension plans.

The following table sets forth the funded and accrued status of the retirement and severance benefit plans and the amounts recognized in the accompanying consolidated balance sheets at 31st March, 2012 and 2013 for the Company's and its consolidated subsidiaries' defined benefit plans:

	Millions of yen 31st March,	
	2012	2013
Retirement benefit obligation	¥ (73,273)	¥ (90,743)
Plan assets at fair value	49,989	69,423
Unfunded retirement benefit obligation	(23,284)	(21,320)
Unrecognized actuarial gain	8,175	5,699
Unrecognized prior service cost	(2,142)	(1,947)
Net retirement benefit obligation	(17,251)	(17,568)
Prepaid pension cost		397
Employees' retirement benefits	¥ (17,251)	¥ (17,965)

Certain consolidated subsidiaries adopt the simplified method for calculating retirement benefit obligations.

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Plan assets at fair value include those of the employee retirement benefit trust of ¥6,371 million and ¥8,109 million at 31st March, 2012 and 2013, respectively.

The substitutional portion of the employees' pension fund is included in the above table.

Prior service liability is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years).

A-18

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

Actuarial gain or loss is amortized by the straight-line method over a defined period, not exceeding the average remaining service period of the employees (15 years, 15 years and 10 to 15 years ended 31st March, 2011, 2012 and 2013, respectively) from the next fiscal year after the incurrence.

The components of retirement benefit expenses for the years ended 31st March, 2011, 2012 and 2013 are outlined as follows:

	Millions of yen		
	31st March,		
	2011	2012	2013
Service cost	¥ 3,928	¥ 4,070	¥ 4,834
Interest cost	1,245	1,332	1,362
Expected return on plan assets	(438)	(546)	(676)
Recognized actuarial loss	102	196	515
Recognized prior service liability	(195)	(195)	(195)
Subtotal	4,642	4,857	5,840
Other	1,617	1,728	1,809
Total	¥ 6,259	¥ 6,585	¥ 7,649

Retirement benefit expenses for the consolidated subsidiaries that adopt the simplified method are included in Service cost.

Contributions to the defined contribution pension plan are included in Other in the above table.

The amount of employee contributions to the employees pension fund is excluded from the above table.

The assumptions used in accounting for the above plans are summarized as follows:

	31st March,		
	2011	2012	2013
Discount rates at the end of the year	2.1%	1.8%	1.4%
Expected rate of return on plan assets	1.5	1.5	1.5

Weighted-average rates are used as of 31st March, 2013 in the above table.

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****8. Income Taxes**

The significant components of deferred income tax assets and liabilities at 31st March, 2012 and 2013 were as follows:

	Millions of yen 31st March,	
	2012	2013
Deferred income tax assets:		
Employees' retirement benefits	¥ 8,355	¥ 8,283
Depreciation	10,417	13,425
Accrued bonuses	4,968	5,230
Other	3,246	3,245
	26,986	30,183
Deferred income tax liabilities:		
Valuation difference on available-for-sale securities	(3,866)	(8,043)
Special tax-purpose reserve	(257)	(300)
Undistributed earnings of foreign subsidiaries	(19)	(103)
Other	(27)	(103)
	(4,169)	(8,549)
Deferred income tax assets, net	¥ 22,817	¥ 21,634

Income taxes applicable to the Company and its consolidated subsidiaries consisted of corporation, inhabitants' and enterprise taxes which, in the aggregate, resulted in statutory tax rates of approximately 40.6%, 40.6% and 38.0% for the years ended 31st March, 2011, 2012 and 2013, respectively.

A reconciliation of the difference between the statutory income tax rate and the effective income tax rate after deferred tax effect in the consolidated statements of income and comprehensive income for the year ended 31st March, 2013 is as follows:

	31st March, 2013
Statutory income tax rate	38.0%
Reconciliation:	
Non-deductible permanent differences such as entertainment expenses	0.7
Non-taxable permanent differences such as dividend income	(0.4)
Changes in non-deductible write-downs of investment securities and other items whose schedule of reversal is uncertain	(1.2)
Gain on bargain purchase	(4.1)
Others, net	0.3
Effective income tax rate after deferred tax effect	33.3%

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Reconciliations of the differences between the statutory income tax rates and the effective income tax rates after deferred tax effect in the consolidated statements of income and comprehensive income for the years ended 31st March, 2011 and 2012 have been omitted because the differences were immaterial.

A-20

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****9. Net Assets**

The Corporation Law of Japan provides that earnings in an amount equal to at least 10% of dividends of capital surplus and retained earnings shall be appropriated to the legal reserve until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of the stated capital. The legal reserve and the additional paid-in capital account are available for appropriation by resolution of the shareholders. In accordance with the Corporation Law, the Company provides a legal reserve which is included in retained earnings. This reserve amounted to ¥570 million and ¥570 million at 31st March, 2012 and 2013, respectively.

***Shares Issued and Treasury Stock***

The total number and periodic changes in the number of shares issued and treasury stock for the years ended 31st March, 2012 and 2013 are summarized as follows:

	Shares issued	Treasury stock
Number of shares at 31st March, 2011	225,000,000	30,277,343
Increase in number of shares		50
Decrease in number of shares		1,442,700
Number of shares at 31st March, 2012	225,000,000	28,834,693
Increase in number of shares		36
Decrease in number of shares		1,449,736
Number of shares at 31st March, 2013	225,000,000	27,384,993

\*1 The number of common shares of treasury stock increased by 50 and 36 due to the purchases of odd-lot shares for the years ended 31 March, 2012 and 2013, respectively. The number of common shares of treasury stock decreased by 1,336,200 and 1,344,500 due to the transfer of treasury stock from the ESOP Trust to the ESOP Group and decreased by 106,500 and 105,000 due to the exercise of stock options for the years ended 31 March, 2012 and 2013, respectively, and decreased by 236 due to the exercise of convertible bonds for the year ended 31st March, 2013.

\*2 Treasury stock included 4,865,300 and 3,520,800 common shares of the Company owned by the ESOP Trust as of 31st March, 2012 and 2013, respectively.

Share subscription rights recorded in the accompanying consolidated balance sheets at 31st March, 2013 relate to the Company's stock option plans described in Note 18.

***Dividends***

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 18th May, 2011 and 28th October, 2011 and were paid to shareholders based on the record as of 31st March, 2011 and 30th September, 2011, respectively, during the year ended 31st March, 2012:

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

	<b>Millions of yen</b>
Cash dividends approved on 18th May, 2011* (¥26.00 per share)	¥ 5,063
Cash dividends approved on 28th October, 2011** (¥26.00 per share)	5,082

\* The record date and effective date were 31st March, 2011 and 3rd June, 2011, respectively.  
Dividends of ¥161 million paid to the ESOP Trust are not included in the total dividends amount.

\*\* The record date and effective date were 30th September, 2011 and 30th November, 2011, respectively.  
Dividends of ¥144 million paid to the ESOP Trust are not included in the total dividends amount.

A-21



**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2012, was approved at a meeting of the Board of Directors held on 17th May, 2012 and went into effect on 4th June, 2012:

	<b>Millions of yen</b>
Cash dividends approved on 17th May, 2012* (¥26.00 per share)	¥ 5,100

\* The record date and effective date were 31st March, 2012 and 4th June, 2012, respectively.  
Dividends of ¥126 million paid to the ESOP Trust are not included in the total dividends amount.

The following appropriations of cash dividends to shareholders of common stock were approved at meetings of the Board of Directors held on 17th May, 2012 and 26th October, 2012 and were paid to shareholders based on the record as of 31st March, 2012 and 30th September, 2012, respectively, during the year ended 31st March, 2013:

	<b>Millions of yen</b>
Cash dividends approved on 17th May, 2012* (¥26.00 per share)	¥ 5,100
Cash dividends approved on 26th October, 2012** (¥26.00 per share)	¥ 5,120

\* The record date and effective date were 31st March, 2012 and 4th June, 2012, respectively.  
Dividends of ¥126 million paid to the ESOP Trust are not included in the total dividends amount.

\*\* The record date and effective date were 30th September, 2012 and 30th November, 2012, respectively.  
Dividends of ¥109 million paid to the ESOP Trust are not included in total dividends amount.

The following appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2013, was approved at a meeting of the Board of Directors held on 15th May, 2013 and went into effect on 3rd June, 2013:

	<b>Millions of yen</b>
Cash dividends approved on 15th May, 2013* (¥26.00 per share)	¥ 5,138

\* The record date and effective date were 31st March, 2013 and 3rd June, 2013, respectively.  
Dividends of ¥92 million paid to the ESOP Trust are not included in the total dividends amount.

**10. Cash and Cash Equivalents**

A reconciliation between cash and bank deposits in the accompanying consolidated balance sheets and cash and cash equivalents in the accompanying consolidated statements of cash flows at 31st March, 2012 and 2013 is as follows:

	<b>Millions of yen</b>	
	<b>31st March,</b>	
	<b>2012</b>	<b>2013</b>
Cash and bank deposits	¥ 8,462	¥ 10,274
Short-term investment securities	81,079	90,186
Time deposits with maturities of more than three months when deposited	(706)	(837)
Bond and other investments maturing in more than three months from the acquisition date	(11,791)	
Cash and cash equivalents	¥ 77,044	¥ 99,623

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****11. Per Share Data**

Earnings per share for the years ended at 31st March, 2011, 2012, and 2013 and net assets per share at 31st March, 2012 and 2013 are summarized as follows:

	Yen		
	2011	31st March, 2012	2013
Earnings per share	¥ 119.11	¥ 168.40	¥ 145.28
Diluted earnings per share	112.22	158.69	136.97

	Yen	
	31st March, 2012	2013
Net assets per share	¥ 1,309.39	¥ 1,464.33

The computation of earnings and net assets per share is based on the weighted-average number of shares of common stock outstanding during each year and the number of shares of common stock outstanding at each balance sheet date, respectively.

The computation of earnings per share and diluted earnings per share for the years ended 31st March, 2011, 2012 and 2013 is as follows:

	Millions of yen		
	2011	31st March, 2012	2013
<b>Numerator:</b>			
Earnings	¥ 23,188	¥ 32,921	¥ 28,610
Earnings not attributable to common shareholders	( )	( )	( )
Earnings attributable to common shareholders	¥ 23,188	¥ 32,921	¥ 28,610

	Thousands of shares		
<b>Denominator:</b>			
Weighted-average number of shares of common stock outstanding basic*	194,677	195,492	196,937
<b>Potentially dilutive shares of common stock:</b>			
Convertible bonds	11,836	11,839	11,839
Stock options	121	119	100
Total	11,957	11,958	11,939
Weighted-average number of shares of common stock outstanding diluted	206,634	207,450	208,876

\* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 4,865,300 and 3,520,800 shares of the Company as of 31st March, 2012 and 2013, respectively.

A-23

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

The following potentially issuable shares of common stock would have an antidilutive effect and thus have not been included in the diluted earnings per share calculation for the years ended 31st March, 2011, 2012 and 2013:

	<b>Shares</b>		
	<b>31st March,</b>		
	<b>2011</b>	<b>2012</b>	<b>2013</b>
a) 6th share subscription rights	367,500	340,000	280,000
b) 8th share subscription rights	415,000	367,500	315,000
c) 10th share subscription rights	417,500	417,500	335,000
d) 12th share subscription rights	440,000	440,000	428,000
e) 14th share subscription rights	445,000	445,000	445,000
f) 16th share subscription rights		392,500	392,500
g) 18th share subscription rights			385,000

The computation of net assets per share at 31st March, 2012 and 2013 is summarized as follows:

	<b>Millions of yen</b>	
	<b>31st March,</b>	
	<b>2012</b>	<b>2013</b>
<b>Numerator:</b>		
Net assets	¥ 258,277	¥ 290,863
Share subscription rights	(1,420)	(1,411)
Minority interests		(78)
<b>Net assets attributable to common stock</b>	<b>¥ 256,857</b>	<b>¥ 289,374</b>

	<b>Thousands of shares</b>	
	<b>31st March,</b>	
	<b>2012</b>	<b>2013</b>
<b>Denominator:</b>		
Number of shares of common stock outstanding*	196,165	197,615

\* The Company's shares owned by the ESOP Trust are included in treasury stock. The ESOP Trust owned 4,865,300 and 3,520,800 shares of the Company as of 31st March, 2012 and 2013, respectively.

**12. Leases**

## 1) As lessee

The Company leases mainly computers and related devices, some of which are classified as finance leases.

Future minimum lease payments for noncancelable operating leases at 31st March, 2012 and 2013 are summarized as follows:

	Millions of yen 31st March,	
	2012	2013
Future minimum lease payments:		
Due within one year	¥ 5,179	¥ 5,579
Thereafter	14,409	11,689
Total	¥ 19,588	¥ 17,268

A-24

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

## 2) As lessor

There were no finance lease transactions as lessor for the years ended 31st March, 2012 and 2013.

Future minimum lease payments to be received from operating leases as lessor at 31st March, 2012 and 2013 are summarized as follows:

	Millions of yen 31st March,	
	2012	2013
Future minimum lease payments to be received:		
Due within one year	¥ 202	¥ 129
Thereafter	35	14
Total	¥ 237	¥ 143

**13. Selling, General and Administrative Expenses**

The details of selling, general and administrative expenses for the years ended 31st March, 2011, 2012 and 2013 are summarized as follows:

	Millions of yen 31st March,		
	2011	2012	2013
Personnel expenses	¥ 30,447	¥ 31,491	¥ 31,630
Rent	5,126	4,716	4,701
Subcontractor costs	6,832	8,401	8,823
Other	12,377	12,278	12,408
Total	¥ 54,782	¥ 56,886	¥ 57,562

**14. Research and Development Expenses**

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2011, 2012 and 2013 are summarized as follows:

	Millions of yen 31st March,		
	2011	2012	2013
Research and Development Expenses	¥ 3,564	¥ 3,643	¥ 3,643

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****15. Consolidated Statements of Income and Comprehensive Income**

Reclassification adjustments relating to other comprehensive income for the years ended 31st March, 2012 and 2013 are summarized as follows.

	Millions of yen 31st March,	
	2012	2013
Valuation difference on available-for-sale securities		
Amount arising during the fiscal year	¥ 9,867	¥ 13,941
Reclassification adjustments	(8,546)	
Valuation difference on available-for-sale securities	1,321	13,941
Foreign currency translation adjustment		
Amount arising during the fiscal year	94	898
Foreign currency translation adjustment	94	898
Share of other comprehensive income of affiliates accounted for using the equity method		
Amount arising during the fiscal year	6	307
Share of other comprehensive income of affiliates accounted for using the equity method	6	307
Total other comprehensive income before tax effect adjustment	1,421	15,146
Tax effect	387	(4,240)
Total other comprehensive income	¥ 1,808	¥ 10,906

Tax effects relating to components of other comprehensive income for the years ended 31st March, 2012 and 2013 are summarized as follows:

	Millions of yen 31st March,	
	2012	2013
Valuation difference on available-for-sale securities		
Before-tax amount	¥ 1,321	¥ 13,941
Tax benefit (expense)	387	(4,240)
Net-of-tax amount	1,708	9,701
Foreign currency translation adjustment		
Before-tax amount	94	898
Tax benefit (expense)		



Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

Net-of-tax amount	94	898
<b>Share of other comprehensive income of affiliates accounted for using the equity method</b>		
Before-tax amount	6	307
Tax benefit (expense)		
Net-of-tax amount	6	307
<b>Total other comprehensive income</b>		
Before-tax amount	1,421	15,146
Tax benefit (expense)	387	(4,240)
Net-of-tax amount	¥ 1,808	¥ 10,906

A-26

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****16. Related Party Transactions**

Related party transactions for the years ended 31st March, 2011, 2012 and 2013 and the respective balances at 31st March, 2012 and 2013 were as follows:

## 1) Transactions

Related party	Nature of transaction	Millions of yen		
		2011	31st March, 2012	2013
a) Major shareholder:				
Nomura Holdings, Inc.	Sales* <sup>1</sup>	¥ 41,037	¥ 51,750	¥ 66,427
	Exchange of shares* <sup>2</sup>		17,873	
b) Major shareholder's subsidiaries:				
The Nomura Trust & Banking Co., Ltd.	Borrowings* <sup>3</sup>	9,283		
	Repayment of borrowings* <sup>3</sup>		2,028	1,973
	Payments of interest* <sup>3</sup>	1	53	39
Nomura Real Estate Development Co., Ltd.* <sup>4</sup>	Rent* <sup>5</sup>		1,637	1,637

## 2) Balances

Related party	Nature of transaction	Millions of yen	
		31st March, 2012	2013
a) Major shareholder:			
Nomura Holdings, Inc.	Accounts receivable and other receivables* <sup>1</sup>	¥ 11,738	¥ 7,542
b) Major shareholder's subsidiaries:			
The Nomura Trust & Banking Co., Ltd.	Long-term loans payable* <sup>3</sup>	7,255	5,281
Nomura Real Estate Development Co., Ltd.* <sup>4</sup>	Long-term loans receivable* <sup>5</sup>	7,821	7,937
	Lease deposits* <sup>5</sup>	1,793	1,793

\*1 The terms and conditions of the agreements were determined in the same way as ordinary transactions with non-related parties through discussions with consideration of costs associated with system development, application sales and system management and operation.

\*2 The share exchange involved shares of Nomura Land and Building Co., Ltd. owned by the Company and shares of Nomura Holdings, Inc. The Company received 118 shares of Nomura Holdings, Inc. for each Nomura Land and Building Co., Ltd. share in reference to the valuation results provided by third-party appraisers and the results of the calculation after applying the average market share price method.

The amount above was calculated based on the market value as of the effective date.

The Company sold the shares of Nomura Holdings, Inc. that it received in the exchange to a third party, and a gain on the sale of the shares is recognized as Gain on investments in affiliates in the accompanying consolidated statements of income and comprehensive income for the year ended 31st March, 2012.

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

- \*3 The borrowing represents loans by the ESOP Trust upon introduction of the Trust-type Employee Stock Ownership Incentive Plan. The term of the borrowing is five years (final repayment is in April 2016), with variable interest rates. The borrowing is being repaid semiannually in installments, and the borrowing rate has been determined based on the Company's credit risk.

A-27

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

- \*4 Nomura Real Estate Development Co., Ltd., which was a subsidiary of the Company's major shareholder Nomura Holdings, Inc., ceased to be a Nomura Holdings Inc.'s subsidiary and related party of the Company as of 21st March, 2013. In the above table, however, transactions with Nomura Real Estate Development Co., Ltd. cover transactions to the end of the year ended 31st March, 2013, and balances are those as of 31st March, 2013.
- \*5 Long-term loans receivable is a construction assistance fund receivable corresponding to an office lease deposit to be refunded in a lump sum 10 years after the initial guarantee deposit was made (January 2017). The difference between the initial fair value, calculated as the disbursement amount discounted by the market interest rate, and the initial loan amount is recognized as a long-term prepaid expense and is being allocated as rent expense over 10 years (amount is not included in the transaction amount of the rent presented above). The difference between the initial fair value and the reimbursement amount is being allocated as an interest receivable over 10 years. With regard to the rent, as presented above, the Company pays rent and a lease deposit (guarantee deposit), which were determined by considering market prices of similar properties.

**17. Contingent Liabilities**

There were no material contingent liabilities at 31st March, 2012 and 2013.

**18. Stock Option Plans**

The Company issued the following share subscription rights for the purchase of new shares of common stock in accordance with the former Commercial Code of Japan or the Corporation Law of Japan.

For the years ended 31st March, 2011, 2012 and 2013, the Company recognized and allocated share-based compensation cost as follows:

	Millions of yen 31st March,		
	2011	2012	2013
Cost of sales	¥ 173	¥ 167	¥ 158
Selling, general and administrative expenses	206	184	158
<b>Total</b>	<b>¥ 379</b>	<b>¥ 351</b>	<b>¥ 316</b>

For the years ended 31st March, 2011, 2012 and 2013, the Company recognized reversal of share-based compensation as follows:

	Millions of yen 31st March,		
	2011	2012	2013
Reversal of share-based compensation	¥	¥ 73	¥ 158

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

A description of each stock option plan as of 31st March, 2013 is summarized as follows:

	<b>6th stock option plan</b>	<b>8th stock option plan</b>	<b>10th stock option plan</b>
Grantee categories and numbers of grantees	36 directors or managing officers of the Company, and 6 directors of its subsidiaries	37 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries	36 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	400,000	422,500	417,500
Grant date	11th September, 2006	10th July, 2007	8th July, 2008
Vesting conditions	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2009	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2010	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2006 to 30th June, 2009	From 1st July, 2007 to 30th June, 2010	From 1st July, 2008 to 30th June, 2011
Exercisable period	1st July, 2009 to 30th June, 2013	1st July, 2010 to 30th June, 2014	1st July, 2011 to 30th June, 2015
	<b>12th stock option plan</b>	<b>14th stock option plan</b>	<b>15th stock option plan</b>
Grantee categories and numbers of grantees	39 directors or managing officers of the Company, and 7 directors of its subsidiaries	39 directors or managing officers of the Company, and 8 directors of its subsidiaries	41 directors, managing officers or employees of the Company, and 8 directors of its subsidiaries
Number of shares reserved	440,000	445,000	103,000
Grant date	15th July, 2009	18th August, 2010	18th August, 2010
Vesting conditions	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2013	Holder must be in continuous employment from the grant date to the vesting date of 30th June, 2011
Service period	From 1st July, 2009 to 30th June, 2012	From 1st July, 2010 to 30th June, 2013	From 1st July, 2010 to 30th June, 2011
Exercisable period	1st July, 2012 to 30th June, 2016	1st July, 2013 to 30th June, 2017	1st July, 2011 to 30th June, 2012

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

	<b>16th stock option plan</b>	<b>17th stock option plan</b>	<b>18th stock option plan</b>
Grantee categories and numbers of grantees	37 directors or managing officers of the Company, and 5 directors of its subsidiaries	38 directors, managing officers or employees of the Company, and 5 directors of its subsidiaries	35 directors or managing officers of the Company, and 6 directors of its subsidiaries
Number of shares reserved	392,500	90,500	385,000
Grant date	11th July, 2011	11th July, 2011	13th July, 2012
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2014	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2012	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2015
Service period	From 1st July, 2011 to 30th June, 2014	From 1st July, 2011 to 30th June, 2012	From 1st July, 2012 to 30th June, 2015
Exercisable period	1st July, 2014 to 30th June, 2018	1st July, 2012 to 30th June, 2013	1st July, 2015 to 30th June, 2019
	<b>19th stock option plan</b>		
Grantee categories and numbers of grantees	36 directors, managing officers or employees of the Company, and 6 directors of its subsidiaries		
Number of shares reserved	88,500		
Grant date	13th July, 2012		
Vesting conditions	Holders must be in continuous employment from the grant date to the vesting date of 30th June, 2013		
Service period	From 1st July, 2012 to 30th June, 2013		
Exercisable period	1st July, 2013 to 30th June, 2014		

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

The following table summarizes options activity under the stock option plans referred to above during the year ended 31st March, 2013:

	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Non-vested:										
Beginning of the year				440,000	445,000		392,500	90,500		
Granted									385,000	88,500
Forfeited										
Vested				440,000				90,500		
End of the year					445,000		392,500		385,000	88,500
Vested:										
Beginning of the year	340,000	367,500	417,500			21,500				
Vested				440,000				90,500		
Exercised				(12,000)		(21,500)		(71,500)		
Forfeited	(60,000)	(52,500)	(82,500)							
End of the year	280,000	315,000	335,000	428,000				19,000		

\* For the stock options which become unexercisable, the Company has applied the same accounting treatment as to forfeited stock options. The numbers of stock options presented above reflect such accounting treatment.

Price information per option for each stock option plan as of 31st March, 2013 is summarized as follows:

	Yen									
	6th stock option plan	8th stock option plan	10th stock option plan	12th stock option plan	14th stock option plan	15th stock option plan	16th stock option plan	17th stock option plan	18th stock option plan	19th stock option plan
Exercise price	¥ 3,282	¥ 3,680	¥ 2,650	¥ 2,090	¥ 2,010	¥ 1	¥ 1,869	¥ 1	¥ 1,766	¥ 1
Average price on exercise				2,321		1,740		1,727		
Fair value on grant date	865	1,030	631	539	284	1,534	460	1,792	412	1,690

The exercise price and fair value on grant date as of 31st March, 2013 reflect the five-for-one stock split on 1st April, 2007.

Fair value as of the grant date for stock options which were issued during the year ended 31st March, 2013 was estimated using the Black-Scholes option pricing model with the following assumptions:

	18th stock option plan	19th stock option plan
Expected volatility* <sup>1</sup>	36.5%	22.6%
Expected remaining period* <sup>2</sup>	5 years	1 year and 6 months
Expected dividend yield* <sup>3</sup>	¥52 per share	¥52 per share
Risk-free interest rate* <sup>4</sup>	0.175%	0.101%

\*1 Expected volatility is estimated based on the recent actual stock price in relation to the expected remaining period for each plan.

\*2 As it is difficult to estimate the expected remaining period in a reasonable manner, it is determined to be the period from the grant date to the mid-point of the exercisable period.

Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

- \*3 Expected dividend yield is the expected annual dividend amount for the year ended 31st March, 2013 as of the date of the grant.
- \*4 Risk-free interest rate represents the interest rate of governmental bonds whose remaining period corresponds to the expected remaining period of stock options.

A-31



**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements (Continued)**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

Because it is difficult to estimate the forfeited number of stock options for future periods, estimation of the vested number is based upon actual forfeitures in prior periods.

**19. Segment Information**

*Segment Information*

1) Outline of reportable segments

The Company's reportable segments, for which separate financial information is available, are evaluated periodically by management in deciding the allocation of management resources and in assessing business performances. The Company has classified its segments, comprehensively considering services, customers and markets totally, and four segments have been determined as reportable segments.

Consulting

In addition to management consulting, which provides assistance for formulation and execution of management and business strategies, organizational reform etc., system consulting is provided for all aspects of IT management.

Financial IT Solutions

Customers in the financial sector, who usually belong to the securities, insurance, or banking industries, are provided with services including system consulting, system development and system management and operation and IT solutions, such as multi-user systems.

Industrial IT Solutions

The main customers in this segment include not only the distribution, manufacturing and service sectors, but also governments and other public agencies. The services provided include system consulting, system development and system management and operation.

IT Platform Services

Services including system operation, management and administration of data centers and IT platform and network architecture related services are provided to mainly the Financial IT Solutions segment and Industrial IT Solutions segment. Customers in various sectors are provided with IT Platform solution and information security services.

This segment also conducts research for the development of new business operations and new products related to IT solutions and research related to leading-edge information technologies.

The Company implemented an organizational change on 1st April, 2012.

2) Methods of calculating net sales, profit (loss), assets and other items by reportable segment

The accounting policies for reportable segments are generally the same as described in Significant Accounting Policies. Segment profit is based on operating profit. Intersegment sales or transfers are based on current market prices.



**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

## 3) Net sales, profit (loss), assets and other items by reportable segment

	Millions of yen								
	Year ended 31st March, 2011								
	Consulting	Reportable segment			Subtotal	Others*1	Total	Adjustment*2	Consolidated*3
Financial IT Solutions		Industrial IT Solutions	IT Platform Services						
Net sales:									
Sales to external customers	¥ 19,725	¥ 194,939	¥ 87,975	¥ 15,365	¥ 318,004	¥ 8,320	¥ 326,324	¥ 5	¥ 326,329
Intersegment sales or transfers	53	66	4,784	63,187	68,090	3,096	71,186	(71,186)	
Total	19,778	195,005	92,759	78,552	386,094	11,416	397,510	(71,181)	326,329
Segment profit (loss)	¥ 1,218	¥ 18,504	¥ 6,344	¥ 9,652	¥ 35,718	¥ 292	¥ 36,010	¥ 2,417	¥ 38,427
Segment assets	¥ 8,867	¥ 98,207	¥ 36,288	¥ 52,666	¥ 196,028	¥ 5,642	¥ 201,670	¥ 178,363	¥ 380,033
Other items:									
Depreciation and amortization	¥ 72	¥ 15,958	¥ 3,562	¥ 8,615	¥ 28,207	¥ 480	¥ 28,687	¥ 1,979	¥ 30,666
Increase in tangible and intangible fixed assets	81	7,990	3,981	7,404	19,456	307	19,763	993	20,756

\*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

\*2 Descriptions of adjustments are as follows:

- (a) Individual items included in adjustment of segment profit were immaterial.
- (b) The segment asset adjustment of ¥178,363 million is comprised of corporate assets not allocated to a reportable segment of ¥179,974 million and the eliminations of intersegment receivables of ¥(1,611) million.
- (c) Individual items included in adjustment of depreciation and amortization were immaterial.
- (d) Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

\*3 Segment profit is adjusted to operating profit in the consolidated statements of income and comprehensive income.

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

	Millions of yen								
	Year ended 31st March, 2012								
	Consulting	Reportable segment			Subtotal	Others*1	Total	Adjustment*2	Consolidated*3
Financial IT Solutions		Industrial IT Solutions	IT Platform Services						
Net sales:									
Sales to external customers	¥ 21,686	¥ 202,628	¥ 89,343	¥ 13,365	¥ 327,022	¥ 8,519	¥ 335,541	¥ 14	¥ 335,555
Intersegment sales or transfers	122	91	5,320	66,007	71,540	3,283	74,823	(74,823)	
Total	21,808	202,719	94,663	79,372	398,562	11,802	410,364	(74,809)	335,555
Segment profit	¥ 3,011	¥ 21,433	¥ 6,575	¥ 9,517	¥ 40,536	¥ 728	¥ 41,264	¥ 1,889	¥ 43,153
Segment assets	¥ 10,505	¥ 101,371	¥ 37,005	¥ 63,522	¥ 212,403	¥ 5,894	¥ 218,297	¥ 184,487	¥ 402,784
Other items:									
Depreciation and amortization	¥ 78	¥ 16,331	¥ 3,228	¥ 9,229	¥ 28,866	¥ 364	¥ 29,230	¥ 1,645	¥ 30,875
Increase in tangible and intangible fixed assets	94	19,565	5,749	15,068	40,476	342	40,818	347	41,165

\*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

\*2 Descriptions of adjustments are as follows:

- Individual items included in adjustment of segment profit were immaterial.
- The segment asset adjustment of ¥184,487 million is comprised of corporate assets not allocated to a reportable segment of ¥186,003 million and the eliminations of intersegment receivables of ¥(1,516) million.
- Individual items included in adjustment of depreciation and amortization were immaterial.
- Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

\*3 Segment profit is adjusted to operating profit in the consolidated statements of income and comprehensive income.

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

	Millions of yen								
	Year ended 31st March, 2013								
	Consulting	Reportable segment			Subtotal	Others*1	Total	Adjustment*2	Consolidated*3
Financial IT Solutions		Industrial IT Solutions	IT Platform Services						
Net sales:									
Sales to external customers	¥ 22,761	¥ 219,755	¥ 83,615	¥ 28,850	¥ 354,981	¥ 8,908	¥ 363,889	¥ 2	¥ 363,891
Intersegment sales or transfers	148	162	48	74,526	74,884	3,812	78,696	(78,696)	
Total	22,909	219,917	83,663	103,376	429,865	12,720	442,585	(78,694)	363,891
Segment profit	¥ 2,808	¥ 22,301	¥ 6,487	¥ 10,070	¥ 41,666	¥ 1,137	¥ 42,803	¥ 1,211	¥ 44,014
Segment assets	¥ 11,436	¥ 91,287	¥ 34,788	¥ 72,704	¥ 210,215	¥ 8,085	¥ 218,300	¥ 213,949	¥ 432,249
Other items:									
Depreciation and amortization	¥ 71	¥ 27,952	¥ 1,680	¥ 11,138	¥ 40,841	¥ 383	¥ 41,224	¥ 1,251	¥ 42,475
Investment in affiliates		9,582			9,582	282	9,864		9,864
Increase in tangible and intangible fixed assets	75	12,469	3,150	14,211	29,905	723	30,628	420	31,048

\*1 Some subsidiaries provide system development and system management and operation services that are not included in the above reportable segments.

\*2 Descriptions of adjustments are as follows:

- Individual items included in adjustment of segment profit were immaterial.
- The segment asset adjustment of ¥213,949 million is comprised of corporate assets not allocated to a reportable segment of ¥215,672 million and the eliminations of intersegment receivables of ¥(1,723) million.
- Individual items included in adjustment of depreciation and amortization were immaterial.
- Individual items included in adjustment of increase in tangible and intangible fixed assets were immaterial.

\*3 Segment profit is adjusted to operating profit in the consolidated statements of income and comprehensive income.

4) Information about changes in reportable segments

- In response to a revision of the Corporation Tax Law, the method of depreciation used by the reportable segments for tangible fixed assets acquired on or after 1st April, 2012 has been changed in accordance with the provisions of the revised Corporation Tax Law. As a result of this change, total segment profit for the year ended 31st March, 2013 increased by ¥348 million from the corresponding amount which would have been recorded under the previous method. The impact on each segment is omitted because the amounts are immaterial.
- The Company partially changed its segment reporting structure as of 1st April, 2012. The information security business and IT platform solution business, which had previously been included in the Industrial IT Solutions segment, were newly included in the IT

Platform Services segment.

A-35

**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)****Related information**

## 1) Information by products and services

Sales to external customers classified by products and services for the years ended 31st March, 2011, 2012 and 2013 is summarized as follows:

	<b>31st March, 2011</b>	
	<b>Millions of yen</b>	<b>YoY Change</b>
Consulting services	¥ 32,967	14.1%
System development and application sales	117,076	(7.7)
System management and operation services	166,580	(0.3)
Product sales	9,706	(39.0)
<b>Total</b>	<b>¥ 326,329</b>	<b>(3.6)%</b>

	<b>31st March, 2012</b>	
	<b>Millions of yen</b>	<b>YoY Change</b>
Consulting services	¥ 36,099	9.5%
System development and application sales	125,557	7.2
System management and operation services	164,084	(1.5)
Product sales	9,815	1.1
<b>Total</b>	<b>¥ 335,555</b>	<b>2.8%</b>

	<b>31st March, 2013</b>	
	<b>Millions of yen</b>	<b>YoY Change</b>
Consulting services	¥ 39,079	8.3%
System development and application sales	140,478	11.9
System management and operation services	174,990	6.6
Product sales	9,344	(4.8)
<b>Total</b>	<b>¥ 363,891</b>	<b>8.4%</b>

2) Information by geographical area

Information by geographical area is omitted, because sales and tangible fixed assets in Japan constituted more than 90% of total sales and tangible fixed assets for the years ended 31st March, 2012 and 2013.

A-36



**Table of Contents****Nomura Research Institute, Ltd.****Notes to the Consolidated Financial Statements (Continued)****31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

## 3) Information by major customer

		31st March, 2012		
	Millions of yen	Percentage of total sales	YoY Change	Related segment
Nomura Holdings, Inc.	¥ 89,474	26.7%	17.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	39,998	11.9	0.9	Industrial IT Solutions and Financial IT Solutions

\* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

		31st March, 2013		
	Millions of yen	Percentage of total sales	YoY Change	Related segment
Nomura Holdings, Inc.	¥ 100,984	27.8%	12.9%	Financial IT Solutions
Seven & i Holdings Co., Ltd.	44,984	12.4	12.5	Industrial IT Solutions and Financial IT Solutions

\* Sales to subsidiaries of major customers and sales to major customers through leasing companies are included in the above table.

**Information about impairment loss on fixed assets for each reportable segment**

Years ended 31st March, 2012 and 2013

Not applicable.

**Information about amortized amount of goodwill and unamortized balance of goodwill for each reportable segment**

Years ended 31st March, 2012

Not applicable.

Years ended 31st March, 2013

Information is omitted because the amount is immaterial.

**Information about gains on bargain purchase for each reportable segment**

Years ended 31st March, 2012

Not applicable.



**Table of Contents**

**Nomura Research Institute, Ltd.**

**Notes to the Consolidated Financial Statements (Continued)**

**31st March, 2011 (unaudited), 2012 and 2013 (unaudited)**

Years ended 31st March, 2013

In the Financial IT Solutions segment, the Company acquired additional shares of Daiko Clearing Services during the year ended 31st March, 2013. As a result, Daiko Clearing Services is newly accounted for by the equity method. A gain on bargain purchase of ¥4,661 million was recorded by the Company as an extraordinary gain for the year ended 31st March, 2013 in relation to this transaction.

**20. Subsequent Events**

Not applicable.

A-38

**Table of Contents**

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NOMURA HOLDINGS, INC.

By: /s/ KOJI NAGAI

Name: Koji Nagai

Title: Group Chief Executive Officer

Date: June 27, 2013

**Table of Contents****INDEX OF EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
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) <sup>(1)</sup>
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) <sup>(2)</sup>
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)

## Edgar Filing: NOMURA HOLDINGS INC - Form 20-F

The Company and each of Masahiro Sakane, Toshinori Kanemoto, Tsuguoki Fujinuma and Takao Kusakari 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.