NOMURA HOLDINGS INC
Form 6-K
August 24, 2016
Table of Contents

FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of August 2016

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F _____

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

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

Table of Contents

Information furnished on this form:

EXHIBITS

Exhibit Number

1. (English Translation) Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Three Months Ended June 30, 2016

2. (English Translation) Confirmation Letter

3. Ratio of Earnings to Fixed Charges and Computation Thereof for the Three Months Ended June 30, 2016

The registrant hereby incorporates Exhibits 1, 2 and 3 to this report on Form 6-K by reference (i) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-191250) of the registrant and Nomura America Finance, LLC, filed with the Securities and Exchange Commission (SEC) on September 19, 2013 and (ii) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-209596) of the registrant, filed with the SEC on February 19, 2016.

Table of Contents

SIGNATURES

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

NOMURA HOLDINGS, INC.

Date: August 24, 2016

By: /s/ Hajime Ikeda
Hajime Ikeda
Senior Managing Director

Table of Contents

Exhibit 1

Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Three Months Ended June 30, 2016

Items included in the Quarterly Securities Report

Note: Translations for the underlined items are attached to this form as below.

Table of Contents

Part I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data

		Three months ended June 30, 2015	Three months ended June 30, 2016	Year ended March 31, 2016
Total revenue	(Mil yen)	508,448	418,412	1,723,096
Net revenue	(Mil yen)	424,032	338,480	1,395,681
Income before income taxes	(Mil yen)	106,012	62,765	165,158
Net income attributable to Nomura Holdings, Inc. (NHI) shareholders	(Mil yen)	68,742	46,825	131,550
Comprehensive income attributable to NHI shareholders	(Mil yen)	88,166	(46,064)	32,791
Total equity	(Mil yen)	2,816,981	2,699,280	2,743,015
Total assets	(Mil yen)	43,996,483	42,918,447	41,090,167
Net income attributable to NHI shareholders per share basic	(Yen)	19.11	13.00	36.53
Net income attributable to NHI shareholders per share diluted	(Yen)	18.65	12.71	35.52
Total NHI shareholders equity as a percentage of total assets	(%)	6.3	6.2	6.6
Cash flows from operating activities	(Mil yen)	617,299	(183,263)	1,238,372
Cash flows from investing activities	(Mil yen)	16,743	(173,949)	(23,711)
Cash flows from financing activities	(Mil yen)	(21,156)	(1,094,243)	986,387
Cash and cash equivalents at end of the period	(Mil yen)	1,945,623	1,950,897	3,476,261

1 The selected financial data of Nomura Holdings, Inc. (the Company) and other entities in which it has a controlling financial interest (collectively referred to as Nomura , we , our , or us) are stated in accordance with the accounting principles generally accepted in the Unite States of America (U.S. GAAP).

2 Taxable transactions do not include consumption taxes and local consumption taxes.

3 As the consolidated financial statements have been prepared, selected financial data on the Company are not disclosed.

2. Business Overview

There were no significant changes to the businesses of the Company and its 1,296 consolidated subsidiaries for the three months ended June 30, 2016.

There were 15 affiliated companies which were accounted for by the equity method as of June 30, 2016.

Table of Contents

Item 2. Operating and Financial Review

1. Risk Factors

There is no significant change in our Risk Factors for the three months ended June 30, 2016 and until the submission date of this report.

2. Significant Contracts

Not applicable.

3. Operating, Financial and Cash Flows Analysis

(1) Operating Results

Nomura reported net revenue of ¥338.5 billion, non-interest expenses of ¥275.7 billion, income before income taxes of ¥62.8 billion, and net income attributable to NHI shareholders of ¥46.8 billion for the three months ended June 30, 2016.

The breakdown of net revenue and non-interest expenses on the consolidated statements of income are as follows:

	Millions of yen Three months ended June 30	
	2015	2016
Commissions	¥ 130,343	¥ 76,255
Brokerage commissions	83,905	52,727
Commissions for distribution of investment trust	34,274	15,804
Other	12,164	7,724
Fees from investment banking	24,497	17,313
Underwriting and distribution	13,130	7,265
M&A / financial advisory fees	7,741	9,446
Other	3,626	602
Asset management and portfolio service fees	59,940	52,612
Asset management fees	54,927	48,134
Other	5,013	4,478
Net gain on trading	124,748	140,143
Gain (loss) on private equity investments	1,154	(13)
Net interest	29,233	26,619
Gain (loss) on investments in equity securities	9,186	(9,966)
Other	44,931	35,517
Net revenue	¥ 424,032	¥ 338,480

	Millions of yen Three months ended June 30	
	2015	2016
Compensation and benefits	¥ 155,896	¥ 125,949
Commissions and floor brokerage	34,243	24,172
Information processing and communications	47,934	44,249
Occupancy and related depreciation	18,729	18,228
Business development expenses	8,330	8,296
Other	52,888	54,821
Non-interest expenses	¥ 318,020	¥ 275,715

Table of Contents

Business Segment Information

Results by business segment are noted below.

Reconciliations of *Net revenue* and *Income (loss) before income taxes* on segment results of operations and the consolidated statements of income are set forth in Item 4. Financial Information, 1. Consolidated Financial Statements, Note 15. *Segment and geographic information.*

Net revenue

	Millions of yen Three months ended June 30	
	2015	2016
Retail	¥ 130,689	¥ 83,751
Asset Management	26,917	25,934
Wholesale	205,184	190,932
Other (Incl. elimination)	52,244	48,411
Total	¥ 415,034	¥ 349,028

Non-interest expenses

	Millions of yen Three months ended June 30	
	2015	2016
Retail	¥ 79,790	¥ 75,086
Asset Management	15,171	13,695
Wholesale	185,513	144,290
Other (Incl. elimination)	37,546	42,644
Total	¥ 318,020	¥ 275,715

Income (loss) before income taxes

	Millions of yen Three months ended June 30	
	2015	2016
Retail	¥ 50,899	¥ 8,665
Asset Management	11,746	12,239
Wholesale	19,671	46,642
Other (Incl. elimination)	14,698	5,767
Total	¥ 97,014	¥ 73,313

Retail

Net revenue was ¥83.8 billion primarily due to choppy market conditions prompting retail investors to remain on the sidelines. Non-interest expenses were ¥75.1 billion and income before income taxes was ¥8.7 billion. Retail client assets were ¥95.3 trillion as of June 30, 2016, a ¥5.3 trillion decrease from March 31, 2016.

Asset Management

Net revenue was ¥25.9 billion. Non-interest expenses were ¥13.7 billion and income before income taxes was ¥12.2 billion. Assets under management were ¥37.3 trillion as of June 30, 2016, a ¥2.8 trillion decrease from March 31, 2016, primarily due to weak market conditions.

Table of Contents

Wholesale

Net revenue was ¥190.9 billion. Non-interest expenses were ¥144.3 billion and income before income taxes was ¥46.6 billion.

The breakdown of net revenue for Wholesale is as follows:

	Millions of yen Three months ended June 30	
	2015	2016
Fixed Income	¥ 84,095	¥ 107,920
Equities	92,090	62,601
Global Markets	176,185	170,521
Investment Banking (Net)	29,114	20,544
Investment Banking (Other)	(115)	(133)
Investment Banking	28,999	20,411
Net revenue	¥ 205,184	¥ 190,932
Investment Banking (Gross)	¥ 49,698	¥ 33,861

Fixed Income net revenue was ¥107.9 billion as a result of client flows and market opportunities increasing. Equities net revenue was ¥62.6 billion due to client activity slow down. Investment Banking net revenue was ¥20.4 billion, primarily due to decline in Equity Capital Markets transactions and yen appreciation.

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. Other operating results for the three months ended June 30, 2016 include losses from changes in the fair value of derivative liabilities attributable to the change in its own creditworthiness of ¥4.8 billion; and gains from changes in counterparty credit spread of ¥0.0 billion. Net revenue was ¥48.4 billion, non-interest expenses were ¥42.6 billion and income before income taxes was ¥5.8 billion for the three months ended June 30, 2016.

Geographic Information

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 15. *Segment and geographic information* for net revenue and income (loss) before income taxes by geographic allocation.

Table of Contents

Cash Flow Information

Please refer to (6) Liquidity and Capital Resources.

(2) Assets and Liabilities Associated with Investment and Financial Services Business

1) Exposure to Certain Financial Instruments and Counterparties

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

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of June 30, 2016.

	Millions of yen June 30, 2016		
	Funded	**Unfunded**	**Total**
Europe	¥ 3,578	¥ 19,899	¥ 23,477
Americas	16,145	72,950	89,095
Total	¥ 19,723	¥ 92,849	¥ 112,572

Special Purpose Entities

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 Item 4. Financial Information, 1. Consolidated Financial Statements, Note 6. *Securitizations and Variable Interest Entities.*

2) Fair Value of 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 inputs used to establish fair value.

Table of Contents

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 2% as of June 30, 2016 as listed below:

	Billions of yen June 30, 2016					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥ 9,716	¥ 9,000	¥ 435	¥	¥ 19,151	2%
Derivative assets	12	40,157	206	(38,996)	1,379	
Derivative liabilities	15	40,092	213	(39,112)	1,208	

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 2. *Fair value measurements* for further information.

(3) Trading Activities

Assets and liabilities for trading purposes

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 2. *Fair value measurements* and Note 3. *Derivative instruments and hedging activities* regarding the balances of assets and liabilities for trading purposes.

Risk management of trading activity

We adopt Value at Risk (VaR) for measurement of market risk arising from trading activity.

1) Assumptions on VaR

Confidence Level: 99%

Holding period: One day

Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2016	June 30, 2016
Equity	¥ 0.9	¥ 0.7
Interest rate	3.8	4.1
Foreign exchange	0.8	2.5
Subtotal	5.5	7.3
Diversification benefit	(2.0)	(2.9)
VaR	¥ 3.5	¥ 4.4

	Billions of yen Three months ended June 30, 2016		
	Maximum[1]	Minimum[1]	Average[1]
VaR	¥ 6.7	¥ 3.4	¥ 5.1

(1) Represents the maximum, average and minimum VaR based on all daily calculations over the three-month period.

Table of Contents

(4) Deferred Tax Assets Information

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities*, respectively, in the consolidated balance sheets as of June 30, 2016.

	Millions of yen June 30, 2016
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 16,312
Investments in subsidiaries and affiliates	112,238
Valuation of financial instruments	56,144
Accrued pension and severance costs	15,290
Other accrued expenses and provisions	78,659
Operating losses	410,596
Other	5,804
Gross deferred tax assets	695,043
Less Valuation allowance	(502,761)
Total deferred tax assets	192,282
Deferred tax liabilities	
Investments in subsidiaries and affiliates	120,066
Valuation of financial instruments	46,769
Undistributed earnings of foreign subsidiaries	779
Valuation of fixed assets	18,210
Other	2,819
Total deferred tax liabilities	188,643
Net deferred tax assets (liabilities)	¥ 3,639

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

(5) Qualitative Disclosures about Market Risk

1) Risk Management

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

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

2) Global Risk Management Structure

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 managing the 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. Moreover, the Group Integrated Risk Management Committee (GIRMC), upon delegation from the Executive Management Board (EMB), has established the Risk Management Policy, describing Nomura s overall risk management framework including the fundamental risk management principles followed by Nomura.

Market Risk Management

Market risk is the risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market factors (interest rates, foreign exchange rates, prices of securities and others). Effective management of market risk requires the ability to analyze a complex and evolving portfolio in a constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

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

Credit Risk Management

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

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

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

Credit risk is managed by CRM together with various global and regional risk committees. This ensures transparency of material credit risks and compliance with established credit limits, the approval of material extensions of credit and the escalation of risk concentrations to appropriate senior management.

8

Table of Contents

CRM operates as a credit risk control function within the Risk Management Division, reporting to the Chief Risk Officer. The process for managing credit risk at Nomura includes:

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal credit ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura s current and potential future credit exposures;
- Setting credit terms in legal documentation including margin terms;
- Use of appropriate credit risk mitigants including netting, collateral and hedging.

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

The exposure calculation model used for counterparty credit risk management has also been used for the Internal Model Method based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura s reputation if caused by an operational risk.

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

1) 1st Line of Defence: The business which owns and manages its risks
2) 2nd Line of Defence: The Operational Risk Management function, which defines and co-ordinates Nomura s operational risk strategy and framework and provides challenge to the 1st Line of Defence
3) 3rd Line of Defence: Internal and External Audit, who provide independent assurance

An Operational Risk Management Framework has been established in order to allow Nomura to identify, assess, manage, monitor and report on operational risk. The GIRMC, with delegated authority from the EMB has formal oversight over the management of operational risk.

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

Model Risk Management

Nomura uses risk models for regulatory and economic capital calculations and valuation models for pricing and sensitivity calculations of positions. Model risk is the risk of loss arising from model errors or incorrect or inappropriate model application with regard to valuation models and risk models. Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused. To address these risks, Nomura has established its model risk appetite, which includes a qualitative statement and a quantitative measure. The qualitative statement for model risk specifies that it is expected that models are used correctly and appropriately. The quantitative risk appetite measure is based on Nomura s assessment of the potential loss arising from model risk.

Nomura has documented policies and procedures in place, approved by the GIRMC and/or GRSC, which define the process and validation requirements for implementing changes to valuation and risk models. Before these models are put into official use, the Model Validation Group (MVG) is responsible for validating their integrity and comprehensiveness independently from those who design and build them. All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. For changes with an impact above certain materiality thresholds, model approval is required.

Table of Contents

(6) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

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

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

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

Table of Contents

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of June 30, 2016, our liquidity portfolio was ¥5,476.5 billion which generated a liquidity surplus taking into account stress scenarios.

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

In addition to our liquidity portfolio, we had unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets was sufficient against our total unsecured debt maturing within one year.

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

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets.

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt.

3.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2016 and June 30, 2016.

	Billions of yen	
	March 31, 2016	**June 30, 2016**
Short-term bank borrowings	¥ 184.9	¥ 303.1
Other loans	127.1	70.9
Commercial paper	177.9	80.0
Deposits at banking entities	2,021.2	920.9
Certificates of deposit	32.0	17.2
Debt securities maturing within one year	760.7	723.2
Total short-term unsecured debt	¥ 3,303.8	¥ 2,115.3

11

Table of Contents

3.2 Long-Term Unsecured Debt

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

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

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

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2016 and June 30, 2016.

	Billions of yen	
	March 31, 2016	**June 30, 2016**
Long-term deposits at banking entities	¥ 169.8	¥ 165.5
Long-term bank borrowings	2,732.5	2,699.6
Other loans	143.9	132.4
Debt securities[(1)]	3,547.4	3,314.7
Total long-term unsecured debt	¥ 6,593.6	¥ 6,312.2

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

3.3 Maturity Profile

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

3.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese Gensaki Repo transactions. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We lower the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, delivering various types of securities collateral, and actively seeking long-term agreements. For more detail of secured borrowings and repurchase agreements, see Note 4 *Collateralized transactions* in our consolidated financial statements.

12

Table of Contents

4. Management of Credit Lines to Nomura Group Entities

We maintain and expand credit lines to Nomura Group entities from other financial institutions to secure stable funding. We ensure that the maturity dates of borrowing agreements are distributed evenly throughout the year in order to prevent excessive maturities in any given period.

5. Implementation of Liquidity Stress Tests

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

We assess the liquidity requirements of the Nomura Group under various stress scenarios with differing levels of severity over multiple time horizons. We evaluate these requirements under Nomura-specific and broad market-wide events, including potential credit rating downgrades at the Company and subsidiary levels 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 future cash flows in the following two primary scenarios:

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

Acute stress scenario To maintain adequate liquidity during a severe market-wide liquidity event coupled with credit concerns regarding Nomura s liquidity position, without raising funds through unsecured funding or through the liquidation of assets for 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 June 30, 2016, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

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

No liquidation of assets;

No ability to issue additional unsecured funding;

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

Potential buybacks of our outstanding debt;

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

Fluctuation of funding needs under normal business circumstances;

Cash and collateral outflows in a stress event;

Widening of haircuts on outstanding repo funding;

Additional collateralization requirements of clearing banks and depositories;

Drawdown on loan commitments;

Loss of liquidity from market losses;

Assuming a two-notch downgrade of our credit ratings, the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts; and

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

Table of Contents

6. Contingency Funding Plan

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

Liquidity Regulatory Framework

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

The first objective is to promote short-term resilience of a financial institution s liquidity risk profile by ensuring that it has sufficient high-quality liquid assets to survive a significant stress scenario lasting for 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 financial institutions to fund their activities with more stable sources of funding on an ongoing basis. The Net Stable Funding Ratio (NSFR) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.

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

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Average of Nomura s month-end LCRs for the three months ended June 30, 2016 was 190.8%, and Nomura was compliant with requirements of the above notices. As for the NSFR, the international agreement was issued by the Basel Committee in October 2014, and the ratio is planned to be implemented as minimum standards in Japan in 2018.

Cash Flows

Cash and cash equivalents balance as of June 30, 2015 and as of June 30, 2016 were ¥1,945.6 billion and ¥1,950.9 billion, respectively. Cash flows from operating activities for the three months ended June 30, 2015 were inflows of ¥617.3 billion due primarily to a decrease in *Securities borrowed, net of securities loaned* and for the comparable period in 2016 were outflows of ¥183.3 billion due primarily to an increase in *Trading assets and private equity investments*. Cash flows from investing activities for the three months ended June 30, 2015 were inflows of ¥16.7 billion due primarily to a decrease in *Non-trading debt securities, net* and the comparable period in 2016 were outflows of ¥173.9 billion due primarily to an increase in *Other, net*. Cash flows from financing activities for the three months ended June 30, 2015 were outflows of ¥21.2 billion due primarily to a decrease in *Short-term borrowings, net* and for the comparable period in 2016 were outflows of ¥1,094.2 billion due primarily to a decrease in *Deposits received at banks, net.*

Balance Sheet and Financial Leverage

Total assets as of June 30, 2016, were ¥42,918.4 billion, an increase of ¥1,828.3 billion compared with ¥41,090.2 billion as of March 31, 2016, reflecting primarily due to increases in *Trading assets* and *Securities purchased under agreements to resell*. Total liabilities as of June 30, 2016, were ¥40,219.2 billion, an increase of ¥1,872.0 billion compared with ¥38,347.2 billion as of March 31, 2016, reflecting primarily due to an increase in *Securities sold under agreements to repurchase*. NHI shareholders equity as of June 30, 2016, was ¥2,642.3 billion, a decrease of ¥58.0 billion compared with ¥2,700.2 billion as of March 31, 2016, primarily due to a decrease in *Accumulated other comprehensive income (loss).*

14

Table of Contents

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

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

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

	Billions of yen, except ratios	
	March 31, 2016	June 30, 2016
NHI shareholders equity	¥ 2,700.2	¥ 2,642.3
Total assets	41,090.2	42,918.4
Adjusted assets[(1)]	26,012.5	25,967.8
Leverage ratio[(2)]	15.2x	16.2x
Adjusted leverage ratio[(3)]	9.6x	9.8x

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

	Billions of yen	
	March 31, 2016	June 30, 2016
Total assets	¥ 41,090.2	¥ 42,918.4
Less:		
Securities purchased under agreements to resell	9,205.2	11,189.8
Securities borrowed	5,872.5	5,760.8
Adjusted assets	¥ 26,012.5	¥ 25,967.8

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

Total assets increased by 4.4% reflecting primarily an increase in *Trading assets*. NHI shareholders equity decreased by 2.1% primarily due to a decrease in *Accumulated other comprehensive income (loss).* As a result, our leverage ratio rose from 15.2 times as of March 31, 2016 to 16.2 times as of June 30, 2016.

Adjusted assets increased primarily due to an increase in *Trading assets.* As a result, our adjusted leverage ratio rose from 9.6 times as of March 31, 2016 to 9.8 times as of June 30, 2016.

Consolidated Regulatory Capital Requirements

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

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

Table of Contents

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 June 30, 2016, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) was 16.3%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) was 16.9% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) was 19.0% 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 June 30, 2016 was 5.25% for common equity Tier 1 capital ratio, 6.75% for Tier 1 capital ratio and 8.75% for consolidated capital adequacy ratio).

The following table presents the Company s consolidated capital adequacy ratios as of June 30, 2016.

		Billions of yen, except ratios June 30, 2016
Common equity Tier 1 capital	¥	2,463.6
Tier 1 capital		2,555.1
Total capital		2,869.8
Risk-Weighted Assets		
Credit risk-weighted assets		8,253.7
Market risk equivalent assets		3,991.5
Operational risk equivalent assets		2,791.2
Total risk-weighted assets	¥	15,036.4
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio		16.3%
Tier 1 capital ratio		16.9%
Consolidated capital adequacy ratio		19.0%

Consolidated Leverage Ratio Requirements

In March 2015, the FSA set out requirements for the calculation and disclosure of a consolidated leverage ratio, through amendments to revising Specification of items which a final designated parent company should disclose on documents to show the status of its sound management (2010 FSA Regulatory Notice No. 132; Notice on Pillar 3 Disclosure) and the publication of Consolidated Leverage Ratio prescribed by Commissioner of Financial Services Agency in accordance with Article 3, paragraph 1 of Pillar 3 Notice (2015 FSA Regulatory Notice No. 11; Notice on Consolidated Leverage Ratio). We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with the Notice on Pillar 3 Disclosure and Notice on Consolidated Leverage Ratio. Management receives and reviews this consolidated leverage ratio on a regular basis. As of June 30, 2016, our consolidated leverage ratio was 4.29%.

(7) Current Challenges

There is no significant change to our current challenges nor new challenges for the three months ended June 30, 2016 and until the submission date of this report.

Table of Contents

Item 3. Company Information

1. Share Capital Information

(1) Total Number of Shares

A. Number of Authorized Share Capital

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

The Authorized Share Capital is stated by the type of stock and the Total is the number of authorized share capital as referred in the Articles of Incorporation.

B. Issued Shares

Type	Number of Issued Shares as of June 30, 2016	Number of Issued Shares as of August 15, 2016	Trading Markets	Details
Common stock	3,822,562,601	3,822,562,601	Tokyo Stock Exchange[2]	1 unit is 100 shares
			Nagoya Stock Exchange[2]	
			Singapore Stock Exchange	
			New York Stock Exchange	
Total	3,822,562,601	3,822,562,601		

(1) Shares that may have increased from exercise of stock options between August 1, 2016 and the submission date (August 15, 2016) are not included in the number of issued shares as of the submission date.
(2) Listed on the First Section of each stock exchange.

Table of Contents

(2) Stock Options

Stock acquisition rights issued during the three months ended June 30, 2016 are as follows:

Stock Acquisition Rights No. 69

Date of Resolution	May 16, 2016
Number of Stock Acquisition Right	63,086[(1)]
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	6,308,600
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	From April 20, 2017 to April 19, 2022
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1 Capital Inclusion Price ¥216
Conditions to Exercise of Stock Acquisition Right	No Stock Acquisition Right may be exercised partially.
Restriction of Transfer of Stock Acquisition Rights	Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.
Substituted Payment	
Issue of the Stock Acquisition Right Attendant on Reorganization	

(1) 100 shares will be issued per one stock acquisition right.

Table of Contents

Stock Acquisition Rights No. 70

Date of Resolution	May 16, 2016
Number of Stock Acquisition Right	62,827[(1)]
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	6,282,700
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	From April 20, 2018 to April 19, 2023
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1 Capital Inclusion Price ¥208
Conditions to Exercise of Stock Acquisition Right	No Stock Acquisition Right may be exercised partially.
Restriction of Transfer of Stock Acquisition Rights	Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.
Substituted Payment	
Issue of the Stock Acquisition Right Attendant on Reorganization	

(1) 100 shares will be issued per one stock acquisition right.

Table of Contents

Stock Acquisition Rights No. 71

Date of Resolution	May 16, 2016
Number of Stock Acquisition Right	62,597[(1)]
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	6,259,700
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	From April 20, 2019 to April 19, 2024
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1 Capital Inclusion Price ¥198
Conditions to Exercise of Stock Acquisition Right	No Stock Acquisition Right may be exercised partially.
Restriction of Transfer of Stock Acquisition Rights	Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.
Substituted Payment	
Issue of the Stock Acquisition Right Attendant on Reorganization	

(1) 100 shares will be issued per one stock acquisition right.

Table of Contents

Stock Acquisition Rights No. 72

Date of Resolution	May 16, 2016
Number of Stock Acquisition Right	46,011[(1)]
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	4,601,100
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	From October 30, 2016 to October 29, 2021
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1 Capital Inclusion Price ¥221
Conditions to Exercise of Stock Acquisition Right	No Stock Acquisition Right may be exercised partially.
Restriction of Transfer of Stock Acquisition Rights	Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.
Substituted Payment	
Issue of the Stock Acquisition Right Attendant on Reorganization	

(1) 100 shares will be issued per one stock acquisition right.

Table of Contents

Stock Acquisition Rights No. 73

Date of Resolution	May 16, 2016
Number of Stock Acquisition Right	4,184[(1)]
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	418,400
The Amount to be Paid upon Exercising the Stock Acquisition Right	¥1 per share
Exercise Period of the Stock Acquisition Right	From April 30, 2017 to April 29, 2022
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥1 Capital Inclusion Price ¥216
Conditions to Exercise of Stock Acquisition Right	No Stock Acquisition Right may be exercised partially.
Restriction of Transfer of Stock Acquisition Rights	Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.
Substituted Payment	
Issue of the Stock Acquisition Right Attendant on Reorganization	

(1) 100 shares will be issued per one stock acquisition right.

Table of Contents

(3) Exercise of Moving Strike Bonds with Subscription Warrant

None

(4) Rights Plan

None

(5) Changes in Issued Shares, Shareholders Equity, etc.

					Millions of yen	
Date	Increase/Decrease of Issued Shares	Total Issued Shares	Increase/Decrease of Shareholders Equity Common stock	Shareholders Equity Common stock	Increase/Decrease of Additional capital reserve	Additional capital reserve
June 30, 2016		3,822,562,601		594,493		559,676

(6) Major Shareholders

Not applicable as this is the first quarter.

(7) Voting Rights

The Voting Rights as of the end of the current first quarter is presented as of March 31, 2016, the most recent cutoff date, because the number of beneficiary shareholders as of June 30, 2016, could not be ascertained.

A. Outstanding Shares

		As of March 31, 2016		
		Number of Shares	Number of Votes	Description
Stock without voting right				
Stock with limited voting right (Treasury stocks, etc.)				
Stock with limited voting right (Others)				
Stock with full voting right (Treasury stocks, etc.)	(Treasury Stocks)			
	Common stock	213,040,700		
	(Crossholding Stocks)			
	Common stock	1,105,000		
Stock with full voting right (Others)	Common stock	3,606,754,900	36,067,549	
Shares less than 1 unit	Common stock	1,662,001		Shares less than 1 unit (100 shares)
Total Shares Issued		3,822,562,601		
Voting Rights of Total Shareholders			36,067,549	

2,000 shares held by Japan Securities Depository Center, Inc. are included in Stock with full voting right (Others). 69 shares of treasury stocks are included in Shares less than 1 unit.

Table of Contents

B. Treasury Stocks

Name	Address	As of March 31, 2016 Directly held shares	Indirectly held shares	Total	Percentage of Issued Shares (%)
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	213,040,700		213,040,700	5.57
(Crossholding Stocks)					
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishi Shinjuku, Shinjuku-ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Takagi Securities Co., Ltd.	1-3-1-400, Umeda, Kita-ku, Osaka-shi, Osaka, Japan	100,000		100,000	0.00
Nomura Japan Corporation.	2-1-3 Nihonbashi Horidomecho, Chuo-ku, Tokyo, Japan	5,000		5,000	0.00
Total		214,145,700		214,145,700	5.60

Table of Contents

Item 4. Financial Information

1 Preparation Method of Consolidated Financial Statements

(1) The consolidated financial statements have been prepared in accordance with accounting principles, procedures, and presentations which are required in order to issue American Depositary Shares, i.e., U.S. generally accepted accounting principles, pursuant to Article 95 of Regulations Concerning the Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64, 2007).

(2) The consolidated financial statements have been prepared by making necessary adjustments to the financial statements of each consolidated company which were prepared in accordance with the accounting principles generally accepted in each country. Such adjustments have been made to comply with the principles noted in (1) above.

2 Quarterly Review Certificate

Under Article 193-2 Section 1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed a quarterly review of the consolidated financial statements for the three months ended June 30, 2016.

<Note>

Although Ernst & Young ShinNihon LLC reported that they applied limited procedures in accordance with professional standards in Japan on the interim consolidated financial statements, prepared in Japanese for the three months ended June 30, 2016, they have not performed any such limited procedures nor have they performed an audit on the English translated version of the consolidated financial statements for the above-mentioned periods which are included in this report on Form 6-K.

Table of Contents

1. Consolidated Financial Statements

(1) Consolidated Balance Sheets (UNAUDITED)

	Notes	Millions of yen	
		March 31, 2016	June 30, 2016
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents		¥ 3,476,261	¥ 1,950,897
Time deposits		196,632	163,039
Deposits with stock exchanges and other segregated cash		225,950	248,669
Total cash and cash deposits		3,898,843	2,362,605
Loans and receivables:			
Loans receivable (including ¥301,766 million and ¥280,027 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2, 7	1,605,603	1,484,536
Receivables from customers (including ¥1,542 million and ¥1,118 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2	210,844	181,942
Receivables from other than customers		1,156,608	1,516,854
Allowance for doubtful accounts	*7	(3,477)	(3,533)
Total loans and receivables		2,969,578	3,179,799
Collateralized agreements:			
Securities purchased under agreements to resell (including ¥1,098,969 million and ¥1,155,878 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2	9,205,165	11,189,830
Securities borrowed		5,872,495	5,760,815
Total collateralized agreements		15,077,660	16,950,645
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥6,483,857 million and ¥6,164,952 million as of March 31, 2016 and June 30, 2016, respectively; including ¥5,761 million and ¥5,674 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2, 3	16,379,424	17,519,194
Private equity investments (including ¥7,145 million and ¥6,977 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2	30,578	27,684
Total trading assets and private equity investments		16,410,002	17,546,878
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥402,599 million as of March 31, 2016 and ¥396,766 million as of June 30, 2016)		355,507	348,106
Non-trading debt securities	*2, 5	870,812	879,487
Investments in equity securities	*2	137,970	123,854
Investments in and advances to affiliated companies	*7	395,284	391,031
Other (including ¥60,359 million and ¥156,845 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2, 5, 9	974,511	1,136,042

Total other assets	2,734,084	2,878,520
Total assets	¥ 41,090,167	¥ 42,918,447

Table of Contents

(1) Consolidated Balance Sheets (Continued) (UNAUDITED)

	Notes	Millions of yen	
		March 31, 2016	June 30, 2016
LIABILITIES AND EQUITY			
Short-term borrowings (including ¥330,816 million and ¥292,799 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2	¥ 662,902	¥ 722,950
Payables and deposits:			
Payables to customers		688,196	715,092
Payables to other than customers		1,337,931	1,736,240
Deposits received at banks		2,222,991	1,103,619
Total payables and deposits		4,249,118	3,554,951
Collateralized financing:			
Securities sold under agreements to repurchase (including ¥442,247 million and ¥344,196 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2	14,192,309	17,102,372
Securities loaned (including ¥129,201 million and ¥130,001 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)		1,937,009	2,010,872
Other secured borrowings		476,273	402,893
Total collateralized financing		16,605,591	19,516,137
Trading liabilities	*2, 3	7,499,335	7,528,501
Other liabilities (including ¥17,739 million and ¥7,619 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2, 9	1,200,647	1,137,392
Long-term borrowings (including ¥2,703,816 million and ¥2,566,761 million measured at fair value by applying the fair value option as of March 31, 2016 and June 30, 2016, respectively)	*2	8,129,559	7,759,236
Total liabilities		38,347,152	40,219,167
Commitments and contingencies	*14		
Equity:			
Nomura Holdings, Inc. (NHI) shareholders equity:			
Common stock			
No par value share			
Authorized 6,000,000,000 shares as of March 31, 2016 and June 30, 2016			
Issued 3,822,562,601 shares as of March 31, 2016 and June 30, 2016			
Outstanding 3,608,391,999 shares as of March 31, 2016 and 3,587,751,476 shares as of June 30, 2016		594,493	594,493
Additional paid-in capital		692,706	689,859
Retained earnings		1,516,577	1,542,199
Accumulated other comprehensive income (loss)	*13	44,980	(28,615)
Total NHI shareholders equity before treasury stock		2,848,756	2,797,936
Common stock held in treasury, at cost 214,170,602 shares as of March 31, 2016 and 234,811,125 shares as of June 30, 2016		(148,517)	(155,659)
Total NHI shareholders equity		2,700,239	2,642,277

Noncontrolling interests	42,776	57,003
Total equity	2,743,015	2,699,280
Total liabilities and equity	¥ 41,090,167	¥ 42,918,447

Table of Contents

(1) Consolidated Balance Sheets (Continued) (UNAUDITED)

The following table presents the classification of consolidated variable interest entities (VIEs) assets and liabilities included in the consolidated balance sheets above. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not have any recourse to Nomura beyond the assets held in the VIEs. See Note 6 *Securitizations and Variable Interest Entities* for further information.

	Billions of yen	
	March 31, 2016	**June 30, 2016**
Cash and cash deposits	¥ 3	¥ 22
Trading assets and private equity investments	1,310	1,323
Other assets	10	19
Total assets	¥ 1,323	¥ 1,364
Trading liabilities	¥ 3	¥ 2
Other liabilities	2	4
Borrowings	809	872
Total liabilities	¥ 814	¥ 878

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

Table of Contents

(2) Consolidated Statements of Income (UNAUDITED)

	Notes	Millions of yen Three months ended June 30 2015	2016
Revenue:			
Commissions		¥ 130,343	¥ 76,255
Fees from investment banking		24,497	17,313
Asset management and portfolio service fees		59,940	52,612
Net gain on trading	*2, 3	124,748	140,143
Gain (loss) on private equity investments		1,154	(13)
Interest and dividends		113,649	106,551
Gain (loss) on investments in equity securities		9,186	(9,966)
Other		44,931	35,517
Total revenue		508,448	418,412
Interest expense		84,416	79,932
Net revenue		424,032	338,480
Non-interest expenses:			
Compensation and benefits		155,896	125,949
Commissions and floor brokerage		34,243	24,172
Information processing and communications		47,934	44,249
Occupancy and related depreciation		18,729	18,228
Business development expenses		8,330	8,296
Other		52,888	54,821
Total non-interest expenses		318,020	275,715
Income before income taxes		106,012	62,765
Income tax expense	*12	36,368	15,791
Net income		¥ 69,644	¥ 46,974
Less: Net income attributable to noncontrolling interests		902	149
Net income attributable to NHI shareholders		¥ 68,742	¥ 46,825

	Notes	Yen Three months ended June 30 2015	2016
Per share of common stock:	*10		
Basic			
Net income attributable to NHI shareholders per share		¥ 19.11	¥ 13.00
Diluted			
Net income attributable to NHI shareholders per share		¥ 18.65	¥ 12.71

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

Table of Contents

(3) Consolidated Statements of Comprehensive Income (UNAUDITED)

	Millions of yen Three months ended June 30	
	2015	2016
Net income	¥ 69,644	¥ 46,974
Other comprehensive income (loss):		
Cumulative translation adjustments:		
Cumulative translation adjustments	20,549	(81,335)
Deferred income taxes	(240)	4,678
Total	20,309	(76,657)
Defined benefit pension plans:		
Pension liability adjustment	(522)	(333)
Deferred income taxes	330	57
Total	(192)	(276)
Non-trading securities:		
Net unrealized loss on non-trading securities	(35)	(2,062)
Deferred income taxes	(80)	(429)
Total	(115)	(2,491)
Own Credit Adjustments:		
Own Credit Adjustments:		(17,253)
Deferred income taxes		2,922
Total		(14,331)
Total other comprehensive income (loss)	20,002	(93,755)
Comprehensive income (loss)	¥ 89,646	¥ (46,781)
Less: Comprehensive income (loss) attributable to noncontrolling interests	1,480	(717)
Comprehensive income (loss) attributable to NHI shareholders	¥ 88,166	¥ (46,064)

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

Table of Contents

(4) Consolidated Statements of Changes in Equity (UNAUDITED)

	Millions of yen Three months ended June 30	
	2015	2016
Common stock		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of period	594,493	594,493
Additional paid-in capital		
Balance at beginning of year	683,407	692,706
Issuance and exercise of common stock options	(1,988)	(2,847)
Balance at end of period	681,419	689,859
Retained earnings		
Balance at beginning of year	1,437,940	1,516,577
Cumulative effect of change in accounting principle[(1)]		(19,294)
Net income attributable to NHI shareholders	68,742	46,825
Gain (loss) on sales of treasury stock	(4,182)	(1,909)
Balance at end of period	1,502,500	1,542,199
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments		
Balance at beginning of year	133,371	53,418
Net change during the period	19,712	(76,374)
Balance at end of period	153,083	(22,956)
Defined benefit pension plans		
Balance at beginning of year	(15,404)	(33,325)
Pension liability adjustment	(192)	(276)
Balance at end of period	(15,596)	(33,601)
Non-trading securities		
Balance at beginning of year	25,772	24,887
Net unrealized gain (loss) on non-trading securities	(96)	(1,908)
Balance at end of period	25,676	22,979
Own credit adjustments		
Balance at beginning of year		
Cumulative effect of change in accounting principle[(1)]		19,294
Own credit adjustments		(14,331)
Balance at end of period		4,963
Balance at end of period	163,163	(28,615)
Common stock held in treasury		

Balance at beginning of year	(151,805)	(148,517)
Repurchases of common stock	(19,985)	(16,326)
Sales of common stock		0
Common stock issued to employees	13,516	9,184
Balance at end of period	(158,274)	(155,659)
Total NHI shareholders equity		
Balance at end of period	2,783,301	2,642,277
Noncontrolling interests		
Balance at beginning of year	37,172	42,776
Cumulative effect of change in accounting principle[(2)]		11,330
Cash dividends	(2,492)	(1,167)
Net income attributable to noncontrolling interests	902	149
Accumulated other comprehensive income (loss) attributable to noncontrolling interests	578	(866)
Purchase / sale of subsidiary shares, net		0
Other net change in noncontrolling interests	(2,480)	4,781
Balance at end of period	33,680	57,003
Total equity		
Balance at end of period	¥ 2,816,981	¥ 2,699,280

(1) *Cumulative effect of change in accounting principle* for the three months ended June 30, 2016 is an adjustment to initially apply Accounting Standards Update (ASU) 2016-01, *Recognition and measurement of financial assets and financial liabilities* .

(2) *Cumulative effect of change in accounting principle* for the three months ended June 30, 2016 is an adjustment to initially apply ASU 2015-02, *Consolidation analysis* (ASU 2015-02).

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

Table of Contents

(5) Consolidated Statements of Cash Flows (UNAUDITED)

	Millions of yen Three months ended June 30	
	2015	2016
Cash flows from operating activities:		
Net income	¥ 69,644	¥ 46,974
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,337	17,487
(Gain) loss on investments in equity securities	(9,186)	9,966
Deferred income taxes	421	5,624
Changes in operating assets and liabilities:		
Time deposits	104,876	16,525
Deposits with stock exchanges and other segregated cash	(24,973)	(42,102)
Trading assets and private equity investments	(1,440,229)	(2,007,928)
Trading liabilities	(112,041)	383,476
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	492,740	1,413,396
Securities borrowed, net of securities loaned	1,119,602	150,474
Other secured borrowings	(30,460)	(73,380)
Loans and receivables, net of allowance for doubtful accounts	289,731	(380,697)
Payables	328,376	545,617
Bonus accrual	(97,674)	(85,221)
Accrued income taxes, net	(62,701)	(45,642)
Other, net	(31,164)	(137,832)
Net cash provided by (used in) operating activities	617,299	(183,263)
Cash flows from investing activities:		
Payments for purchases of office buildings, land, equipment and facilities	(100,352)	(98,411)
Proceeds from sales of office buildings, land, equipment and facilities	84,896	74,253
Payments for purchases of investments in equity securities	(129)	
Proceeds from sales of investments in equity securities	269	901
Increase in loans receivable at banks, net	(13,041)	(16,217)
Decrease (Increase) in non-trading debt securities, net	44,985	(24,015)
Other, net	115	(110,460)
Net cash provided (used in) by investing activities	16,743	(173,949)
Cash flows from financing activities:		
Increase in long-term borrowings	780,667	395,789
Decrease in long-term borrowings	(636,940)	(515,158)
Increase (decrease) in short-term borrowings, net	(103,667)	114,070
Increase (decrease) in deposits received at banks, net	5,328	(1,078,117)
Proceeds from sales of common stock held in treasury	241	3
Payments for repurchases of common stock held in treasury	(19,985)	(1)
Payments for cash dividends	(46,800)	(10,829)
Net cash used in financing activities	(21,156)	(1,094,243)
Effect of exchange rate changes on cash and cash equivalents	17,329	(73,909)
Net increase (decrease) in cash and cash equivalents	630,215	(1,525,364)
Cash and cash equivalents at beginning of year	1,315,408	3,476,261

Cash and cash equivalents at end of period	¥ 1,945,623	¥ 1,950,897
Supplemental information:		
Cash paid during the period for		
Interest	¥ 75,441	¥ 76,552
Income tax payments, net	¥ 98,648	¥ 55,808

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

Table of Contents

Notes to the Consolidated Financial Statements (UNAUDITED)

1. Basis of accounting:

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

Therefore, the Company and other entities in which it has a controlling financial interest (collectively Nomura) prepares consolidated financial statements in accordance with the accounting principles, procedures and presentations which are required in order to issue ADS, i.e., U.S. generally accepted accounting principles (U.S. GAAP), pursuant to Article 95 of Regulations Concerning the Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64, 2007).

The following paragraphs describe the major differences between U.S. GAAP applied by Nomura and accounting principles generally accepted in Japan (Japanese GAAP) for the three months ended June 30, 2016. Where the effect of these major differences are significant to *Income before income taxes,* Nomura discloses as (higher) or (lower) below the amount by which *Income before income taxes* based on U.S. GAAP was higher or lower than Japanese GAAP, respectively.

Scope of consolidation

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

Unrealized gains and losses on investments in equity securities

Under U.S. GAAP applicable to broker-dealers, minority investments in equity securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥8,998 million (higher) and ¥10,632 million (lower) for the three months ended June 30, 2015 and 2016, respectively.

Unrealized gains and losses on non-trading debt and equity securities

Under U.S. GAAP applicable to broker-dealers, non-trading securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these securities are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥1,446 million (lower) and ¥1,743 million (higher) for the three months ended June 30, 2015 and 2016, respectively for non-trading debt securities. *Income before income taxes* prepared under U.S. GAAP was ¥216 million (higher) and ¥437 million (lower) for the three months ended June 30, 2015 and 2016, respectively for non-trading equity securities.

Retirement and severance benefits

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

Table of Contents

Amortization of goodwill and equity method goodwill

Under U.S. GAAP, goodwill is not amortized and is tested for impairment periodically. Under Japanese GAAP, goodwill is amortized over a certain periods of less than 20 years using the straight-line method. Therefore, under U.S. GAAP, *Income before income taxes* was ¥1,781 million (higher) and ¥1,706 million (higher) for the three months ended June 30, 2015 and 2016, respectively.

Changes in the fair value of derivative contracts

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

Fair value for financial assets and financial liabilities

Under U.S. GAAP, the fair value option may be elected for eligible financial assets and financial liabilities which would otherwise be carried on a basis other than fair value (the fair value option). Where the fair value option is elected, the financial asset or financial liability is carried at fair value with changes in fair value are recognized in earnings. Under Japanese GAAP, the fair value option is not permitted. Therefore, under U.S. GAAP, *Income before income taxes* was ¥25 million (lower) and ¥1,062 million (lower) for the three months ended June 30, 2015 and 2016, respectively. In addition, non-marketable equity securities which are carried at fair value under U.S. GAAP applicable to broker-dealers are carried at cost less impairment loss under Japanese GAAP.

Offsetting of amounts related to certain contracts

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

Stock issuance costs

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

Accounting for change in controlling interest in a consolidated subsidiary s shares

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

Table of Contents

New accounting pronouncements recently adopted

The following table presents a summary of new accounting pronouncements relevant to Nomura which have been adopted during the three months ended June 30, 2016:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-02, *Amendments to the Consolidation Analysis*	Simplifies complex consolidation guidance in ASC 810 by eliminating the legacy variable interest consolidation model applied to certain investment companies, money market funds, qualifying real estate funds and similar entities.	Modified retrospective adoption from April 1, 2016.	Nomura consolidated certain investment funds, which increased total assets and total equity by ¥11,330 million upon adoption as of April 1, 2016.
	Provides a new consolidation exception for certain registered money market funds and similar entities.		
	Modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities under ASC 810.		No impact on Nomura s results of operations.
	Modifies how fee arrangements and related party relationships should be considered in determining whether a variable interest entity should be consolidated.		
	Requires new footnote disclosures regarding financial support arrangements with certain registered money market funds and similar entities to which the exception from consolidation has been applied.		
ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*	Provides an alternative method for measuring both financial assets and liabilities of consolidated collateralized financing entity by using either the fair value of the financial assets or financial liabilities, whichever is more observable.	Modified retrospective adoption from April 1, 2016.	No material impact.
	Requires certain new qualitative footnote disclosures where the alternative method is applied.		
ASU 2015-07 *Disclosures for investments in certain entities that calculate net asset value per share (or Its*	Removes the requirement to categorize investments for which fair value is estimated using net asset value as a practical expedient within the fair value hierarchy.	Full retrospective adoption from April 1, 2016.	No material impact.

Equivalents)	Revises certain other related fair value footnote disclosure requirements.	See Note 2 *Fair value measurements* for additional information about the impact of the adoption.

Table of Contents

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* -Presentation of own credit adjustments	Requires unrealized changes in the fair value of financial liabilities elected for the fair value option attributable to instrument-specific credit risk (own credit adjustments) to be presented separately in other comprehensive income.	Modified retrospective adoption from April 1, 2016.	A cumulative catch up adjustment, net of taxes, of ¥19,294 million was recognized as of April 1, 2016 to reclassify cumulative unrealized gains arising from own credit adjustments from *Retained earnings* to *Accumulated other comprehensive income (loss)*. See Note 2 *Fair value measurements* and Note 13 *Other comprehensive income (loss)* for additional information about the impact of adoption.
ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*	Requires issuance costs related to a recognized debt liability be presented as a direct deduction from the carrying amount of the related debt liability rather than a separate asset.	Full retrospective adoption from April 1, 2016.	No material impact.
ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*	Clarifies the SEC staff s position on presentation and measurement of debt issuance costs associated with line-of-credit arrangements which are permitted to be presented as an asset and subsequently amortized ratably over the term of the related line-of-credit arrangements.	Prospective adoption from April 1, 2016.	No material impact.

Table of Contents

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period*	Clarifies a performance target that affects vesting and that could be achieved after the requisite service period is accounted for as a performance condition.	Prospective adoption from April 1, 2016.	No material impact.
ASU 2015-05 *Customer s Accounting for Fees Paid in a Cloud Computing Arrangement*	Provides guidance on evaluating the accounting for fees paid in a cloud computing arrangement.	Prospective adoption from April 1, 2016.	No material impact.
ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*	Eliminates the requirement for an acquirer in a business combination to account for adjustments made to provisional amounts retrospectively. New footnote disclosure requirement for any measurement-period adjustments identified during the reporting period.	Prospective adoption from April 1, 2016.	No material impact.

Table of Contents

Future accounting developments

The following table presents a summary of new accounting pronouncements relevant to Nomura which will be adopted in future periods and which may have a material impact on these consolidated financial statements:

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*	Clarifies how a change in counterparty of a derivative designated as hedging instrument in an existing hedging relationship affects the hedging relationship under ASC 815.	Prospective or modified retrospective adoption from April 1, 2017.[1]	No material impact expected.
ASU 2016-07, *Simplifying the Transition Method of Equity Method of Accounting*	Simplifies investor s accounting for equity method investments as a result of an increase in ownership level or degree of influence over the investee from prior period. Requires prospective application of equity method accounting from the date when an equity investment qualifies for equity method of accounting.	Prospective adoption from April 1, 2017.[1]	No material impact expected.
ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*	Allows an accounting policy election to be made to either account for forfeitures when they occur or to include estimated forfeitures in compensation expense recognized during a reporting period. Requires all associated excess tax benefits to be recognized as an income tax benefit through earnings rather than as additional paid-in capital with excess tax deficiencies recognized as income tax expense rather than as an offset of excess tax benefits, if any. Requires recognition of excess tax benefits regardless of whether the benefit	Modified retrospective or prospective adoption from April 1, 2017[1] depending on the nature of the accounting change.	Currently evaluating the potential impact.

	reduces taxes payable in the current reporting period.		
ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* -Other amendments	Requires all equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in earnings. Introduces new disclosures for financial instruments including embedded derivatives. Eliminates certain existing disclosures around the assumptions and methodology used to determine fair value of financial instruments.	Modified retrospective adoption from April 1, 2018.	Currently evaluating the potential impact.

Table of Contents

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2014-09, *Revenue from Contracts with Customers* [2]	Replaces existing revenue recognition guidance in ASC 605 and certain industry-specific revenue recognition guidance. Requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Specifies the accounting for costs to obtain or fulfill a customer contract. Revises existing guidance for principal-versus-agency determination. Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers.	Full or modified retrospective adoption from April 1, 2018.[1]	Currently evaluating the potential impact.
ASU 2016-02, *Leases*	Replaces ASC 840, the current guidance on lease accounting, and revised the definition of a lease. Requires all lessees to recognize a right of use (ROU) asset and corresponding lease liability on balance sheet. Lessor accounting is largely unchanged from current guidance. Simplifies the accounting for sale leaseback and build-to-suit leases.	Modified retrospective adoption from April 1, 2019.[1]	Currently evaluating the potential impact.

	Requires extensive new qualitative and quantitative footnote disclosures on lease arrangements.		
ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*	Provides a new model for recognition and impairment of credit losses against financial instruments such as loans and receivables which are not carried at fair value with changes in fair value recognized through earnings. New model based on current expected credit losses rather than incurred credit losses. Requires enhanced qualitative and quantitative disclosures around credit risk, the methodology used to estimate and monitor expected credit losses and changes in estimates of expected credit losses.	Modified retrospective adoption from April 1, 2020.[1]	Currently evaluating the potential impact.

(1) Unless Nomura early adopts which is considered unlikely as of the date of these consolidated financial statements.
(2) As subsequently amended by ASU 2015-14 *Revenue from Contracts with Customers Deferral of the Effective Date* , ASU 2016-08 *Revenue from Contracts with Customers Principal versus Agent Considerations* , ASU 2016-10 *Revenue from Contracts with Customers Identifying Performance Obligations and Licensing* and ASU 2016-12 *Revenue from Contracts with Customers Narrow-Scope Improvements and Practical Expedients* .

Table of Contents

2. Fair value measurements:

The fair value of financial instruments

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

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

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

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

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

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

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

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

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

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

Table of Contents

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

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

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

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

Fair value hierarchy

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

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

41

Table of Contents

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

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

Table of Contents

The following tables present the amounts of Nomura s financial instruments measured at fair value on a recurring basis as of March 31, 2016 and June 30, 2016 within the fair value hierarchy.

	Billions of yen March 31, 2016				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of March 31, 2016
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥ 1,032	¥ 742	¥ 34	¥	¥ 1,808
Private equity investments[3]			20		20
Japanese government securities	2,973				2,973
Japanese agency and municipal securities		215			215
Foreign government, agency and municipal securities	3,673	1,383	4		5,060
Bank and corporate debt securities and loans for trading purposes		1,061	107		1,168
Commercial mortgage-backed securities (CMBS)		44	17		61
Residential mortgage-backed securities (RMBS)		3,065	9		3,074
Real estate-backed securities			38		38
Collateralized debt obligations (CDOs) and other[4]		80	10		90
Investment trust funds and other	356	95	2		453
Total trading assets and private equity investments	8,034	6,685	241		14,960
Derivative assets[5]					
Equity contracts	5	1,229	51		1,285
Interest rate contracts	11	28,688	126		28,825
Credit contracts	1	649	29		679
Foreign exchange contracts	0	6,886	21		6,907
Commodity contracts	1	0			1
Netting				(36,325)	(36,325)
Total derivative assets	18	37,452	227	(36,325)	1,372
Subtotal	¥ 8,052	¥ 44,137	¥ 468	¥ (36,325)	¥ 16,332
Loans and receivables[6]		277	26		303
Collateralized agreements[7]		1,099			1,099
Other assets					
Non-trading debt securities	337	534	0		871
Other[2][3]	426	122	57		605
Total	¥ 8,815	¥ 46,169	¥ 551	¥ (36,325)	¥ 19,210
Liabilities:					
Trading liabilities					
Equities	¥ 1,108	¥ 29	¥ 0	¥	¥ 1,137
Japanese government securities	1,746				1,746
Japanese agency and municipal securities		9			9
Foreign government, agency and municipal securities	2,203	747			2,950
Bank and corporate debt securities		519	3		522

Commercial mortgage-backed securities (CMBS)		0			0
Residential mortgage-backed securities (RMBS)		3			3
Collateralized debt obligations (CDOs) and other[4]		2			2
Investment trust funds and other	78	2	0		80
Total trading liabilities	5,135	1,311	3		6,449
Derivative liabilities[5]					
Equity contracts	5	1,491	45		1,541
Interest rate contracts	8	28,380	109		28,497
Credit contracts	1	776	29		806
Foreign exchange contracts	0	6,624	30		6,654
Commodity contracts	8	0			8
Netting				(36,456)	(36,456)
Total derivative liabilities	22	37,271	213	(36,456)	1,050
Subtotal	¥ 5,157	¥ 38,582	¥ 216	¥ (36,456)	¥ 7,499
Short-term borrowings[8]	1	309	21		331
Payables and deposits[9]		0	0		0
Collateralized financing[7]		571			571
Long-term borrowings[8][10][11]	105	2,265	331		2,701
Other liabilities[12]	150	111	2		263
Total	¥ 5,413	¥ 41,838	¥ 570	¥ (36,456)	¥ 11,365

Table of Contents

	Billions of yen June 30, 2016				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of June 30, 2016
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥ 743	¥ 876	¥ 37	¥	¥ 1,656
Private equity investments[3]			16		16
Japanese government securities	3,443				3,443
Japanese agency and municipal securities		158	0		158
Foreign government, agency and municipal securities	4,425	1,364	5		5,794
Bank and corporate debt securities and loans for trading purposes		923	107		1,030
Commercial mortgage-backed securities (CMBS)		29	13		42
Residential mortgage-backed securities (RMBS)		3,415	2		3,417
Real estate-backed securities			43		43
Collateralized debt obligations (CDO) and other[4]		63	13		76
Investment trust funds and other	348	85	0		433
Total trading assets and private equity investments	8,959	6,913	236		16,108
Derivative assets[5]					
Equity contracts	3	1,086	31		1,120
Interest rate contracts	7	31,467	122		31,596
Credit contracts	1	556	22		579
Foreign exchange contracts	0	7,048	31		7,079
Commodity contracts	1	0			1
Netting				(38,996)	(38,996)
Total derivative assets	12	40,157	206	(38,996)	1,379
Subtotal	¥ 8,971	¥ 47,070	¥ 442	¥ (38,996)	¥ 17,487
Loans and receivables[6]	0	239	42		281
Collateralized agreements[7]		1,156			1,156
Other assets					
Non-trading debt securities	324	555	0		879
Other[2][3]	433	137	157		727
Total	¥ 9,728	¥ 49,157	¥ 641	¥ (38,996)	¥ 20,530
Liabilities:					
Trading liabilities					
Equities	¥ 877	¥ 259	¥ 2	¥	¥ 1,138
Japanese government securities	1,717				1,717
Foreign government, agency and municipal securities	2,220	710			2,930
Bank and corporate debt securities		486	2		488
Residential mortgage-backed securities (RMBS)		0			0
Collateralized debt obligations (CDO) and other[4]		1	1		2
Investment trust funds and other	42	3	0		45
Total trading liabilities	4,856	1,459	5		6,320

Derivative liabilities[5]					
Equity contracts	3	1,345	31		1,379
Interest rate contracts	6	31,174	130		31,310
Credit contracts	1	658	24		683
Foreign exchange contracts	0	6,915	28		6,943
Commodity contracts	5	0			5
Netting				(39,112)	(39,112)
Total derivative liabilities	15	40,092	213	(39,112)	1,208
Subtotal	¥ 4,871	¥ 41,551	¥ 218	¥ (39,112)	¥ 7,528
Short-term borrowings[8]	0	281	12		293
Payables and deposits[9]		0	0		0
Collateralized financing[7]		474			474
Long-term borrowings[8][10][11]	157	2,032	368		2,557
Other liabilities[12]	162	132	0		294
Total	¥ 5,190	¥ 44,470	¥ 598	¥ (39,112)	¥ 11,146

Table of Contents

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.
(2) In accordance with ASU 2015-07 *Disclosures for investments in certain entities that calculate net asset value per share (or Its Equivalents)* (ASU2015-07), certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. Previously reported amounts have been conformed to the current presentation. As of March 31, 2016 and June 30, 2016, the fair values of these investments which are included in *Trading assets and private equity investments* were ¥78 billion and ¥60 billion, respectively. As of March 31, 2016 and June 30, 2016, the fair values of these investments which are included in *Other assets Others* were ¥4 billion and ¥4 billion, respectively.
(3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
(4) Includes collateralized loan obligations (CLOs) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans and student loans.
(5) Each derivative classification includes derivatives 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 has been elected.
(7) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
(8) Includes structured notes for which the fair value option has been elected.
(9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
(10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
(11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
(12) Includes loan commitments for which the fair value option has been elected.

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows.

Equities and equity securities reported within *Other assets* Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2016 and June 30, 2016, respectively. The fair value of unlisted equity securities is determined using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable. As a practical expedient, fund investments which do not have a readily determinable fair value are generally valued using NAV per share where available in which case they are excluded from the FVH tables. Publicly traded mutual funds which are valued using a daily NAV per share are classified in Level 1. Fund investments where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified in Level 2. Fund investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. 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.

Table of Contents

Private equity investments The determination of fair value of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (DCF) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital (WACC). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (EV/EBITDA) ratios, Price/Earnings (PE) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. 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 The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

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

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

Real estate-backed securities The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. Where all significant inputs are observable, the securities will be classified in Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or DCM valuation techniques and are classified in Level 3 as the valuation includes significant unobservable valuation inputs such as yields or loss severities.

Table of Contents

Collateralized debt obligations (CDOs) and other The fair value of CDOs is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs used include market spread data for each credit rating, yields, prepayment rates, default probabilities and loss severities. CDOs are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are observable or market-corroborated. CDOs will be classified in Level 3 where one or more of the significant valuation inputs used in the DCF valuations are unobservable.

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

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

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

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

Table of Contents

Derivatives Foreign exchange contracts Nomura enters into both exchange-traded and OTC foreign exchange derivative transactions such as foreign exchange forwards and currency options. The fair value of exchange-traded foreign exchange derivatives which are traded in inactive markets or where the exchange price is not representative of fair value is determined using a model price and are classified in Level 2. The fair value of OTC foreign exchange derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward FX rates, spot FX rates and volatilities. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC foreign exchange derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain foreign exchange derivatives are classified in Level 3 where volatility valuation inputs are significant and unobservable.

Loans The fair value of loans carried at fair value either as trading assets or through election of the fair value option is primarily determined using DCF valuation techniques as quoted prices are typically not available. The significant valuation inputs used are similar to those used in the valuation of corporate debt securities described above. Loans are generally classified in Level 2 of the fair value hierarchy because all significant valuation inputs are observable. Certain loans, however, are classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2 or credit spreads of the issuer used in DCF valuations are significant and unobservable.

Collateralized agreements and *Collateralized financing* The primary types of collateralized agreement and financing transactions carried at fair value are reverse repurchase and repurchase agreements elected for the fair value option. The fair value of these financial instruments is primarily determined using DCF valuation techniques. The significant valuation inputs used include interest rates and collateral funding spreads such as general collateral or special rates. Reverse repurchase and repurchase agreements are generally classified in Level 2 of the fair value hierarchy because these valuation inputs are usually observable.

Non-trading debt securities These are debt securities held by certain non-trading subsidiaries in the group and are valued and classified in the fair value hierarchy using the same valuation techniques used for other debt securities classified as *Government, agency and municipal securities* and *Bank and corporate debt securities* described above.

Short-term and *long-term borrowings (Structured notes)* Structured notes are debt securities issued by Nomura or by consolidated variable interest entities (VIEs) which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate (i.e., an embedded derivative).

Table of Contents

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves 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. As of March 31, 2016 and June 30, 2016, the fair value of structured notes includes a debit adjustment of ¥23 billion and ¥8 billion, respectively, to reflect Nomura s own creditworthiness. The valuation methodology used to determine this adjustment was refined during the year ended March 31, 2016 by incorporating certain additional term features in Nomura s credit spreads, which are a key valuation input used to determine the amount of the adjustment. 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.

Long-term borrowings (Secured financing transactions) Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura s own creditworthiness.

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements, including those classified in Level 3 within the fair value hierarchy, Nomura operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the trading businesses assuming the risk of the financial instrument. Such functions within Nomura with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

- The Product Control Valuations Group (PCVG) within Nomura s Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument in accordance with U.S. GAAP. While it is the responsibility of market makers and investment professionals in our trading businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the trading businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer (CFO);

- The Accounting Policy Group within Nomura s Finance Department defines the group s accounting policies and procedures in accordance with U.S. GAAP, including those associated with determination of fair value under ASC 820 and other relevant U.S. GAAP pronouncements. This group reports to the Global Head of Accounting Policy and ultimately to the CFO; and

- The MVG within Nomura s Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. This group reports to the Chief Risk Officer.

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

Table of Contents

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.

The independent price verification processes aim to verify the fair value of all positions to external levels on a regular basis. The process will involve obtaining data such as trades, marks and prices from internal and external sources and examining the impact of marking the internal positions at the external prices. Margin disputes within the collateral process will also be investigated to determine if there is any impact on valuations.

Where third-party pricing information sourced from brokers, dealers and consensus pricing services is used as part of the price verification process, consideration is given as to whether that information reflects actual recent market transactions or prices at which transactions involving identical or similar financial instruments are currently executable. If such transactions or prices are not available, the financial instrument will generally be classified in Level 3.

Where there is a lack of observable market information around the inputs used in a fair value measurement, then the PCVG and the MVG will assess the inputs used for reasonableness considering available information including comparable products, surfaces, curves and past trades. Additional valuation adjustments may be taken for the uncertainty in the inputs used, such as correlation and where appropriate trading desks may be asked to execute trades to evidence market levels.

Model review and validation

For more complex financial instruments pricing models are used to determine fair value measurements. The MVG performs an independent model approval process which incorporates a review of the model assumptions across a diverse set of parameters. Considerations include:

- Scope of the model (different financial instruments may require different but consistent pricing approaches);
- Mathematical and financial assumptions;
- Full or partial independent benchmarking along with boundary and stability tests, numerical convergence, calibration quality and stability;
- Model integration within Nomura s trading and risk systems;
- Calculation of risk numbers and risk reporting; and
- Hedging strategies/practical use of the model.

New models are reviewed and approved by the MVG. The frequency of subsequent MVG reviews (Model Re-approvals) is at least annually.

Revenue substantiation

Nomura s Product Control function also ensures adherence to Nomura s valuation policies through daily and periodic analytical review of net revenues. This process involves substantiating revenue amounts through explanations and attribution of revenue sources based on the underlying factors such as interest rates, credit spreads, volatilities, foreign exchange rates etc. In combination with the independent price verification processes, this daily, weekly, monthly and quarterly review substantiates the revenues made while helping to identify and resolve potential

booking, pricing or risk quantification issues.

Table of Contents

Level 3 financial instruments

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

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

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

Table of Contents

Quantitative and qualitative information regarding significant unobservable inputs

The following tables present information about the significant unobservable inputs and assumptions used by Nomura for financial instruments classified in Level 3 as of March 31, 2016 and June 30, 2016. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy. Changes in each of these significant unobservable valuation inputs used by Nomura will impact upon the fair value measurement of the financial instrument. The following tables also therefore qualitatively summarize the sensitivity of the fair value measurement for each type of financial instrument as a result of an increase in each unobservable valuation input and summarize the interrelationship between significant unobservable valuation inputs where more than one is used to measure fair value.

	March 31, 2016							
Financial Instrument	**Fair value in billions of yen**	**Valuation technique**	**Significant unobservable input**	**Range of valuation inputs[1]**	**Weighted Average[2]**	**Impact of increases in significant unobservable valuation inputs[3][4]**	**Interrelationships between valuation inputs[5]**
Assets:							
Trading assets and private equity investments							
Equities	¥ 34	DCF	Liquidity discounts	30.0 45.0%	41.7%	Lower fair value	Not applicable
Private equity investments	20	Market multiples	EV/EBITDA ratios	7.8 x	7.8 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			Price/Book ratio	1.1 x	1.1 x	Higher fair value	
			Liquidity discounts	0.0 30.0%	22.9%	Lower fair value	
Foreign government, agency and municipal securities	4	DCF	Credit spreads	0.0 5.9%	1.3%	Lower fair value	Not applicable
Bank and corporate debt securities and loans for trading purposes	107	DCF	Credit spreads	0.0 40.7%	5.3%	Lower fair value	No predictable interrelationship
			Recovery rates	0.0 97.0%	68.6%	Higher fair value	
Commercial mortgage-backed securities (CMBS)	17	DCF	Yields	0.0 183.1%	7.7%	Lower fair value	No predictable interrelationship
			Loss severities	0.0 20.0%	10.0%	Lower fair value	
Residential mortgage-backed securities (RMBS)	9	DCF	Yields	0.0 17.4%	4.1%	Lower fair value	No predictable interrelationship
			Prepayment rates	2.7 12.0%	9.0%	Lower fair value	
			Loss severities	4.5 60.6%	30.1%		

							Lower fair value	
Real estate-backed securities	38	DCF	Yields	4.0	165.1%	25.3%	Lower fair value	No predictable interrelationship
			Loss severities	0.0	100.0%	21.4%	Lower fair value	
Collateralized debt obligations (CDOs) and other	10	DCF	Yields	10.8	25.0%	21.1%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
			Prepayment rates	4.0	20.0%	19.6%	Lower fair value	
			Default probabilities	2.0	5.5%	2.6%	Lower fair value	
			Loss severities	30.0	88.0%	31.8%	Lower fair value	

Table of Contents

	March 31, 2016						
Financial Instrument	**Fair value in billions of yen**	**Valuation technique**	**Significant unobservable input**	**Range of valuation inputs[1]**	**Weighted Average[2]**	**Impact of increases in significant unobservable valuation inputs[3][4]**	**Interrelationships between valuation inputs[5]**
Derivatives, net:							
Equity contracts	¥ 6	Option models	Dividend yield	0.0 13.7%		Higher fair value	No predictable interrelationship
			Volatilities	0.0 125.2%		Higher fair value	
			Correlations	(0.74) 0.99		Higher fair value	
Interest rate contracts	17	DCF/ Option models	Interest rates	0.1 3.3%		Higher fair value	No predictable interrelationship
			Volatilities	13.8 17.4%		Higher fair value	
			Volatilities	31.9 83.0bp		Higher fair value	
			Correlations	(0.65) 1.00		Higher fair value	
Credit contracts	0	DCF/ Option models	Credit spreads	0.0 45.9%		Higher fair value	No predictable interrelationship
			Recovery rates	0.0 90.0%		Higher fair value	
			Volatilities	30.0 58.1%		Higher fair value	
			Correlations	0.26 0.87		Higher fair value	
Foreign exchange contracts	(9)	Option models	Volatilities	1.0 31.6%		Higher fair value	No predictable interrelationship
Loans and receivables	26	DCF	Credit spreads	0.0 16.8%	4.9%	Lower fair value	Not applicable
Other assets							
Other[3]	57	DCF	WACC	5.5%	5.5%	Lower fair value	No predictable interrelationship
			Growth rates	1.0%	1.0%	Higher fair value	
			Credit spreads	0.6 0.7%	0.7%	Lower fair value	
			Liquidity discounts	30.0%	30.0%	Lower fair value	
		Market multiples	EV/EBITDA ratios	4.0 13.5 x	8.0 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain
			PE ratios	3.7 31.5 x	19.6 x	Higher fair value	
			Price/Book ratios	0.0 5.6 x	1.1 x	Higher fair value	
			Liquidity discounts	20.0 30.0%	27.7%	Lower fair value	

								constant.
Liabilities:								
Trading liabilities								
Bank and corporate debt securities	¥ 3	DCF	Credit spreads	0.9	10.3%	2.9%	Lower fair value	Not applicable
Short-term borrowings	21	DCF/ Option models	Volatilities	34.6%			Higher fair value	Not applicable
Long-term borrowings	331	DCF/ Option models	Volatilities	13.8	34.6%		Higher fair value	No predictable interrelations
			Volatilities	44.7	71.2bp		Higher fair value	
			Correlations	(0.57)	0.99		Higher fair value	

Table of Contents

			June 30, 2016				
Financial Instrument	**Fair value in billions of yen**	**Valuation technique**	**Significant unobservable input**	**Range of valuation inputs[1]**	**Weighted Average[2]**	**Impact of increases in significant unobservable valuation inputs[3][4]**	**Interrelationships between valuation inputs[5]**
Assets:							
Trading assets and private equity investments							
Equities	¥ 37	DCF	Liquidity discounts	35.0 50.0%	43.7%	Lower fair value	Not applicable
Private equity investments	16	Market multiples	EV/EBITDA ratios	7.3x	7.3x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			Price/Book ratio	0.9x	0.9x	Higher fair value	
			Liquidity discounts	0.0 30.0%	23.6%	Lower fair value	
Foreign government, agency and municipal securities	5	DCF	Credit spreads	0.0 6.5%	1.4%	Lower fair value	No predictable interrelationship
			Recovery rates	7.4%	7.4%	Higher fair value	
Bank and corporate debt securities and loans for trading purposes	107	DCF	Credit spreads	0.0 75.0%	4.1%	Lower fair value	No predictable interrelationship
			Recovery rates	0.0 97.0%	44.0%	Higher fair value	
Commercial mortgage-backed securities (CMBS)	13	DCF	Yields	0.2 11.2%	3.9%	Lower fair value	No predictable interrelationship
			Loss severities	0.0 15.0%	7.5%	Lower fair value	
Residential mortgage-backed securities (RMBS)	2	DCF	Yields	0.0 20.7%	3.1%	Lower fair value	No predictable interrelationship
			Prepayment rates	2.7 12.0%	9.2%	Lower fair value	
			Loss severities	1.7 100.0%	28.1%	Lower fair value	
Real estate-backed securities	43	DCF	Yields	4.0 16.7%	10.8%	Lower fair value	No predictable interrelationship
			Loss severities	0.0 56.9%	17.0%	Lower fair value	
Collateralized debt obligations (CDOs) and other	13	DCF	Yields	9.5 26.0%	20.0%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in
			Prepayment rates	5.0 20.0%	19.7%	Lower fair value	
			Default probabilities	2.0 5.0%	2.3%	Lower fair value	

Loss severities	30.0	80.0%	30.8%	Lower fair value	loss severities and opposite change in prepayment rates

Table of Contents

				June 30, 2016			
Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable input	Range of valuation inputs[1]	Weighted Average[2]	Impact of increases in significant unobservable valuation inputs[3][4]	Interrelationships between valuation inputs[5]
Derivatives, net:							
Equity contracts	0	Option models	Dividend yield	0.0 13.8%		Higher fair value	No predictable interrelationship
			Volatilities	6.5 122.0%		Higher fair value	
			Correlations	(0.74) 0.98		Higher fair value	
Interest rate contracts	(8)	DCF/ Option models	Interest rates	(0.2) 2.8%		Higher fair value	No predictable interrelationship
			Volatilities	14.4 17.4%		Higher fair value	
			Volatilities	35.5 81.3bp		Higher fair value	
			Correlations	(0.65) 1.00		Higher fair value	
Credit contracts	(2)	DCF/ Option models	Credit spreads	0.1 50.4%		Higher fair value	No predictable interrelationship
			Recovery rates	0.0 90.0%		Higher fair value	
			Volatilities	16.2 83.0%		Higher fair value	
			Correlations	0.33 0.85		Higher fair value	
Foreign exchange contracts	3	Option models	Volatilities	1.0 30.0%		Higher fair value	Not applicable
Loans and receivables	42	DCF	Credit spreads	0.0 17.3%	3.8%	Lower fair value	Not applicable
Other assets							
Other[3]	157	DCF	WACC	5.8%	5.8%	Lower fair value	No predictable interrelationship
			Growth rates	1.0%	1.0%	Higher fair value	
			Credit spreads	0.6 0.7%	0.7%	Lower fair value	
			Liquidity discounts	30.0%	30.0%	Lower fair value	
		Market multiples	EV/EBITDA ratios	3.3 8.8x	7.7x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain
			PE ratios	8.0 59.2x	25.6x	Higher fair value	
			Price/Book ratios	0.0 5.6x	1.1x	Higher fair value	
			EV/AUM	1.7x	1.7x	Higher fair value	

				Liquidity discounts	20.0	30.0%	27.7%	Lower fair value	constant.
Liabilities:									
Short-term borrowings	¥	12	DCF/ Option models	Volatilities	11.4	58.4%		Higher fair value	No predictable interrelationship
				Correlations	(0.73)	0.96			