

NOMURA HOLDINGS INC
Form 20-F
June 27, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2012

OR

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

OR

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

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Jurisdiction of incorporation or organization)

Japan

(Address of principal executive offices)

Takumi Kitamura, 81-3-5255-1000, 81-3-3274-4496

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

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

Title of Each Class
Common Stock*

Name of Each Exchange On Which Registered
New York Stock Exchange

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

None

(Title of Class)

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

None

(Title of Class)

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

As of March 31, 2012, 3,663,483,895 shares of Common Stock were outstanding, including 26,244,423 shares represented by 26,244,423 American Depositary Shares.

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

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

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As used in this annual report, references to Company , Nomura , Nomura Group , we , us and our are to Nomura Holdings, Inc. and, except as the context otherwise requires, its consolidated subsidiaries. As part of certain line items in Nomura s financial statements and information included in this Form 20-F, references to NHI are to Nomura Holdings, Inc.

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table shows selected financial information as of and for the years ended March 31, 2008, 2009, 2010, 2011 and 2012 which is derived from our consolidated financial statements included in this annual report. These financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP). Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

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

	Millions of yen, except per share data and percentages				
	Year ended March 31				
	2008	2009	2010	2011	2012
Statement of income data:					
Revenue	¥ 1,593,722	¥ 664,511	¥ 1,356,751	¥ 1,385,492	¥ 1,851,760
Interest expense	806,465	351,884	205,929	254,794	315,901
Net revenue	787,257	312,627	1,150,822	1,130,698	1,535,859
Non-interest expenses	852,167	1,092,892	1,045,575	1,037,443	1,450,902
Income (loss) before income taxes	(64,910)	(780,265)	105,247	93,255	84,957
Income tax expense (benefit)	3,259	(70,854)	37,161	61,330	58,903
Net income (loss) ⁽¹⁾	¥ (68,169)	¥ (709,411)	¥ 68,086	¥ 31,925	¥ 26,054
Less: Net income (loss) attributable to noncontrolling interests ⁽¹⁾	(322)	(1,219)	288	3,264	14,471
Net income (loss) attributable to Nomura Holdings, Inc. (NHI) shareholders	¥ (67,847)	¥ (708,192)	¥ 67,798	¥ 28,661	¥ 11,583
Balance sheet data (period end):					
Total assets ⁽²⁾	¥ 25,236,054	¥ 24,837,848	¥ 32,230,428	¥ 36,692,990	¥ 35,697,312
Total NHI shareholders equity ⁽⁴⁾	1,988,124	1,539,396	2,126,929	2,082,754	2,107,241
Total equity ⁽¹⁾	2,001,102	1,551,546	2,133,014	2,091,636	2,389,137
Common stock	182,800	321,765	594,493	594,493	594,493
Per share data:					
Net income (loss) attributable to NHI shareholders basic	¥ (35.55)	¥ (364.69)	¥ 21.68	¥ 7.90	¥ 3.18
Net income (loss) attributable to NHI shareholders diluted	(35.57)	(366.16)	21.59	7.86	3.14
Total NHI shareholders equity ⁽³⁾	1,042.60	590.99	579.70	578.40	575.20
Cash dividends ⁽³⁾	34.00	25.50	8.00	8.00	6.00
Cash dividends in USD ⁽⁴⁾	\$ 0.34	\$ 0.26	\$ 0.09	\$ 0.10	\$ 0.07
Weighted average number of shares outstanding (in thousands) ⁽⁵⁾	1,908,399	1,941,907	3,126,790	3,627,799	3,643,481
Return on equity⁽⁶⁾:	(3.3)%	(40.2)%	3.7%	1.4%	0.6%

Notes:

- (1) On April 1, 2009, we adopted new guidance for the accounting and reporting for noncontrolling interests. In the above table, this guidance has been retrospectively applied to the amounts as of and for the years ended March 31, 2008 and 2009.
- (2) On April 1, 2008, we adopted new guidance for the offsetting of cash collateral against net derivative balances. See Note 1 *Summary of accounting policies* to our consolidated financial statements included in this annual report. In the above table, total assets as of March 31, 2008 has been adjusted to retrospectively apply this guidance.
- (3) Calculated using the number of shares outstanding at period end.
- (4) Calculated using the yen-dollar exchange rate of the respective fiscal year end date, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.
- (5) The number shown is used to calculate basic earnings per share.
- (6) Calculated as Net income (loss) attributable to NHI shareholders divided by average Total NHI shareholders equity.

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

Year ended March 31	High	Low	Average⁽¹⁾	Year end
2008	124.09	96.88	113.61	99.85
2009	110.48	87.80	100.85	99.15
2010	100.71	86.12	92.49	93.40
2011	94.68	78.74	85.00	82.76
2012	85.26	75.72	78.86	82.41
Calendar year 2012	High	Low		
January	78.13	76.28		
February	81.10	76.11		
March	83.78	80.86		
April	82.62	79.81		
May	80.36	78.29		
June (through June 22)	80.52	78.21		

(1) Average rate represents the average of rates available on the last business day of each month during the period. The noon buying rate for Japanese yen on June 22, 2012 was \$1.00 = ¥80.52

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

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D. Risk Factors.

Risk Factors

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

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

Over recent years, continuous disruptions have led to an acute downturn in the markets and economic conditions in Japan and elsewhere around the world. In 2008 and through to early 2009, the financial services industry, global securities markets and economies, especially in developed countries, were materially and adversely affected by a world-wide market crisis and dislocation. In 2011, the manifestation of financial problems in the U.S. and the worsening of financial, economic and structural issues in the peripheral countries of the Eurozone including Greece, have adversely influenced major global financial markets, and the economic outlook in the medium to long-term remains uncertain.

In addition, not only purely economic factors but also future war, acts of terrorism, economic or political sanctions, pandemics, geopolitical risks and events, natural disasters or other similar events could have a material adverse effect on financial markets and economies. For example, the East Japan Earthquake in March 2011 severely affected the Japanese economy and our business environment through the damage to nuclear power plants and resulting power shortages, supply line disruptions and the reluctance of our existing and potential clients to engage in financial and corporate transactions. Today the Japanese economy has not yet attained a full-scale recovery, although some post-quake reconstruction demand can be anticipated.

A sustained market/economic downturn caused by these factors can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market/economic downturn, we may incur substantial losses due to market volatility. Also, governmental fiscal and monetary policy changes in Japan and other jurisdictions where we conduct business and other business environmental changes may adversely affect our business, financial condition and results of operations. The following are certain risks related to the financial markets and economic conditions on our specific businesses.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

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Our electronic trading business revenues may decline

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

We may incur significant losses from our trading and investment activities

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

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

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

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to our lowered creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. In contrast, if we are the party receiving collateral, such declines can reduce our profitability by reducing the level of business done with our clients and counterparties.

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

Holding a large amount of securities concentrated in specific assets can increase our risks and expose us to large losses in our businesses such as market-making, block trading, underwriting, asset securitization and acquiring newly-issued convertible bonds through third-party allotment. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer

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or issuers in a particular industry, country or region. In addition, we may incur substantial losses due to market fluctuations on asset-backed securities such as residential and commercial mortgage-backed securities.

Extended market declines can reduce liquidity and lead to material losses

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in the market for our business, which may make it difficult to sell, hedge or value such assets. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to over-the-counter derivatives, we may incur substantial losses. Further, the difficulty in monitoring prices in a less liquid market could lead to unanticipated losses.

Our hedging strategies may not prevent losses

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

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

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Some of our methods of managing risk are based upon observed historical market behavior. This historical market behavior may not continue in future periods. As a result, we may suffer large losses by being unable to predict future risk exposures that could be significantly greater than the historical measures indicate. Other risk management methods that we use also rely on our evaluation of information regarding markets, clients or other matters, which is publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated, in which case we may be unable to properly assess our risks, and thereby suffer large losses. Furthermore, certain factors, such as market volatility, may render our risk evaluation model unsuitable for the new market environment. In such event, we may become unable to evaluate or otherwise manage our risks adequately.

Market risk may increase other risks that we face

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate other risks that we face. For example, the risks associated with new products developed through financial engineering/innovation may be increased by market risk.

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

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

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

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

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We may have to record impairment charges with regard to the amount of goodwill and tangible and intangible assets. Any impairment charges for goodwill or tangible or intangible assets we recognize, if recorded, may adversely affect our results of operations and financial condition.

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

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

We may be unable to access the debt capital markets

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

we incur large trading losses,

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

regulatory authorities take significant action against us.

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

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

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

We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on credit watch with negative implications. This could increase our borrowing costs and limit our access to the capital markets. This, in turn, could reduce our earnings and adversely affect our liquidity.

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Further, other factors which are not specific to us may increase our funding costs, such as negative market perception of Japanese fiscal soundness.

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

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

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

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

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

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

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

Credit risk may also arise from:

holding securities issued by third parties, or

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

Increased domestic and global consolidation in the financial services industry means increased competition for us

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have consolidated with other financial institutions in Japan and overseas. Through such business alliances and consolidations, these other securities companies and commercial banks have the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group. This diversity of services offered may enhance their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking, insurance and other financial services revenues in an effort to gain market share. Our market shares may decrease if these large consolidated firms expand their businesses.

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

We believe there are significant opportunities in the international markets, but there is also significant competition for such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Some of these financial services firms are larger, better capitalized, and are able to secure talented human resources and have a stronger presence in these markets. As a means to bolster our international operations, we acquired certain Lehman operations in Europe, the Middle East and Asia in 2008 and we have invested significant management resources to rebuild and expand our operations in these regions and the U.S. However, due to the subsequent deterioration and destabilization of the global economy, the recent European sovereign debt crisis and regulatory/supervisory tightening around the world, many competitor firms in the financial services industry have undertaken cost reduction, asset disposals as well as withdrawal from certain businesses. In light of this challenging business environment, we endeavor to reallocate our management resources to optimize our global operations and thereby improve our profitability. These efforts are central to the successful execution of our global business strategy. Failure to realize the full benefits of such efforts may adversely affect our global businesses, financial condition and results of operations.

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

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

Our exposure to legal liability is significant

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

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

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

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. These regulations are broadly designed to ensure the stability of financial system and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities, through net capital, client protection and market conduct requirements. Although we have policies in place to prevent violations of such laws and regulations, we may not always be able to prevent violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to

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improve our internal governance procedures, or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

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

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

Particularly, in response to the financial markets crisis in the autumn of 2008, various reforms to the financial regulatory framework at a national level and by international agreements, such as the agreements reached at the Group of Twenty (G-20) Summit, are undergoing to restore financial stability and to enhance financial industry s resilience against future crises. Such proposals for reform include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) in the U.S. and various proposals to strengthen financial regulation in the European Union and the United Kingdom (U.K.). The exact details of the implementation of these proposals and its impact on us will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards. For more information about such regulations, see Regulation under Item 4.B. of this annual report.

The changes in regulations on accounting standards, consolidated regulatory capital adequacy rules and liquidity ratio could also have a material adverse effect on our business, financial condition, and results of operations. For example, we currently calculate our consolidated regulatory capital adequacy ratio in accordance with the Financial Services Agency (the FSA) s notice on Basel 2.5 based consolidated capital adequacy rules applicable to the Final Designated Parent Company. In March, 2012, the FSA has published an amendment to the notice on capital adequacy rules in order to respond to the Basel III measures announced by the Basel Committee on Banking Supervision (the Basel Committee), and the amended notice will come in force on March 31, 2013. The implementation of those new measures may cause our capital adequacy ratio to decrease or may require us to liquidate assets, raise additional capital or otherwise restrict our business activities in a manner that could adversely increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Further, based on Basel III, the Financial Stability Board and the Basel Committee have announced they will annually update the list of global systemically important financial institutions (G-SIFIs) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIFIs. The costs and impact on us as described above may further increase if we are identified as a G-SIFI in the future.

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

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

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

We face the risk that misconduct by an employee, director or officer, or any third party, could occur which may adversely affect our business. Misconduct by an employee, director or officer can include, for example, entering into transactions in excess of authorized limits, acceptance of risks that exceed our limits, or concealment of unauthorized or unsuccessful activities. The misconduct could also involve, for example, the improper use or disclosure of our or our clients' confidential information, such as insider trading, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us. Although we have precautions in place to detect and prevent any such misconduct, it may not be effective in all cases, and we may not always be able to detect or deter misconduct by an employee, director or officer. If any administrative or judicial sanction is issued against us as a result of such misconduct, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

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

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

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

We are a global financial services firm providing a wide range of products and services to a diverse group of clients, including individuals, corporations, financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of business. Potential conflicts can occur when our services to a particular client or our own interests conflict, or are perceived to conflict, with the interest of another client. Potential conflicts can also occur where non-public information is not appropriately restricted or shared within the firm. While we have extensive internal procedures and controls designed to identify and address conflicts of interest, a failure, or a perceived failure, to identify, disclose and address appropriately the conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, potential conflicts could give rise to regulatory scrutiny, enforcement action or litigation.

Our business is subject to various operational risks

Types of operational risk we face include the following, each of which could result in financial losses, disruption in our business, litigation from third parties, regulatory/supervisory actions, restrictions or penalties, and/or damage to our reputation:

failure to execute, confirm or settle securities transactions,

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

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

the disruption of our business due to pandemic diseases or illnesses, such as avian and swine flu or

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

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

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

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

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

We are a holding company and depend on payments from our subsidiaries

We depend on dividends, distributions and other payments from our subsidiaries to fund dividend payments and to fund all payments on our obligations, including debt obligations. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, many of our subsidiaries, including our broker-dealer subsidiaries, are subject to laws and regulations that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder our ability to access funds that we may need to make payments on our obligations.

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

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

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

We hold substantial investments in equity securities and non-trading debt securities. Under U.S. GAAP, depending on market conditions, we may record significant unrealized gains or losses on our investments in equity securities and debt securities, which would have a substantial impact on our consolidated statements of

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income. Depending on the conditions of the markets, we may not be able to dispose of these equity securities and debt securities when we would like to do so, as quickly as we may wish or at the desired values.

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

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

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

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

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

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

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

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

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

The rights of the shareholders under Japanese law to take actions including voting their shares, receiving dividends and distributions, bringing derivative actions, examining the company's accounting books and records

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and exercising appraisal rights are available only to holders of record. Because the depositary, through its custodian agent, is the record holder of the shares underlying the ADSs, only the depositary can exercise those rights in connection with the deposited shares. The depositary will make efforts to vote the shares underlying your ADSs as instructed by you and will pay you the dividends and distributions collected from us. However, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine our accounting books and records or exercise appraisal rights except through the depositary.

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

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

Our shareholders of record on a record date may not receive the dividend they anticipate

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. Our dividend payout practice is no exception. We ultimately determine the actual dividend payment amount to our shareholders of record as of a record date, including whether we will make any dividend payment to such shareholders at all, only after such record date. For the foregoing reasons, our shareholders of record on a record date may not receive the dividends they anticipate. Furthermore, we do not announce any dividend forecast.

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

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

Special Note Regarding Forward-looking Statements

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

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

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Item 4. Information on the Company

A. History and Development of the Company.

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

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

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

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

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

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

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

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

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

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

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B. Business Overview.

Overview

We are one of the leading financial services groups in Japan and have worldwide operations. As of March 31, 2012, we operated offices in over 30 countries and regions including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region (Hong Kong) through our subsidiaries.

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

Our business consists of the following three divisions, each followed by its principal business:

Retail investment consultation services

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

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

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

Corporate Goals and Principles

Nomura Group is committed to a management vision of firmly establishing ourselves as a globally competitive financial services group. We will seek to realize this vision and increase shareholder value by strengthening our base in the Japanese securities businesses, developing world-class businesses in other regions, and consolidating our comprehensive global strength.

We will establish our new growth model by working with our clients, providing them with the best solutions, and realizing the expansion of our business in new domains. Our management target is to maintain an average consolidated return on shareholders' equity (ROE) of 10% to 15% over the medium to long-term. However, depending on developments in the environment faced by financial institutions, such as the instability of the global economic situation as well as regulatory tightening by the Basel Committee on Banking Supervision and other financial regulators, we cannot discount the possibility that we may be impacted.

Nomura Group will continue to put high priority on compliance with applicable laws, regulations and proper corporate behavior, and to build compliance into our daily business operations.

Our Business Divisions

Retail

In Retail, we conduct business activities mainly for individuals and corporations in Japan primarily through a network of nationwide branches of Nomura Securities Co., Ltd. (NSC). The total number of its head office and local branches was 178 as of the end of March 2012. We offer investment consultation services to meet the medium to long-term needs of our clients. The aggregate market value of our retail client assets increased to ¥72.0 trillion as of the end of March 2012 from ¥70.6 trillion a year ago. We discuss retail client assets in *Retail Client Assets* under Item 5.A of this annual report.

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

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

Asset Management

We conduct our asset management business, which consists of the development and management of investment trusts and investment advisory services, primarily through NAM. NAM is the largest asset management company in Japan in terms of assets under management in investment trusts as of March 31, 2012. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create business opportunities. In order to make these opportunities available, NAM manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through NSC as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank Co., Ltd. Investment trusts are also offered in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

Wholesale

In the fiscal year ended March 2012, our Wholesale Division consisted of Global Markets, Investment Banking and certain other non-Retail operations. We formed this division in April 2010 to promote seamless coordination between these underlying businesses and to provide our corporate and institutional clients with timely, high value-added services tailored to their needs.

Fixed Income

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

Equities

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

Investment Banking

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

Underwriting. We underwrite offerings of a wide range of securities and other financial instruments, which include various types of stocks, convertible and exchangeable securities, investment grade debt, sovereign and

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emerging market debt, high yield debt, structured securities and other securities in Asia, Europe, U.S. and other major financial markets. We also arrange private placements and engage in other capital raising activities. We are one of the leading equity and fixed income securities underwriters in Japan.

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

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

Our Research Activities

We have an extensive network of intellectual capital with key research offices in Tokyo, Hong Kong and other major markets in Asia-Pacific, London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our Japan Equity Research team continues to top the Institutional Investor and Nikkei Veritas research polls. Our Fixed Income Research teams around the globe have gained top tier positions in external surveys and with clients; notably, the Japan Fixed Income team ranked number one for the second straight year in the fixed income analyst/economist ranking on Nikkei Veritas.

Our Information Technology

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

For example, for our retail clients, we provide internet-based trading services and current status reports on asset portfolios, investments and transactions and investment information, including our research reports through the internet or mobile phones.

On the wholesale side, we have enhanced our technology platforms to provide better risk management and also to increase trading capabilities through platforms allowing Direct Market Access and Algorithmic trading. We also plan to further leverage our service entities in India to support our wholesale operations.

Competition

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

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

our ability to originate and develop innovative client solutions,

our ability to maintain and develop client relationships,

our ability to access and commit capital resources,

our ability to retain and attract qualified employees, and

our general reputation.

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

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

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

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

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

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

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

Regulation

Japan

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

To enhance investor protection, each Japanese securities company is required to segregate client assets and to hold membership in an Investor Protection Fund approved by the government under the FIEA. The Investor Protection Fund is funded through assessments on its securities company members. In the event of failure of a

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securities company that is a member of the fund, the Investor Protection Fund provides protection of up to ¥10 million per client. The Investor Protection Fund covers claims related to securities deposited by clients with the failed securities company and certain other client claims.

Regulation of Other Financial Services. Securities companies are not permitted to conduct banking or other financial services directly, except for those which are registered as money lenders and engaged in money lending business under the Money Lending Business Act or which hold permission to act as bank agents and conduct banking agency activities under the Banking Law. As a result, NSC is prohibited from conducting banking and other financial services, and another subsidiary of the Company, The Nomura Trust & Banking Co., Ltd., engages in banking and certain financial services.

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

The FIEA also provides for corporate group regulations on securities companies the size of which exceeds specified parameters (*tokubetsu kinyu shouhin torihiki gyosha*, Special Financial Instruments Firm) and on certain parent companies designated by the Prime Minister (*shitei oyagaisha*, Designated Parent Companies) and their subsidiaries (together the Designated Parent Company Group). The FIEA aims to regulate and strengthen business management system, compliance system and risk management system to ensure the protection of investors. The FIEA and its related guideline also provide reporting requirement to the FSA on the Designated Parent Company Group's business and capital adequacy ratio, enhanced public disclosures as well as restrictions on the compensation system, which are designed to reduce excessive risk taking by their executives and employees within the Designated Parent Company Group. We have been designated as the final parent company of Designated Parent Companies within a corporate group (*saishu shitei oyagaisha*, a Final Designated Parent Company) in April 2011 and are subject to these requirements. A violation of the FIEA may result in various administrative sanctions, including the revocation of registration or license, the suspension of business or an order to discharge any director or executive officer who has failed to comply with the FIEA.

Regulatory Changes. On March 9, 2012, a bill to amend the FIEA was submitted to the Diet. A part of the amendment, based on the declaration reached at the G20 Pittsburg Summit in September 2009 to enhance transparency of the settlement of OTC derivative transactions, requires Financial Instruments Business Operators to trade certain OTC derivative contracts through electronic trading platform and to report such OTC derivative contracts to repositories. The amendment is scheduled to become effective within three years from its promulgation.

Overseas

Our overseas offices and subsidiaries are also subject to various laws, rules and regulations applicable in the countries where they carry on their operations, including, but not limited to, those promulgated and enforced by the Securities and Exchange Commission, the Commodity Futures Trading Commission, the New York Stock Exchange and the Financial Industry Regulatory Authority (a non-governmental regulator for all securities companies doing business in the U.S.) in the U.S. and by the Financial Services Authority and the London Stock Exchange plc in the U.K. We are also subject to regulations in various countries regarding international money laundering and related issues. For example, the USA Patriot Act of 2011 contains measures to prevent, detect and

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prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations, creating crimes and penalties. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could have a material adverse effect upon us.

Regulatory Changes. In response to the financial markets crisis, governments and regulatory authorities in various jurisdictions have made and continue to make numerous proposals to reform the regulatory framework for, or impose a tax or levy upon, the financial services industry to enhance its resilience against future crises, contribute to the relevant economy generally or for other purposes. In July 2010, the U.S. enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) which is now the subject of a multi-agency rulemaking process. The rulemakings include, among others, (i) creating a tighter regulatory framework for OTC derivatives; (ii) establishing a process for designating nonbank financial firms as systemic, subject to increased prudential standards and regulatory oversight (U.S. SIFIs); (iii) prohibiting material conflicts of interest between those who package and sell asset-backed securities (ABS) and those who invest in them; and (iv) establishing risk retention requirements for ABS. Other aspects of the Dodd-Frank Act and related rulemakings include provisions that (i) prohibit deposit-taking banks and their affiliates from engaging in proprietary trading and limit their ability to make investments in hedge funds and private equity funds (the so-called Volcker Rule); (ii) empower regulators to liquidate failing nonbank financial companies that are systemically important; (iii) provide for new systemic risk oversight and increased capital requirements for both bank and non-bank U.S. SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) new regulations regarding the role of credit rating agencies, investment advisors and others. The exact details of the implementation of the Dodd-Frank Act and its impact on Nomura's operations will depend on the final regulations as they become ultimately adopted by various governmental agencies and oversight boards.

On July 19, 2011, the Financial Stability Board published a consultative document to establish a global framework to improve the capacity of authorities to resolve failing systemically important financial institutions without systemic disruption and exposing taxpayers to the risk of loss. The proposed measures require G-SIFIs to prepare and maintain recovery and resolution plans (RRP) by December 2012. In light of such global framework, on August 9, 2011, the Financial Services Authority in the U.K. (U.K. FSA) published a consultation on its proposals for RRP. The consultation covered the requirement for banks and large investment firms in the U.K. and not limited to G-SIFIs, to prepare and maintain RRP, while a separate discussion paper explores matters relevant to the resolution of financial services firms, including the resolution of trading books, enhancing the resolution toolkit and bail-ins. In April 2012 the U.K. FSA published a feedback statement setting out the approach being taken by the U.K. FSA to ensure firms develop appropriate recovery plans and resolution packs. The feedback statement provides firms with clarity regarding what they are expected to do while final rules are being adjusted to take into account developments in the international arena. A draft of the core rules was published with the feedback statement and final rules are expected in the autumn of 2012.

On October 20, 2011 the European Commission published draft legislation for MiFID II. The draft legislation has been split into two parts: the Markets in Financial Instruments Directive and the Markets in Financial Instruments Regulation (MiFIR). The draft legislation seeks to introduce wide reaching changes to markets, including the extension of market transparency rules into non-equities and potentially reducing the size of the OTC derivative market by pushing derivatives onto exchanges.

On October 20, 2011 the European Commission published draft legislation for the review of the Market Abuse Directive (MAD II). The dossier has been split into two parts: the Market Abuse Directive and the Market Abuse Regulation. The draft legislation seeks to strengthen market abuse provisions and introduce measures allowing for effective deterrent of market abuse behaviors.

In early 2013 the Financial Services and Markets Bill 2010 is expected to be formally enacted which will see U.K. financial services regulation split into a twin peaks approach. The Prudential Regulatory Authority (PRA) will be formed as a subsidiary of the Bank of England and will be responsible for the prudential supervision of a number of large deposit takers, investment firms and insurers. The Financial Conduct Authority

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(FCA) will be a separate entity and will be responsible for the prudential supervision of firms not supervised by the PRA and for market conduct matters for all authorized firms. Ahead of this formal structure being put in place, the FSA has, as an interim measure, separated itself into two main operating units internally, the Prudential Business Unit and the Conduct Business Unit mirroring the scope of activities the PRA and FCA will carry out.

Regulatory Capital Rules

Japan

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

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

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

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

Until the end of March 2011, the Company calculated its consolidated capital adequacy ratio according to the Criteria for bank holding companies to judge whether their capital adequacy status is appropriate in light of their own and their subsidiaries' asset holdings, etc. under Article 52-25 of the Banking Act (the Bank Holding

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Companies Notice), as permitted under the provision in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. . The capital adequacy ratio (the ratio of adjusted capital to quantified total risk-weighted assets) required to be maintained by bank holding companies with international operations under the Bank Holding Companies Notice is 8.0% on a consolidated basis. We elected to calculate our capital adequacy ratio in accordance with the Bank Holding Companies Notice beginning on March 31, 2009.

As discussed above, the FSA amended the FIEA and introduced new rules on consolidated regulation and supervision of securities companies on consolidated basis on April 1, 2011 to improve the stability and transparency of Japan's financial system and ensure the protection of investors. The FSA also amended the FIEA to include reporting on consolidated regulatory capital for the Final Designated Parent Companies. On the introduction of these rules, NSC was designated as a Special Financial Instruments Firm, following which we have been designated as a Final Designated Parent Company. As such, we are required to calculate consolidated regulatory capital adequacy ratio according to the FSA's

Establishment of standards on sufficiency of capital stock of a final designated parent company and its subsidiary entities, etc. compared to the assets held thereby (2010 FSA Regulatory Notice No. 130; Capital Adequacy Notice on Final Designated Parent Company). Accordingly, since our designation as a Final Designated Parent Company in April 2011, we now calculate our Basel II-based consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company.

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

The FSA reviewed the Capital Adequacy Notice on Final Designated Parent Company in line with Basel 2.5 framework and the revised notice for Basel 2.5 was implemented at the end of December 2011. We are required to calculate the market risk requirement under the Basel 2.5 rule, which is significantly larger than under the Basel II rule.

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

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

Overseas

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

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

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

Management Challenges and Strategies

The global financial and economic environment continues to be challenging as regulatory tightening over financial institutions progresses and due to destabilizing factors such as the European sovereign debt crisis. Although the market has been returning to stable growth since the beginning of 2012, the uncertainty in economy persists again, and complete recovery is expected to take considerable time. Under these management conditions, we will allocate management resources appropriately to pursue efficiency and sharpen our competitive edge, as well as to increase profitability by streamlining business processes.

Further, using our robust financial platform, a competitive advantage of Nomura, we will continue to provide services and solutions responding nimbly to changes in market conditions, financial business environments and client demands and fulfill our corporate social responsibility to contribute to a forum for steady liquidity through the market.

To achieve our strategic goals, we will implement the following initiatives:

Retail Division

In our Retail Division, we will continue to expand our products and service offerings, which are provided through Financial Advisors, online or via call centers to accommodate increasingly sophisticated and diverse client needs. We aim to enhance investment consultation services and to continue being a trusted partner to our clients by providing world-class products and services that meet their individual needs.

Asset Management Division

In our investment trust business, we provide individual clients with a diverse range of investment opportunities to meet investors' various demands and in investment advisory business, we provide institutional clients globally with value-added investment services. We intend to increase assets under management and expand our client base for these two core businesses.

We aim to enhance our world-class competitive advantage in Japan and the rest of Asia by making continuous efforts to improve investment performance and gain the trust of investors worldwide.

Wholesale Division

Our Wholesale Division consists of Fixed Income and Equities, which offer sales and trading of financial products and origination services, and Investment Banking which offers a broad range of financial advisory and financing solutions services.

Fixed Income and Equities, the market-related businesses, have been focusing on delivering high value-added products and solutions to our clients by leveraging our sophisticated trading expertise, intellectual capital in research and structuring and our global distribution capabilities. In Fixed Income, we will build further on our client-centric strategy globally, and in Equities, we will continue to build our leadership position further across Asia, leveraging our strength in Japan, and target further growth across our strengthened platforms in EMEA and the US based on our existing strategies.

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In Investment Banking, we are expanding our M&A advisory and corporate finance businesses to diversify sources of profit by providing high value-added solutions in a timely manner to meet the individual needs of each client.

Also in the Wholesale Division, cross-business and cross-regional cooperation are increasingly important elements of our Wholesale strategy to satisfy client needs. As a global financial services group, we will continue to strive collectively to further our growth through our geographic advantage in Asia where economic development and a deepening of our clients' footprint is expected. We aim to enhance our presence as a global investment bank providing world-class services, by enhancing regional integration and business coordination between Japan and the rest of Asia and utilizing our global business platform.

In implementing the initiatives outlined above, we aim to bring together the collective strengths of our domestic and international operations to realize our management objectives and to maximize shareholder value by enhancing profitability across our businesses, while helping to strengthen the global financial and capital markets.

We recognize that it is necessary to further strengthen and streamline our global risk management and we are pursuing a proactive, rather than a reactive, risk management approach. We will continue to develop a system where senior management directly engage in a proactive risk management approach for precise decision making.

As our business becomes increasingly international and diverse, we recognize the growing importance of compliance. In addition to complying with local laws and regulations in the countries that we operate, we view compliance in a wider context. We will further enhance our existing overall compliance system with initiatives towards promoting an environment of professionalism and high ethical standards among executive management to meet the expectations of society and clients and contribute to the further development of the financial and capital markets.

We view talented personnel as key assets. In line with our basic client-oriented business approach, we have established globally-uniform personnel policies firmly rooted in the belief that employees should be rewarded for their overall performance. We will continue to build a professional organization capable of delivering a comprehensive range of services that satisfy our clients.

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

Name	Country	Ownership Interest (%)
Nomura Holdings, Inc.	Japan	
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Financial Partners Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Facilities, Inc.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Nomura Private Equity Capital Co., Ltd.	Japan	100
Nomura Agri Planning & Advisory Co., Ltd.	Japan	100
Nomura Land and Building Co., Ltd.	Japan	100
Nomura Real Estate Holdings, Inc.	Japan	51
Nomura Real Estate Development Co., Ltd.	Japan	51
The Asahi Fire & Marine Insurance Co., Ltd.	Japan	54
Nomura Holding America Inc.	U.S.	100
Nomura Securities International, Inc.	U.S.	100
Nomura Corporate Research and Asset Management Inc.	U.S.	100
Nomura Derivative Products Inc.	U.S.	100
Nomura America Mortgage Finance, LLC	U.S.	100
Nomura Financial Holding America, LLC	U.S.	100
Nomura Global Financial Products, Inc.	U.S.	100
NHI Acquisition Holding, Inc.	U.S.	100
Instinet Incorporated	U.S.	100
Nomura Europe Holdings plc	U.K.	100
Nomura International plc	U.K.	100
Nomura Bank International plc	U.K.	100
Banque Nomura France	France	100
Nomura Bank (Luxembourg) S.A.	Luxemburg	100
Nomura Bank (Deutschland) GmbH	Germany	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Investment Banking (Middle East) B.S.C. (c)	Bahrain	100
Nomura Funding Facility Corporation Limited	Ireland	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Principal Investment plc	U.K.	100
Nomura Capital Markets plc	U.K.	100
Nomura European Investment Limited	U.K.	100
Nomura Asia Holding N.V.	The Netherlands	100
Nomura International (Hong Kong) Limited	Hong Kong	100
Nomura Singapore Limited	Singapore	100
Nomura Malaysia Sdn. Bhd.	Malaysia	100
Nomura Australia Limited	Australia	100
P.T. Nomura Indonesia	Indonesia	96

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Nomura Asia Investment (India Powai) Pte. Ltd.	Singapore	100
Nomura Services India Private Limited	India	100
Nomura Financial Advisory and Securities (India) Private Limited	India	100
Nomura Asia Investment (Fixed Income) Pte. Ltd.	Singapore	100

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D. Property, Plants and Equipment.

Our Properties

As of March 31, 2012, our principal head office is located in Tokyo, Japan and occupies 1,016,132 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 125,218 square feet, our Nagoya branch office, which occupies 82,918 square feet, and the head office of NAM in Tokyo, which occupies 157,228 square feet. On May 24, 2011, Nomura acquired additional shares of common stock issued by one of its affiliated companies, Nomura Land and Building Co., Ltd. (NLB), converting NLB into a consolidated subsidiary of Nomura. As a result, Nomura consolidated the properties of NLB and its subsidiaries. See Note 11 *Business combinations* to our consolidated financial statements.

As of March 31, 2012, our major offices outside Japan are the head offices of Nomura International plc (NIP) located in London, which occupies 496,458 square feet, the New York head office of Nomura Securities International, Inc., which occupies 183,130 square feet, and offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 160,436 square feet. We own the buildings and we either own or lease the land for the offices in London. We lease most of our other overseas office space.

As of March 31, 2012, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 476,271 square feet.

As of March 31, 2012, the aggregate book value of the land and buildings we owned, including capital leases was ¥830 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥61 billion.

In August 2009 a Nomura consolidated subsidiary, Nomura Properties plc (NPP) entered into a 20 year lease as tenant of a 525,000-square-foot development at 1 Angel Lane in London in the U.K. Construction was completed in December 2010 and the building is now used as our European headquarters.

Item 4A. Unresolved Staff Comments

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2012 and which remain unresolved as of the date of the filing of this annual report with the Commission.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

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

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

Business Environment

Japan

During the year ended March 31, 2012, the Japanese economy rebounded swiftly from the effects of the East Japan Earthquake, which caused disruption to operations and distribution networks particularly in the manufacturing industry. As a whole, however, the economy remained directionless, with the initial recovery later slowing as a result of delays in formulating post-quake reconstruction plans, the strengthening of the yen against the

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backdrop of the European sovereign debt crisis, and the widespread flooding in Thailand. Toward the end of the fiscal year, signs of a pickup in the economy emerged, including growth in automobile production, as reconstruction demand began to increase and the impact of the Thai floods eased. Within this environment, Japan's real gross domestic product (GDP) in the fiscal year ended March 31, 2012 showed the first contraction in two years, being slightly below 0% year on year, after having risen 3.2% in the prior fiscal year. With the Japanese economy having avoided a recession, meanwhile, the employment environment on the whole continued to stage a moderate recovery.

With regard to corporate earnings, Japanese companies' sales weakened in the fiscal year ended March 31, 2012 amid the disruptions to operations and distribution networks mainly in the manufacturing industry due to the East Japan Earthquake that occurred towards the end of the prior fiscal year, the strong yen, and the Thai floods. Some companies undertook restructuring measures to cope with these events, leading to a reduction in profits in the fiscal year ended March 31, 2012 particularly in the manufacturing industry. We estimate that recurring profits at major companies (Russell/Nomura Large Cap Index) declined by around 15% in the fiscal year ended March 31, 2012. Excluding weakness in the utilities sector, the nonmanufacturing sector performed solidly on the whole and provided support to corporate earnings.

In the stock market, major share price indices declined at first in the fiscal year ended March 31, 2012, then subsequently regained the levels of the prior fiscal year. Stocks rallied after sharp falls following the East Japan Earthquake in March 2011, but later trended downward again owing to the European sovereign debt crisis and the negative effects of the yen appreciation that resulted. Further into the fiscal year, stocks rebounded again as concerns over the European crisis eased and the strong yen corrected. The Tokyo Stock Price Index (TOPIX), after peaking in July 2011, declined through November 2011, then rose through March 2012. The TOPIX had fallen from 978.81 points at the end of March 2010 to 869.38 points at the end of March 2011, a decline of 11.2% over the fiscal year, then declined to 854.35 points at the end of March 2012, a further fall of 1.7%. The Nikkei Stock Average rose over the fiscal year as a whole, by 3.4%, from ¥9,755.10 at the end of March 2011 to ¥10,083.56 at the end of March 2012.

Yields on newly issued 10-year Japanese government bonds were at the 1.3% level in early April 2011, partly owing to concerns that Japan's sovereign debt would expand in line with post-quake reconstruction demand, but fell to the 0.9% level in November 2011 against a backdrop of share price declines. Although stocks later rallied, yields traded in a narrow range near the 1.0% mark and as of the end of March 2012 were around 0.98%. Despite concerns over Japan's expanding sovereign debt, interest rates stayed low amid expectations of further monetary easing by the Bank of Japan and other factors.

On the foreign exchange markets, the yen was influenced by changes in market expectations toward overseas policy, including concerns about the European sovereign debt crisis. At the end of March 2011, the yen was trading at the ¥83 level against the U.S. dollar and the ¥117 level against the euro. The U.S. dollar weakened against the yen from July 2011 as the view spread that reignited concerns over sovereign debt in Europe would adversely affect the U.S. and global economies and the yen was at the ¥75 level versus the U.S. dollar at the end of October 2011. The yen later corrected as the Japanese Ministry of Finance conducted yen-selling intervention and the market volatility stemming from Europe eased. At the end of March 2012, the yen was at the ¥83 level versus the U.S. dollar. Against the euro, the yen appreciated amid renewed concerns about Greece's sovereign debt and fears about how the European economy would be impacted by contagion to other countries, and in the wake of monetary easing by the European Central Bank (ECB). However, the yen later corrected against the euro as concerns over expanding sovereign debt eased, and the yen moved from the ¥97 level in January 2012 to about ¥111 at the end of March 2012.

Overseas

The economies of the leading industrialized nations showed slightly different pictures for the year ended March 31, 2012. The U.S. economy was supported by quantitative monetary easing, but the European economy deteriorated as a result of a credit crunch owing to the effects of the sovereign debt crisis, and fiscal austerity measures to address debt problems. In international commodity markets, prices lacked direction as investors took

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a risk-averse stance and emerging economies slowed. While curbing rising real estate prices remains a challenge, China ended a phase of monetary tightening as its economy slowed. In emerging markets, several countries implemented monetary easing to stimulate their economies.

U.S. real GDP grew by 3.0% year-on-year in 2010 but growth decelerated to 1.7% in 2011. Corporate earnings nonetheless improved in the second half of 2011 with support from policy measures, and growth picked up slightly on an upturn in the capex and employment environments. With the real estate market slow to recover, however, monetary policy tools continued to underpin the economy.

The Federal Reserve Board (FRB) sought to shift to a neutral policy stance, but again provided support to the U.S. economy and declared its intent to continue with easing. The FRB held the federal funds rate at 0.25%, effectively maintaining a zero interest rate policy, and in June 2011 it temporarily halted an operation in which it had been increasing the supply of funds by purchasing U.S. Treasuries on the bond market. However, as fears about the European sovereign debt crisis again destabilized financial markets, raising concerns about the adverse effects on the real economy, the FRB announced in August 2011 that it would maintain its near zero interest rate policy through the first half of 2013, and continued to reassure markets thereafter with further suggestions that monetary easing would be sustained. US stock markets declined on the resurfacing of the European sovereign debt crisis but subsequently rallied after the FRB said it would continue with monetary easing and concerns over European sovereign debt subsided. The Dow Jones Industrial Average stood at 12,319.73 at the end of March 2011 then fell below 11,000 in August 2011 before rallying to 13,212.04 at the end of March 2012. The yield on 10-year U.S. Treasuries was around 3.5% in March 2011, fell to around 1.7% in September 2011 amid stock market declines and expectations of ongoing FRB easing, then moved to around the 2.0% mark by March 2012.

In Europe, Eurozone real GDP growth slowed from 1.9% year-on-year in 2010 to 1.5% in 2011, but the overall economic situation worsened as a credit crunch took hold due to the effects of the sovereign debt crisis and as governments adopted austerity measures to address their debt problems. While the ECB's monetary easing and three-year loans to provide cash funding to financial institutions have mitigated the negative impact on the economy, concerns over sovereign risk have yet to be eliminated and remain a destabilizing factor for markets. European stock markets fell on growing market concerns but subsequently rallied, with the result that the benchmark German stock index (DAX) declined by about 1% during the year ended March 31, 2012.

The slowdown in Asia ex-Japan economies became more pronounced in 2011 even as inflationary concerns eased to some extent. Real GDP growth in China in 2011 was 9.2%, versus 10.3% in 2010. Growth in domestic demand centering on investment has been driving the Chinese economy, but investment in real estate weakened in the second half of 2011 as a result of monetary tightening, and exports also decelerated due to the worsening economic situation in Europe. With signs of more settled growth in consumer prices starting to emerge, Chinese authorities may shift the focus of monetary policy while continuing to curb the rise in real estate prices. The key question is whether the government can follow a path of sustainable economic management that achieves a balance between economic growth and inflation curbs.

Executive Summary

In the fiscal year ended March 31, 2012, the global economic recovery trend weakened in association with multiple factors, including international financial market turmoil stemming from sovereign debt problems in Europe, weak consumption in industrialized nations, concerns about an economic slowdown in China and other emerging countries, political instability in the Middle East, as well as rising crude oil prices. There was a dramatic increase in economic uncertainty, and on a global basis accelerated risk-averse sentiment towards risk assets like stocks. Meanwhile, the Japanese economy lost speed as the East Japan Earthquake caused a decline in exports due to disruptions in product supply networks, the rapid and significant appreciation of the yen, which hit the 75 yen per dollar range at one point, along with the impact of the flooding in Thailand. Since the end of last year, there has been a bit of a recovery in economic sentiment attributable to momentary easing concerns about

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the European debt problem, an improvement in U.S. economic indicators, the emergence of restoration-related demand and a recovery in automobile production, but recurring profits by key listed companies (excluding financial institutions) are expected to have declined roughly 20 percent versus the previous fiscal year. The TOPIX began the fiscal year at 862 points. After temporarily rising, the index then fell to 706 points in November. The TOPIX recovered to close the fiscal year at 854 points. With the market decline and uncertainty about future prospects for share prices, there was a large downturn in the amount of funds raised by Japanese companies in the capital markets, both in Japan and overseas. Throughout the year there was a low level of investor activity in financial and securities markets. Meanwhile, as evidenced by Basel III (new capital requirement regulations for financial institutions) and the Dodd-Frank Act in the U.S., regulations on and oversight of financial institutions continues to become more stringent on a global basis. Amid this environment, in order to quickly adapt to the difficult business environment, Nomura Group decided to implement a \$1.2 billion cost reduction program, and worked to improve cost efficiencies by making the scale of business operations in Europe more appropriate, and reviewing the regional allocation of resources. Based on its client-focused strategy, the Retail Division promoted investment consultation services and diversified its product offering, while the Asset Management Division worked to increase assets under management on a global basis and enhance investment performance. The Wholesale Division implemented the narrow and deep strategy focused on business areas where we can deliver added value to our clients, cooperation among business units was enhanced, revenues from client-flow businesses were increased, and products and solutions offered were diversified. As a result of these efforts, we succeeded in posting an overall profit for the third consecutive fiscal year while executing a cost-cutting program without substantial downscale of business platforms. We posted net revenue of ¥1,535.9 billion for the fiscal year ended March 31, 2012, a 36% increase from the previous fiscal year. Non-interest expenses increased 40% versus the previous fiscal year to ¥1,450.9 billion, income before income taxes was ¥85.0 billion, and net income attributable to the shareholders of NHI was ¥11.6 billion. Consequently, ROE for the full fiscal year was 0.6%.

In Retail, net revenue for the year ended March 31, 2012 decreased by 11% from the previous year to ¥350.3 billion, due primarily to decreasing commissions for distribution of investment trusts and brokerage commissions. Non-interest expenses decreased by 1% to ¥287.1 billion. As a result, income before income taxes decreased by 38% to ¥63.1 billion. The Retail Division focused on providing clients investment consultation services to accommodate client needs. To accommodate increasing client needs, we opened four new branch offices, and enhanced non-face-to-face services provided by Nomura Net & Call, which started last October. Investment consultation services resulted in balanced business growth, centered on equities, bonds, investment trusts and insurance products. There was a ¥2.4 trillion net inflow in retail client assets during the fiscal year. Total retail client assets increased to ¥72.0 trillion from ¥70.6 trillion at the end of the previous fiscal year. The number of client accounts increased by 49,000 to end the fiscal year at 4.985 million accounts, indicating steady growth in the business base.

In Asset Management, net revenue for the year ended March 31, 2012 decreased by 1% from the previous year to ¥65.8 billion. Non-interest expenses decreased by 3% to ¥45.3 billion. As a result, income before income taxes increased by 2% to ¥20.5 billion. Despite the challenging investment environment, in the investment trust business there was an inflow into funds representing a wide range of investment assets, including overseas bonds and Japanese equities. Furthermore, funds launched this fiscal year employing investment strategies matching the investment environment contributed to the increase in assets under management. In the investment advisory business, there was a steady increase in mandates from institutional investors, including domestic pension funds, overseas, mainly Asian and European pension funds and sovereign wealth funds. As a result, due to the inflow of funds into a diverse range of investment products, including actively managed funds, assets under management were ¥24.6 trillion as of March 31, 2012.

In Wholesale, net revenue for the year ended March 31, 2012 decreased by 12% from the previous year to ¥555.9 billion. Our performance was challenged in the first half of the fiscal year, due to revenue decrease of international business caused by a decrease in client trading volumes stemming from the financial market turmoil related to the European sovereign debt crisis. Although in the second half of the fiscal year we posted revenue

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growth, with private equity trades in the third quarter and revenue recovery in EMEA and Americas regions in the fourth quarter, result of the first half was not covered and net revenue for the fiscal year decreased from the previous year. The cost reduction program of \$1.2 billion announced in July and November of last year is progressing on schedule and non-interest expenses decreased by 5% to ¥593.5 billion. As a result, loss before income taxes dropped to ¥37.6 billion.

Results of Operations*Overview*

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

	Millions of yen, except percentages		
	Year ended March 31		
	2010	2011	2012
Non-interest revenues:			
Commissions	¥ 395,083	¥ 405,463	¥ 347,135
Fees from investment banking	121,254	107,005	59,638
Asset management and portfolio service fees	132,249	143,939	144,251
Net gain on trading	417,424	336,503	272,557
Gain on private equity investments	11,906	19,292	25,098
Gain (loss) on investments in equity securities	6,042	(16,677)	4,005
Other	37,483	43,864	563,186
Total Non-interest revenues	1,121,441	1,039,389	1,415,870
Net interest revenue	29,381	91,309	119,989
Net revenue	1,150,822	1,130,698	1,535,859
Non-interest expenses	1,045,575	1,037,443	1,450,902
Income before income taxes	105,247	93,255	84,957
Income tax expense	37,161	61,330	58,903
Net income	¥ 68,086	¥ 31,925	¥ 26,054
Less: Net income attributable to noncontrolling interests	288	3,264	14,471
Net income attributable to NHI shareholders	¥ 67,798	¥ 28,661	¥ 11,583

Return on equity 3.7% 1.4% 0.6%

Net revenue increased by 36% from ¥1,130,698 million for the year ended March 31, 2011 to ¥1,535,859 million for the year ended March 31, 2012. Commissions decreased by 14%, due primarily to a decrease in commissions for the distribution of investment trusts, reflecting the turmoil in the global financial markets which was mainly caused by the European sovereign debt crisis. Fees from investment banking decreased by 44%, due primarily to a decrease in transaction volume in equity finance for Japanese companies. Net gain on trading was ¥272,557 million for the year ended March 31, 2012, due primarily to downturn in financial markets mainly caused by the European sovereign debt crisis. Gain on private equity investments was ¥25,098 million for the year ended March 31, 2012 due primarily to realized gains on equity securities of certain investee companies. Other was ¥563,186 million for the year ended March 31, 2012, due primarily to the conversion of Nomura Land and Building Co., Ltd into a subsidiary of Nomura Holdings, Inc.

Net revenue decreased by 2% from ¥1,150,822 million for the year ended March 31, 2010 to ¥1,130,698 million for the year ended March 31, 2011. Commissions increased by 3%, due primarily to an increase in commissions for the distribution of investment trusts. As there were a number of large equity finance transactions with Japanese clients in the previous year compared with this year, fees from investment banking decreased by 12% for the year ended March 31, 2011. Asset management and portfolio service fees increased by 9%, due primarily to an increase in assets under management mainly driven by continuing cash inflows. Net gain on trading fell to ¥336,503 million for the year ended March 31, 2011, due primarily to a decrease in equity

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trading. Gain on private equity investments was ¥19,292 million for the year ended March 31, 2011 due primarily to realized gains on disposal of certain investments and unrealized gains on equity securities of certain investee companies.

Net interest revenue was ¥29,381 million for the year ended March 31, 2010, ¥91,309 million for the year ended March 31, 2011 and ¥119,989 million for the year ended March 31, 2012. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest revenue is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view net interest revenue and non-interest revenues in aggregate. For the year ended March 31, 2012, interest revenue increased by 26% due mainly to an increase in securitized product trading in our Americas region and interest expense increased by 24% due primarily to an increase in interest expense on securities lending transactions. As a result, net interest revenue for the year ended March 31, 2012 increased by ¥28,680 million from the year ended March 31, 2011. For the year ended March 31, 2011, interest revenue increased by 47% due mainly to expansion of securitized product trading in our Americas region and interest expense increased 24% due mainly to an increase in repo transactions. As a result, net interest revenue for the year ended March 31, 2011 increased by ¥61,928 million from the year ended March 31, 2010.

In our consolidated statements of income, we include gains and losses on investments in equity securities within revenue. We recognized gains and losses on such investments in the amount of ¥6,042 million for the year ended March 31, 2010, negative ¥16,677 million for the year ended March 31, 2011 and ¥4,005 million for the year ended March 31, 2012. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes. These investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses increased by 40% from ¥1,037,443 million for the year ended March 31, 2011 to ¥1,450,902 million for the year ended March 31, 2012. The increase in non-interest expenses was caused by an increase in other expenses by 296% from ¥125,448 million for the year ended March 31, 2011 to ¥496,227 million for the year ended March 31, 2012, due primarily to the conversion of Nomura Land and Building Co., Ltd. into a subsidiary of Nomura Holdings, Inc.

Non-interest expenses decreased by 1% from ¥1,045,575 million for the year ended March 31, 2010 to ¥1,037,443 million for the year ended March 31, 2011. The decrease in non-interest expenses was caused by the decrease in other expenses by 12% from ¥142,494 million for the year ended March 31, 2010 to ¥125,448 million for the year ended March 31, 2011, due to, among other factors, impairment losses against affiliated companies were lower for the year ended March 31, 2011. The decrease in non-interest expenses was offset by a 7% increase in commissions and floor brokerage from ¥86,129 million for the year ended March 31, 2010 to ¥92,088 million for the year ended March 31, 2011.

Income before income taxes was ¥105,247 million for the year ended March 31, 2010, ¥93,255 million for the year ended March 31, 2011 and ¥84,957 million for the year ended March 31, 2012.

We are subject to a number of different taxes in Japan and have adopted the consolidation tax system permitted under Japanese tax law. The consolidation tax system only imposes a national tax. Since April 1, 2004, our domestic statutory tax rate has been approximately 41%. However, as a result of the revisions of domestic tax laws, the domestic statutory tax rates are approximately 38% between April 1, 2012 and March 31, 2015 and approximately 36% thereafter. Our foreign subsidiaries are subject to the income tax rates of the countries in which they operate, which are generally lower than those in Japan. Our effective tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for the year ended March 31, 2012 was ¥58,903 million, representing an effective tax rate of 69.3%. The significant factor causing the difference between the effective tax rate of 69.3% and the statutory tax rate of 41% were changes in domestic tax laws which increased the effective tax rate by 45.7%.

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non-deductible expenses which increased the effective tax rate by 23.3% and different tax rates applicable for foreign subsidiaries which increased the effective tax rate by 14.1% for the year ended March 31, 2012. The significant factors reducing the effective tax rate were non-taxable revenue which decreased the effective tax rate by 29.7% and change in valuation allowance which decreased the effective tax rate by 22.5%.

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

Income tax expense for the year ended March 31, 2010 was ¥37,161 million, representing an effective tax rate of 35.3%. The significant factor causing the difference between the effective tax rate of 35.3% and the statutory tax rate of 41% was due to different tax rates applicable for foreign subsidiaries which decreased the effective tax rate by 26.9%. Other significant factors causing the difference were taxable items to be added to financial profit and non-deductible expenses which increased the effective tax rate by 10.8% and 10.5%, respectively, for the year ended March 31, 2010.

Net income attributable to NHI shareholders for the year ended March 31, 2010, 2011 and 2012 was ¥67,798 million, ¥28,661 million and ¥11,583 million, respectively. Our return on equity for the year ended March 31, 2010, 2011 and 2012 was 3.7%, 1.4% and 0.6%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on the Retail, the Asset Management and the Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments are included as

Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling items outside of our segment information. The following segment information should be read in conjunction with Item 4.B *Business Overview* of this annual report and Note 23 *Segment and geographic information* to our consolidated financial statements. The reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 23

Segment and geographic information to our consolidated financial statements.

Retail

In Retail, we receive commissions and fees from investment consultation services which we provide mainly to individual clients in Japan. Additionally, we receive operational fees from asset management companies in connection with the administration services of investment trust certificates that we distribute. We also receive agent commissions from insurance companies for the insurance products we sell as an agent.

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2010	2011	2012
Non-interest revenues	¥ 384,816	¥ 389,404	¥ 347,385
Net interest revenue	3,456	3,029	2,873
Net revenue	388,272	392,433	350,258
Non-interest expenses	274,915	291,245	287,128
Income before income taxes	¥ 113,357	¥ 101,188	¥ 63,130

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

Net revenue for the year ended March 31, 2011 was ¥392,433 million, increasing 1% from ¥388,272 million for the year ended March 31, 2010, due primarily to increasing revenues from bond related products and commissions for distribution of investment trusts.

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

Non-interest expenses for the year ended March 31, 2011 were ¥291,245 million, increasing 6% from ¥274,915 million for the year ended March 31, 2010, due primarily to an increase in compensation and benefits.

Income before income taxes was ¥113,357 million for the year ended March 31, 2010, ¥101,188 million for the year ended March 31, 2011, and ¥63,130 million for the year ended March 31, 2012.

The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the years ended March 31, 2010, 2011, and 2012.

As described above, revenue composition of investment trusts and asset management decreased from 59% for the year ended March 31, 2011 to 57% for the year ended March 31, 2012. Revenue composition of equities decreased from 22% for the year ended March 31, 2011 to 15% for the year ended March 31, 2012. Revenue composition of bonds increased from 18% for the year ended March 31, 2011 to 26% for the year ended March 31, 2012, due primarily to an increase in revenue reflecting the increase in the sales of overseas and domestic bonds. Revenue composition of insurance increased from 1% for the year ended March 31, 2011 to 2% for the year ended March 31, 2012.

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Retail Client Assets

The following graph shows amounts and details regarding the composition of retail client assets at March 31, 2010, 2011, and 2012. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

Retail Client Assets

Retail client assets increased from ¥70.6 trillion as of March 31, 2011 to ¥72.0 trillion as of March 31, 2012, due to balanced business growth, centered on equities, bonds, investment trusts and insurance products. The balance of our clients' investment trusts decreased by 3% from ¥13.9 trillion as of March 31, 2011 to ¥13.5 trillion as of March 31, 2012, reflecting net cash inflows by clients of ¥0.7 trillion and market depreciation of ¥1.1 trillion.

Retail client assets decreased from ¥73.5 trillion as of March 31, 2010 to ¥70.6 trillion as of March 31, 2011, due to the impact of the East Japan Earthquake on the stock market. The balance of our clients' investment trusts increased by 8% from ¥12.9 trillion as of March 31, 2010 to ¥13.9 trillion as of March 31, 2011, reflecting net cash inflows by clients of ¥1.4 trillion and market depreciation of ¥0.4 trillion.

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

Operating Results of Asset Management

	Millions of yen		
	Year ended March 31		
	2010	2011	2012
Non-interest revenues	¥ 60,537	¥ 62,670	¥ 63,022
Net interest revenue	1,515	3,865	2,778
Net revenue	62,052	66,535	65,800
Non-interest expenses	46,836	46,513	45,281
Income before income taxes	¥ 15,216	¥ 20,022	¥ 20,519

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

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

Net revenue increased by 7% from ¥62,052 million for the year ended March 31, 2010 to ¥66,535 million for the year ended March 31, 2011, due primarily to the increase in assets under management mainly driven by continuing cash inflows.

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

Non-interest expenses decreased by 1% from ¥46,836 million for the year ended March 31, 2010 to ¥46,513 million for the year ended March 31, 2011.

Income before income taxes was ¥15,216 million for the year ended March 31, 2010, ¥20,022 million for the year ended March 31, 2011 and ¥20,519 million for the year ended March 31, 2012.

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

	Billions of yen		
	March 31		
	2010	2011	2012
Nomura Asset Management Co., Ltd.	¥ 23,292	¥ 27,034	¥ 26,695
Nomura Funds Research and Technologies Co., Ltd.	1,525	2,824	2,557
Nomura Corporate Research and Asset Management Inc.	1,107	1,841	1,504
Nomura Private Equity Capital Co., Ltd.	578	538	579
Nomura Asset Management Deutschland KAG mbH	220	294	299
Nomura Funds Research and Technologies America, Inc.	240	196	253

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Combined total	¥ 26,962	¥ 32,727	¥ 31,887
Overlapping asset accounts among group companies	(3,518)	(8,014)	(7,324)
Total	¥ 23,444	¥ 24,713	¥ 24,563

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Assets under management were ¥24.6 trillion as of March 31, 2012, a ¥1.1 trillion increase from March 31, 2010, and a ¥0.2 trillion decrease from March 31, 2011.

In our investment trust business, there was an inflow into funds representing a wide range of investment assets, including overseas bonds and Japanese equities. In the investment advisory business, there was an increase in mandates mainly from overseas clients. Investment trust assets included in assets under management by NAM were ¥15.3 trillion as of March 31, 2012, down ¥0.7 trillion, or 4%, from the previous year due to the impact of weakened market conditions, reflecting net cash inflows by clients of ¥0.2 trillion and market depreciation of ¥0.9 trillion. The balance of investment trusts such as Nomura Australian Bond Open Premium, Nomura Global Trend (Basket Currency Selection Type), Nomura Global High Dividend Stock Premium (Currency Selection Type) and Nomura Japan Brand Stock Investment Fund (Currency Selection Type) increased. The balance of investment trusts managed by NAM were ¥15.9 trillion as of March 31, 2011, up ¥1.3 trillion, or 9%, from the previous year, reflecting net cash outflows by clients of ¥1.7 trillion and market depreciation of ¥0.5 trillion.

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

NAM's share of the fund market in Japan

	2010	March 31 2011	2012
Total of publicly offered investment trusts	20%	22%	22%
Stock investment trusts	15%	17%	17%
Bond investment trusts	43%	43%	44%

Wholesale*Operating Results of Wholesale*

	Millions of yen Year ended March 31		
	2010	2011	2012
Non-interest revenues	¥ 763,567	¥ 534,094	¥ 426,608
Net interest revenue	25,964	96,442	129,274
Net revenue	789,531	630,536	555,882
Non-interest expenses	614,349	623,819	593,465
Income (loss) before income taxes	¥ 175,182	¥ 6,717	¥ (37,583)

Net revenue decreased by 12% from ¥630,536 million for the year ended March 31, 2011 to ¥555,882 million for the year ended March 31, 2012, due primarily to the volatile economical and financial market conditions in Europe.

Net revenue decreased by 20% from ¥789,531 million for the year ended March 31, 2010 to ¥630,536 million for the year ended March 31, 2011, due primarily to the financial turmoil related to Greece and the European sovereign debt crisis.

Non-interest expenses decreased by 5% from ¥623,819 million for the year ended March 31, 2011 to ¥593,465 million for the year ended March 31, 2012 as a result of the cost reduction program progressing on schedule.

Non-interest expenses increased by 2% from ¥614,349 million for the year ended March 31, 2010 to ¥623,819 million for the year end March 31, 2011 as a result of international business expansion in the first half of the fiscal year, while controlling compensation and benefits based on performance.

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Income before income taxes was ¥175,182 million for the year ended March 31, 2010 and ¥6,717 million for the year ended March 31, 2011 and loss before income taxes was ¥37,583 million for the year ended March 31, 2012.

Global Markets

We have a proven track record in sales and trading of bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to domestic and overseas institutional investors. In response to the increasingly diverse and complex needs of our clients, we are building up our trading and product origination capabilities to offer superior products not only to domestic and overseas institutional investors but also to the Retail and the Asset Management. This cross-divisional approach also extends to the Investment Banking, where close collaboration leads to high value-added solutions for our clients.

We continue to develop extensive ties with institutional investors in Japan and international markets; wealthy and affluent investors, public-sector agencies, and regional financial institutions in Japan; and government agencies, financial institutions, and corporations around the world. These ties enable us to identify the types of products of interest to investors and then to develop and deliver products that meet their needs.

	Millions of yen		
	Year ended March 31		
	2010	2011	2012
Net revenue	¥ 658,441	¥ 518,788	¥ 460,737
Non-interest expenses	486,433	499,300	475,016
Income (loss) before income taxes	¥ 172,008	¥ 19,488	¥ (14,279)

Net revenue decreased from ¥518,788 million for the year ended March 31, 2011 to ¥460,737 million for the year ended March 31, 2012. In Fixed Income, net revenue increased from ¥259.8 billion for the year ended March 31, 2011 to ¥271.2 billion for the year ended March 31, 2012. In Equities, net revenue decreased from ¥227.3 billion for the year ended March 31, 2011 to ¥181.5 billion for the year ended March 31, 2012. Despite adverse market conditions driven by the ongoing Eurozone sovereign debt crisis, Fixed Income delivered stronger performance than the previous fiscal year. Growth in flow business was driven by resilient client flows despite a slowdown in client activity in the market and by robust risk management. Among our various products, a market-wide slowdown in securitized products was offset by improved performance in structured businesses across rates, credit and foreign exchange (FX). For Equities, we experienced a challenging fiscal year as exchange volumes decreased and client activity remained low for much of the year. Execution services performed in-line with declining market volume, while derivatives was challenged in some products, but showed resilience with innovative products in Japan along with tailored solutions for industrial corporations globally.

Net revenue decreased from ¥658,441 million for the year ended March 31, 2010 to ¥518,788 million for the year ended March 31, 2011. In Fixed Income, net revenue decreased from ¥308.0 billion for the year ended March 31, 2010 to ¥259.8 billion for the year ended March 31, 2011. In Equities, net revenue decreased from ¥352.8 billion for the year ended March 31, 2010 to ¥227.3 billion for the year ended March 31, 2011. Despite the overall drop in revenues amid difficult market conditions, client revenues increased as our investments in our client franchise and a broader product offering continued to produce results. In Fixed Income, we successfully diversified our revenue mix between products and regions. From a regional point of view, we saw a large increase in contribution from the Americas (in our first full year of operation), and Asia revenues also rose year on year. In terms of products, securitized products showed the largest revenue increase with foreign exchange products also reflecting an increase in revenue, while rates and credit performed relatively well. In Equities, we continued to improve our research and execution platforms overseas, and execution services again provided the largest revenue contribution. We also responded effectively to client needs and provided substantial liquidity to clients after the East Japan Earthquake, thus capturing a higher market share in Japan.

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Non-interest expenses decreased by 5% from ¥499,300 million for the year ended March 31, 2011 to ¥475,016 million for the year ended March 31, 2012, due to the cost reduction program which is progressing on schedule.

Non-interest expenses increased by 3% from ¥486,433 million for the year ended March 31, 2010 to ¥499,300 million for the year ended March 31, 2011, due primarily to increases in infrastructure cost for business expansion.

Income before income taxes was ¥172,008 million for the year ended March 31, 2010 and ¥19,488 million for the year ended March 31, 2011 and loss before income taxes was ¥14,279 million for the year ended March 31, 2012.

Investment Banking

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

	Millions of yen		
	Year ended March 31		
	2010	2011	2012
Investment Banking (Gross)	¥ 196,076	¥ 185,011	¥ 141,678
Allocation to Other divisions	(77,154)	(82,623)	(67,096)
Investment Banking (Net)	118,922	102,388	74,582
Other	12,168	9,360	20,563
Net revenue	131,090	111,748	95,145
Non-interest expenses	127,916	124,519	118,449
Income (loss) before income taxes	¥ 3,174	¥ (12,771)	¥ (23,304)

Net revenue decreased from ¥111,748 million for the year ended March 31, 2011 to ¥95,145 million for the year ended March 31, 2012. Investment banking (net) revenue decreased from ¥102,388 million for the year ended March 31, 2011 to ¥74,582 million for the year ended March 31, 2012, as the business environment proved challenging, especially in equity capital markets and M&A. Other revenue increased from ¥9,360 million for the year ended March 31, 2011 to ¥20,563 million for the year ended March 31, 2012. For the year ended March 31, 2012, realized gains from investments in Japan were ¥33.7 billion and unrealized losses from investments in Japan were ¥12.3 billion. Realized gains from the Terra Firma Investments were ¥0.5 billion and unrealized gains from Terra Firma Investments were ¥4.8 billion. Realized and unrealized gains arose primarily on residential real estate and utilities sectors while unrealized losses are related to investments in the leisure and services sectors.

Net revenue decreased from ¥131,090 million for the year ended March 31, 2010 to ¥111,748 million for the year ended March 31, 2011. Investment banking (net) revenue decreased from ¥118,922 million for the year ended March 31, 2010 to ¥102,388 million for the year ended March 31, 2011. Other revenue decreased from ¥12,168 million for the year ended March 31, 2010 to ¥9,360 million for the year ended March 31, 2011. In the year ended March 31, 2011, realized gains from investments in Japan were ¥11.1 billion. Realized losses from the Terra Firma Investments were ¥3.4 billion and unrealized gains from the Terra Firma Investments were ¥14.6 billion. Realized and unrealized gains arose primarily on residential real estate, leisure and utilities sectors while realized losses are related to the exit of a media business. In the year ended March 31, 2010, unrealized gains

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from investments in Japan were ¥4.8 billion. Realized gains from the Terra Firma Investments were ¥0.6 billion and unrealized gains from the Terra Firma Investments were ¥8.4 billion. Realized and unrealized gains arose from improving markets, primarily in residential real estate, renewable energy and utilities sectors.

Non-interest expenses decreased by 5% from ¥124,519 million for the year ended March 31, 2011 to ¥118,449 million for the year ended March 31, 2012, due to the cost reduction program which is progressing on schedule.

Non-interest expenses decreased by 3% from ¥127,916 million for the year ended March 31, 2010 to ¥124,519 million for the year ended March 31, 2011 as a result of our controlling compensation and benefits based on performance.

Income before income taxes was ¥3,174 million for the year ended March 31, 2010, loss before income taxes was ¥12,771 million for the year ended March 31, 2011 and ¥23,304 million for the year ended March 31, 2012.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 23 *Segment and geographic information* to our consolidated financial statements.

Loss before income taxes in other operating results was ¥207,915 million for the year ended March 31, 2010, ¥17,776 million for the year ended March 31, 2011 and income before income taxes in other operating result was ¥35,084 million for the year ended March 31, 2012.

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

Other operating results for the year ended March 31, 2011 include the gains from changes in the fair value of the financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥9.3 billion, the negative impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥20.5 billion and the losses from changes in counterparty credit spreads of ¥6.6 billion.

Summary of Regional Contribution

For a summary of our net revenue, income (loss) before income taxes and long-lived assets by geographic region, see Note 23 *Segment and geographic information* to our consolidated financial statements.

Regulatory Capital Requirements

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

Translation Exposure

A significant portion of our business is conducted in currencies other than yen most significantly, U.S. dollars, British pounds and Euros. We prepare financial statements of each of our consolidated entities in its functional currency, which is the currency of the primary economic environment in which the entity operates.

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Translation exposure is the risk arising from the effect of fluctuations in exchange rates on the net assets of our foreign subsidiaries. Translation exposure is not recognized in our consolidated statements of income unless and until we dispose of, or liquidate, the relevant foreign subsidiary, which historically has not occurred, and which we do not expect to occur frequently.

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

The availability of inputs observable in the market varies by product and can be affected by a variety of factors. Significant factors include, but are not restricted to the prevalence of similar products in the market,

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especially for customized products, how established the product is in the market, for example, whether it is a new product or is relatively mature, and the reliability of information provided in the market which would depend, for example, on the frequency and volume of current data. A period of significant change in the market may reduce the availability of observable data. Under such circumstances, financial instruments may be reclassified into a lower level in the fair value hierarchy.

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 4% as of March 31, 2012 as listed below:

	Level 1	Level 2	Level 3	Billions of yen March 31, 2012 Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥ 6,951	¥ 7,522	¥ 658	¥	¥ 15,131	4%
Derivative assets	599	22,669	484	(22,392)	1,360	
Derivative liabilities	630	22,752	502	(22,576)	1,308	

See Note 2 *Fair value of financial instruments* to our consolidated financial statements.

Private equity business

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

The valuation of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from the carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow valuation technique which incorporates estimated future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital or comparable market multiple valuation techniques such as Enterprise Value/earnings before interest, taxes, depreciation and amortization, Price/Earnings Ratio, Price/Embedded Value Ratio and other multiples based on relationships between numbers reported in the financial statements and the price of comparable companies. Where possible these valuations are compared with the operating cash flows and financial performance of the

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companies 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 as Level 3 since the valuation inputs such as those mentioned above are usually unobservable or there is significant uncertainty between the level for the comparables used and those that would be used for the specific position.

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

Derivative contracts

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

Fair value amounts recognized for derivative instruments entered into under a legally enforceable master netting agreement are offset in the consolidated balance sheets and fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively.

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

	Billions of yen March 31, 2011	
	Assets	Liabilities
Listed derivatives	¥ 224	¥ 334
OTC derivatives	1,267	1,322
	¥ 1,491	¥ 1,656

	Billions of yen March 31, 2012	
	Assets	Liabilities
Listed derivatives	¥ 304	¥ 334
OTC derivatives	1,056	974
	¥ 1,360	¥ 1,308

The fair value of OTC derivative assets and liabilities as of March 31, 2011 and 2012 by remaining contractual maturity are shown below:

	Billions of yen March 31, 2011						
	Years to Maturity					Cross-maturity netting ⁽¹⁾	Total fair value
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years		
OTC derivative assets	¥ 512	¥ 598	¥ 717	¥ 575	¥ 1,424	¥ (2,559)	¥ 1,267
OTC derivative liabilities	713	768	612	681	1,369	(2,821)	1,322

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	Billions of yen						Cross-maturity netting ⁽¹⁾	Total fair value
	March 31, 2012							
	Years to Maturity							
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years			
OTC derivative assets	¥ 633	¥ 747	¥ 736	¥ 728	¥ 2,024	¥ (3,812)	¥ 1,056	
OTC derivative liabilities	838	776	785	627	1,879	(3,931)	974	

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

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

Goodwill

Under U.S. GAAP, goodwill is allocated to reporting units and tested for impairment annually or more frequently in certain circumstances. The assumptions used in the valuations of the reporting units include estimates of future cash flows and the cost of equity used to discount those cash flows to a present value.

Goodwill impairment testing is performed at a level below the business segments. During the year ended March 31, 2012, Nomura performed the first step of impairment testing for the goodwill in accordance with U.S. GAAP, based on the reasonable management's estimates of future cash flows. As a result of the testing, Nomura concluded that the fair value of each reporting unit including goodwill exceeded its carrying value, thus no reporting units were at immediate risk of an impairment loss.

However, in the global capital markets there exist various uncertainties due to, but not limited to, economic and market conditions. Deterioration in economic and market conditions may result in declines in future business performance. Such future declines in business performance or significant increases in the cost of equity may result in the estimated fair values of the reporting units and associated goodwill to decline, potentially resulting in the recognition of impairment losses through the consolidated statements of income in future periods.

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

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

Securitization Products

Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of March 31, 2012.

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	Millions of yen March 31, 2012				
	Japan	Asia and Oceania	Europe	Americas	Total ⁽¹⁾
CMBS ⁽²⁾	¥ 1,963	¥	¥ 9,845	¥ 50,143	¥ 61,951
RMBS ⁽³⁾	45,684	3,123	33,647	238,596	321,050
Commercial real estate-backed securities	12,295				12,295
Other securitization products ⁽⁴⁾	32,606	312	13,280	105,486	151,684
Total	¥ 92,548	¥ 3,435	¥ 56,772	¥ 394,225	¥ 546,980

- (1) The balances shown exclude those for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860, *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposures.
- (2) We have ¥24,227 million exposure, as whole loans and commitments, to U.S. CMBS-related business as of March 31, 2012.
- (3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government guaranteed collateralized mortgage obligations (CMO) because their credit risks are considered minimal.
- (4) Includes collateralized loan obligations (CLO), collateralized debt obligations (CDO) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans, student loans and home equity loans.

The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of March 31, 2012. Ratings are based on the lowest ratings given by Standard & Poor's, Moody's Investors Service, Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2012.

	Millions of yen March 31, 2012								
	AAA	AA	A	BBB	BB	B	Not rated	GSE ⁽¹⁾	Total
Japan	¥ 591	¥	¥ 901	¥ 126	¥	¥	¥ 345	¥	¥ 1,963
Europe	505	270	2,566	2,168	1,664	1,343	1,329		9,845
Americas	14,956	1,906	13,717	9,014	5,955	1,641	2,954		50,143
Total	¥ 16,052	¥ 2,176	¥ 17,184	¥ 11,308	¥ 7,619	¥ 2,984	¥ 4,628	¥	¥ 61,951

- (1) GSE refers to government sponsored enterprises.
Leveraged Finance

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

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The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2012.

	Millions of yen March 31, 2012		
	Funded	Unfunded	Total
Japan	¥ 2,682	¥	¥ 2,682
Europe	51,995	31,890	83,885
Americas	5,095	14,366	19,461
Asia and Oceania	2,036	520	2,556
Total	¥ 61,808	¥ 46,776	¥ 108,584

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 Note 8 *Securitizations and Variable Interest Entities* to our consolidated financial statements.

Accounting Developments

See Note 1 *Summary of accounting policies: New accounting pronouncements adopted during the current year* to our consolidated financial statements.

Private Equity Business

We make private equity investments primarily in Japan and Europe.

Private equity investments made by certain entities which we consolidate under either a voting interest or variable interest model which are investment companies pursuant to the provisions of ASC 946 (investment company subsidiaries) are accounted for at fair value, with changes in fair value recognized through the consolidated statements of income. Investment company accounting applied by each of these investment company subsidiaries is retained in our consolidated financial statements included in this Form 20-F.

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

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

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Private equity business in Japan

We have an established private equity business in Japan, which is operated primarily through a wholly-owned subsidiary, Nomura Principal Finance Co., Ltd (NPF).

Since its inception in 2000, NPF has made investments in 21 entities and exited from the majority of these investments for the year ended March 31, 2012. The fair value of its investment portfolio is ¥77,793 million and ¥789 million as of March 31, 2011 and 2012, respectively.

NPF is an investment company subsidiary pursuant to the provisions of ASC 946 and therefore carries all of its investments at fair value, with changes in fair value recognized through the consolidated statements of income.

We also make private equity investments through another wholly-owned subsidiary, Nomura Financial Partners Co., Ltd. (NFP). NFP is not an investment company subsidiary as it invests in entities engaged in our core business. We elected the fair value option to account for its 47.0% investment in the common stock of Ashikaga Holdings Co., Ltd and it is reported in Private equity investment in the consolidated balance sheets.

Private equity business in Europe

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

Terra Firma Investments

Following a review to determine the optimum structure for our European private equity business, on March 27, 2002, we restructured PFG and, as a result, contributed our investments in certain of our remaining investee companies to Terra Firma Capital Partners I (TFCP I), a limited partnership which is engaged in the private equity business, in exchange for a limited partnership interest. Terra Firma Investments (GP) Limited, the general partner of TFCP I, which is independent of us, assumed the management and control of these investments, together with one other PFG investment, Annington Holdings plc, which due to contractual restrictions was not transferred to the partnership.

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

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

The fair value of the Terra Firma Investments was ¥100,395 million and ¥102,649 million as of March 31, 2011 and 2012, respectively.

Other Terra Firma Funds

In addition to the Terra Firma Investments, we are a 10% investor in a ¥213 billion private equity fund (TFCP II) and a 2% investor in a ¥568 billion private equity fund (TFCP III), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥21,295 million and reduced to ¥4,064 million as a result of adjustments for recyclable distributions. As of March 31, 2012, ¥3,914 million had been drawn down for investments.

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For TFCP III, our total commitment is ¥10,750 million and ¥8,347 million had been drawn down for investments as of March 31, 2012.

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

Other Investments

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

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

Details of deferred tax assets and liabilities reported within *Other assets*, *Other* and *Other liabilities* respectively in the consolidated balance sheets as of March 31, 2012 are as follows:

	Millions of yen March 31, 2012
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 70,406
Investments in subsidiaries and affiliates	177,522
Valuation of financial instruments	197,961
Accrued pension and severance costs	34,291
Other accrued expenses and provisions	84,628
Operating losses	313,245
Other	20,034
Gross deferred tax assets	898,087
Less Valuation allowance	(490,986)
Total deferred tax assets	407,101
Deferred tax liabilities	
Investments in subsidiaries and affiliates	78,262
Valuation of financial instruments	56,732
Undistributed earnings of foreign subsidiaries	3,167
Valuation of fixed assets	117,112
Other	14,077
Total deferred tax liabilities	269,350
Net deferred tax assets	¥ 137,751

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.

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B. Liquidity and Capital Resources.

Funding and Liquidity Management

Overview

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

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

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

1. Centralized Control of Residual Cash.

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

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

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

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

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

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

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

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

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

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other debt or equity securities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivative positions and/or the underlying assets to maintain funding consistency with our unsecured long term debt. The proportion of our non-yen denominated long-term debt slightly decreased to 28.0% of total term debt outstanding as of March 31, 2012 from 28.5% as of March 31, 2011.

2.1 Short-Term Unsecured Debt

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

Our short-term unsecured debt total increased ¥374.8 billion to ¥3,009.1 billion as of March 31, 2012 from ¥2,634.3 billion as of March 31, 2011 mainly due to a ¥366.4 billion increase in short-term bank borrowings to ¥1,250.7 billion as of March 31, 2012 from ¥884.3 billion as of March 31, 2011. The average outstanding balance of commercial paper was ¥338.0 billion for the period ended in March 31, 2012.

The table below summarizes our Short-Term Unsecured Debt:

	Billions of yen	
	2011	2012
Short-Term Unsecured Debt Total ⁽¹⁾	¥ 2,634.3	¥ 3,009.1
Short-Term Bank Borrowings	884.3	1,250.7
Other Loans	84.8	99.0
Commercial Paper	379.5	315.6
Deposit at Banking Entities	573.1	589.8
Certificates of Deposit	184.0	234.7
Bonds and Notes maturing within one year	528.6	519.3

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

2.2 Long-Term Unsecured Debt

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

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

As a globally competitive financial service group in Japan, we have access to multiple markets worldwide and major funding centers. The Company, NSC, Nomura Europe Finance N.V. (NEF) and Nomura Bank International plc (NBI) are the main entities that conduct external borrowings, issuances of debt instruments and other funding activities. By raising funds to match the currencies and liquidities of our assets or by using foreign exchange swaps as may be necessary, we pursue optimization of our funding structures.

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

Our long-term debt decreased ¥93.9 billion to ¥6,373.0 billion as of March 31, 2012 from ¥6,466.9 billion as of March 31, 2011, primarily due to ¥663.7 billion decrease in bonds and notes to ¥3,559.3 billion as of March 31, 2012 from ¥4,223.0 billion as of March 31, 2011. The increase in long-term bank borrowings primarily reflected refinancing of some of our long-term bank borrowings which was, partly offset by a ¥589.5 billion increase in long-term bank borrowings to ¥2,589.1 billion as of March 31, 2012 from ¥1,999.6 billion as of March 31, 2011.

In the fiscal year ended on March 31, 2012, Nomura issued ¥215.4 billion of domestic bonds, that consists of ¥170.0 billion of subordinated bonds and ¥45.4 billion of senior debt securities.

The table below summarizes our Long-Term Unsecured Debt:

	Billions of yen March 31	
	2011	2012
Long-Term Unsecured Debt Total	¥ 6,466.9	¥ 6,373.0
Long-Term Deposit at Banking Entities	55.5	80.2
Long-Term Bank Borrowings	1,999.6	2,589.1
Other Loans	188.8	144.4
Bonds and Notes ⁽¹⁾	4,223.0	3,559.3
NHI Shareholders' Equity	2,082.8	2,107.2

- (1) Excluding long-term bonds and notes issued by consolidated VIEs that meet the definition of Variable Interest Entities (VIEs) under ASC 810, Consolidation (ASC 810) and secured financing transactions recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860.

2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity for plain vanilla debt securities and borrowings with maturities longer than one year was 4.33 years as of March 31, 2012. A major part of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. Conditions for calling notes by indices are individually determined. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called.

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On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 10.35 years as of March 31, 2012. The average maturity of our entire long term debt portfolio, including plain vanilla debt securities and borrowings, was 6.79 years as of March 31, 2012. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

(1) Redemption schedule is individually estimated by considering of probability of redemption. Due to structure bias, we use probability adjusted by a certain stress factor.

2.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese Gensaki transactions. Repo transactions involve the selling of government and government agency securities under agreements with clients to repurchase these securities from clients. Japanese Gensaki transactions have no margin requirements or substitution right. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We manage the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, providing with a various range and types of securities collateral and actively seeking to term out the tenor of certain transactions. For more detail of secured borrowings and repurchase agreements, see Note 6 *Collateralized transactions* to our consolidated financial statements.

3. Management of Credit Lines to Nomura Group entities.

We maintain committed facility agreements with financial institutions for Nomura Group entities in order to provide contingent financing sources. Total of unused committed facilities increased ¥13.9 billion to ¥138.3 billion as of March 31, 2012 from ¥124.4 billion as of March 31, 2011. We have structured the facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw on the facilities. We occasionally test the effectiveness of our drawdown procedures.

Table of Contents**4. Implementation of Liquidity Stress Tests.**

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

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

To ensure a readily available source for a potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2012, our liquidity portfolio was ¥ 5,427.7 billion which generated a liquidity surplus taking into account a stress scenario as defined in our liquidity risk policy. We recognize that the liquidity standards for financial institutions continue to be the subject of further discussion among the relevant supervisory bodies including the Basel Committee. The existing model and simulations upon which we currently rely may need to be reviewed depending on any new development in this area. Our liquidity portfolio is composed of the following highly liquid products.

	Billions of yen March 31	
	2011	2012
Liquidity Portfolio	¥ 5,819.1	¥ 5,427.7
Cash, Cash Equivalent and Time Deposits	1,959.7	1,137.3
Government Securities	3,851.1	3,877.4
Others	8.3	413.0

In addition to the liquidity portfolio, we have ¥1,289.6 billion of other unencumbered assets comprising mainly unpledged trading assets that can be used as an additional source of secured funding. The aggregate value of our liquidity portfolios and other unencumbered assets as of March 31, 2012 was ¥6,717.3 billion this represented 223.2 % of our total unsecured debt maturing within one year.

	Billions of yen March 31	
	2011	2012
Net Liquidity Value of Other Unencumbered Assets	¥ 1,806.9	¥ 1,289.6
Liquidity Portfolio	5,819.1	5,427.7
Total	¥ 7,626.0	¥ 6,717.3

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

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

- (i) Upcoming maturities of unsecured debt (maturities less than one year)
- (ii) Potential buybacks of our outstanding debt
- (iii) Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates

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(iv) Fluctuation of funding needs under normal business circumstances

(v) Cash and collateral outflows in a stress event

We constantly evaluate and modify our liquidity risk assumptions based on regulatory and market changes. The model we use in order to simulate the impact of stress scenarios assumes no liquidation of assets, no ability to issue additional unsecured funding, a widening of haircuts on outstanding repo funding, collateralization of clearing banks and depositories, drawdowns on loan commitments and loss of liquidity from market losses on inventory.

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

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

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

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

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

5. Contingency Funding Plan.

We have developed a detailed contingency funding plan to integrate liquidity risk control into our comprehensive risk management strategy and to enhance the quantitative aspects of our liquidity risk control procedures. As a part of the Contingency Funding Plan (*CFP*), we have developed an approach for analyzing and specifying the extent of any liquidity crisis. This allows us to estimate the likely impact of both a Nomura-specific and market-wide crises; 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 the legal entity level in order to capture specific cash requirements at the local level – it assumes that the parent company does not have access to cash that may be trapped at the 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 operations at central banks including but not exclusively the Bank of Japan, which provide financing against various types of securities. These operations are accessed in the normal course of business and are an important tool in mitigating contingent risk from market disruptions.

Cash Flows

Nomura's cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing

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activities, as was generally the case for a number of years through the fiscal year ended March 31, 2011. For the fiscal year ended March 31, 2012, we recorded net cash inflows from operating activities and investing activities as discussed in the comparative analysis mentioned below.

The following is the summary information on our consolidated cash flows for the years ended March 31, 2011 and 2012:

	Billions of yen	
	Year Ended March 31	
	2011	2012
Net cash provided by (used in) operating activities	¥ (235.1)	¥ 290.9
Net income	31.9	26.1
Trading assets and private equity investments	(1,481.9)	971.3
Trading liabilities	1,206.4	(1,058.4)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	327.7	980.2
Securities borrowed, net of securities loaned	(446.2)	(508.8)
Other, net	127.0	(119.4)
Net cash provided by (used in) investing activities	(423.2)	9.9
Net cash provided by (used in) financing activities	1,284.2	(844.3)
Long-term borrowings, net	1,079.6	(867.6)
Other, net	204.6	23.3
Effect of exchange rate changes on cash and cash equivalents	(26.2)	(6.3)
Net increase (decrease) in cash and cash equivalents	599.7	(549.8)
Cash and cash equivalents at beginning of the year	1,020.6	1,620.3
Cash and cash equivalents at end of the year	¥ 1,620.3	¥ 1,070.5

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

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

For the year ended March 31, 2011, our cash and cash equivalents increased by ¥599.7 billion to ¥1,620.3 billion. Net cash of ¥1,284.2 billion was provided by financing activities due to cash inflows of ¥1,079.6 billion from net issuance of *Long-term borrowings*. As part of trading activities, there were net cash outflows of ¥275.5 billion from cash outflows due to an increase in *Trading assets and Private equity investments* in combination with cash inflows due to an increase in *Trading liabilities* and there were also net cash outflows of ¥118.5 billion from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥235.1 billion was used in operating activities.

Balance Sheet and Financial Leverage

Total assets as of March 31, 2012, were ¥35,697.3 billion, a decrease of ¥995.7 billion compared with ¥36,693.0 billion as of March 31, 2011, reflecting decreases in *Cash and cash equivalent*, *Securities purchased*

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under agreements to resell and *Trading assets*. Total liabilities as of March 31, 2012, were ¥33,308.2 billion, a decrease of ¥1,293.2 billion compared with ¥34,601.4 billion as of March 31, 2011, reflecting decreases in *Securities sold under agreements to repurchase*, *Trading liabilities* and *Other secured borrowings*. NHI shareholders' equity as of March 31, 2012, was ¥2,107.2 billion, an increase of ¥24.4 billion compared with ¥2,082.8 billion as of March 31, 2011, due to increases in *Additional paid-in capital*.

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. There are currently no regulatory or statutory reporting requirements which require us to disclose leverage ratios.

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

	Billions of yen, except ratios	
	March 31	
	2011	2012
NHI shareholders' equity	¥ 2,082.8	¥ 2,107.2
Total assets ⁽¹⁾	36,693.0	35,697.3
Adjusted assets ⁽²⁾	21,536.7	21,954.7
Leverage ratio ⁽³⁾	17.6x	16.9x
Adjusted leverage ratio ⁽⁴⁾	10.3x	10.4x

(1) Reconciles to the total assets amount disclosed on the face of our consolidated balance sheets and therefore excludes the fair value of securities transferred to counterparties under repo-to-maturity and certain Japanese securities lending transactions which are accounted for as sales rather than collateralized financing arrangements. The fair value of securities derecognized under these agreements has not had a significant impact on our reported Leverage and Adjusted leverage ratios as of March 2011 and 2012.

(2) Represents total assets less *Securities purchased under agreements to resell* and *Securities borrowed*.

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

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

Total assets decreased by 2.7% reflecting primarily a decrease in *Securities purchased under agreements to resell*. Total NHI shareholders' equity increased by 1.2%. As a result, our leverage ratio went down from 17.6 times as of March 31, 2011 to 16.9 times as of March 31, 2012.

Adjusted assets increased primarily due to an increase in *Office buildings, land, equipment and facilities*. As a result, our adjusted leverage ratio went up from 10.3 times as of March 31, 2011 to 10.4 times as of March 31, 2012.

Capital Management*Capital Management Policy*

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

Table of Contents*Dividends*

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

Dividend payments will be determined taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment, as well as the Company's consolidated financial performance.

Nomura paid a dividend of ¥4.0 per share for the first half and a dividend of ¥2.0 per share for the second half in line with its dividend policy for the fiscal year ended March 31, 2012.

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

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

Fiscal year ended or ending March 31,	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total
2007	¥	8.00	¥	8.00	¥	8.00	¥	20.00	¥ 44.00
2008		8.50		8.50		8.50		8.50	34.00
2009		8.50		8.50		8.50			25.50
2010				4.00				4.00	8.00
2011				4.00				4.00	8.00
2012				4.00				2.00	6.00

Stock Repurchases

We consider repurchase of treasury stock as an option in our financial strategy to respond quickly to changes in the business environment and to increase shareholder value. We make announcements immediately after any decision to set up a share buyback program and conduct such programs in accordance with internal guidelines.

Preferred Stock

Effective June 28, 2011, in order to respond to Basel III capital adequacy requirements, we have amended our Articles of Incorporation to enable issuance of each class of preferred stock with a provision for redemption upon the occurrence of certain events. (See *Preferred Stock* under Item 10.B. of this annual report for further information.) We do not have plans to issue preferred stocks as of June 27, 2012. The amendment did not result in any change to the total number of shares authorized to be issued.

Consolidated Regulatory Requirements

As discussed in Item 4.B. (Regulatory Capital Rules), the FSA established the *Guideline for Financial Conglomerate Supervision* (the *Financial Conglomerate 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 Conglomerate Guideline* from April 2005.

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

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The Company has been assigned as a Final Designated Parent Company who must calculate the consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company in April 2011. Since then, we have been calculating our Basel II-based consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. Note that the Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and we have calculated our Basel 2.5-based consolidated regulatory capital adequacy ratio since December 2011.

In accordance with Article 3 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated regulatory capital adequacy ratio is calculated based on the amounts of qualifying capital, credit risk-weighted assets, market risk, and operational risk. Also in accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated regulatory capital adequacy ratio is higher than 8%. As of March 31, 2012, we were in compliance with this requirement, with a ratio of total capital to risk-weighted assets of 16.5%.

The following table presents Nomura's consolidated capital adequacy ratio as of March 31, 2011 and March 31, 2012:

	Billions of yen, except ratios March 31	
	2011	2012
Qualifying Capital		
Tier 1 capital	¥ 1,915.0	¥ 2,090.2
Tier 2 capital	651.5	319.6
Tier 3 capital	139.6	224.3
Deductions	121.8	207.0
Total qualifying capital	2,584.3	2,427.0
Risk-Weighted Assets		
Credit risk-weighted assets	7,468.4	8,324.4
Market risk equivalent assets	2,442.3	3,924.6
Operational risk equivalent assets	1,718.8	2,432.0
Total risk-weighted assets	11,629.5	14,681.0
Consolidated Capital Adequacy Ratios		
Consolidated capital adequacy ratio	22.2%	16.5%
Tier 1 capital ratio	16.4%	14.2%

Total qualifying capital is comprised of Tier 1, Tier 2, Tier 3 capital and deduction items. Our Tier 1 capital mainly consists of NHI shareholders equity and non-controlling interests less goodwill, certain intangible fixed assets and 50% of expected loss defined in rule text. Tier 2 and Tier 3 capital consists of subordinated debt classified to Tier 2 and Tier 3 by original maturity and other conditions set out by the Capital Adequacy Notice on Final Designated Parent Company. Deduction items include the remaining 50% of expected loss and strategic holding as of financial institution's stock.

Market risk is calculated using an internal model method for market risk (Nomura's VaR model). Since the end of December, 2011, we are required to calculate market risk requirement under the Basel 2.5 rule, which is significantly larger than under Basel II rule. On March 31, 2011, we started calculating credit risk assets and operational risk using foundation Internal Ratings-Based approach and The Standardized Approach, respectively.

We provide Tier 1 capital ratio and consolidated capital adequacy ratio not only to demonstrate that we are in compliance with the Capital Adequacy Notice on Final Designated Parent Company but also for benchmarking purposes so that users of our report can compare our capital position against those of other financial groups under the same Basel framework. Management receives and reviews these capital ratios on a regular basis.

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

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, "International framework for liquidity risk measurement, standards and monitoring" and "A global regulatory framework for more resilient banks and banking systems". The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment charge for over-the-counter derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; and introducing a series of measures to address concerns over the "procyclicality" of the current framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards will be phased in gradually from 2013.

At the G-20 summit in November 2011, the Financial Stability Board ("FSB") and the Basel Committee announced the list of global systemically important financial institutions ("G-SIFIs") and the additional requirements to the G-SIFIs including the recovery and resolution plan. The FSB also announced the group of G-SIFIs will be updated annually and published by the FSB each November.

The FSA introduced notices such as the Capital Adequacy Notice on Final Designated Parent Company on consolidated regulation and supervision of securities companies on a consolidated basis on April 1, 2011 to improve the stability and transparency of Japan's financial system and ensure the protection of investors. It reviewed the Capital Adequacy Notice on Final Designated Parent Company according to Basel 2.5 and Basel III framework and the revised notice in line with Basel 2.5 was implemented at the end of December 2011 and the revised notice in line with Basel III will be implemented at the end of March 2013. It is expected that the revised notice will be in line with a series of rules and standards proposed by the Basel Committee.

Credit Ratings

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

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As of May 31, 2012, the credit ratings of the Company and NSC were as follows:

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

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

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

On March 15, 2012, Moody's Investors Service downgraded the ratings for senior debt from Baa2 to Baa3 and from Baa1 to Baa2 for the Company and NSC, respectively. The short-term debt rating for NSC was affirmed at P-2 and the outlook on all the ratings is stable. This downgrade was attributable to Moody's view of the longer-term challenges facing Nomura's Institutional wholesale activities and a reassessment of the risks inherent in the business model of global investment banks while Moody's recognizes the progress being made in Nomura's recent restructuring efforts and its well-established retail and wholesale franchise in Japan.

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

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

Not applicable.

D. Trend Information.

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

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

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

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

an obligation under a guarantee contract;

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

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

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

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

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

For further information about transactions with VIEs, see Note 8 *Securitized and Variable Interest Entities* to our consolidated financial statements.

Repurchase and securities lending transactions accounted for as sales

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

We enter into repo-to-maturity transactions to take advantage of arbitrage opportunities between the cash security and repo markets. These transactions involve the sourcing of specific securities in the market and contemporaneously entering into repurchase agreements with different counterparties where the maturity of the agreement matches the maturity of the security transferred as collateral. We account for these transactions as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 are met. The amounts of securities derecognized from our consolidated balance sheets under open repo-to-maturity transactions as of March 31, 2011 and 2012 were ¥169,766 million and ¥39,797 million, respectively.

We engage in certain Japanese securities lending transactions for funding purposes under which we transfer long securities (such as Japanese listed equities). The agreements supporting these transactions include varying margining requirements, but the amount of cash we borrow from our counterparties is typically significantly less than the fair value of securities we lend. We account for these transactions as sales in our consolidated financial statements where the criteria for derecognition of the transferred financial assets under ASC 860 are met. In particular, we do not maintain effective control over the transferred financial assets as we are not able to be returned the transferred financial assets on substantially agreed terms, even in the event of default by the transferee. Upon adoption of Accounting Standard Update (ASU) No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements* as of January 1, 2012, Nomura has not derecognized such transactions that started on and after the adoption date. The amounts of securities derecognized from our consolidated balance sheets under open securities lending transactions as of March 31, 2011 and 2012 were ¥291,870 million and ¥1,930 million, respectively.

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F. Tabular Disclosure of Contractual Obligations.

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

Standby letters of credit and other guarantees:

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

Long-term borrowings and contractual interest payments:

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

Operating lease commitments:

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

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

Capital lease commitments:

We lease certain office space, equipment and facilities under capital lease agreements.

Purchase obligations:

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

Commitments to extend credit:

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

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

Commitments to invest in partnerships:

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

Commitments to purchase aircraft:

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

Commitments to purchase real estate:

In connection with our real estate related activities, we have commitments to purchase real estate for sale and rental.

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Note 13 *Borrowings* contains further detail on our short-term and long-term borrowing obligation and Note 22 *Commitments, contingencies and guarantees* to our consolidated financial statements contains further detail on our other commitments, contingencies and guarantees.

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

The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2012:

	Total contractual amount	Millions of yen			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 21,674	¥ 12,919	¥ 138	¥ 212	¥ 8,405
Long-term borrowings ⁽¹⁾	8,281,872	1,112,828	2,463,672	1,623,241	3,082,131
Contractual interest payments ⁽²⁾	1,090,956	142,159	233,456	146,067	569,274
Operating lease commitments	169,038	21,129	35,821	25,089	86,999
Capital lease commitments ⁽³⁾	52,855	616	864	6,099	45,276
Purchase obligations ⁽⁴⁾	37,237	26,872	10,365		
Commitments to extend credit	332,009	81,515	48,052	147,354	55,088
Commitments to invest in partnerships	28,825	15,155	7,961	971	4,738
Commitments to purchase aircraft	52,411	25,727	26,684		
Commitments to purchase real estates	234,400	139,376	86,620	8,404	
Total	¥ 10,301,277	¥ 1,578,296	¥ 2,913,633	¥ 1,957,437	¥ 3,851,911

- (1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
- (2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2012.
- (3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.
- (4) The amounts reflect the minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. The amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

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

In addition to amounts presented above, we have commitments under resale and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki transactions. These commitments amount to ¥2,519 billion for resale agreements and ¥1,711 billion for repurchase agreements as of March 31, 2012. These amounts include certain types of repurchase transactions and securities lending transactions which we account for as sales rather than collateralized financings in accordance with ASC 860.

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

The following table provides information about Directors of the Company as of June 27, 2012. With respect to the information under Brief Personal History below, some of the Directors changed their titles upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name (Date of Birth)	Responsibilities and Status in Nomura and Other Companies		Brief Personal History
Nobuyuki Koga (Aug. 22, 1950)	Director	Apr. 1974	Joined the Company
		Jun. 1995	Director
	Chairman of the Board	Apr. 1999	Managing Director
		Jun. 2000	Deputy President
	Chairman of the Nomination Committee	Oct. 2001	Deputy President
	Chairman of the Compensation Committee		Director and Deputy President of Nomura Securities Co., Ltd.
	Director and Chairman of the Board of Nomura Securities Co., Ltd.	Apr. 2003	Director and President
	President of Kanagawa Kaihatsu Kanko Co., Ltd.		Director and President of Nomura Securities Co., Ltd.
		Jun. 2003	Director, President & CEO
			Director and Executive Officer and President of Nomura Securities Co., Ltd.
		Apr. 2008	Director and Representative Executive Officer
			Director and Chairman of Nomura Securities Co., Ltd.
		Jun. 2008	Director and Chairman of Nomura Securities Co., Ltd.
		Jun. 2011	Director and Chairman
			Director and Chairman of Nomura Securities Co., Ltd.
Kenichi Watanabe (Oct. 28, 1952)	Director, Representative Executive Officer and Group CEO	Apr. 1975	Joined the Company
		Jun. 1998	Director
		Jun. 2000	Managing Director
		Oct. 2001	Director
			Managing Director of Nomura Securities Co., Ltd.
		Apr. 2002	Director
		Jun. 2003	Executive Managing Director of Nomura Securities Co., Ltd. Senior Managing Director

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Apr. 2004	Director and Executive Vice President of Nomura Securities Co., Ltd. Senior Managing Director
Apr. 2006	Executive Vice President of Nomura Securities Co., Ltd. Deputy President of Nomura Securities Co., Ltd.

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Name	Responsibilities and Status	Brief Personal History	
(Date of Birth)	in Nomura and Other Companies	Date	Position
Takumi Shibata (Jan. 8, 1953)	Director, Representative Executive Officer and Group COO Chairman and CEO of Wholesale	Apr. 2008	President & CEO
		Jun. 2008	Director and President & CEO of Nomura Securities Co., Ltd. Director and President & CEO
		Jun. 2011	Director and President & CEO of Nomura Securities Co., Ltd. Director, Representative Executive Officer and Group CEO
		Apr. 2012	Director and President & CEO of Nomura Securities Co., Ltd. Director, Representative Executive Officer and Group CEO
		Apr. 1976	Joined the Company
		Jun. 1998	Director
		Jun. 2000	Managing Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd.
		Apr. 2003	Executive Managing Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director
		Apr. 2004	Executive Vice President of Nomura Securities Co., Ltd. Senior Managing Director
		Apr. 2005	Director and Executive Vice President of Nomura Securities Co., Ltd. Senior Managing Director
		Apr. 2006	Director and President & CEO of Nomura Asset Management Co., Ltd.
		Apr. 2008	Director and President & CEO of Nomura Asset Management Co., Ltd. Deputy President & COO
Jun. 2008	Director and Deputy President of Nomura Securities Co., Ltd. Director and Deputy President & COO		
Jun. 2011	Director and Deputy President of Nomura Securities Co., Ltd. Director, Representative Executive Officer and Group COO		
Apr. 2012	Director and Deputy President of Nomura Securities Co., Ltd. Director, Representative Executive Officer and Group COO		

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Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Nomura and Other Companies		
Masanori Itatani	Director	Apr. 1976 Jun. 1998	Joined the Company Director, responsible for Corporate Communications and Investor Relations
(Oct. 13, 1953)	Member of the Audit Committee		
	Director of Nomura Securities Co., Ltd.	Jun. 2000	Director, responsible for Corporate Planning and Communications
		Oct. 2001	Director, responsible for General Affairs
		Jun. 2003	Senior Managing Director, responsible for Global Corporate Communications, General Affairs and Secretariat
		Apr. 2004	Senior Managing Director, responsible for Internal Audit
		Apr. 2006	Executive Managing Director, responsible for Internal Audit
		Jun. 2007	Director
Masanori Nishimatsu	Audit Mission Director	Apr. 1980 Apr. 2003	Joined the Company Director of Nomura Securities Co., Ltd., responsible for retail branch supervision, Tokyo suburbs
(Feb. 3, 1958)		Jun. 2003	Senior Managing Director of Nomura Securities Co., Ltd., responsible for retail branch supervision, Tokyo suburbs
		Apr. 2006	Senior Managing Director of Nomura Securities Co., Ltd., responsible for retail branch supervision, Tokyo
		Apr. 2007	Executive Managing Director of Nomura Securities Co., Ltd., responsible for retail branch supervision, Tokyo
		Apr. 2008	Executive Managing Director of Nomura Securities Co., Ltd., Nagoya
		Oct. 2008	Senior Corporate Managing Director of Nomura Securities Co., Ltd., Nagoya
		Apr. 2010	Advisor
		Jun. 2010	Director
			Audit Mission Director
David Benson	Director	Feb. 1997 Jul. 1999	Joined Nomura International plc Head of Risk Management, Nomura International plc
(Feb. 9, 1951)		Mar. 2005 Aug. 2007	COO, Nomura International plc Resigned from Nomura International plc
		Nov. 2008	Chief Risk Officer, Senior Managing Director

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Name (Date of Birth)	Responsibilities and Status in Nomura and Other Companies		Brief Personal History
Masahiro Sakane (Jan 7, 1941)	Outside Director	Jan. 2011	Vice Chairman, Risk and Regulatory Affairs
		Apr. 2011	Vice Chairman, Senior Managing Director
	Member of the Nomination Committee	Jun. 2011	Director
		Apr. 1963	Joined Komatsu Ltd.
		Jun. 2001	President of Komatsu Ltd.
		Jun. 2003	President & CEO of Komatsu Ltd.
		Jun. 2007	Representative Director and Chairman of Komatsu Ltd.
		Jun. 2008	Outside Director of Tokyo Electron Limited
		Jun. 2010	Outside Director
		Jun. 2010	Director and Chairman of Komatsu Ltd.
Mar. 2011	Outside Director of ASAHI GLASS Co., Ltd.		
Toshinori Kanemoto (Aug. 24, 1945)	Outside Director	Apr. 1968	Joined National Police Agency
		Member of the Nomination Committee	
	Member of the Compensation Committee	Apr. 1992	Kumamoto Prefecture Police Headquarters, Director-General
		Aug. 1995	Director General of the International Affairs Department, National Police Agency
		Oct. 1996	President of ICPO-INTERPOL
		Aug. 2000	President, National Police Academy
		Apr. 2001	Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan
		Jan. 2007	Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
		Feb. 2007	Of-Counsel of City-Yuwa Partners
		Jun. 2008	Outside Statutory Auditor of Kameda Seika Co., Ltd.
Jun. 2011	Outside Director		
Haruo Tsuji (Dec. 6, 1932)	Outside Director	Mar. 1955	Joined Hayakawa Electric Industry Co., Ltd. (currently, Sharp Corporation)
		Chairman of the Audit Committee	
	Outside Director of Nomura Securities Co., Ltd.	Jun. 1986	President, Sharp Corporation
		Jun. 1998	Corporate Advisor, Sharp Corporation
		Jun. 2001	Outside Statutory Auditor
		Jun. 2003	Outside Director
		Jun. 2008	Outside Director of Kobayashi Pharmaceutical Co., Ltd.
		Jun. 2010	Outside Director of SEIREN Co., Ltd.

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Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Nomura and Other Companies		
Tsuguoki Fujinuma (Nov. 21, 1944)	Outside Director	Apr. 1969 Jun. 1970	Joined Horie Morita Accounting Firm Joined Arthur & Young Accounting Firm
	Member of the Audit Committee	Nov. 1974	Registered as a certified public accountant
	Outside Director of Nomura Securities Co., Ltd.	May 1991	Managing Partner of Asahi Shinwa Accounting Firm
	Advisor of The Japanese Institute of Certified Public Accountants	Jun. 1993	Managing Partner of Ota Showa & Co. (Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC))
	Outside Director of Tokyo Stock Exchange Group, Inc.	May 2000	President of the International Federation of Accountants
	Governor of Tokyo Stock Exchange Regulation	Jul. 2004	Chairman and President of the Japanese Institute of Certified Public Accountants
	Specially-appointed Professor of Chuo Graduate School of Strategic Management	Jun. 2007	Retired from Ernst & Young ShinNihon
	Outside Statutory Auditor of Sumitomo Corporation	Jul. 2007	Advisor of the Japanese Institute of Certified Public Accountants
	Outside Statutory Auditor of Takeda Pharmaceutical Company Limited		
	Outside Director of Sumitomo Life Insurance Company		
	Outside Statutory Auditor of Seven & i Holdings Co., Ltd.	Aug. 2007	Outside Director of Tokyo Stock Exchange Group, Inc.
		Oct. 2007	Governor of Tokyo Stock Exchange Regulation
		Apr. 2008	Specially-appointed Professor of Chuo Graduate School of Strategic Management
		Jun. 2008	Outside Statutory Auditor of Sumitomo Corporation Outside Statutory Auditor of Takeda Pharmaceutical Company Limited Outside Director
	Jul. 2008	Outside Director of Sumitomo Life Insurance Company	
	May 2010	Outside Statutory Auditor of Seven & i Holdings Co., Ltd.	
Dame Clara Furse (Sept. 16, 1957)	Outside Director	Feb. 1983 Jun. 1990	Joined Phillips & Drew/UBS Non-Executive Director of LIFFE (London International Financial Futures Exchange)
	Non-Executive Director of Legal & General Group plc	Jun. 1997	Deputy Chairman of LIFFE
	Non-Executive Director of Nomura International plc	May 1998	Group Chief Executive of Credit Lyonnais Rouse
	Non-Executive Director of Nomura Europe Holdings plc	Jan. 2001	Chief Executive of London Stock Exchange Group
	Non-Executive Director of Amadeus IT Holding SA	Jun. 2009	Non-Executive Director of Legal & General Group plc

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Non-Executive Director of UK Department for Work and Pensions	Dec. 2009	Non-Executive Director of Nomura International plc
		Non-Executive Director of Nomura Europe Holdings plc
	Apr. 2010	Non-Executive Director of Amadeus IT Holding SA
	Jun. 2010	Outside Director

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Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Nomura and Other Companies		
		Jun. 2011	Non-Executive Director of UK Department for Work and Pensions
Takao Kusakari	Outside Director	Apr. 1964	Joined Nippon Yusen Kabushiki Kaisha (NYK Line)
(Mar. 13, 1940)	Outside Director of Nomura Securities Co., Ltd.	Aug. 1999	President of NYK Line
	Outside Statutory Auditor of Nippon Steel Corporation	Apr. 2002	President, Corporate Officer of NYK Line
	Corporate Advisor of NYK Line	Apr. 2004	Chairman, Corporate Officer of NYK Line
		Apr. 2006	Chairman, Chairman Corporate Officer of NYK Line
		Apr. 2009	Director and Corporate Advisor of NYK Line
		Jun. 2009	Outside Statutory Auditor of Nippon Steel Corporation
		Jun. 2010	Corporate Advisor of NYK Line
		Jun. 2011	Outside Director
Michael Lim Choo San	Outside Director	Aug. 1972	Joined Price Waterhouse, Singapore
(Sept. 10, 1946)	Member of The Singapore Public Service Commission	Jan. 1992	Managing Partner of Price Waterhouse, Singapore
	Chairman of the Land Transport Authority of Singapore	Oct. 1998	Member of The Singapore Public Service Commission
	Non-Executive Chairman of Nomura Singapore Ltd.	Jul. 1999	Executive Chairman of PricewaterhouseCoopers, Singapore
	Member of the Legal Service Commission, Singapore	Sep. 2002	Chairman of the Land Transport Authority of Singapore
	Non-Executive Director of Nomura Asia Holding N.V.	Jul. 2006	Non-Executive Chairman of Nomura Singapore Ltd.
	Chairman of Pro-Tem Singapore Accountancy Council	Nov. 2007	Member of the Legal Service Commission, Singapore
	Chairman of Accounting Standards Council, Singapore	Feb. 2009	Non-Executive Director of Nomura Asia Holding N.V.
	Non-Executive Chairman of Nomura Asia Holding N.V.	Jun. 2011	Outside Director
		Oct. 2011	Chairman of Pro-Tem Singapore Accountancy Council
		Nov. 2011	Chairman of Accounting Standards Council, Singapore
		Apr. 2012	Non-Executive Chairman of Nomura Asia Holding N.V.

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

Executive Officers

The following table provides information about Nomura's Executive Officers as of June 27, 2012. With respect to the information under Brief Personal History below, some of the Executive Officers changed their titles or positions upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Nomura and Other Companies		
Kenichi Watanabe (Oct. 28, 1952)	See <i>Directors</i>	under this Item 6.A.	See <i>Directors</i>
Takumi Shibata (Jan. 8, 1953)	See <i>Directors</i>	under this Item 6.A.	See <i>Directors</i>
Eiji Kutsukake (Sept. 12, 1960)	Executive Managing Director		Apr. 1984 Joined the Company Apr. 2007 Executive Managing Director of Nomura Securities Co., Ltd. Oct. 2008 Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2009 Senior Corporate Managing Director (Senior Managing Director) of Nomura Securities Co., Ltd. Apr. 2011 Senior Corporate Managing Director (Senior Managing Director)
			Retail COO
			Executive Vice President (Senior Managing Director) of Nomura Securities Co., Ltd. Apr. 2012 Executive Managing Director
Toshihiro Iwasaki (May 10, 1957)	Executive Managing Director Asset Management CEO		Apr. 1981 Joined the Company Apr. 2004 Executive Managing Director of Nomura Securities Co., Ltd. Apr. 2008 President & CEO of The Nomura Trust and Banking Co., Ltd. Apr. 2011 Deputy President of Nomura Asset Management Co., Ltd. Jun. 2011 Executive Managing Director and Asset Management CEO Director and Chairman & CEO of Nomura Asset Management Co., Ltd.

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Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Nomura and Other Companies		
Junko Nakagawa	Executive Managing Director	Apr. 1988	Joined the Company
		Sep. 2001	Resigned
(Jul. 26, 1965)	Chief Financial Officer	Oct. 2001	Joined Nomura Securities Co., Ltd.
		Mar. 2004	Resigned from Nomura Securities Co., Ltd.
		Jan. 2008	Senior Advisor of Nomura Healthcare Co., Ltd.
		Apr. 2008	Director and President of Nomura Healthcare Co., Ltd.
		Jun. 2010	Director of Nomura Healthcare Co., Ltd.
		Apr. 2011	Executive Managing Director, Chief Financial Officer Executive Managing Director of Nomura Securities Co., Ltd. Financial Officer of Nomura Securities Co., Ltd.

B. Compensation.

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

(1) Compensation policy

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

1. align with Nomura values and strategies;
2. reflect firm, division and individual performance;
3. establish appropriate performance measurement with a focus on risk;
4. align employee and shareholder interests;
5. establish appropriate compensation structures; and
6. ensure robust governance and control processes.

(2) Compensation governance

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

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

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

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

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reviewing the performance measures of senior executives to ensure that benefits, including rights to performance-related compensation, reflect the performance of both individuals and our business globally,

continually reviewing the appropriateness and relevance of the compensation policy and

approving any major changes in employee benefits structures globally.

Current members include the Group CEO (as Chairman of the Committee), Group COO (concurrently serving as the Chairman and CEO of the Wholesale Division), CEO of the Retail Division, CEO of the Asset Management Division, CFO, Chief Risk Officer (CRO), head of the CEO/COO Office and heads of Human Resources.

(3) Nomura's compensation framework

The outline of our compensation framework is as follows:

Compensation	Components	Purposes	Specific Elements
	Base Salary	Rewards individuals for their knowledge, skills, competencies and experiences	Base pay
		Reflects local labor market standards	
	Fixed Allowances	Reflects practices of local labor markets to deliver allowances as a part of fixed compensation to individuals	Housing allowances
			Overtime pay
	Variable Compensation	Rewards team and individual performances, and their contribution to results as well as strategic and future value	Cash bonuses
		Reflects appropriate internal and market-based comparisons	Deferred compensation
		Reflects broad view on compensation, including individual performances, approaches to risk, compliance and cross divisional cooperation	

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

(4) Variable compensation

In the compensation framework referred in (3), the outline of Variable Compensation is as follows;

Cash bonuses

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

Deferred compensation

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

align employee interest with that of shareholders;

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

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

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

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

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

material restatement in financial statements

material violation of policies of Nomura; and

material detriment to the business or reputation of Nomura.

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

1. Core deferral plans

(a) Stock Acquisition Right (SAR) Plan

Nomura has issued the following two types of SARs.

SAR Plan A

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

SAR Plan B

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

(b) Notional Stock Unit (NSU) Plan

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

2. Supplemental deferral plans

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

competitive market place.

Table of Contents*(a) Collared Notional Stock Unit (CSU) Plan*

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

(b) Notional Indexed Unit (NIU) Plan

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

3. Multi-Year Performance Deferral (MYPD) plan

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

(5) Consistency with risk management and linkage to performance

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

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

(6) Compensation for Directors and Executive Officers

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

1 Aggregate compensation

Category	Number of Directors or Executive Officers ⁽¹⁾	Millions of yen Year ended March 31, 2012		
		Basic Compensation ⁽²⁾	Bonus	Total
Directors	15	¥362	¥	¥ 362
(Outside Directors)	(10)	(170)	()	(170)
Executive Officers	6	378		378
Total	21	¥740	¥	¥ 740

(1) The numbers of people above include 3 Directors (including 2 Outside Directors) and 1 Executive Officer who resigned in May and June 2011. There were 14 Directors and 5 Executive Officers as of March 31, 2012, of which 2 Directors were concurrently serving as Executive Officers. Their Compensation is included in that of Executive Officers.

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- (2) Basic compensation of ¥740 million includes other compensation (commuter pass allowance) of ¥1 million that has been provided.
- (3) In addition to the amount above: (1) SARs and supplemental deferral plans have been granted during the year ended March 31, 2012 and in the past. ¥214 million for Directors (including ¥1 million for Outside Directors) and ¥587 million for Executive Officers were recognized as expense in the financial statements for the year ended March 31, 2012; and (2) subsidiaries of Nomura paid ¥138 million to Outside Directors as compensation etc. for their directorship at those subsidiaries for the year ended March 31, 2012.

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

Name	Company	Category	Millions of yen						
			Fixed Remuneration (Basic Compensation)			Variable Compensation ⁽²⁾			
			Base Salary	Equity Compensation (SARs) ⁽¹⁾	Total	Cash Bonus	Deferred Compensation (SARs, etc.)	Total	
Kenichi Watanabe	Nomura	Director, Representative Executive Officer (Group CEO)	108	20	128				128
Takumi Shibata	Nomura	Director, Representative Executive Officer (Group COO)	96	17	113				113

- (1) The fair value of Equity Compensation (SARs) under Basic Compensation is 397 yen per share, which is based on the share price at the time of grant (June 2011). For details, see Stock Acquisition Rights (SARs) below.
- (2) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2012 (this fiscal year). In accordance with the FIEA and the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc., Nomura, as a Final Designated Parent Company of a securities company, is required to prepare Explanatory Document on the Status of Operation and Property (Disclosure Paper) from this year. As the disclosure of compensation schemes and aggregate compensation of key officers and employees of the group for this fiscal year are required in the Disclosure Paper, the compensation disclosed in this Form 20-F is also based on this fiscal year's performance.
- (3) For accounting purposes, expenses of Equity Compensation and Deferred Compensation (such as SARs) are recognized over the vesting period, starting from the time of the grant. Amount of expenses for Equity Compensation under Basic Compensation and Variable Compensation recognized during this fiscal year relating to Kenichi Watanabe and Takumi Shibata were 191 million yen and 164 million yen, respectively, which is an aggregate of Equity Compensation and Deferred Compensation granted during the past several years before the end of this fiscal year. These amounts are not the compensation determined based on the performance during this fiscal year.

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

Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2012	
			Exercise Period of SARs	Exercise Price per Share under SARs
				Paid-in Amount for SARs
Stock Acquisition Rights No.6	June 3, 2005	112,000	From June 4, 2007 to June 3, 2012	¥ 1 0
Stock Acquisition Rights No.8	July 25, 2005	1,479,800	From July 1, 2007 to June 30, 2012	1,134 0
Stock Acquisition Rights No.9	April 24, 2006	88,200	From April 25, 2008 to April 24, 2013	1 0
Stock Acquisition Rights No.10	June 12, 2006	262,700	From June 13, 2008 to June 12, 2013	1 0
Stock Acquisition Rights No.11	July 14, 2006	1,742,000	From July 7, 2008 to July 6, 2013	1,763 0
Stock Acquisition Rights No.12	October 10, 2006	4,700	From October 11, 2008 to October 10, 2013	1 0
Stock Acquisition Rights No.13	April 25, 2007	337,300	From April 26, 2009 to April 25, 2014	1 0
Stock Acquisition Rights No.14	June 21, 2007	405,600	From June 22, 2009 to June 21, 2014	1 0
Stock Acquisition Rights No.15	August 1, 2007	113,000	From August 2, 2009 to August 1, 2014	1,909 0
Stock Acquisition Rights No.16	August 1, 2007	1,820,000	From August 2, 2009 to August 1, 2014	1,909 0
Stock Acquisition Rights No.17	August 1, 2007	203,600	From August 2, 2009 to August 1, 2014	1 0
Stock Acquisition Rights No.18	October 19, 2007	21,800	From October 20, 2009 to October 19, 2014	1 0
Stock Acquisition Rights No.19	April 23, 2008	600,300	From April 24, 2010 to April 23, 2015	1 0
Stock Acquisition Rights No.20	June 23, 2008	73,300	From June 24, 2010 to June 23, 2015	1 0
Stock Acquisition Rights No.21	June 23, 2008	346,800	From June 24, 2010 to June 23, 2015	1 0
Stock Acquisition Rights No.22	August 5, 2008	110,000	From August 6, 2010 to August 5, 2015	1,312 0
Stock Acquisition Rights No.23	August 5, 2008	1,898,000	From August 6, 2010 to August 5, 2015	1,312 0
Stock Acquisition Rights No.24	August 5, 2008	3,000	From August 6, 2010 to August 5, 2015	1 0
Stock Acquisition Rights No.26	November 10, 2008	10,400	From November 11, 2010 to November 10, 2015	1 0
Stock Acquisition Rights No.27	November 10, 2008	14,100	From November 11, 2010 to November 10, 2015	1 0
Stock Acquisition Rights No.28	April 30, 2009	851,300	From May 1, 2011 to April 30, 2016	1 0
Stock Acquisition Rights No.29	June 16, 2009	306,100	From June 17, 2011 to June 16, 2016	1 0
Stock Acquisition Rights No.30	June 16, 2009	577,100	From June 17, 2011 to June 16, 2016	1 0

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Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2012		Paid-in Amount for SARs
			Exercise Period of SARs	Exercise Price per Share under SARs	
Stock Acquisition Rights No.31	August 5, 2009	176,000	From August 6, 2011 to August 5, 2016	¥ 745	0
Stock Acquisition Rights No.32	August 5, 2009	2,323,500	From August 6, 2011 to August 5, 2016	745	0
Stock Acquisition Rights No.34	May 18, 2010	2,208,600	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.35	May 18, 2010	7,694,800	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.36	May 18, 2010	2,211,800	From May 19, 2013 to May 18, 2017	1	0
Stock Acquisition Rights No.37	July 28, 2010	29,644,200	From April 30, 2012 to April 29, 2017	1	0
Stock Acquisition Rights No.38	July 28, 2010	9,486,400	From April 30, 2013 to April 29, 2018	1	0
Stock Acquisition Rights No.39	November 6, 2010	2,841,000	From November 16, 2012 to November 15, 2017	481	0
Stock Acquisition Rights No.40	June 7, 2011	19,749,600	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	19,601,000	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	19,560,900	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	2,851,000	From November 16, 2013 to November 15, 2018	302	0

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

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

Series of SARs	Number of Shares under SARs	March 31, 2012 Numbers of Holders	
		Directors and Executive Officers (excluding Outside Directors)	Outside Directors
SARs No.6	10,000	1	
SARs No.8	70,000	5	1
SARs No.10	10,300	1	
SARs No.11	50,000	6	1
SARs No.14	12,100	1	1
SARs No.15	12,000	1	1
SARs No.16	38,000	5	
SARs No.20	3,000		1
SARs No.21	7,900	1	
SARs No.22	26,000	2	3
SARs No.23	30,000	4	
SARs No.24	3,000		1
SARs No.28	162,700	1	
SARs No.29	29,000	1	3
SARs No.30	43,000	2	
SARs No.31	36,000	3	3
SARs No.32	20,000	3	
SARs No.34	1,028,300	3	
SARs No.35	271,200	4	
SARs No.36	48,500	1	
SARs No.40	448,500	7	
SARs No.41	448,300	7	
SARs No.42	448,100	7	

Pension, Retirement or Similar Benefits

See Note 15 *Employee benefit plans* to our consolidated financial statements.

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

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

We adopted the Committee System by amending our Articles of Incorporation by way of a special resolution adopted at our annual meeting of shareholders held on June 26, 2003. Through adoption of the Committee System, we aim to strengthen management oversight, increase transparency in our management and have more flexible group operations. An outline of the Company's Board of Directors Compensation Committee, Nomination Committee and Audit Committee are described below.

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Board of Directors

Our Board of Directors consists of all Directors, who are elected at a meeting of shareholders, and our Articles of Incorporation provide that the number of Directors shall not exceed 20. The term of office of Directors is one year, although they may serve any number of consecutive terms. From among its members, our Board of Directors elects the chairman of meetings. Our Board of Directors met 10 times during the fiscal year ended March 31, 2012. As a group, our Directors attended approximately 95% of the total number of meetings of our Board of Directors during the year. Our Board of Directors has the authority to determine our basic management policy and supervise the execution by the Executive Officers of their duties, while by resolution, has delegated to our Executive Officers most of its authority to make decisions with regard to our business.

Compensation Committee

Our Compensation Committee determines the policy with respect to the determination of the particulars of the compensation for each Director and Executive Officer, and the particulars of the compensation for each Director and Executive Officer. Our Compensation Committee met four times during the fiscal year ended March 31, 2012. As a group, the member Directors attended 100% of the total number of meetings of our Compensation Committee during the year. The committee's current members are Nobuyuki Koga, Masahiro Sakane and Toshinori Kanemoto. Nobuyuki Koga is the Chairman of this committee.

Nomination Committee

Our Nomination Committee determines the particulars of proposals concerning the election and dismissal of Directors to be submitted to a general meeting of shareholders by our Board of Directors. Our Nomination Committee met two times during the fiscal year ended March 31, 2012. As a group, the member Directors attended 100% of the total number of meetings of our Nomination Committee during the year. The committee's current members are Nobuyuki Koga, Masahiro Sakane and Toshinori Kanemoto. Nobuyuki Koga is the Chairman of this committee.

Audit Committee

Our Audit Committee (i) audits the execution by the Directors and the Executive Officers of their duties and formulation of audit reports and (ii) determines the particulars of proposals concerning the election and dismissal of the independent auditors and the non-retention of such independent auditors to be submitted to a general meeting of shareholders by our Board of Directors. With respect to financial reporting, our Audit Committee has the statutory duty to examine our financial statements and business reports to be prepared by Executive Officers designated by our Board of Directors and is authorized to report its opinion to the annual meeting of shareholders. In addition, pursuant to our Regulations of the Audit Committee or resolutions of the Board of Directors concerning matters to be necessary for the performance of functions of the Audit Committee, our Audit Committee has the authority to (i) pre-approve audit or non-audit services provided by the independent auditors for SEC reporting purposes and their fees, (ii) fees for independent auditors, (iii) establish the procedures for (a) the receipt, retention, and treatment of complaints received by us regarding accounting, internal controls, or auditing matters and (b) the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters, (iv) approve the annual audit plan of the independent auditors.

Our Audit Committee met 24 times during the fiscal year ended March 31, 2012. As a group, the member Directors attended approximately 98% of the total number of meetings of our Audit Committee during the year. The committee is currently composed of Haruo Tsuji, Tsuguoki Fujinuma and Masanori Itatani. Haruo Tsuji is the Chairman of this committee.

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Limitation of Liabilities of Outside Directors

We have entered into agreements with our Outside Directors, Masahiro Sakane, Toshinori Kanemoto, Haruo Tsuji, Tsuguoki Fujinuma, Dame Clara Furse, Takao Kusakari, and Michael Lim Choo San that limit their liabilities to us for damages suffered by us due to their acts taken in good faith and without gross negligence, up to the higher of (a) ¥20 million or (b) the amount prescribed by laws and ordinances.

Information Concerning Our Executive Officers

Executive Officers of the Company are elected at a meeting of our Board of Directors, and our Articles of Incorporation provide that the number of Executive Officers shall not exceed 45. The term of office of Executive Officers is one year, although they may serve any number of consecutive terms. Our Executive Officers have the authority to determine the matters delegated by the resolutions of our Board of Directors and to execute our business activities.

Rights of ADR Holders

The rights of ADR holders, including their rights to corporate governance practices, are governed by the Deposit Agreement which is an exhibit to this annual report. See also *Rights of Holders of ADSs* under Item 10.B of our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. The information contained in that part of the Registration Statement is incorporated in Item 10.B of this annual report by reference. For fees and charges that a holder of Nomura's ADSs may have to pay, see *Description of Securities Other Than Equity Securities* under Item 12 of this annual report.

D. Employees

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

	March 31		
	2010	2011	2012
Japan	15,053	14,918	21,609
Europe	4,369	4,353	4,014
Americas	1,781	2,348	2,420
Asia Pacific (excluding Japan), India and Oceania	5,171	5,252	6,352
Total	26,374	26,871	34,395

As of March 31, 2012, we had 21,609 employees in Japan, including 9,493 of Retail Division, 1,900 of Wholesale Division and 868 of Asset Management Division. Overseas, we had 12,786 employees, of which 4,014 were located in Europe, 2,420 in the Americas, and 6,352 in Asia Pacific (excluding Japan), India and Oceania.

During the fiscal year, the Company increased its stake in NLB, one of its affiliated companies, by acquiring additional NLB shares and thereby made it a subsidiary. As a result, the total number of employees in Japan increased significantly compared to the previous year.

As of March 31, 2012, 7,780 of NSC's employees in Japan were members of Nomura employees' union, with which we have a labor contract. Between the company and the labor union, we had been holding constant discussions to resolve on labor-related matters.

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

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

The following table shows the number of shares owned by our Directors and Executive Officers as of June 27, 2012. As of that date, none of them owned 1% or more of our issued and outstanding shares. None of the shares referred to below have different voting rights.

Directors

Name	Number of Shareholdings
Nobuyuki Koga	130,533
Kenichi Watanabe	174,888
Takumi Shibata	158,258
Masanori Itatani	130,897
Masanori Nishimatsu	86,800
David Benson	
Masahiro Sakane	30,000
Toshinori Kanemoto	
Haruo Tsuji	14,000
Tsuguoki Fujinuma	19,448
Dame Clara Furse	
Takao Kusakari	
Michael Lim Choo San	
Total	744,824

Executive Officers

Name	Number of Shareholdings
Kenichi Watanabe	See above
Takumi Shibata	See above
Eiji Kutsukake	17,928
Toshihiro Iwasaki	26,833
Junko Nakagawa	
Total	44,761

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

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

The following table shows our major shareholder who owns more than 5% of our outstanding common stock on the register of shareholders as of March 31, 2012. The Company understands that this shareholder may not be the beneficial owner of the Company's common stock, but the Company does not have any further information available in determining the beneficial ownership of these shares.

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Names of Shareholders	Number of Shares Owned and Percentage of Shares Owned	
	(in thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	187,713	5.12

The Company is also aware that Sumitomo Mitsui Trust Holdings, Inc. filed reports of substantial shareholding with the Director General of the Kanto Finance Bureau on April 21, 2011 and its subsequent amendments. According to the reports, as of September 30, 2011, Sumitomo Trust Bank Limited and its affiliates, beneficially or of record, owned 205,208,100 shares in total, representing 5.37% of the issued shares of the Company's common stock. However the Company has not confirmed the status of these shareholdings as of March 31, 2012.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2012, there were 230 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 354,494,022 shares of the Company's common stock, representing 9.3% of Nomura's then outstanding common stock. As of March 31, 2012, there were 26,244,423 ADSs outstanding, representing 26,244,423 shares of the Company's common stock or 0.7% of Nomura's then outstanding common stock. Our major shareholders above do not have different voting rights.

B. Related Party Transactions.**Nomura Land and Building Co., Ltd.**

Nomura Land and Building Co., Ltd. (NLB) currently owns some of our leased office space in Japan. Since May 24, 2011, NLB has become a consolidated subsidiary of Nomura and is no longer an affiliated company of Nomura. We paid NLB ¥622 million as rents before it became a consolidated subsidiary.

See Note 11 *Business combinations* to our consolidated financial statements.

Nomura Research Institute, Ltd.

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

We held 39.1% of NRI's outstanding share capital as of March 31, 2012.

For the year ended March 31, 2012, we purchased ¥22,014 million worth of software and computer equipment, paid NRI ¥49,742 million for other services, and received ¥3,848 million as rents from NRI. In addition, we deposited ¥11,738 million as lease deposits to NRI.

In July 2011, Nomura acquired 381,520 shares of NLB from NRI and issued 45,019,360 common shares to NRI as a result of the share exchange. See Note 11 *Business combinations* to our consolidated financial statements.

Directors

There were no significant transactions.

C. Interests of Experts and Counsel.

Not applicable.

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Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Financial Statements

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

Legal Proceedings

For a discussion of our litigation and related matters, see *Contingencies Investigations, lawsuits and other legal proceedings* under Note 22 to the consolidated financial statements included in this annual report.

Dividend Policy

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

B. Significant Changes.

Except as disclosed in this annual report, there have been no significant changes since March 31, 2012.

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

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

Year ended March 31,	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
Annual highs and lows				
2008	2,580	1,395	21.05	13.08
2009	1,918	403	17.89	3.96
2010	934	498	9.50	5.35
2011	717	361	7.67	4.75
2012	436	223	5.21	2.91
Quarterly highs and lows				
2011				
First Quarter	717	482	7.67	5.43
Second Quarter	522	403	6.07	4.75
Third Quarter	536	395	6.43	4.77
Fourth Quarter	557	361	6.75	4.84
2012				
First Quarter	436	368	5.21	4.61
Second Quarter	410	273	5.04	3.51
Third Quarter	327	223	4.12	2.91
Fourth Quarter	417	238	4.93	3.01
Monthly highs and lows				
2012 (calendar year)				
January	289	238	3.72	3.01
February	390	273	4.79	3.75
March	417	356	4.93	4.39
April	381	330	4.53	4.06
May	327	254	3.97	3.19
June (through June 26)	291	241	3.59	3.05

B. Plan of Distribution.

Not applicable.

C. Markets.

The principal trading market for our Common Stock is the Tokyo Stock Exchange. Our Common Stock has been listed on the Tokyo Stock Exchange, the Osaka Securities Exchange and the Nagoya Stock Exchange, since 1961.

In December 2001, we listed our Common Stock on the New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of Common Stock. Our Common Stock has been listed on the Singapore Stock Exchange since 1994.

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D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Objects and Purposes in Nomura's Articles of Incorporation

Article 2 of our Articles of Incorporation, which is an exhibit to this annual report, states our objects and purposes.

Provisions Regarding Our Directors

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

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

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

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

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

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

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Holding of Our Shares by Foreign Investors

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

Common Stock

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

General

Under our Articles of Incorporation, the authorized share capital is 6,000,000,000 shares, of which 3,822,562,601 shares were issued as of March 31, 2012. All issued shares are fully-paid and non-assessable.

On January 5, 2009, a central clearing system for shares of Japanese listed companies was established pursuant to the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. (including regulations promulgated thereunder; the *Book-Entry Law*), and the shares of all Japanese companies listed on any Japanese stock exchange, including our shares, became subject to this clearing system. On the same day, all existing share certificates for such shares became null and void. At present, Japan Securities Depository Center, Inc. (*JASDEC*) is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the *Book-Entry Law*. Under this clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an *account managing institution* unless such person has an account at *JASDEC*.

Account managing institutions are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the *Book-Entry Law*, and only those financial institutions that meet further stringent requirements of the *Book-Entry Law* can open accounts directly at *JASDEC*. For purposes of the description under this *Common Stock* section, we assume that the relevant person has no account at *JASDEC*.

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

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

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

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

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Dividends

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

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

Under our Articles of Incorporation, we are not obliged to pay any dividends that are left unclaimed for a period of three years after the date on which they first became payable.

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

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

Restriction on Distributions of Surplus

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

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

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

In the above formula:

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

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- E = (if we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock;
- F = (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the total book value of Surplus so distributed;
- G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the amount set aside in our additional paid-in capital or legal reserve (if any) as required by the ordinances of the Ministry of Justice.

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

- (a) the book value of our treasury stock;
- (b) the amount of consideration for our treasury stock disposed of by us after the end of the last fiscal year; and
- (c) certain other amounts set forth in the ordinances of the Ministry of Justice, including (if the sum of one-half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on our non-consolidated balance sheets as of the end of the last fiscal year) all or certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

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

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

Stock Splits

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

In accordance with the Companies Act, our Board of Directors has by a resolution delegated to our EMB, powers to increase the number of authorized shares permitted to be issued up to the number reflecting the rate of

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stock splits and amend our Articles of Incorporation to this effect without approval by a resolution of a meeting of shareholders. For example, if each share became three shares by way of a stock split, we may increase authorized shares from the current 6,000,000,000 shares to 18,000,000,000 shares.

Japanese Unit Share System

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

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

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

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

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

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

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

to receive dividends,

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

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

to participate in any distribution of surplus assets upon liquidation.

Annual Meeting of Shareholders

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

Voting Rights

A shareholder is generally entitled to one vote per one unit of shares as described in this paragraph and under *Japanese Unit Share System* above. In general, under the Companies Act, a resolution can be adopted at a meeting of shareholders by the holders of a majority of the total number of voting rights represented at the meeting. A corporate shareholder having one-quarter or more of the total voting rights of which are directly or indirectly held by us does not have voting rights. The Companies Act and our Articles of Incorporation require a quorum for the election of Directors of not less than one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights.

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

a reduction of stated capital,

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

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

a dissolution, merger or consolidation requiring shareholders approval,

a corporate split requiring shareholders approval,

the transfer of the whole or an important part of our business,

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

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

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

purchase of shares by us from a specific shareholder other than our subsidiary,

consolidation of shares, and

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

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Subscription Rights

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

Stock Acquisition Rights

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

Liquidation Rights

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

Liability to Further Calls or Assessments

All of our currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

Share Registrar

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

Record Date

The close of business of June 30, September 30, December 31 and March 31 are the record dates for our distributions of Surplus (dividends), if any. A holder of shares constituting one or more whole units, who is registered as a holder on our register of shareholders at the close of business as of March 31, is also entitled to exercise shareholders' voting rights at the annual meeting of shareholders with respect to the fiscal year ended on March 31. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' public notice.

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

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

Acquisition of Own Shares

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

We may hold our shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such shares by resolutions of the Board of Directors.

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

Preferred Stock

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

General

Our Articles of Incorporation include the possibility of issuing preferred stock. We have not yet issued, and currently have no specific plan to issue, any preferred stock; however we provide as follows some information on the characteristics of the types of preferred stock set forth in our Articles of Incorporation.

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

Preferred Dividends

Under our Articles of Incorporation, preferred dividends may be paid to shareholders of preferred stock on record as of March 31 every year. In addition, interim preferred dividends may be paid to shareholders of our preferred stock on record as of June 30, September 30 or December 31 of any year. Dividends on preferred stock are to be paid always in priority to dividends on common stock. The detailed terms and conditions of each class

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of preferred stock, including the amount of preferred dividends or preferred interim dividends, are to be determined by a resolution of our Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of our Board of Directors prior to the time of issuance thereof, provided that the annual dividend rate applicable to Class 1 and Class 2 preferred stock may not exceed 15%, and the annual dividend rate applicable to Class 3 and Class 4 preferred stock may not exceed 10%.

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

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

Shareholders of our preferred stock will not be entitled to any further dividends or other participation in or distribution of Surplus.

Voting Rights

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

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

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

Liquidation Rights

In the event of our voluntary or involuntary liquidation, shareholders of our preferred stock would be entitled, in preference over shareholders of common stock, to receive such amounts of our residual assets as may be determined by a resolution of our Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors taking into consideration the amounts of subscription moneys paid for the respective preferred stock.

Except as described above, shareholders of our preferred stock would not be entitled to receive distribution of residual assets upon our liquidation.

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

Class 3 preferred stock and Class 4 preferred stock are attached with the right to demand that we acquire such shares of preferred stock during a certain period. In the event of the exercise of such right, we shall be required to deliver to the relevant shareholder a certain number of shares of our common stock in exchange for the shares of the preferred stock acquired by us from such shareholder. Specific terms of such right, including the

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period during which the preferred stock would be acquired (a conversion period) and the initial acquisition price (a conversion price), would be determined by a resolution of our Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors.

Our Right and Obligation to Acquire Preferred Stock

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

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

Pursuant to amendments to our Articles of Incorporation approved at our annual meeting of shareholders on June 28, 2011 the following feature has been added to the preferred stock described in our Articles of Incorporation. We shall have the obligation to acquire all or any part of shares of Class 1 preferred stock, Class 2 preferred stock, Class 3 preferred stock and/or Class 4 preferred stock upon the occurrence of certain events determined by a resolution of our Board of Directors or by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors (including the event that the Company's capital adequacy ratio or other measure of regulatory capital falls below a pre-determined threshold, and/or the event that a supervisory agency (or an equivalent body) determines that a write-down, capital injection by a public institution or other equivalent action is necessary for the Company) prior to the time of issuance of the relevant preferred stock. In such event, we would deliver to the relevant shareholders a certain number of shares of our common stock in exchange for the shares of the preferred stock acquired by us from them. The number of our common stock so to be delivered to a shareholder of the relevant preferred stock would be determined prior to the issuance of such preferred shares by a resolution of our Board of Directors or by Executive Officer(s) considering the subscription price of the preferred shares, the market value of the Company's common stock and market conditions. An upper limit for the common stock to be delivered in exchange for the relevant preferred shares may also be set pursuant to such resolution or determination.

Order of Priority

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

Report of Substantial Shareholdings

The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange to file with the relevant Local

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Finance Bureau, within five business days, a report concerning those shareholdings. With certain exceptions, a similar report must also be filed to reflect any change of 1% or more in the above shareholding or any change in material matters set out in any previous filed reports. Copies of any reports must also be furnished to the company. For this purpose, shares issuable to a person upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that holder and the company's total issued share capital.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

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

On June 26, 2012, the closing price of our shares on the Tokyo Stock Exchange was ¥275 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥200 and ¥499 per share, as well as the daily price limit if our per share price were to rise to between ¥500 and ¥699, ¥700 and ¥999, and ¥1,000 and ¥1,499, or fall to between ¥100 and ¥199. Other daily price limits would apply if our per share price moved to other ranges.

Selected Daily Price Limits

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

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

Rights of Holders of ADSs

For a description of rights of holders of ADSs, see *Rights of Holders of ADSs* under Item 10.B of our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. The information contained in that part of the Registration Statement is incorporated in this Item 10.B by reference.

C. Material Contracts.

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

D. Exchange Controls.*Acquisition of Shares*

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

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

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

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

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

Dividends and Proceeds of Sale

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

E. Taxation.

U.S. Federal Income Taxation

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

a dealer in securities,

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

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

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

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

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

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

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

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

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

a citizen or resident of the U.S.,

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

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

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

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

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

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

Taxation of Dividends

Under the U.S. federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2013 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

The dividend is taxable when you, in the case of shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the U.S. for foreign tax credit limitation

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purposes. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Japan-U.S. Tax Treaty and paid over to Japan will be creditable against your U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% rate. To the extent a refund of the tax withheld is available under Japanese law or the Japan-U.S. Tax Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your U.S. federal income tax liability.

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

Taxation of Capital Gains

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

PFIC Rules

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

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

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

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

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

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

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

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

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Under these rules:

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

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

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

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

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

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

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

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

Japanese Taxation

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

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

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

any tax treaty between Japan and their country of residence, by consulting with their own tax advisers.

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by us. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase of number of shares (as opposed to an increase of value of shares) from Japanese tax perspectives. Conversion of retained earnings or legal reserve (but other than additional paid-in capital, in general) into stated capital on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation (Article 2(16) of the Japanese Corporation Tax Law and Article 8(1)(xiii) of the Japanese Corporation Tax Law Enforcement Order).

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax applies, the rate of Japanese withholding tax applicable to dividends on listed shares such as those paid by us to non-resident shareholders is currently 7%. This rate is applicable for dividends due and payable on or before December 31, 2013, and on or after January 1, 2014, a 15% rate will apply, except for dividends paid to any individual shareholder who holds 3% or more of the issued shares for which the applicable rate is 20% (please refer to Article 182(2) of the Japanese Income Tax Law and Article 9-3(1)(i) of the Japanese Special Tax Measures Law including its relevant temporary provision for these withholding rates).

On December 2, 2011, the Special measures act to secure the financial resources required to implement policy on restoration after the East Japan Earthquake (Act No. 117 of 2011) was promulgated and special surtax measures on income tax were introduced to fund the restoration effort from the earthquake. Income tax and withholding tax payers will need to pay a surtax, calculated by multiplying the base income tax with 2.1% for 25 years starting from January 1, 2013. As a result, the fractional tax rate increase in the withholding tax on dividends will be made from January 1, 2013, such as 7.147% applicable from January 1, 2013 to December 31, 2013 and 15.315% applicable thereafter until December 31, 2037, respectively. If a non-resident taxpayer is a resident of a country that Japan has tax treaty with, as described below, such non-residents will not be subject to the surtax to the extent that the applicable rate agreed in the tax treaty is lower than the aggregate domestic rate.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, New Zealand, Norway, Singapore, Spain and Sweden. Under the Japan-U.S. Tax Treaty, the withholding tax rate on dividends is 10% for portfolio investors, provided that they do not have a permanent establishment in Japan, or if there is a permanent establishment, the shares with respect to which such dividends are paid are not effectively connected with such permanent establishment, and that they are qualified U.S. residents eligible to enjoy treaty benefits. It shall be noted that, under the Japan-U.S. Tax Treaty, withholding tax on dividends to be paid is exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds (please refer to Article 10(3)(b) of the Japan-U.S. Tax Treaty). In addition to the Japan-U.S. Tax Treaty, Japan currently has income tax treaties, whereby the withholding tax rate on dividends is also reduced from 15% to 10% for portfolio investors, with, among others, the U.K., France, Australia, the Netherlands and Switzerland due to the treaty renewals.

Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by us are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us, which is the case for ADS holders, or (in cases where the relevant withholding taxpayer for the dividend payment is not us but a financial institution in Japan) through the financial institution, to the relevant tax authority before payment of dividends. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called preservation doctrine under Article 3-2 of the Special Measures Law for the

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Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. Consequently, if the domestic tax rate still applies, no treaty application is required to be filed.

Gains derived from the sale of shares outside Japan by a non-resident shareholder without a permanent establishment in Japan as a portfolio investor, are, in general, not subject to Japanese income or corporation taxes.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired shares as a legatee, heir or donee, even if the individual is not a Japanese resident.

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

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

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

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Risk Management

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

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Global Risk Management Structure

Governance

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

Basic Principles of Risk Management

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

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

Fundamental Policy of Risk Management

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

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

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

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Risk Management Organizations

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

Executive Management Board

The EMB deliberates on and determines management strategy, allocation of management resources and important management matters of Nomura Group by promoting the effective use of management resources and execution of business with the unified intent of contributing to the increase of shareholder value.

Group Integrated Risk Management Committee

The GIRMC deliberates on and determines important matters concerning integrated risk management of the Nomura Group upon delegation by the EMB for contributing to the sound and effective management of the business. The GIRMC is a core organization for group-wide risk management and establishes the risk appetite for the Nomura Group and the framework of integrated risk management in accordance with the risk appetite.

Chief Risk Officer

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

Chief Financial Officer

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

Risk Management Departments

The Risk Management Departments is defined as collectively the Group Risk Management Department and departments or units in charge of risk management established independently from the business units of Nomura

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entities. The Risk Management Departments is responsible for establishing and operating of risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura Group entities, reporting to Executive/Senior Managing Directors and the GIRMC and others and also reporting to regulatory bodies and handling of regulatory applications concerning risk management methods and other items.

Classification and Definition of Risk

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

Risk Category	Summary Description
Market Risk	Risk of losses arising from fluctuations in values of financial assets and debts (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit Risk	Risk of losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor or counterparty.
Country Risk	Risk brought about by a country's political, economic, legal, conventional, religious or other characteristics inherent to the country or risk of losses arising from changes in a country's situation due to a change of regime, fall in predictability of governmental measures, economic downturn or social turmoil.
Operational Risk	Risk of losses arising from inadequate or failed internal processes, people and systems or external events.
System Risk	Within Operational Risk, risk of losses due to system defects including, without limitation, computer crash or malfunction, or risk of losses due to unauthorized use of computers.
Liquidity Risk	Risk of losses arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions.
Business Risk	Risk of failure of revenues to cover costs due to deterioration of the earnings environment or deterioration of the efficiency or effectiveness of business operations.

Market Risk

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. This type of risk primarily impacts our trading activities. Effective management of this risk requires the ability to analyze a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

Nomura uses a variety of complementary tools to measure, model and aggregate market risk. Our principle statistical measurement tool to assess and limit market risk on an ongoing basis is Value at Risk or VaR. Limits on VaR are set in line with the firm's risk appetite as expressed through economic capital. In addition to VaR, we use stress testing and sensitivity analysis to measure and analyze our market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors. They are specific to each asset class and cannot usually be aggregated across risk factors. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

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Value at Risk

VaR is a measure of the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level. Market risks that are incorporated in the VaR model include equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

As part of our continuous investment to improve risk modelling and remain in line with industry good practise, Nomura enhanced the official VaR model from a variance-covariance type model to a historical simulation model in October 2011. This methodology change improved the capture of non-linear risks and led to an increased number of time series used in the VaR calculation to capture various basis risks. The two VaR models were run in parallel on the global portfolio from early 2011 until the switch-over in October 2011 to ensure that the model change implications and impacts were well understood. On average, from January to September 2011, a 27% VaR increase was observed from the old to the new VaR model, mainly as a result of better risk capture (e.g. basis risk) and more realistic modelling of tail events. As a result of this model enhancement, Nomura was well prepared for the change in Basel standards that took effect at the end of December 2011.

VaR Methodology Assumptions

Nomura's VaR methodology now uses historical simulation to estimate potential profit or loss. Historical market moves are repeatedly applied to the Firm's current exposure, forming a distribution of simulated portfolio returns. From this distribution the required potential losses can be estimated at required confidence levels (probabilities).

VaR is calculated across the Firm at a 99% confidence level. 1-day VaR is used for internal risk management and limits, and 10-day VaR is used for regulatory capital. The 10-day VaR is calculated using actual 10-day historical market moves. For internal information purposes, Nomura also calculates the 1% VaR which represents the potential profits from the same distribution. Differences between 99% and 1% measures can be used to demonstrate that markets do not always follow a simple statistical probability model. Additionally, Nomura calculates other measures used to complement VaR under recent regulation known as Basel 2.5. One of these, Stressed-VaR (SVaR) is calibrated on a one-year window from a period of financial stress. All VaR and SVaR numbers are calculated within the same system using equivalent assumptions.

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

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

Given a set of historical market moves, Nomura's VaR model calculates revenues impacts for current portfolio using sensitivities (greeks). Using second order sensitivities (gamma) for equity, rates, and foreign exchange, the VaR model is able to account for the non-linear pay-off of options. Material basis risks are captured either by using different time series (e.g. stock vs. ADR) or by using sensitivities and basis time series (e.g. Bond / Credit Default Swap (CDS) credit spread basis).

Nomura's VaR model uses time series for each individual underlying, whenever available. Approximately 25,000 time series are currently maintained in the Firm's market database. Time series are generally available for all assets but where a complete time series (i.e. 520 business days) cannot be found for a specific underlying, the

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VaR model will follow a proxy logic to map the exposure to an appropriate time series (for example, this would be the case for an option on a recently issued stock). The level of proxying taking place in the VaR model is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of the Firm's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare 1-day P&L with the corresponding VaR estimate. With a 99% VaR measure, one expects 2-3 exceptions (i.e. loss is larger than VaR) a year. We backtest the VaR model at Firm level as well as at a number of lower levels, and the backtesting results are reviewed on a monthly basis by the Firm's risk management function.

Limitations and Advantages of VaR

The main advantage of VaR as a risk measure is that it is able to aggregate risk from different asset classes (in contrast with other risk measures sensitivities that cannot be easily aggregated directly). The risk from different divisions of the Firm can therefore easily be compared and aggregated using VaR.

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

Moreover, VaR only gives an estimate of the loss at a stated (99th) percentile (i.e. in one out of 100 days the loss will be greater than 1d VaR), but not what magnitude of loss that can take place whenever the loss does exceed VaR.

VaR as a risk measure is most appropriate for liquid markets and may understate the financial impact of severe events for which there is no historical precedent on where market liquidity may not be reliable. In particular, historical correlations can break down in extreme markets leading to unexpected relative market moves. This may make positions that off-set each other in VaR modeling move in the same direction thus increase losses.

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

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

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

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

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	Billions of yen												
	Mar. 31, 2010	Apr. 30, 2010	May 31, 2010	Jun. 30, 2010	Jul. 30, 2010	Aug. 31, 2010	Sep. 30, 2010	Oct. 29, 2010	Nov. 30, 2010	Dec. 31, 2010	Jan. 31, 2011	Feb. 28, 2011	Mar. 31, 2011
Equity	¥ 2.62	¥ 3.03	¥ 2.46	¥ 1.98	¥ 1.85	¥ 2.01	¥ 2.17	¥ 1.68	¥ 1.65	¥ 2.09	¥ 2.48	¥ 2.32	¥ 1.78
Interest Rate	4.36	4.78	3.58	4.19	4.50	4.54	4.58	4.67	4.43	4.35	4.00	3.97	4.08
Foreign Exchange	10.54	9.54	8.13	7.62	7.39	6.57	6.67	6.72	5.92	5.08	4.81	4.58	4.53
Subtotal	17.53	17.35	14.17	13.79	13.74	13.11	13.41	13.07	12.00	11.52	11.29	10.87	10.40
Less:													
Diversification Benefit	(4.97)	(4.95)	(3.86)	(4.36)	(4.21)	(4.50)	(3.98)	(4.26)	(4.15)	(4.06)	(4.63)	(4.41)	(4.12)
VaR	¥ 12.55	¥ 12.39	¥ 10.31	¥ 9.43	¥ 9.54	¥ 8.61	¥ 9.43	¥ 8.81	¥ 7.85	¥ 7.46	¥ 6.67	¥ 6.46	¥ 6.28

VaR													
(maximum)	¥ 13.62	: April 16, 2010											
(average)	9.14	: Average for the period from April 1, 2010 to March 31, 2011											
(minimum)	6.00	: March 11, 2011											

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

In the preceding year, VaR relating to equity risk decreased from ¥2.62 billion at the end of March 2010 to ¥1.78 billion at the end of March 2011 mainly due to reductions in equity related volatility. VaR relating to interest rate risk decreased from ¥4.36 billion at the end of March 2010 to ¥4.08 billion at the end of March 2011 mainly due to reductions in interest rate related positions. VaR relating to foreign exchange risk decreased from ¥10.54 billion at the end of March 2010 to ¥4.53 billion at the end of March 2011 mainly due to reductions in foreign exchange volatility.

No backing exceptions were experienced at Group level.

Other Controls

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

Stress Testing

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

Model Reviews

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

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Non-Trading Risk

A major market risk in our non-trading portfolio relates to equity investments held for operating purposes which we hold on a long-term basis. Our non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in the portfolio is to analyze market sensitivity based on changes in the TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

We use regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of our equity investments held for operating purposes. Our simulation indicates that, for each 10% change in the TOPIX, the market value of our operating equity investments held for operating purposes can be expected to change by ¥14,051 million at the end of March 2011 and ¥11,951 million at the end of March 2012. The TOPIX closed at 869.38 points at the end of March 2011 and at 854.35 points at the end of March 2012. This simulation analyzes data for our entire portfolio of equity investments held for operating purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

Credit Risk

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

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

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

Credit Risk Management Framework

Under the credit risk management framework, the GIRMC, upon delegation by the EMB, deliberates on and determines important matters concerning integrated risk management of the Nomura Group and accordingly has established important principles concerning credit risk management as described in the Credit Risk Management Policy and other documents. Also, the Global Risk Management Committee, upon delegation by the GIRMC, deliberates on and determines important matters concerning credit risk management of the Nomura Group based on strategic risk allocation and risk appetite of Nomura Group as determined by the GIRMC.

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

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

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Method of Credit Risk Management

Internal Rating System

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

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

Each SL exposure is assigned SL Ratings which are then mapped to one of five slots of Strong, Good, Satisfactory, Weak and Default for credit risk weighted asset calculation. Frequency and process of SL Ratings reviews are conducted with almost same manner with that of Obligor Rating.

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

Management of individual credit exposures

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

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

Credit Risk Mitigation Techniques

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

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

Scope of Credit Risk Management

The scope of credit risk management includes counterparty trading and various debt or equity instruments including loans, private equity investments, fund investments, investment securities and any other as deemed necessary from a credit risk management perspective.

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

Credit Risk Reporting

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

Credit Risk Measurement

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

Credit Risk to counterparties to derivatives transaction

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

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

The credit exposures in our trading-related derivatives at the end of March 2012 are summarized in the table below, showing as the fair value by counterparty credit rating and by tenor. The credit ratings are internally determined by our credit unit.

Credit Rating	Years to Maturity					Cross-Maturity Netting ⁽¹⁾	Total Fair Value (a)	Collateral Obtained (b)	Replacement Cost (a)-(b)
	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years				
AAA	¥ 10	¥ 26	¥ 24	¥ 21	¥ 81	¥ (82)	¥ 80	¥ 6	¥ 74
AA	123	164	215	179	307	(772)	216	24	192
A	288	327	354	331	1,031	(1,901)	430	117	313
BBB	75	99	73	81	412	(495)	245	155	90
BB	22	33	28	18	71	(145)	27	47	(20)
Other ⁽²⁾	115	98	42	98	122	(417)	58	65	(7)
Sub-total	633	747	736	728	2,024	(3,812)	1,056	414	642
Listed	323	180	31	6	0	(236)	304	0	304
Total	¥ 956	¥ 927	¥ 767	¥ 734	¥ 2,024	¥ (4,048)	¥ 1,360	¥ 414	¥ 946