NOMURA HOLDINGS INC
Form 6-K
July 31, 2015
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of July 2015

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F __X__ Form 40-F ______

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

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

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On June 25, 2015, Nomura Holdings, Inc. filed its Annual Securities Report for the year ended March 31, 2015 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Act.

Information furnished on this form:

EXHIBITS

Exhibit Number

1. English translation of certain items disclosed in the Annual Securities Report pursuant to the Financial Instruments and Exchange Act for the fiscal year ended March 31, 2015.

2. English translation of Management s Report on Internal Control Over Financial Reporting and Confirmation Letter.

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SIGNATURES

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

	NOMURA HOLDINGS, INC.
Date: July 31, 2015	By: /s/ Hajime Ikeda
	Hajime Ikeda
	Senior Managing Director

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EXHIBIT 1

Annual Securities Report Pursuant to the Financial Instruments and Exchange Act for the Fiscal Year Ended March 31, 2015

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An English translation of the underlined items above is included below.

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PART I Corporate Information

Item 1. Information on the Company and Its Subsidiaries and Affiliates

1. Selected Financial Data.

(1) Selected consolidated financial data for the latest five fiscal years.

Year ended March 31	2011	2012	2013	2014	2015
Total revenue (millions of yen)	1,385,492	1,851,760	2,079,943	1,831,844	1,930,588
Net revenue (millions of yen)	1,130,698	1,535,859	1,813,631	1,557,070	1,604,176
Income (loss) before income taxes (millions of yen)	93,255	84,957	237,730	361,614	346,759
Net income (loss) attributable to Nomura Holdings, Inc. (NHI) shareholders (millions of yen)	28,661	11,583	107,234	213,591	224,785
Comprehensive income (loss) attributable to NHI shareholders (millions of yen)	8,097	(3,870)	194,988	291,622	347,888
Total equity (millions of yen)	2,091,636	2,389,137	2,318,983	2,553,213	2,744,946
Total assets (millions of yen)	36,692,990	35,697,312	37,942,439	43,520,314	41,783,236
Shareholders equity per share (yen)	578.40	575.20	618.27	676.15	752.40
Net income (loss) attributable to NHI common shareholders per share basic (yen)	7.90	3.18	29.04	57.57	61.66
Net income (loss) attributable to NHI common shareholders per share diluted (yen)	7.86	3.14	28.37	55.81	60.03
Total NHI shareholders equity as a percentage of total assets (%)	5.7	5.9	6.0	5.8	6.5
Return on shareholders equity (%)	1.36	0.55	4.87	8.88	8.61
Price/earnings ratio (times)	55.06	115.09	19.87	11.50	11.45
Cash flows from operating activities (millions of yen)	(235,090)	290,863	549,501	457,426	(77,028)
Cash flows from investing activities (millions of yen)	(423,214)	9,942	(160,486)	(103,195)	12,337
Cash flows from financing activities (millions of yen)	1,284,243	(844,311)	(701,623)	289,385	(178,206)
Cash and cash equivalents at end of the year (millions of yen)	1,620,340	1,070,520	805,087	1,489,792	1,315,408
Number of staffs	26,871	34,395	27,956	27,670	28,672
[Average number of temporary staffs, excluded from above]	[4,199]	[7,313]	[6,372]	[4,266]	[4,419]

1 The selected financial data of Nomura Holdings, Inc. and its consolidated subsidiaries (Nomura) were stated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

2 *Shareholders equity per share, Total NHI shareholders equity as a percentage of total assets, Return on shareholders equity* are calculated using Total NHI shareholders equity.

3 The consumption tax and local consumption tax on taxable transaction are accounted for based on the tax exclusion method.

4 Certain contract employees are included in Number of staffs.

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(2) Selected stand alone financial data for the latest five fiscal years

Year ended March 31,	**2011**	**2012**	**2013**	**2014**	**2015**
Operating revenue (millions of yen)	219,875	270,521	278,523	399,318	461,912
Ordinary income (millions of yen)	11,690	52,526	67,577	185,224	235,519
Net income (loss) (millions of yen)	(15,094)	32,879	42,210	107,858	294,816
Common stock (millions of yen)	594,493	594,493	594,493	594,493	594,493
Number of issued shares (thousands of shares)	3,719,133	3,822,563	3,822,563	3,822,563	3,822,563
Shareholders equity (millions of yen)	1,764,894	1,841,400	1,875,723	1,918,276	2,095,108
Total assets (millions of yen)	5,278,581	5,438,184	5,775,850	6,190,114	6,641,723
Shareholders equity per share (yen)	481.23	488.38	492.88	504.02	569.56
Dividend per share (yen)	8.00	6.00	8.00	17.00	19.00
The first quarter					
The second quarter	4.00	4.00	2.00	8.00	6.00
The third quarter					
The end of a term (the fourth quarter)	4.00	2.00	6.00	9.00	13.00
Net income (loss) per share (yen)	(4.16)	9.02	11.42	29.06	80.85
Net income per share diluted (yen)		8.93	11.16	28.18	78.72
Shareholders equity as a percentage of total assets (%)	32.8	32.9	31.7	30.3	30.9
Return on shareholders equity (%)	(0.86)	1.87	2.33	5.82	15.02
Price/earnings ratio (times)		40.59	50.52	23.49	8.97
Payout ratio (%)		66.89	70.32	58.53	23.29
Dividend on shareholders equity (%)	1.66	1.23	1.62	3.37	3.35
Number of staffs	65	162	146	132	102
[Average number of temporary staffs, excluded from above]	[ ]	[ ]	[ ]	[ ]	[ ]

1 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.

2 Number of staffs represents staffs who work at the Company.

3 No net income per share diluted information was provided, as there was net loss per share, although there are dilutive shares for the years ended March 31, 2011.

4 No payout ratio or dividend on shareholder s equity information was provided due to the net loss for the years ended March 31, 2011.

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3. Business Overview.

The Company and its 1,003 consolidated subsidiaries and variable interest entities primarily operate investment and financial services business focusing on securities business as their core business. Nomura provides wide-ranging services to customers for both of financing and investment through the operations in Japan and other major financial capital markets in the world. Such services include securities trading and brokerage, underwriting and distribution, arrangement of public offering and secondary distribution, arrangement of private placement, principal investment, asset management and other broker-dealer and financial business. There are also 15 companies accounted for under the equity method as of March 31, 2015.

The reporting of the business operations and results of the Company and its consolidated subsidiaries are based on business segments referred in Note 21 *Segment and geographic information* in our consolidated financial statements included in this Annual Securities Report. During the year ended March 31, 2015. Please refer to the table below in the organizational structure listing the main companies by business segments.

Organizational Structure

The following table lists Nomura Holdings, Inc. and its significant subsidiaries and affiliates by business segments.

Nomura Holdings, Inc.

Retail Division

(Domestic)

Nomura Securities Co., Ltd. and others

Asset Management Division

(Domestic)

Nomura Asset Management Co., Ltd. and others

Wholesale Division

(Domestic)

Nomura Securities Co., Ltd.

Nomura Financial Products & Services, Inc. and others

(Overseas)

Nomura Holding America Inc.

Nomura Securities International, Inc.

Nomura America Mortgage Finance, LLC

Instinet, Incorporated

Nomura Europe Holdings plc

Nomura International plc

Nomura Bank International plc

Nomura Capital Markets LTD

Nomura Asia Holding N.V.

Nomura International (Hong Kong) Limited

Nomura Singapore Limited and others

Others

(Domestic)

The Nomura Trust and Banking Co., Ltd.

Nomura Facilities, Inc.

Nomura Research Institute, Ltd.*

JAFCO Co., Ltd.*

Nomura Real Estate Holdings, Inc.*

*Affiliates

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Item 2. Operating and Financial Review

1. Operating Results.

You should read the following discussion of our operating and financial review together with Item 1 *1. Selected Financial Data* and Item 5 *1. Consolidated Financial Statements and Other* included in this Annual Securities Report. The discussions and analyses contain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements.

Business Environment

Japan

The Japanese economy was strongly affected in the first half of the fiscal year ended March 31, 2015, by the increase in the consumption tax rate implemented in April 2014. Japan s real gross domestic product (GDP) contracted sharply between April and June 2014 at an annualized rate of 6.4% (according to Cabinet Office figures announced on March 9, 2015) in reaction to increased demand ahead in the increase in the consumption tax rate. Between July and September 2014, real GDP contracted for a second consecutive quarter, at an annualized rate of 2.6%, despite expectations of recovery. Although support came from public investment as part of the Japanese government s economic stimulus policy, private sector demand in the form of consumer spending and capital investment declined more than anticipated. In October 2014, in response to these economic developments, the Bank of Japan decided to implement additional monetary easing to preempt the risk of a delay in the turnaround of the deflation mindset. In addition, the Japanese government deferred the timing of further increase in consumption tax rate to 10% from October 2015 to April 2017 and adopted new economic stimulus measures in the FY14 supplementary budget. Meanwhile, Japan s exports, after persistent weakness, increased year-on-year between July and September 2014 supported by expansion in overseas economies. Driven by external demand, Japan s real GDP returned to positive growth between October and December 2014, at an annualized rate of 1.5%.

In terms of corporate earnings, profits continued to rise in sectors with high sensitivity to foreign currency exchange rate movements supported by economic recovery overseas and the depreciation of the Japanese Yen under Abenomics, but fell in sectors exposed to rapid declines in resource prices and a reactive decline in demand following the increase in the consumption tax rate. Overall, profits appear to have risen for a third consecutive year. Profits rose markedly in the automotive, electronics and precision instruments sectors, and other sectors where earnings are sensitive to foreign currency rate movements, and in the utilities sector, which benefited from declines in crude oil prices and rate hikes by some electric power companies. Sectors that made large negative contributions to overall profits were retail, which felt the impact of a reactive decline in demand following the increase in the consumption tax rate, trading companies, which recognized asset impairment charges in response to steep falls in resource prices, and the chemical sector, where companies inventory valuation losses expanded sharply owing to steep declines in crude oil prices. As of April 20, 2015, we estimate that recurring profits at major companies (those in the Russell/Nomura Large Cap Index) increased by 6% year-on-year compared with the fiscal year ended March 31, 2014, with growth declining from 37% in the prior fiscal year.

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The stock market made solid gains until September 2014, due to the positive market expectations of public pension fund investment policy reforms and the return in consumer purchases after the downturn in the wake of consumption tax hike. The market fell sharply in October amid growing concerns over an end to quantitative easing in the U.S. and the spread of Ebola, but recovered at the end of the month in the wake of the Bank of Japan s decision to implement additional monetary easing measures and the announcement by the Government Pension Investment Fund (GPIF) that it would raise the proportion of its investments allocated to Japanese equities. The market made further gains from February 2015 amid expectations of rising wages in Japan and of shareholder returns at Japanese companies, supported by quantitative easing by the European Central Bank (ECB). The Tokyo Stock Price Index (TOPIX) advanced 28.3% over the course of the fiscal year, from 1,202.89 at the end of March 2014 to 1,543.11 at the end of March 2015. The Nikkei Stock Average rose 29.5% over the fiscal year, from 14,827.83 at the end of March 2014 to 19,206.99 at the end of March 2015.

The Japanese government debt securities market saw significant volatility after reaching a record high. The yield on newly issued 10-year Japanese government debt securities started at around 0.6% in April 2014, then steadily declined owing to economic slowing following the increase in the consumption tax rate and the impact of monetary easing by the Bank of Japan, before the pace of decline picked up speed after additional monetary easing measures were unexpectedly announced on October 31. Short- and medium-term Japanese government debt securities were at one point trading at negative yields. The yield on newly issued 10-year Japanese government debt securities reached a record low of 0.195% on January 19, 2015, amid growing expectations of additional monetary easing by the Bank of Japan and declining inflationary expectations prompted by sharp declines in crude oil prices from October. The Japanese government debt securities market subsequently rebounded sharply as inflationary expectations returned due to an upturn in crude oil prices and diminishing expectations of additional monetary easing by the Bank of Japan. However, the yield on newly issued 10-year Japanese government debt securities fell again to 0.405% in March 2015 as European interest rates declined in the wake of the ECB s monetary easing that began on March 9, 2015.

In the foreign exchange markets, the value of the Japanese Yen against the U.S. Dollar was influenced by developments in the U.S. economy, additional monetary easing by the Bank of Japan, and the shift in public pension fund reallocations, and against the Euro on expectations of monetary easing by the ECB. The Japanese Yen had been trading at the ¥103 level versus the U.S. Dollar and the ¥142 level versus the Euro at the start of the year ended March 31, 2015. At the start of the fiscal year, the foreign exchange markets were significantly affected by easing of the impact of Abenomics and, in North America, monetary policy and the economic impact of an unusually cold winter. The U.S. Dollar traded around the ¥102 level until September 2014. From September, the U.S. Dollar appreciated rapidly to reach almost ¥110 in tandem with growing expectations of higher U.S. interest rates. The U.S. Dollar appreciated sharply to the ¥120 level after the announcement by the Bank of Japan of additional monetary easing and by the GPIF of changes to its basic portfolio on October 31, 2014. From January 2015, the U.S. Dollar traded around the ¥120 level as expectations of rising interest rates retreated owing partly to an unusually cold winter in the U.S. Meanwhile, the Euro weakened against the Japanese Yen against a backdrop of political and economic confrontation between the EU and Russia over the crisis in Ukraine. The ECB introduced negative interest rates and adopted other economic stimulus measures in September 2014, following which the Japanese Yen reached the ¥135 level against the Euro in the middle of October 2014. Between October and December 2014, the Euro rose to nearly to the ¥150 level as the Japanese Yen depreciated sharply. However, market expectations of monetary easing by the ECB quickly gained ground from December 2014 amid growing deflationary risks in the Eurozone chiefly because of rapid declines in crude oil prices. After January 2015, the Euro depreciated sharply to the high end of the ¥120 level against the backdrop of the introduction of monetary easing and the uncertain outlook of the situation in Greece.

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Overseas

The global economy saw gradual improvement in the fiscal year ended March 31, 2015. In the U.S., the Federal Reserve Board (FRB) began looking for an opportunity to raise interest rates in October 2014 after ending its QE3 asset purchase program against a backdrop of economic recovery. Whereas between October and December 2014, the Japanese economy pulled out of the quarter-on-quarter contraction that had followed in the wake of the increase in the consumption tax rate and Eurozone conditions improved to enable sustained economic growth. In emerging Asian economies apart from China, steady economic growth continued. For the global economy, however, destabilizing factors remained due to slowing economic growth in China, and in Europe, economic sanctions against Russia over the Ukraine situation and deadlock in the Greek fiscal crisis. Meanwhile, geopolitical disruption in the Middle East and North Africa became a factor as crude oil prices, after remaining high in the first half of the fiscal year ended March 31, 2015, declined sharply in the second half of the fiscal year partly as the result of Saudi Arabia abandoning its policy of maintaining high prices. The decline in crude oil prices impacted the economies of net oil exporting countries while benefiting the economies of net oil importing countries.

In the U.S., the FRB started to scale back its asset purchases under QE3 from early 2014, ending purchases at the end of October 2014, but there was no major reaction in financial markets. On the fiscal policy front, 2014 saw no major disruption, unlike 2013, which was marked by tax increases, spending cuts, and a government shutdown. U.S. real GDP growth in year 2014 was 2.4% year-on-year, close to the 2.2% in 2013, as sharp slowing between January and March 2014 owing to an unusually cold winter and other factors was followed by recovery between April and June 2014. The sharp appreciation of the U.S. Dollar from September 2014 to March 2015 put downward pressure on corporate earnings and exports. The steep decline in crude oil prices from October 2014, meanwhile, led to a marked slowing in oil extraction. The U.S. stock market made solid gains throughout 2014, but saw striking volatility from around October 2014 amid concerns over economic slowing overseas, steep declines in crude oil prices, U.S. Dollar appreciation, and the approach of interest-rate hikes by the FRB, with the pace of gains slowing notably upon entering 2015. The Dow Jones Industrial Average rose from 16,457.66 at the end of March 2014 to 17,776.12 at the end of March 2015, a gain of 8.0%. The yield on 10-year U.S. Treasuries was around 2.7% at the end of March 2014, but fell to around 1.9% at the end of March 2015 after sustaining declines under pressure from falling overseas interest rates and crude oil prices.

In Europe, Eurozone real GDP expanded 0.9% year-on-year in 2014, growing for the first time since 2011. Growth was supported by a boost in consumer spending as disposable incomes rose with declines in crude oil prices and shrinking fiscal deficits in some countries, diminishing their negative economic impact. Amid a downtrend in Eurozone inflation rates partly because of declining crude oil prices, the ECB, concerned about the emerging risks of deflation, lowered its deposit facility interest rate (used for national central bank overnight deposits) to minus 0.1% in June 2014, taking further measures to lower rates in September 2014. In addition, the ECB announced monetary easing steps in January 2015 and began purchases of government debt securities in March 2015. As a result of the ECBs monetary easing measures, the yield on German 10-year government debt securities fell to a new record low of 0.1% in March. European stock markets became liquidity driven, with the benchmark German stock index (DAX) reaching a record high and rising 25.2% over the year until the end of March 2015.

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In Asia, China s real GDP lost momentum, with growth slowing to 7.4% in 2014 down from 7.7% in 2013. Between January 2015 and March 2015, growth was 7.0% year-on-year, quickly moving into alignment with the government s full-year target. The country s real estate market, about which there had been concerns of overheating, entered a correction phase in the second half of 2014, and there was a clear slowing in fixed asset investment, which had driven the Chinese economy over many years. In this environment, the government, seeking to prevent further economic deterioration while also pushing ahead with structural reform, began monetary easing in November 2014, and in February 2015, it decided to expand infrastructure investment. The stock market gained momentum from mid-2014 supported by a succession of initial public offerings against a backdrop of regulatory easing, with the Shanghai Stock Exchange Composite Index rising 84.3% over the year to the end of March 2015. Asian emerging economies other than China gradually firmed, supporting sustained stable growth. With global trade expanding only slowly, however, many Asian countries saw the need to implement structural changes to economies that have become export focused. In India, the Narendra Modi government, which assumed office in May 2014, has been tackling structural reforms and fiscal consolidation, while in Indonesia, the Joko Widodo administration, which assumed office in October 2014, has been moving to expand infrastructure and reform subsidy programs. In Thailand, the military took power in May 2014 but the political stability that ensued helped to halt economic deterioration.

Executive Summary

During the fiscal year ended March 31, 2015, the global economy saw gradual improvement. In the U.S., amid an environment where monetary easing was reduced and phased out, corporate earnings increased, due to higher consumer spending and an improved labor market. In Europe, as a result of a number of monetary easing policies by the ECB, positive economic growth was achieved in 2014. Emerging economies in Asia, other than China, also sustained stable growth. Overall, these positive factors have contributed towards generating more activity in global equity markets, resulting in global equity indices surpassing levels at the start of the year.

In Japan, consumer spending and public investment were stagnant in the first half of the year as a result of the increase in consumption tax rates implemented in April 2014. Nonetheless, Japan s real GDP increased during the quarter ended December 2014 in comparison to the previous quarter. This was driven by the unexpected decision by the Bank of Japan in October 2014 to implement further monetary easing policies, improved global business conditions, and an increase in expectations toward domestic economy as a result of continuing depreciation of the Japanese Yen and a fall in crude oil prices. The TOPIX advanced from 1,202.89 points at the end of March 2014 to 1,543.11 points at the end of March 2015. The Nikkei Stock Average rose from 14,827.83 at the end of March 2014 to 19,206.99 at the end of March 2015. The U.S. Dollar-Japanese Yen exchange rate at the end of March 2014 was approximately at the ¥103 level and continued to be relatively flat until the middle of the fiscal year. However, the Japanese Yen averaged around the ¥120 level during the second half of the year, after reaching at one time a low of ¥121. Yields on Japanese government debt securities also steadily declined during the year with the yield on newly issued 10-year Japanese government debt securities being around 0.6% in April 2014 and reaching a record low of 0.195% in January 2015.

From a regulatory perspective, the Financial Services Agency of Japan announced various widespread regulatory reforms in March 2015, including the implementation of the Basel III Leverage Ratio capital requirement for financial institutions. These reforms, which Nomura will be monitoring closely, will be implemented in phases and are intended to tighten the supervision of domestic and foreign financial institutions.

Amid this environment and under the basic philosophy of placing our clients at the heart of everything we do, we strove to provide clients with high value-added products and services, and made efforts to expand revenues. Our Retail Division conducted consulting-based sales activities. Our Asset Management Division worked to increase assets under management and improve investment performance. Our Wholesale Division made efforts to expand its revenue base through cross-regional and cross-business collaboration.

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As a result of these efforts, we recognized net revenue of ¥1,604.2 billion for the year ended March 31, 2015, a 3.0% increase from the previous fiscal year. Non-interest expenses increased 5.2% to ¥1,257.4 billion, income before income taxes was ¥346.8 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥224.8 billion, the second highest level (after the record high recognized during the fiscal year ended March 31, 2006) since we adopted U.S. GAAP in the year ended March 31, 2002. Return on equity (ROE) was 8.6%. EPS[(1)] for the year ended March 31, 2015 was ¥60.03, an increase from ¥55.81 for the year ended March 31, 2014. We have decided to pay a dividend of ¥13 per share to shareholders of record as of March 31, 2015. As a result, the total annual dividend was ¥19 per share.

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

In our Retail Division, net revenue for the year ended March 31, 2015 decreased by 6.9% from the previous fiscal year to ¥476.5 billion, primarily due to decreasing commissions from the distribution of investment trusts and brokerage services. Non-interest expenses decreased by 1.6% to ¥314.7 billion. As a result, income before income taxes decreased by 15.7% to ¥161.8 billion. We continue to make progress on services and products through offering investment advice to best meet diversified client needs. As a result, sales of investment trusts and discretioniary investment contracts increased due to our efforts in expanding the asset under management. Total Retail client assets under management increased to a new record high of ¥109.5 trillion from ¥91.7 trillion at the end of the previous fiscal year.

In our Asset Management Division, net revenue for the year ended March 31, 2015 increased by 14.8% from the previous fiscal year to ¥92.4 billion. Non-interest expenses increased by 12.9% to ¥60.3 billion. As a result, income before income taxes increased by 18.4% to ¥32.1 billion. In our investment trust business, assets under management increased because of an influx of funds mostly for stock investment trusts and the improved market environment. We provided new funds in response to customer demands and increased asset size of existing funds. In particular, funds focused on infrastructure-related companies and global high dividend stocks, and funds specializing in fund wraps contributed to the increase in assets under management. We also provided unique Exchange Traded Funds (ETFs), which track the performance of the JPX400 Nikkei index and Nikkei 225 leveraged index, in addition to traditional ETFs. As a result, assets under management increased by ¥8.5 trillion from the end of the previous fiscal year to ¥39.3 trillion as of March 31, 2015.

In our Wholesale Division, net revenue for the year ended March 31, 2015 increased by 3.2% from the previous fiscal year to ¥789.9 billion. The first half of the year saw solid results overall. The second half of the year began with slower performance, particularly in the U.S. and Europe, which was due to a challenging trading environment especially in October, with a sharp decline in yields and a jump in volatility; however, net revenue significantly improved during the fourth quarter. Regionally, Japan and Asia showed the largest contributions for the fiscal year. Non-interest expenses rose by 8.3% to ¥707.7 billion, impacted by a weak Japanese Yen and partially offset by cost reduction and efficiency measures. Income before income taxes decreased by 26.5% to ¥82.2 billion.

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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		
	2013	2014	2015
Non-interest revenues:			
Commissions	¥ 358,210	¥ 473,121	¥ 453,401
Fees from investment banking	62,353	91,301	95,083
Asset management and portfolio service fees	141,888	168,683	203,387
Net gain on trading	367,979	476,356	531,337
Gain on private equity investments	8,053	11,392	5,502
Gain on investments in equity securities	38,686	15,156	29,410
Other	708,767	179,485	175,702
Total Non-interest revenues	1,685,936	1,415,494	1,493,822
Net interest revenue	127,695	141,576	110,354
Net revenue	1,813,631	1,557,070	1,604,176
Non-interest expenses	1,575,901	1,195,456	1,257,417
Income before income taxes	237,730	361,614	346,759
Income tax expense	132,039	145,165	120,780
Net income	¥ 105,691	¥ 216,449	¥ 225,979
Less: Net income (loss) attributable to noncontrolling interests	(1,543)	2,858	1,194
Net income attributable to NHI shareholders	¥ 107,234	¥ 213,591	¥ 224,785
Return on equity	4.9%	8.9%	8.6%

Net revenue increased by 3% from ¥1,557,070 million for the year ended March 31, 2014 to ¥1,604,176 million for the year ended March 31, 2015. The increase includes the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on revenues generated by our overseas businesses. *Commissions* decreased by 4 % from ¥473,121 million for the year ended March 31, 2014 to ¥453,401 million for the year ended March 31, 2015 primarily due to a decrease in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products, particularly in Japan. *Fees from investment banking* increased by 4% from ¥91,301 million for the year ended March 31, 2014 to ¥95,083 million for the year ended March 31, 2015 primarily due to revenue from our solution businesses associated with M&As and fund raising. *Asset management and portfolio service fees* increased by 21% from ¥168,683 million for the year ended March 31, 2014 to ¥203,387 million for the year ended March 31, 2015 primarily due to an increase in assets under management driven by market appreciation and the contribution of the new subsidiary acquired during the year ended March 31, 2015. *Net gain on trading* increased by 12% from ¥476,356 million for the year ended March 31, 2014 to ¥531,337 million for the year ended March 31, 2015, primarily driven by the favourable trading environment, particularly in Japan and Asia. *Net gain on trading* also included total losses of ¥4.3 billion attributable to changes in Nomura s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was primarily due to the tightening of Nomura s credit spreads during the period. *Gain on private equity investments* decreased by 52% from ¥11,392 million for the year ended March 31, 2014 to ¥5,502 million for the year ended March 31, 2015 primarily due to the recognition of unrealized gains from our investment in Ashikaga Holdings Co., Ltd. (Ashikaga Holdings) following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014. *Other* decreased by 2% from ¥179,485 million for the year ended March 31, 2014 to ¥175,702 million for the year ended March 31, 2015, primarily due to the gain recognized in connection with the disposal of our investment in Fortress during the year ended March 31, 2014, which was partially offset by an increase in net income from other affiliated companies.

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Net revenue decreased by 14% from ¥1,813,631 million for the year ended March 31, 2013 to ¥1,557,070 million for the year ended March 31, 2014 primarily due to the deconsolidation of Nomura Real Estate Holdings Inc. (NREH), a subsidiary of Nomura Land and Buildings Co., Ltd (NLB) in March 2013 which was partially offset by the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on revenues generated by our overseas businesses. *Commissions* increased by 32% from ¥358,210 million for the year ended March 31, 2013 to ¥473,121 million for the year ended March 31, 2014 primarily due to an increase in brokerage commissions received from equity and equity-related products, particularly in Japan. *Fees from investment banking* increased by 46% from ¥62,353 million for the year ended March 31, 2013 to ¥91,301 million for the year ended March 31, 2014 primarily due to an increase in commissions received from equity and equity-related products as a result of increased client financing demands in a background of active stock market conditions. *Asset management and portfolio service fees* increased by 19% from ¥141,888 million for the year ended March 31, 2013 to ¥168,683 million for the year ended March 31, 2014 primarily due to an increase in assets under management driven by continuing fund inflows. *Net gain on trading* increased by 30% from ¥367,979 million for the year ended March 31, 2013 to ¥476,356 million for the year ended March 31, 2014, primarily driven by the increase in revenue from our Equities business within Global Markets. *Net gain on trading* also included total losses of ¥15.6 billion attributable to changes in Nomura s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was primarily due to the tightening of Nomura s credit spreads during the period. *Gain on private equity investments* increased by 42% from ¥8,053 million for the year ended March 31, 2013 to ¥11,392 million for the year ended March 31, 2014 primarily due to the recognition of unrealized gains from our investment in Ashikaga Holdings following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014. *Other* decreased by 75% from ¥708,767 million for the year ended March 31, 2013 to ¥179,485 million for the year ended March 31, 2014, primarily due to the deconsolidation of NREH. *Other* for the year ended March 31, 2013 included ¥663,466 million of revenue from NLB and its related subsidiaries.

Net interest revenue was ¥127,695 million for the year ended March 31, 2013, ¥141,576 million for the year ended March 31, 2014 and ¥110,354 million for the year ended March 31, 2015. *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, 2015, interest revenue increased by 5%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense increased by 19%, primarily due to an increase in interest expense on securities borrowed. As a result, *Net interest revenue* for the year ended March 31, 2015 decreased by ¥31,222 million from the year ended March 31, 2014. For the year ended March 31, 2014, interest revenue increased by 6%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense increased by 3%, primarily due to an increase in interest expense on repurchase agreements. As a result, *Net interest revenue* for the year ended March 31, 2014 increased by ¥13,881 million from the year ended March 31, 2013.

*Gain on investments in equity securitie*s was ¥38,686 million for the year ended March 31, 2013, ¥15,156 million for the year ended March 31, 2014 and ¥29,410 million for the year ended March 31, 2015. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses for the year ended March 31, 2015 increased by 5% from ¥1,195,456 million for the year ended March 31, 2014 to ¥1,257,417 million primarily due to an increase in fees paid by our Asset Management business as a result of increase in asset under management, increases in other various expenses as a result of the new Asian subsidiaries acquired during the year ended March 31, 2015, and the impact of exchange rate fluctuations, especially depreciation of the Japanese Yen, on expenses incurred by our overseas businesses.

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

Income before income taxes was ¥237,730 million for the year ended March 31, 2013, ¥361,614 million for the year ended March 31, 2014 and ¥346,759 million for the year ended March 31, 2015.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. As a result of revisions to domestic tax laws during the third quarter ended December 31, 2011 and the fourth quarter ended March 31, 2014, Nomura s domestic effective statutory tax rate was approximately 38% for the fiscal years ended March 31, 2013 and March 31, 2014, and decreased to approximately 36% for the fiscal year ended March 31, 2015. Furthermore, as a result of revision to domestic tax laws on March 31, 2015, Nomura s effective statutory tax rate will decrease from approximately 36% to 33% for fiscal years beginning on or after April 1, 2015 and will decrease to approximately 32% for fiscal years beginning on or after April 1, 2016. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company s effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for the year ended March 31, 2015 was ¥120,780 million, representing an effective tax rate of 34.8%. The significant factors causing the difference between the effective tax rate of 34.8% and the effective statutory tax rate of 36% were non-deductible expenses which increased the effective tax rate by 5.9%, changes in deferred tax valuation allowance which increased the effective tax rate by 5.1% but partially offset by non-taxable revenue which decreased the effective tax rate by 4.7%.

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

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

Net income attributable to NHI shareholders was ¥107,234 million for the year ended March 31, 2013, ¥213,591 million for the year ended March 31, 2014 and ¥224,785 million for the year ended March 31, 2015, respectively. Our return on equity for the year ended March 31, 2013, 2014 and 2015 was 4.9%, 8.9% and 8.6%, respectively.

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Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling items outside of our segment information. The following segment information should be read in conjunction with Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Retail

In our Retail Division, our sales activities focus on providing consultation services and investment proposals to clients for which we receive commissions and fees. Additionally, we receive fees from asset management companies in connection with administration services we provide in connection with investment trust certificates that we distribute. We also receive 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		
	2013	**2014**	**2015**
Non-interest revenues	¥ 394,294	¥ 505,911	¥ 471,565
Net interest revenue	3,631	6,005	4,940
Net revenue	397,925	511,916	476,505
Non-interest expenses	297,297	319,915	314,675
Income before income taxes	¥ 100,628	¥ 192,001	¥ 161,830

Net revenue decreased by 7% from ¥511,916 million for the year ended March 31, 2014 to ¥476,505 million for the year ended March 31, 2015, primarily due to decreasing commissions from the distribution of investment trusts and brokerage services.

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

Non-interest expenses decreased by 2% from ¥319,915 million for the year ended March 31, 2014 to ¥314,675 million for the year ended March 31, 2015, primarily due to decreases in compensation and benefits, expenditures incurred in implementing the Nippon (Japan) Individual Savings Account (NISA) and also a decrease in information technology-related expenses.

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

Income before income taxes was ¥100,628 million for the year ended March 31, 2013, ¥192,001 million for the year ended March 31, 2014, and ¥161,830 million for the year ended March 31, 2015.

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The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the years ended March 31, 2013, 2014, and 2015.

As shown above, revenue from Equities decreased from 37% for the year ended March 31, 2014 to 32% for the year ended March 31, 2015. Revenue from Investment trusts and Asset Management increased from 45% for the year ended March 31, 2014 to 46% for the year ended March 31, 2015. Revenue from Bonds was 17% for the years ended March 31, 2014 and 2015. Revenue from Insurance was 5% for the year ended March 31, 2015.

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Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2014 and 2015. Retail client assets consist of clients assets held in our custody and assets relating to variable annuity insurance products.

	Trillions of yen Year ended March 31, 2014				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 46.7	¥ 18.6	¥ (19.3)	¥ 7.2	¥ 53.2
Bonds	18.9	73.5	(70.5)	(2.8)	19.1
Stock investment trusts	8.9	6.5	(6.0)	(0.3)	9.1
Bond investment trusts	4.9	1.0	(0.1)	0.1	5.9
Overseas mutual funds	1.7	0.2	(0.3)	0.1	1.7
Others	2.7	0.7	(0.6)	(0.1)	2.7
Total	¥ 83.8	¥ 100.5	¥ (96.8)	¥ 4.2	¥ 91.7

	Trillions of yen Year ended March 31, 2015				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 53.2	¥ 13.7	¥ (14.2)	¥ 14.5	¥ 67.2
Bonds	19.1	64.7	(63.8)	(1.5)	18.5
Stock investment trusts	9.1	5.9	(5.2)	0.5	10.3
Bond investment trusts	5.9	1.5	(0.1)	0.0	7.3
Overseas mutual funds	1.7	0.2	(0.2)	0.1	1.8
Others	2.7	1.9	(0.7)	0.5	4.4
Total	¥ 91.7	¥ 87.9	¥ (84.2)	¥ 14.1	¥ 109.5

Retail client assets increased by ¥17.8 trillion from ¥91.7 trillion as of March 31, 2014 to ¥109.5 trillion as of March 31, 2015. The balances of our clients equity and equity-related products increased by ¥14.0 trillion from ¥53.2 trillion as of March 31, 2014 to ¥67.2 trillion as of March 31, 2015, mainly due to Japanese equity market rallies. The balances of our clients investment trusts increased by ¥2.7 trillion from ¥16.7 trillion as of March 31, 2014 to ¥19.4 trillion as of March 31, 2015, reflecting net cash inflows from clients.

Retail client assets increased by ¥7.9 trillion from ¥83.8 trillion as of March 31, 2013 to ¥91.7 trillion as of March 31, 2014. The balances of our clients equity and equity-related products increased by ¥6.5 trillion from ¥46.7 trillion as of March 31, 2013 to ¥53.2 trillion as of March 31, 2014, mainly due to Japanese equity market rallies. The balances of our clients investment trusts increased by ¥1.2 trillion from ¥15.5 trillion as of March 31, 2013 to ¥16.7 trillion as of March 31, 2014, reflecting net cash inflows from clients.

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Asset Management

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

Operating Results of Asset Management

	Millions of yen		
	Year ended March 31		
	2013	2014	2015
Non-interest revenues	¥ 66,489	¥ 77,354	¥ 88,802
Net interest revenue	2,448	3,126	3,552
Net revenue	68,937	80,480	92,354
Non-interest expenses	47,768	53,373	60,256
Income before income taxes	¥ 21,169	¥ 27,107	¥ 32,098

Net revenue increased by 15% from ¥80,480 million for the year ended March 31, 2014 to ¥92,354 million for the year ended March 31, 2015, primarily due to inflows into our investment trust business and investment advisory business, and the contribution from our new subsidiary in Taiwan.

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

Non-interest expenses increased by 13% from ¥53,373 million for the year ended March 31, 2014 to ¥60,256 million for the year ended March 31, 2015, primarily due to expenses incurred by our new subsidiary in Taiwan.

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

Income before income taxes was ¥21,169 million for the year ended March 31, 2013, ¥27,107 million for the year ended March 31, 2014 and ¥32,098 million for the year ended March 31, 2015.

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The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2014 and 2015.

	Billions of yen Year ended March 31, 2014				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 30,685	¥ 34,938	¥ (34,478)	¥ 2,698	¥ 33,843
Nomura Funds Research and Technologies Co., Ltd.	2,920	727	(1,311)	217	2,553
Nomura Corporate Research and Asset Management Inc.	1,821	411	(773)	170	1,629
Nomura Private Equity Capital Co., Ltd.	664	6	(522)	16	164
Combined total	36,090	36,082	(37,084)	3,101	38,189
Shared across group companies	(8,190)	(2,962)	4,348	(558)	(7,362)
Total	¥ 27,900	¥ 33,120	¥ (32,736)	¥ 2,543	¥ 30,827

	Billions of yen Year ended March 31, 2015				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 33,843	¥ 35,977	¥ (33,801)	¥ 6,610	¥ 42,629
Nomura Funds Research and Technologies Co., Ltd.	2,553	1,018	(909)	359	3,021
Nomura Corporate Research and Asset Management Inc.	1,629	518	(634)	172	1,685
Nomura Private Equity Capital Co., Ltd.	164	14	(2)	2	178
Combined total	38,189	37,527	(35,346)	7,143	47,513
Shared across group companies	(7,362)	(3,361)	3,744	(1,225)	(8,204)
Total	¥ 30,827	¥ 34,166	¥ (31,602)	¥ 5,918	¥ 39,309

Assets under management were ¥39.3 trillion as of March 31, 2015, a ¥11.4 trillion increase from March 31, 2013 (increased due to positive net inflows of ¥2.9 trillion and market appreciation of ¥8.5 trillion) and a ¥8.5 trillion increase from March 31, 2014 (increased due to positive net inflows of ¥2.6 trillion and market appreciation of ¥5.9 trillion). In our investment trust business, there was a net inflow into funds representing a wide range of investment assets including Japanese equities and equities of companies in the infrastructure sector. In our investment advisory business, there was an increase in mandates from both domestic clients and overseas clients.

The following table presents NAM s share, in terms of net asset value, of the Japanese asset management market as of March 31, 2013, 2014 and 2015.

	March 31 2013	2014	2015
Total of publicly offered investment trusts	22%	23%	24%
Stock investment trusts	18%	19%	20%

Bond investment trusts	43%	42%	43%

The investment trust assets included in assets under management by NAM were ¥26.2 trillion as of March 31, 2015, increased by ¥5.9 trillion or 29%, from the year ended March 31, 2014. The increase was mainly due to positive net inflows of ¥3.5 trillion and market appreciation of ¥2.4 trillion. The balances of investment trusts such as Nomura Deutsche High Dividend Infrastructure, Nomura Templeton Total Return and Nomura Global High Dividend Stock Premium increased. Investment trust assets included in assets under management by NAM were ¥20.3 trillion as of March 31, 2014, increased by ¥2.4 trillion or 13%, from the year ended March 31, 2013. The increase was mainly due to positive net inflows of ¥1.7 trillion and market appreciation of ¥0.7 trillion.

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Wholesale

Operating Results of Wholesale

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

	Millions of yen Year ended March 31		
	2013	2014	2015
Non-interest revenues	¥ 491,773	¥ 637,987	¥ 626,228
Net interest revenue	153,083	127,110	163,639
Net revenue	644,856	765,097	789,867
Non-interest expenses	573,199	653,299	707,671
Income before income taxes	¥ 71,657	¥ 111,798	¥ 82,196

Net revenue increased by 3% from ¥765,097 million for the year ended March 31, 2014 to ¥789,867 million for the year ended March 31, 2015, primarily in our overseas businesses due to depreciation of the Japanese Yen, an increase in revenue from our overseas Equity businesses as a result of a strong market environment and the strong performance of Investment Banking business primarily due to an increase of transactions in our overseas businesses.

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

Non-interest expenses increased by 8% from ¥653,299 million for the year ended March 31, 2014 to ¥707,671 million for the year ended March 31, 2015, primarily in our overseas businesses as a result of depreciation of the Japanese Yen.

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

Income before income taxes was ¥71,657 million for the year ended March 31, 2013, ¥111,798 million for the year ended March 31, 2014 and ¥82,196 million for the year ended March 31, 2015.

Global Markets

We have a proven track record in sales and trading of debt securities, equity securities, and foreign exchange, as well as derivative products 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 continue to enhance our trading and product origination capabilities to offer superior products not only to domestic and overseas institutional investors, but also to our Retail and Asset Management Divisions. This cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-added solutions for our clients. These ties enable us to identify the types of product of interest for investors and develop and deliver products that meet their needs. We continue to develop extensive ties with institutional investors in Japan and international markets, as well as wealthy investors, public-sector agencies, and regional financial institutions in Japan, and government agencies, financial institutions, and corporations around the world.

	Millions of yen Year ended March 31		
	2013	2014	2015
Net revenue	¥ 560,429	¥ 649,706	¥ 683,399

Non-interest expenses	459,715	540,386	585,850
Income before income taxes	¥ 100,714	¥ 109,320	¥ 97,549

Net revenue increased by 5% from ¥649,706 million for the year ended March 31, 2014 to ¥683,399 million for the year ended March 31, 2015. In Fixed Income, *Net revenue* increased from ¥398,243 million for the year ended March 31, 2014 to ¥407,154 million for the year ended March 31, 2015. Despite the decrease in revenue from our Rates business due to the difficult market environment, depreciation of the Japanese Yen enabled overseas operations to report higher revenues in Japanese Yen terms which resulted in an increase in overall revenue. In our Equities business, *Net revenue* increased from ¥251,463 million for the year ended March 31, 2014 to ¥276,245 million for the year ended March 31, 2015. Our Japanese Equities business continued to be strong, and the revenue from overseas increased mainly due to favorable market environments.

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

Non-interest expenses increased by 8% from ¥540,386 million for the year ended March 31, 2014 to ¥585,850 million for the year ended March 31, 2015, primarily due to the depreciation of the Japanese Yen and an increase in our overseas headcount.

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

Income before income taxes was ¥100,714 million for the year ended March 31, 2013, ¥109,320 million for the year ended March 31, 2014 and ¥97,549 million for the year ended March 31, 2015.

Investment Banking

We provide a broad range of investment banking services, such as underwriting and advisory activities. We underwrite offerings of debt, equity and other financial instruments in major financial markets, such as Asia, Europe and the U.S. We have been enhancing our M&A and financial advisory expertise to secure more high-profile deals both across and within regions. We develop and forge solid relationships with 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		
	2013	**2014**	**2015**
Investment Banking (gross) revenue	¥ 143,001	¥ 184,288	¥ 193,849
Allocation to other divisions	(70,990)	(86,888)	(89,149)
Investment Banking (net) revenue	72,011	97,400	104,700
Other revenue	12,416	17,991	1,768
Net revenue	84,427	115,391	106,468
Non-interest expenses	113,484	112,913	121,821
Income (loss) before income taxes	¥ (29,057)	¥ 2,478	¥ (15,353)

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Net revenue decreased by 8% from ¥115,391 million for the year ended March 31, 2014 to ¥106,468 million for the year ended March 31, 2015. Investment banking (net) revenue increased from ¥97,400 million for the year ended March 31, 2014 to ¥104,700 million for the year ended March 31, 2015, due to an increase in transactions overseas. Other revenue decreased from ¥17,991 million for the year ended March 31, 2014 to ¥1,768 million for the year ended March 31, 2015, mainly due to unrealized gains from our investment in Ashikaga Holdings following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014.

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

Non-interest expenses increased by 8% from ¥112,913 million for the year ended March 31, 2014 to ¥121,821 million for the year ended March 31, 2015, primarily due to increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Non-interest expenses decreased by 0.5% from ¥113,484 million for the year ended March 31, 2013 to ¥112,913 million for the year ended March 31, 2014, primarily due to cost savings from the additional cost reduction program, and partially offset by increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Loss before income taxes was ¥29,057 million for the year ended March 31, 2013, *Income before income taxes* was ¥2,478 million for the year ended March 31, 2014 and *Loss before income taxes* was ¥15,353 million for the year ended March 31, 2015.

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 21 *Segment and geographic information* in our consolidated financial statements included within this annual report.

Income before income taxes in Other operating results was ¥6,591 million for the year ended March 31, 2013, ¥19,980 million for the year ended March 31, 2014 and ¥45,950 million for the year ended March 31, 2015.

Other operating results for the year ended March 31, 2015 include gains from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥1.7 billion, the negative impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥5.0 billion and gains from changes in counterparty credit spreads of ¥10.1 billion.

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

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

Cash flows

Please refer to Item 2 *6. Operating, Financial and Cash Flow Analyses* , *(5) Liquidity and Capital Resources*.

Trading Activities

Assets and liabilities for trading purposes

For disclosures relating to the assets and liabilities for trading purposes, please refer to Item 5 *1. Consolidated Financial Statements and Other* , Note 2 *Fair value measurements* as well as Note 3 *Derivative instruments and hedging activities.*

Risk management of trading activity

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

1) Assumption on VaR

Confidence level: 99%

Holding period: One day

Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2014	**March 31, 2015**
Equity	1.3	1.0
Interest rate	4.0	4.2
Foreign exchange	2.8	1.1
Subtotal	8.1	6.2
Diversification benefit	(2.9)	(1.6)
VaR	5.2	4.6

Billions of yen

	Year ended March 31, 2015		
	Maximum	Minimum	Average
VaR	9.8	3.1	6.4

2. Current Challenges.

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

In order to achieve our management objectives, we are placing top priority on ensuring that profits are recorded by all business segments in all regions. We are committed to improving our corporate value further through the enhancement of Retail Division by means of business model transformation as well as through increased profitability of our overseas operations based upon further collaboration between Global Markets and Investment Banking.

As Asia s global investment bank, we will continue to take appropriate measures toward phased introduction of Basel regulations (global standards on capital requirements and liquidity) as well as forthcoming changes in the operating environment. With regulations related to the market, such as derivatives transactions, slated to come into effect primarily in the west, we will ensure a flexible response by staying attentive to the impact of the overall regulatory framework on the financial market and the competitive landscape.

The challenges and strategies in each division are as follows:

Retail Division

In Retail Division, with our enhanced consulting-based business, we are aiming to increase client satisfaction by listening to clients plans, understanding and meeting their diversified demands and needs. We continue to focus on delivering top-quality solutions including our broad range of products and services through face-to-face meetings, online and call center channels, so that Nomura Group can sustainably be a trusted partner to our clients.

Asset Management Division

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

Wholesale Division

Global Markets has been focusing on delivering differentiated products and solutions to our clients by leveraging the Nomura Group s capabilities in trading, research, and global distribution. Through our integrated Fixed Income and Equities platform, we aim to provide further competitive and comprehensive services and solutions to our clients.

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

In the Wholesale Division, cooperation across business areas and regions is becoming more important to provide quality services which meet the needs of our clients. Positioning the Asia Pacific region as our strategic base, we plan to execute a number of business initiatives to broaden our footprint in anticipation of medium to long term global economic growth.

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Risk Management and Compliance, etc.

In order to ensure financial soundness and increasing corporate value, the risk management systems require further developments in response to increasing global business. Nomura Group has the Risk Appetite Statement in which risks that we are willing to accept are articulated. We will continue to make efforts to develop a system where the top management directly engages in proactive risk management for precise decision making.

With regard to compliance, we will continue to focus on improving the management structure to comply with local laws and regulations in the countries where the Nomura Group operates. In addition to complying with laws and regulations, we will continuously review and improve our internal compliance system and rules for the purpose of promoting an environment of high ethical standards among all of our executive management and employees. In this way, we will meet the expectations of society and clients toward the Nomura Group and contribute to the further development of financial and capital markets.

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

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

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3. 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

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

For example, the global financial crisis that originated with the collapse of Lehman Brothers Holding Inc. (Lehman Brothers) in 2008, and the worsening of financial issues in the peripheral countries of the Eurozone in 2011, including Greece, have adversely influenced major global financial markets.

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

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

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

Changes in financial or economic conditions would likely affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients. For example, due in part to the continued slowdown in financing activities resulting primarily from the worsened and prolonged impact of the European sovereign debt crisis in 2011, our Investment Banking net revenue for the years ended March 31, 2012 and March 31, 2013 decreased by 15.9% and 15.0% from the previous years, respectively.

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

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in fixed income, equity and other markets, both for proprietary purposes and for the purpose of facilitating our clients trades. Our positions consist of various types of assets, including securities, derivatives transactions with equity, interest rate, currency, credit and other underlyings, as well as loans, reverse repurchase agreements 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 that we do not own, or have short positions, an upturn in prices of the assets could expose us to potentially significant losses. Although we seek to mitigate these position risks with a variety of hedging techniques, these market movements could result in us incurring losses. We can also incur losses if the financial system is overly stressed and the markets move in a way we have not anticipated.

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

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

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral or a requirement to provide additional collateral due to a decline in our creditworthiness (by way of a lowered credit rating or otherwise) can increase our costs and reduce our profitability. On the other hand, if we are the party receiving collateral from our clients and counterparties, such declines may also affect our profitability by changing the business. Assuming a one-notch and two-notch downgrade of our credit ratings on March 31, 2015, absent other changes, we estimate that the aggregate fair value of assets that will be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥15.2 billion and ¥39.4 billion, respectively.

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

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

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 those markets in which we operate, which may make it difficult to sell, hedge or value such assets which we hold. Also, in the event that a market fails in pricing such assets, it will be difficult to estimate their value. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to Over-The-Counter (OTC) derivatives, we may incur substantial losses. Further, if the liquidity of a market significantly decreases and the market may become unable to price financial instruments held by us, this could lead to unanticipated losses.

Our hedging strategies may not prevent losses

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

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

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

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Market risk may increase other risks that we face

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

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

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

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

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

We may have to recognize impairment charges, as well as other losses associated with subsequent transactions, with regard to the amount of goodwill, tangible and intangible assets and if recognized, they may adversely affect our financial condition and results of operations. For example, during the years ended March 31, 2014 and March 31, 2015 we recognized goodwill impairment charges of ¥2,840 million and ¥3,188 million, respectively.

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 business. We define liquidity risk as the risk of losses arising from difficulty in securing the necessary funding or from incurring a significantly higher cost of funding than normal levels due to deterioration in the Nomura group s creditworthiness or deterioration in market conditions. 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 unsecured or secured funding

We continuously access unsecured funding from issuance of securities in the short-term credit markets and debt capital markets as well as bank borrowings to finance our day-to-day operations, including refinancing. We also enter into repurchase agreements and securities lending transactions to raise secured funding for our trading businesses. An inability to access unsecured or secured funding or funding at significantly higher cost than normal levels 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,
- regulatory authorities take significant action against us, or
- our credit rating is downgraded.

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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 reductions in banks lending capacity, a severe disruption of the financial and credit markets, negative views about the general prospects for the investment banking, brokerage or financial services industries, or negative market perceptions of Japan s financial soundness.

We may be unable to sell assets

If we are unable to raise funds or if our liquidity declines significantly, we will need to liquidate 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, or we may have to sell at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell may be impaired by other market participants seeking to sell similar assets into the market at the same time.

Lowering of our credit ratings could impact our funding

Our funding depends significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on credit watch with negative implications. Future downgrades could increase our funding costs and limit our funding. This, in turn, could adversely affect our result of operations and our financial condition. In addition, other factors which are not specific to us may impact our funding, such as negative market perceptions of Japan s financial 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 we may suffer through unpredictable events that cause large unexpected market price movements. These include not only significant events such as the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, the global financial and credit crisis in the autumn of 2008, the Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year and the political crisis in Ukraine which began in late 2013, but also more specifically the following types of events that could cause losses in our trading and investment assets:

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

- sudden changes in trading, tax, accounting, regulatory requirements laws and other related rules which may make our trading strategy obsolete, less competitive or no longer viable, 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 derivative transactions. We may incur material losses when our counterparties default or fail to perform on their obligations to us due to their filing for bankruptcy, a deterioration in their creditworthiness, lack of liquidity, operational failure, an economic or political event, repudiation of the transaction or for other reasons.

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Credit risk may also arise from:

- holding securities issued by third parties, or

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

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

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

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

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

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

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

Our exposure to legal liability is significant

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

During a prolonged market downturn or upon the occurrence of an event that adversely affects the market, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. In addition, even legal transactions might be subject to adverse public reaction according to the particular details of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time. See Note 20 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report for further information regarding the significant investigations, lawsuits and other legal proceedings that we are currently facing.

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 increasing 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. In addition, while regulatory complexities increase, possibilities of extra-territorial application of a regulation in one jurisdiction to business activities outside of such jurisdiction may also increase. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities, through net capital, client protection and market conduct requirements. In addition, on top of traditional finance-related legislation, the scope of laws and regulations applying to, and/or impacting on, our operations may become wider depending on the situation of the wider international political and economic environment or policy approaches taken by governmental authorities in respect of regulatory application or law enforcement. Although we have policies in place to prevent violations of such laws and regulations, we may not always be able to prevent violations, and we could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures or be subject to revocation of our license to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create. As a result of any such sanction, we may lose business opportunities for a period of time, even after the sanction is lifted, if and to the extent that our clients, especially public institutions, decide not to engage us for their financial transactions.

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

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

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

Changes in regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Implementation of new regulations or strengthening of existing regulations, including the Basel III measures announced by the Basel Committee on Banking Supervision (Basel Committee) have been determined or are under consideration by international organizations such as the G-20, Financial Stability Board (FSB), International Organization of Securities Commissions (IOSCO) and Basel Committee, or governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate. These changes in regulations, if they are applied to us, may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the FSB and the Basel Committee annually update the list of global systemically important banks (G-SIBs) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G-20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks (D-SIBs), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. In addition, the FSB and IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation. The costs and impact on us as described above may further increase if we are identified as a G-SIB, a D-SIB or a NBNI G-SIFI in the future.

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

We recognize deferred tax assets on our consolidated balance sheets as a possible benefit of tax relief in the future. If we experience or forecast future operating losses, if tax laws or enacted tax rates in the relevant tax jurisdictions in which we operate change, or if there is a change in accounting standards in the future, we may reduce the deferred tax assets recognized in our consolidated balance sheets. As a result, it could adversely affect our financial condition and results of operations. See Note 15 *Income taxes* in our consolidated financial statements included in this annual report for further information regarding the deferred tax assets that we currently recognize.

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

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

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

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

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

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

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

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

Our business is subject to various operational risks

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

- failure to execute, confirm or settle securities transactions,
- failure by our officers or employees to perform proper administrative activities prescribed in our regular procedures, such as placing erroneous orders to securities exchanges,
- the destruction of or damage to our facilities or systems, or other impairment of our ability to conduct business, arising from the impacts of disasters or acts of terrorism which are beyond our anticipation and the scope of our contingency plan,
- the disruption of our business due to communicable diseases, 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 secure processing, storage, transmission and reception of personal, confidential and proprietary information on our systems. We may become the target of attempted unauthorized access, computer viruses or malware, and other cyber-attacks designed to access and obtain information on our systems or to disrupt and cause other damage to our services. Although these threats may originate from human error or technological failure, they may also originate from the malice or fraud of internal parties, such as employees, or third parties, including foreign state actors and extremist parties. Additionally, we could also be adversely impacted if any of the third-party vendors, exchanges, clearing houses or other financial institutions to whom we are interconnected are subject to cyber-attacks or other informational security breaches. Such events could cause interruptions to our systems, reputational damage, client dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our financial condition and operations.

While we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future.

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

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

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

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

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

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

We hold substantial investments in equity securities and non-trading debt securities. Under U.S. GAAP, depending on market conditions, we may recognize significant unrealized gains or losses on our investments in equity securities and debt securities, which could have an adverse impact on our financial condition and results of operations. Depending on the conditions of the markets, we may also 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 impairment losses

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

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, debt securities 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.

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6. Operating, Financial and Cash Flow Analyses.

(1) Operating and financial analyses

Please refer to Item 2 *1. Operating Results.* See also *2. Current Challenges* and *3. Risk Factors.*

(2) Critical accounting policies and estimates

Use of estimates

In preparing the consolidated financial statements included within this Annual Securities 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.

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

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 2% as of March 31, 2015 as listed below:

	Billions of yen					
	March 31, 2015					
	Level 1	**Level 2**	**Level 3**	**Counterparty and Cash Collateral Netting**	**Total**	**The proportion of Level 3**
Financial assets measured at fair value (Excluding derivative assets)	¥ 9,037	¥ 9,645	¥ 365	¥	¥ 19,047	2%
Derivative assets	28	41,837	235	(40,514)	1,586	
Derivative liabilities	29	41,476	264	(40,460)	1,309	

Please refer to Item 5 *(1). Consolidated Financial Statements, Notes to the Consolidated Financial Statements*, Note 2 *Fair value measurements*.

Derivative contracts

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

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

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

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

	Billions of yen March 31, 2015	
	Assets	Liabilities
Listed derivatives	¥ 142	¥ 377
OTC derivatives	1,444	932
	¥ 1,586	¥ 1,309

The fair value of OTC derivative assets and liabilities as of March 31, 2015 by remaining contractual maturity are shown below:

	Billions of yen March 31, 2015						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(1)	Total fair value
OTC derivative assets	¥ 1,057	¥ 1,152	¥ 1,021	¥ 1,007	¥ 3,600	¥ (6,393)	¥ 1,444
OTC derivative liabilities	886	1,051	1,022	1,039	3,224	(6,290)	932

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

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

Goodwill

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

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

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

For the year ended March 31, 2015, Nomura recognized an impairment loss on goodwill of ¥3,188 million within *Other* in Nomura s segment information. This is due to decline in the fair value of a reporting unit caused by a decrease in expected cash flows arising from the changes in the economic environment. These impairment losses were recorded within *Non-interest expense Other* in the consolidated statements of income. The fair value was determined based on DCF.

Exposure to Certain Financial Instruments and Counterparties

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

Nomura s exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) 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, 2015.

	Millions of yen March 31, 2015				
	Japan	**Europe**	**Americas**	**Asia and Oceania**	**Total**(1)
CMBS(2)	¥ 1,976	¥ 19,460	¥ 56,676	¥	¥ 78,112
RMBS(3)	54,345	78,547	375,104		507,996
Other securitization products(4)	8,100	329,006	180,245		517,351
Total	¥ 64,421	¥ 427,013	¥ 612,025	¥	¥ 1,103,459

(1) The balances shown exclude certain CMBS of ¥22,042 million for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860, *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposure because the beneficial interests in the vehicles have been sold to third parties.

(2) We have ¥10,885 million exposure, as whole loans and commitments, to U.S. CMBS and RMBS-related business as of March 31, 2015.

(3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government-guaranteed collateralized mortgage obligations (CMOs) of ¥1,989,048 million, because their credit risks are considered minimal.

(4) Includes collateralized loan obligations (CLOs), collateralized debt obligations (CDOs) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans, student loans and home equity loans.

The following table provides our exposure to CMBS by geographic region of the underlying collateral and external credit ratings as of March 31, 2015. Ratings are based on the lowest ratings given by Standard & Poor s Financial Services LLC, Moody s Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2015.

	Millions of yen March 31, 2015							
	AAA	AA	A	BBB	BB	B and lower	Not rated	Total
Japan	¥	¥	¥	¥	¥	¥ 1,976	¥	¥ 1,976
Europe		407	1,790	1,330	7,728	8,145	60	19,460
Americas	29,566	1,451	6,014	7,055	122	10,830	1,638	56,676
Total	¥ 29,566	¥ 1,858	¥ 7,804	¥ 8,385	¥ 7,850	¥ 20,951	¥ 1,698	¥ 78,112

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2015.

	Millions of yen March 31, 2015		
	Funded	Unfunded	Total
Japan	¥ 833	¥ 2,083	¥ 2,916
Europe	6,709	15,082	21,791
Americas	26,872	131,749	158,621
Total	¥ 34,414	¥ 148,914	¥ 183,328

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

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Accounting Developments

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

(3) Deferred Tax Assets

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities*, respectively, in the consolidated balance sheets as of March 31, 2015.

		Millions of yen March 31, 2015
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥	14,692
Investments in subsidiaries and affiliates		33,553
Valuation of financial instruments		56,566
Accrued pension and severance costs		10,335
Other accrued expenses and provisions		123,567
Operating losses		466,531
Other		4,356
Gross deferred tax assets		709,600
Less Valuation allowance		(565,103)
Total deferred tax assets		144,497
Deferred tax liabilities		
Investments in subsidiaries and affiliates		109,087
Valuation of financial instruments		56,808
Undistributed earnings of foreign subsidiaries		735
Valuation of fixed assets		20,644
Other		8,670
Total deferred tax liabilities		195,944
Net deferred tax assets (liabilities)	¥	(51,447)

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.

(4) Quantitative and Qualitative Disclosures about Market Risk

Risk Management

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

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

Risk Appetite

Nomura has determined the maximum level and types of risk that it is willing to assume in pursuit of its strategic objectives and business plan and has articulated this in its Risk Appetite Statement. This document is jointly submitted by the Chief Risk Officer (CRO) and the Chief Financial Officer (CFO) to the Executive Management Board (EMB) for approval.

The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy and balance sheet measures, liquidity risk, market and credit risk, operational risk, and model risk, and consists of quantitative metrics and qualitative statements. It is subject to regular monitoring and breach escalation as appropriate by the owner of the relevant risk appetite statement.

Nomura s Risk Appetite Statement is required to be reviewed annually by the EMB but it is reviewed on an ad hoc basis if necessary, and must specifically be reviewed following any significant changes in Nomura s strategy. Risk appetite underpins all additional aspects of Nomura s risk management framework.

Risk Management Governance and Oversight

Committee Governance

Nomura has established a committee structure to facilitate effective business operations and management of Nomura s risks. The formal governance structure for risk management within Nomura is as follows:

Board of Directors (BoD)

The BoD determines the policy for the execution of the business of Nomura and other matters prescribed in laws and regulations, supervises the execution of Directors and Executive Officers duties and has the authority to adopt, alter or abolish the regulations of the EMB.

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Executive Management Board

The EMB deliberates on and determines management strategy, the allocation of management resources and important management matters of Nomura, and seeks to increase shareholder value by promoting effective use of management resources and unified decision-making with regard to the execution of business. The EMB delegates responsibility for deliberation of matters concerning risk management to the Group Integrated Risk Management Committee (GIRMC). Key responsibilities of the EMB include the following:

Resource Allocation At the beginning of each financial year, the EMB determines the allocation of management resources and financial resources such as economic capital and unsecured funding to business units and establishes usage limits for these resources;

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

Reporting The EMB reports the status of its deliberations to the BoD.

Group Integrated Risk Management Committee (GIRMC)

Upon delegation from the EMB, the GIRMC deliberates on or determines important matters concerning integrated risk management of Nomura to assure the sound and effective management of its businesses. The GIRMC establishes Nomura s risk appetite and a framework of integrated risk management consistent with Nomura s risk appetite. The GIRMC supervises Nomura s risk management by establishing and operating its risk management framework. The GIRMC reports the status of key risk management issues and any other matters deemed necessary by the committee chairman to the BoD and the EMB.

In addition, the GIRMC, upon delegation from the EMB, has established the Risk Management Policy, describing Nomura s overall risk management framework including the fundamental risk management principles followed by Nomura.

Global Risk Management Committee (GRMC)

Upon delegation from the GIRMC, the GRMC deliberates on or determines, based on strategic risk allocation and risk appetite determined by the GIRMC, important matters concerning market, credit or reputational risk management of Nomura in order to assure the sound and effective management of Nomura s businesses. The GRMC reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

Asset Liability Committee (ALCO)

Upon delegation from the GIRMC, the ALCO deliberates on, based on Nomura s risk appetite determined by the GIRMC, balance sheet management, financial resource allocation, liquidity management and related matters. The ALCO reports to the GIRMC the status of discussions at its meetings and any other matters as deemed necessary by the committee chairman.

Global Risk Analytics Committee (GRAC) and Model Risk Analytics Committee (MRAC)

Upon delegation from the GRMC, the GRAC and the MRAC deliberate on or determine matters concerning the development, management and strategy of risk models and valuation models, respectively. The committees primary responsibility is to govern and provide oversight of model management, including the approval of new models and significant model changes. Both committees report all significant matters and material decisions taken to the GRMC, on a regular basis.

GRMC Transaction Committee

Upon delegation from the GRMC, the GRMC Transaction Committee deliberates on or approves individual transactions in line with Nomura s risk appetite in order to assure the sound and effective management of Nomura s businesses.

Collateral Steering Committee (CSC)

Upon delegation from the GRMC, the CSC deliberates on or determines Nomura s collateral risk management, including concentrations, liquidity, collateral re-use, limits and stress tests, provides direction on Nomura s collateral strategy and ensures compliance with regulatory collateral requirements.

Chief Risk Officer (CRO)

The CRO is responsible for setting the overall strategy and direction of the Risk Management Division. The CRO is responsible for supervising the Risk Management Division and maintaining the effectiveness of the risk management framework independently from the business units within Nomura. The CRO regularly reports on the status of Nomura s risk management to the GIRMC, and reports to and seeks the approval of the GIRMC on measures required for risk management.

Chief Financial Officer (CFO)

The CFO is responsible for overall financial strategy of Nomura, and has operational authority and responsibility over Nomura s liquidity management based on decisions made by the EMB.

Risk Management Division

The Risk Management Division comprises various departments or units in charge of risk management established independently from Nomura s business units. The Risk Management Division is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura Group entities, reporting to Executive Officers/Senior Managing Directors and the GIRMC and others, as well as reporting to regulatory bodies and handling regulatory applications concerning risk management methods and other items as necessary. Important risk management issues are closely communicated between members of the Risk Management departments and the CRO. The CRO and/or Deputy CRO regularly attend the EMB and GIRMC meetings to report specific risk issues.

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Risk Policy Framework

Policies and procedures are essential tools of governance used by the Risk Management Division. They define principles, rules and standards, and the specific processes that must be adhered to in order to effectively manage risk at Nomura. The Risk Management Division has established a risk policy framework to promote appropriate standards and consistency for risk policies and procedures and to articulate the principles and procedures conducive to effective risk management. All risk management policies and procedures are developed in line with this policy framework and a defined process is followed for any exceptions.

Monitoring, Reporting and Data Integrity

Development, consolidation, monitoring and reporting of risk management information (risk MI) are fundamental to the appropriate management of risk. The aim of all risk MI is to provide a basis for sound decision-making, action and escalation as required. The Risk Management Division and the Finance Division are responsible for producing regular risk MI, which reflects the position of Nomura relative to stated risk appetite. Risk MI includes information from across the risk classes defined in the risk management framework and reflects the use of the various risk tools used to identify and assess those risks. The Risk Management Division is responsible for implementing appropriate controls over data integrity for risk MI.

Management of Financial Resources

Nomura has established a framework for management of financial resources in order to adequately manage utilization of these resources. The EMB allocates financial resources to business units at the beginning of each financial year. These allocations are used to set revenue forecasts for each business unit. Key components are set out below:

Risk-weighted assets

A key component used in the calculation of our consolidated capital adequacy ratios is risk-weighted assets. The EMB determines the risk appetite for our consolidated Tier 1 capital ratio on an annual basis and sets the limits for the usage of risk-weighted assets by each division and by additional lower levels of the division consistent with the risk appetite. See in Item 2 *Consolidated Regulatory Capital Requirements* in this report for further information.

Economic Capital

Nomura s internal measure of the capital required to support its business is the Nomura Capital Allocation Target (NCAT), which is measured as the amount of capital required to absorb unexpected losses over a one-year time horizon under a severely adverse scenario. For quantification purposes, a severely adverse scenario is defined as the unexpected loss computed by risk models at the 99.95th percentile. NCAT consists of i) portfolio NCAT, which captures the risks directly impacting the value of specific positions such as market risk, credit risk, asset liquidity risk and other risks such as event risk to account for portfolio risks not easily covered in a historically calibrated model, and ii) non-portfolio NCAT, which captures the risks not directly affecting the value of specific positions, such as operational risk and business risk. Nomura s NCAT limit is initially set by the EMB, and the EMB subsequently allocates it to each business division and additional lower levels of the organization.

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Available Funds

The CFO decides the maximum amount of available funds, provided without posting of any collateral, for allocation within Nomura and the EMB approves the allocation of the funds to each business division. Global Treasury monitors the usage by businesses and reports to the EMB.

Classification and Definition of Risk

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

Risk Category	Definition
Market risk	Risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit risk	Risk of loss arising from an obligor or counterparty s default, insolvency or administrative proceeding which results in the obligor s failure to meet its contractual obligations in accordance with agreed terms. This includes both on- and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment (CVA) associated with deterioration in the creditworthiness of a counterparty.
Operational risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura s reputation if caused by an operational risk.
Model Risk	Risk arising from model errors or incorrect or inappropriate model application, which can lead to financial loss, poor business and strategic decision-making, restatement of external and internal reports, regulatory penalties and damage to Nomura s reputation.
Funding and Liquidity risk	Risk of loss arising from difficulty in securing necessary funding or from a significantly higher cost of funding than normal levels due to a deterioration in Nomura s creditworthiness or a deterioration in market conditions.
Business risk	Risk of failure of revenues to cover costs due to a deterioration in the earnings environment or a deterioration in the efficiency or effectiveness of Nomura s business operations. Managing business risk is the responsibility of Nomura s Executive Managing Directors and Senior Managing Directors.

Market Risk Management

Market risk is the risk of loss arising from fluctuations in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).

Market Risk Management Process

Effective management of market risk requires the ability to analyze a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

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

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Value at Risk

VaR is a measure of the potential loss due to adverse movements of market factors, such as equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

VaR Methodology Assumptions

Nomura uses a single VaR model which has been implemented globally in order to determine the total trading VaR. A historical simulation is implemented, where historical market moves over a two-year window are applied to current exposure in order to construct a profit and loss distribution. Potential losses can be estimated at required confidence levels or probabilities. A scenario weighting scheme is employed to ensure that the VaR model responds to changing market volatility. Nomura uses the same VaR model for both internal risk management purposes and for regulatory reporting. For internal risk management purposes, VaR is calculated across Nomura at a 99% confidence level and using a 1-day time horizon. For regulatory reporting purposes, Nomura uses the same confidence level but a 10-day time horizon, calculated using actual 10-day historical market moves. To complement VaR under Basel 2.5 regulations, Nomura also computes SVaR, which samples from a one-year window during a period of financial stress. The SVaR window is regularly calibrated and observations are equally weighted.

Nomura s VaR model uses exact time series for each individual risk factor. However, if good quality data is not available, a proxy logic maps the exposure to an appropriate time series. The level of proxying taking place is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting

The performance of Nomura s VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura s VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura s Risk Management Division. One-day trading losses exceeded the 99% VaR estimate on one occasion at a Nomura group level for the year ended March 31, 2015.

Limitations and Advantages of VaR

VaR aggregates risks from different asset classes in a transparent and intuitive way. However, there are limitations. VaR is a backward-looking measure: it implicitly assumes that distributions and correlations of recent factor moves are adequate to represent moves in the near future. VaR is appropriate for liquid markets and is not appropriate for risk factors that exhibit sudden jumps. Therefore, it may understate the impact of severe events. Given these limitations, Nomura uses VaR only as one component of a diverse market risk management process.

Stress Testing

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

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Non-Trading Risk

A major market risk in Nomura s non-trading portfolio relates to equity investments held for operating purposes and on a long-term basis. Equity investments held for operating purposes are minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations held in order to promote existing and potential business relationships. This non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in this portfolio is to analyze market sensitivity based on changes in the TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of Nomura s equity investments held for operating purposes. This analysis indicates that for each 10% change in the TOPIX, the market value of Nomura s operating equity investments held for operating purposes can be expected to change by ¥19,721 million at the end of March 2014 and ¥23,271 million at the end of March 2015. The TOPIX closed at 1,202.89 points at the end of March 2014 and at 1,543.11 points at the end of March 2015. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura s expectations because of price fluctuations of individual equities.

Credit Risk Management

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

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

Credit Risk Management Framework

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

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

Credit Risk Management Process

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

- Evaluation of likelihood that a counterparty defaults on its payments and obligations;
- Assignment of internal ratings to all active counterparties;
- Approval of extensions of credit and establishment of credit limits;
- Measurement, monitoring and management of Nomura s current and potential future credit exposures;

Setting credit terms in legal documentation, including margin terms; and

Use of appropriate credit risk mitigants, including netting, collateral and hedging.

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The scope of credit risk management includes counterparty trading and various debt or equity instruments including loans, private equity investments, fund investments, investment securities and any other as deemed necessary from a credit risk management perspective. The evaluation of counterparties creditworthiness involves a thorough due diligence and analysis of the business environments in which they operate, their competitive positions, management and financial strength and flexibility. Credit analysts also take into account the corporate structure and any explicit or implicit credit support. CRM evaluates credit risk not only by counterparty, but also by counterparty group.

Following the credit analysis, CRM estimates the probability of default of a given counterparty or obligor through an alphanumeric ratings scale similar to that used by rating agencies and a corresponding numeric scale. Credit analysts are responsible for assigning and maintaining the internal ratings, ensuring that each rating is reviewed and approved at least annually.

Nomura s internal rating system employs a range of ratings models to ensure global consistency and accuracy. These models are developed and maintained by the Risk Methodology Group. Internal ratings represent a critical component of Nomura s approach to managing counterparty credit risk. They are used as key factors in:

- Establishing the amount of counterparty credit risk that Nomura is willing to take to an individual counterparty or counterparty group (setting of credit limits);
- Determining the level of delegated authority for setting credit limits (including tenor);
- The frequency of credit reviews (renewal of credit limits);
- Reporting counterparty credit risk to senior management within Nomura; and
- Reporting counterparty credit risk to stakeholders outside of Nomura.

The Credit Risk Control Unit (CRCU) is a function that is independent of CRM. It ensures that Nomura s internal rating system is properly reviewed and validated, reporting any breaks or issues to senior management for timely resolution. The unit is responsible for ensuring that the system remains accurate and predictive of risks and provides periodic reporting on the system to senior management.

Nomura has established an Internal Rating System to be a unified, exhaustive and objective framework to evaluate credit risk. Internal ratings are typically classified into obligor, facility and specialized lending ratings. Each rating classification serves to properly express the credit risk either in terms of probability of default, the level of potential recovery given its position in a capital structure or the probability of repayment under the terms of a specialized lending facility.

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

Credit Limits and Risk Measures

Internal ratings form an integral part in the assignment of credit limits to counterparties. Nomura s credit limit framework is designed to ensure that Nomura takes appropriate credit risk in a manner that is consistent with its overall risk appetite. Global Credit policies define the delegated authority matrices that establish the maximum aggregated limit amounts and tenors that may be set for any single counterparty group based on their internal rating.

Nomura s main type of counterparty credit risk exposures arise from derivatives transactions or securities financing transactions. Credit exposures against counterparties are managed by means of setting credit limits based upon credit analysis of individual counterparty. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the ongoing monitoring of the creditworthiness of Nomura s counterparties. Any change in circumstance that alters Nomura s risk appetite for any particular counterparty, sector, industry or country is reflected in changes to the internal rating and credit limit as appropriate.

Nomura s global credit risk management systems record all credit limits and capture credit exposures to the Nomura s counterparties allowing CRM to measure, monitor and manage utilization of credit limits, ensure appropriate reporting and escalation of any limit breaches.

For derivatives and securities financing transactions, Nomura measures credit risk primarily by way of a Monte Carlo-based simulation model that determines a Potential Exposure (PE) profile at a specified confidence level. The exposure calculation model used for counterparty credit risk management has also been used for the Internal Model Method (IMM) based exposure calculation for regulatory capital reporting purposes since the end of December 2012.

Loans and lending commitments are measured and monitored on both a funded and unfunded basis.

Wrong Way Risk

Wrong Way Risk (WWR) occurs when exposure to a counterparty is highly correlated with the deterioration of creditworthiness of that counterparty. Nomura has established global policies that govern the management of any WWR exposures. Stress testing is used to support the assessment of any WWR embedded within existing portfolios and adjustments are made to credit exposures and regulatory capital as appropriate.

Stress Testing

Stress Testing is an integral part of Nomura s management of credit risk. Regular stress tests are used to support the assessment of credit risks by counterparties, sectors and regions. The stress tests include potential concentrations that are highlighted as a result of applying shocks to risk factors, probabilities of default or rating migrations.

Risk Mitigation

Nomura utilizes financial instruments, agreements and practices to assist in the management of credit risk. Nomura enters into legal agreements, such as the International Swap and Derivatives Association, Inc. (ISDA) agreements or equivalent (referred to as Master Netting Agreements), with many of its counterparties. Master Netting Agreements allow netting of receivables and payables and reduce losses potentially incurred as a result of a counterparty default. Further reduction in credit risk is achieved through entering into collateral agreements that allow Nomura to obtain collateral from counterparties either upfront or contingent on exposure levels, changes in credit rating or other factors.

Credit Risk to Counterparties in Derivatives Transaction

The following table presents credit exposures arising from Nomura s trading-related derivatives held for trading purposes as of March 31, 2015, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura s CRM.

	Billions of yen								
	Years to Maturity								
Credit Rating	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 to 7 years**	**More than 7 years**	**Cross-Maturity Netting[1]**	**Total Fair Value (a)**	**Collateral obtained (b)**	**Replacement cost[3] (a)-(b)**
AAA	¥ 18	¥ 103	¥ 21	¥ 9	¥ 80	¥ (192)	¥ 39	¥ 4	¥ 35
AA	299	451	422	513	1,732	(3,048)	369	70	299
A	462	372	360	308	892	(1,895)	499	54	445
BBB	177	151	144	131	530	(710)	423	261	162
BB and lower	58	73	71	45	349	(384)	212	400	0
Other[2]	43	2	3	1	17	(164)	(98)	4	0

Sub-total	1,057	1,152	1,021	1,007	3,600	(6,393)	1,444	793	941
Listed	333	161	21	3	0	(376)	142	20	122
Total	¥ 1,390	¥ 1,313	¥ 1,042	¥ 1,010	¥ 3,600	¥ (6,769)	¥ 1,586	¥ 813	¥ 1,063

(1) Represents netting of derivative liabilities against derivatives assets entered into with the same counterparty across different maturity bands. Derivative assets and derivative liabilities with the same counterparty in the same maturity band are net within the relevant maturity band. Cash collateral netting against net derivative assets in accordance with ASC 210-20 *Balance Sheet Offsetting* and ASC 815 *Derivatives and Hedging* is also included.

(2) Other comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.

(3) Zero balances represent instances where total collateral received is in excess of the total fair value therefore Nomura s credit exposure is zero.

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Exposure to certain European peripheral countries

Geopolitical risk has remained a dominant theme affecting markets through the reporting period. The Russia and Ukraine crisis deepened during the year, Argentina defaulted and the reduction in crude oil prices has impacted oil exporters finances. Additionally, developments in Greece have revived concerns over Greece s fiscal and economic sustainability, as well as its potential implications for the wider Eurozone.

Nomura manages country risk arising from inventory positions, trades with counterparties and any other businesses or products as part of its diversified portfolio. Nomura s total current net exposure to Greece, Argentina, Russia and Ukraine as of March 31, 2015 was not material. Despite the improvement in the risk profile of a number of peripheral Eurozone countries, further stress in these countries, combined with a sustained market or economic downturn, could adversely affect Nomura s financial position and performance. As of March 31, 2015, Nomura s total current net exposure was ¥54 billion to Spain, ¥43 billion to Ireland, ¥1 billion to Portugal and consisted of OTC derivatives, lending, deposits and trading positions. The total current net exposure to Italy was not material.

Operational Risk Management

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

The Three Lines of Defence

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

1) 1st Line of Defence: The business which owns and manages its risks

2) 2nd Line of Defence: The Operational Risk Management (ORM) function, which defines and co-ordinates Nomura s operational risk strategy and framework and provides challenge to the 1st Line of Defence

3) 3rd Line of Defence: Internal and External Audit, who provide independent assurance

Operational Risk Management Framework

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

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This framework is set out below:

Infrastructure of the framework

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

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

Products and Services

Risk and Control Self-Assessment (RCSA): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.

Scenario Analysis: Process to identify and assess high impact, low probability tail events .

Event Reporting: Process to obtain information on and learn from actual events impacting Nomura and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.

Key Risk Indicators (KRI): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

Analysis and reporting: A key aspect of ORM s role is to analyze, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.

Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

Regulatory capital calculation for operational risk

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

Nomura uses consolidated net revenue as gross income. However, for certain consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each business segment as defined in Nomura s management accounting data to each Basel business line as follows:

Business Line	Description	Beta Factor
Retail Banking	Retail deposit and loan-related services	12%
Commercial Banking	Deposit and loan-related services except for Retail Banking business	15%
Payment and Settlement	Payment and settlement services for clients transactions	18%

Retail Brokerage	Securities-related services mainly for individuals	12%
Trading and Sales	Market-related business	18%
Corporate Finance	M&A, underwriting, secondary and private offerings, and other funding services for clients	18%
Agency Services	Agency services for clients such as custody	15%
Asset Management	Fund management services for clients	12%

Nomura calculates the required amount of operational risk capital for each business line by multiplying the allocated annual gross income amount by the appropriate Beta Factor defined above. The operational risk capital for any gross income amount not allocated to a specific business line is determined by multiplying such unallocated gross income amount by a fixed percentage of 18%.

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The total operational risk capital for Nomura is calculated by aggregating the total amount of operational risk capital required for each business line and unallocated amount and by determining a three-year average. Where the aggregated amount for a given year is negative, then the total operational risk capital amount for that year will be calculated as zero.

In any given year, negative amounts in any business line are offset against positive amounts in other business lines. However, negative unallocated amounts are not offset against positive amounts in other business lines and are calculated as zero.

Operational risk capital is calculated at the end of September and March each year.

Model Risk Management

Model risk is the risk arising from model errors or incorrect or inappropriate model application, which can lead to financial loss, poor business and strategic decision-making, restatement of external and internal reports, regulatory penalties and damage to Nomura s reputation.

Errors can occur at any point from model assumptions through to implementation. In addition, the quality of model outputs depends on the quality of model parameters and any input data. Even a fundamentally sound model producing accurate outputs consistent with the design objective of the model may exhibit high model risk if it is misapplied or misused.

Model Management Framework

The models within the model management framework are defined as either:

- valuation models, used for calculating prices and risk sensitivities of Nomura s positions; or,

- risk models, used by the Risk Management Division for quantifying the risk of a portfolio by calculating the potential losses incurred from a specific type of risk, and used for regulatory or economic capital calculations, limit monitoring, trade approval and management reporting.

Before models are put into official use, the Model Validation Group (MVG) is responsible for validating their integrity and comprehensiveness independently from those who design and build them. As part of this validation process, the MVG analyzes a number of factors to assess a model s suitability, to quantify model risk which is then mitigated by applying model reserves and capital adjustments. Valuation models are developed and maintained by the business units and risk models by the Risk Methodology Group (RMG) within the Risk Management Division. Certain models may also be developed by third-party providers. The RMG has primary responsibility for the ongoing refinement and improvement of risk models and methodologies within Nomura.

All models are also subject to an annual re-approval process by MVG to ensure they remain suitable. Upon delegation from the GRMC, the MRAC s and GRAC s primary responsibility is to govern and provide oversight of model management for valuation and risk models, respectively.

Changes to valuation and risk models

Nomura has documented policies and procedures in place, approved by the GIRMC and/or GRSC, which define the process and validation requirements for implementing changes to valuation and risk models. For changes with an impact above certain materiality thresholds, model approval is required. These materiality thresholds are defined through procedures owned by MVG and reflect Nomura s model risk appetite. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

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Funding and Liquidity Risk Management

For further information on funding and liquidity risk management, see *Liquidity and Capital Resources Funding and Liquidity Management* in this report.

Risk Measures and Controls

Limit Frameworks

The establishment of robust limit monitoring and management is central to appropriate monitoring and management of risk. The limit management frameworks incorporate clear escalation policies to ensure approval of limits at appropriate levels of seniority. The Risk Management Division is responsible for day-to-day operation of these limit frameworks, including approval, monitoring, and reporting as required. Business units are responsible for complying with the agreed limits. Limits apply across a range of quantitative measures of risk and across market and credit risks.

New Business Risk Management

The new business approval process represents the starting point for new business in Nomura and exists to support management decision-making and ensure that risks associated with new products and new businesses are identified and managed appropriately. The new business approval process consists of two components:

1) Transaction committees are in place to provide formal governance over the review and decision-making process for individual transactions. Clear responsibilities are documented for cases of non-adherence.

2) The new product approval process allows business unit sponsors to submit applications for new products and obtain input from relevant departments prior to approval of the application. The process is designed to capture and assess risks across all risk classes as a result of the new product or business.

Stress Testing

Stress testing is a process of assessing the stability or business continuity of Nomura from the view point of capital adequacy, profit and loss impact or liquidity adequacy using plausible scenarios at various levels of the hierarchy from group level to division or desk levels, including those based on sensitivity analysis.

Nomura conducts a rigorous programme of stress testing through a comprehensive suite of top-down and bottom-up scenarios, covering different time horizons, severities, scope and methodologies and these are reviewed, run and presented on a regular basis to senior management, who can then take appropriate actions.

Stress testing is categorised either as sensitivity analysis, scenario analysis, groupwide stress testing or reverse stress testing.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors across all positions (e.g., equity prices or equity prices/equity volatility) using a variety of defined market shocks in order to assess specific risks or potential concentrations;

- Scenario analysis is used to quantify the impact of a specified event on Nomura s portfolio, combining simultaneous cross- asset market shocks;

Groupwide stress testing is applied consistently across risk classes, such as market, credit, operational, business and liquidity risks. It is used to assess Nomura s capital adequacy under severe market scenarios; and

Reverse stress testing is designed to identify a range of adverse circumstances which could cause Nomura s business plan to become unviable. Such tests would stress Nomura s exposures or business models in an extreme fashion until the point of capital failure, liquidity failure or business closure.

Stress tests are run on a regular basis as part of Nomura s routine risk management process and on an ad hoc basis in response to market events or concerns. Stress testing is regarded as an integral part of Nomura s risk management governance and is used as a tool for forward-looking risk management and decision-making.

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(5) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

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

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

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

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2015, our liquidity portfolio was ¥6,064.0 billion which generated a liquidity surplus taking into account stress scenarios.

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The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2014 and 2015 and averages maintained for the years ended March 31, 2014 and 2015. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2014	As of March 31, 2014	Average for year ended March 31, 2015	As of March 31, 2015
Cash, cash equivalents and time deposits[1]	¥ 1,676.6	¥ 1,497.2	¥ 1,726.2	¥ 1,292.3
Government debt securities	4,667.3	4,483.6	4,678.3	4,470.4
Others[2]	214.9	146.4	248.9	301.3
Total liquidity portfolio	¥ 6,558.8	¥ 6,127.2	¥ 6,653.4	¥ 6,064.0

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

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

The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2014 and 2015 and averages maintained for the years ended March 31, 2014 and 2015. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2014	As of March 31, 2014	Average for year ended March 31, 2015	As of March 31, 2015
Japanese Yen	¥ 2,463.3	¥ 2,272.3	¥ 2,267.7	¥ 1,753.4
U.S. Dollar	2,171.5	2,050.4	2,580.6	2,736.5
Euro	1,015.0	1,049.0	1,175.0	1,017.9
British Pound	662.4	568.6	514.6	404.8
Others[1]	246.6	186.9	115.5	151.4
Total liquidity portfolio	¥ 6,558.8	¥ 6,127.2	¥ 6,653.4	¥ 6,064.0

(1) Includes other currencies such as the Canadian Dollar, the Australian Dollar and the Swiss Franc.

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura Group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. (NHI) and Nomura Securities Co. Ltd. (NSC), our other major broker-dealer subsidiaries, our bank subsidiaries, and other group entities. In determining the amounts and entities which hold this liquidity portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 18 *Regulatory requirements* in our consolidated financial statements included within this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2014 and 2015.

	Billions of yen	
	March 31, 2014	March 31, 2015
NHI and NSC[1]	¥ 1,900.9	¥ 1,637.1

Major broker-dealer subsidiaries	2,815.2	3,036.9
Bank subsidiaries[(2)]	1,170.5	1,050.3
Other affiliates	240.6	339.7
Total liquidity portfolio	¥ 6,127.2	¥ 6,064.0

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

(2) Includes Nomura Bank International plc (NBI), Nomura Singapore Limited and Nomura Bank Luxembourg S.A.

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

In addition to our liquidity portfolio, we had ¥1,821.2 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Our Global Treasury department monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2015 was ¥7,885.2 billion, which represented 308.4% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2014	**March 31, 2015**
Net liquidity value of other unencumbered assets	¥ 1,720.3	¥ 1,821.2
Liquidity portfolio	6,127.2	6,064.0
Total	¥ 7,847.5	¥ 7,885.2

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

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

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to interest rates, equities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt increased to 38.1% of total long-term debt outstanding as of March 31, 2015 from 32.0% as of March 31, 2014.

3.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2014 and 2015.

	Billions of yen	
	March 31, 2014	**March 31, 2015**
Short-term bank borrowings	¥ 722.5	¥ 267.3
Other loans	49.2	23.9
Commercial paper	246.9	252.9
Deposits at banking entities	757.7	813.6
Certificates of deposit	240.5	260.9
Debt securities maturing within one year	952.5	938.4
Total short-term unsecured debt	¥ 2,969.3	¥ 2,557.0

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3.2 Long-Term Unsecured Debt

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

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

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

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2014 and 2015.

	Billions of yen	
	March 31, 2014	**March 31, 2015**
Long-term deposits at banking entities	¥ 116.0	¥ 145.9
Long-term bank borrowings	2,057.6	2,623.0
Other loans	129.0	196.4
Debt securities(1)	3,916.0	3,544.1
Total long-term unsecured debt	¥ 6,218.6	¥ 6,509.4

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

During the year ended March 31, 2015, the Company issued ¥50 billion of domestic senior notes.

3.3 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 4.1 years as of March 31, 2015. A significant amount of our medium-term notes are structured and linked to interest rates, equities, indices, currencies or commodities. These maturities are evaluated based on internal models and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 7.7 years as of March 31, 2015. The average maturity of our entire long-term debt portfolio, including plain vanilla debt securities and borrowings, was 5.3 years as of March 31, 2015. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

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

3.4 Secured Borrowings

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

4. Management of Credit Lines to Nomura Group Entities

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

5. Implementation of Liquidity Stress Tests

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

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

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

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

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

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

As of March 31, 2015, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

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

- No liquidation of assets;
- No ability to issue additional unsecured funding;
- Upcoming maturities of unsecured debt (maturities less than one year);
- Potential buybacks of our outstanding debt;
- Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates;
- Fluctuation of funding needs under normal business circumstances;
- Cash and collateral outflows in a stress event;
- Widening of haircuts on outstanding repo funding;
- Additional collateralization requirements of clearing banks and depositories;
- Drawdown on loan commitments;
- Loss of liquidity from market losses;
- Assuming a one-notch and two-notch downgrade of our credit ratings, the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts; and
- Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

6. Contingency Funding Plan

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

Liquidity Regulatory Framework

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.

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

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

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

With regard to LCR, the Financial Services Authorities Notice was promulgated in Japan including revisions to the international agreement document of the Basel Committee. The phased introduction of the LCR with minimum standards became effective from the end of March 31, 2015 and LCR disclosure rules will apply starting from the end of June 2015. In addition, NSFR is expected to be introduced in Japan in 2018 with minimum standards, pursuant to the international agreement document issued by Basel Committee in October 2014.

Cash Flows

Nomura s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the year ended March 31, 2014, we recorded net cash inflows from operating activities and net cash outflows from investing activities. For the year ended March 2015, we recorded net cash outflows from operating activities and net cash inflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2014 and 2015.

	Billions of yen Year Ended March 31 2014	 2015
Net cash provided by (used in) operating activities	¥ 457.4	¥ (77.0)
Net income	216.4	226.0
Trading assets and private equity investments	(485.7)	2,917.9
Trading liabilities	2,007.8	(1,731.1)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(183.9)	(1,251.3)
Securities borrowed, net of securities loaned	(1,604.5)	(221.3)
Other, net	507.2	(17.2)
Net cash provided by (used in) investing activities	(103.2)	12.3
Net cash provided by (used in) financing activities	289.4	(178.2)
Long-term borrowings, net	546.2	(193.8)
Other, net	(256.8)	15.6
Effect of exchange rate changes on cash and cash equivalents	41.1	68.5
Net increase (decrease) in cash and cash equivalents	684.7	(174.4)
Cash and cash equivalents at beginning of the year	805.1	1,489.8
Cash and cash equivalents at end of the year	¥ 1,489.8	¥ 1,315.4

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

For the year ended March 31, 2015, our cash and cash equivalents decreased by ¥174.4 billion to ¥1,315.4 billion. Net cash of ¥178.2 billion was used in financing activities due to net cash outflows of ¥193.8 billion from *Long-term borrowings*. As part of trading activities, while there were net cash inflows of ¥1,186.8 billion from cash outflows due to a decrease in *Trading liabilities* in combination with cash inflows due to a decrease in *Trading assets and Private equity investments*, they were offset by ¥1,472.6 billion of net cash outflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed*, *net of Securities loaned*. As a result, net cash of ¥77.0 billion was used in operating activities.

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

Balance Sheet and Financial Leverage

Total assets as of March 31, 2015, were ¥41,783.2 billion, a decrease of ¥1,737.1 billion compared with ¥43,520.3 billion as of March 31, 2014, reflecting decreases in *Securities purchased under agreements to resell* and *Trading assets*. Total liabilities as of March 31, 2015, were ¥39,038.3 billion, a decrease of ¥1,928.8 billion compared with ¥40,967.1 billion as of March 31, 2014, reflecting decreases in *Securities sold under agreements to repurchase* and *Trading liabilities*. NHI shareholders equity as of March 31, 2015, was ¥2,707.8 billion, an increase of ¥194.1 billion compared with ¥2,513.7 billion as of March 31, 2014, due to increases in *Retained earnings* and *Accumulated other comprehensive income (loss)*.

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

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

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The following table presents NHI shareholders equity, total assets, adjusted assets and leverage ratios as of March 31, 2014 and 2015.

	Billions of yen, except ratios March 31	
	2014	2015
NHI shareholders equity	¥ 2,513.7	¥ 2,707.8
Total assets	43,520.3	41,783.2
Adjusted assets[(1)]	26,173.3	25,063.7
Leverage ratio[(2)]	17.3x	15.4x
Adjusted leverage ratio[(3)]	10.4x	9.3x

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

	Billions of yen March 31	
	2014	2015
Total assets	¥ 43,520.3	¥ 41,783.2
Less:		
Securities purchased under agreements to resell	9,617.7	8,481.5
Securities borrowed	7,729.3	8,238.0
Adjusted assets	¥ 26,173.3	¥ 25,063.7

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

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

Total assets decreased by 4.0% reflecting primarily a decrease in *Securities purchased under agreement to resell* and *Trading assets*. Total NHI shareholders equity increased by 7.7% reflecting primarily an increase in *Retained earnings* and *Accumulated other comprehensive income (loss)*. As a result, our leverage ratio went down from 17.3 times as of March 31, 2014 to 15.4 times as of March 31, 2015.

Adjusted assets decreased primarily due to a decrease in *Trading assets*. As a result, our adjusted leverage ratio was 10.4 times as of March 31, 2014 and 9.3 times as of March 31, 2015.

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Consolidated Regulatory Capital Requirements

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

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31, 2015, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) was 12.9%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) was 12.9% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) was 14.8% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of March 31, 2015 was 4.5% for the common equity Tier 1 capital ratio, 6.0% for the Tier 1 capital ratio and 8.0% for the consolidated capital adequacy ratio).

The following table presents the Company s consolidated capital adequacy ratios as of March 31, 2014 and 2015.

	Billions of yen, except ratios	
	March 31	
	2014	**2015**
Common equity Tier 1 capital	¥ 2,314.2	¥ 2,459.2
Tier 1 capital	2,314.2	2,459.2
Total capital	2,715.7	2,820.4
Risk-Weighted Assets		
Credit risk-weighted assets	8,034.8	9,112.6
Market risk equivalent assets	6,999.7	7,113.0
Operational risk equivalent assets	2,391.5	2,703.5
Total risk-weighted assets	¥ 17,425.9	¥ 18,929.2
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	13.2%	12.9%
Tier 1 capital ratio	13.2%	12.9%
Consolidated capital adequacy ratio	15.5%	14.8%

Common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital are calculated by deducting certain regulatory adjustments from basic capital for each capital class. Each capital amount and regulatory adjustment is defined in the Capital Adequacy Notice on Final Designated Parent Company and these new definitions of capital will come into effect gradually by transitional measures.

Since the end of March 2011, we have calculated credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and the Standardized Approach, respectively, with approval of the FSA. Furthermore, Market risk equivalent assets are calculated by using the Internal Models Approach with the approval of the FSA.

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

Consolidated Leverage Ratio Requirements

In March 2015, the FSA issued guidance on the calculation methodology and disclosure requirements for a consolidated regulatory leverage ratio by financial institutions through revisions to Specification of items which a final designated parent company should disclose on documents to show the status of its sound management (2010 FSA Regulatory Notice No. 132; Notice on Pillar 3 Disclosure) and publishing Consolidated Leverage Ratio prescribed by Commissioner of Financial Services Agency in accordance with Article 3, Paragraph 1 of Pillar 3 Notice (2015 FSA Regulatory Notice No. 11; Notice on Consolidated Leverage Ratio). As a result of this guidance, Nomura will now disclose a consolidated leverage ratio measure from March 31, 2015 which is calculated using the methodology prescribed by this guidance. Management will also receive and review this consolidated leverage ratio on a regular basis. As of March 31, 2015, our consolidated leverage ratio was 3.82%.

Changes to regulatory capital framework which affect us

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, International framework for liquidity risk measurement, standards and monitoring and A global regulatory framework for more resilient banks and banking systems . The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (CVA) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; introducing minimum standards for funding and liquidity; and introducing a series of measures to address concerns over the procyclicality of the current framework. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards were implemented from 2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, after two rounds of public consultation and discussions with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO), the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (CCPs) on July 25, 2012, which were intended to come into effect as of January 2013 as part of Basel III. This first version of CCPs rule came into effect from 2013 and the final version of CCPs rule was announced in April 2014 from the Basel Committee, which is not implemented. Moreover, a series of final standards on the regulatory frameworks such as Basel III leverage ratio framework and disclosure requirements, capital requirements for banks equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to central counterparties, supervisory framework for measuring and controlling large exposures and revisions to the securitization framework have been published by the Basel Committee.

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

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

Credit Ratings

The cost and availability of unsecured funding are generally dependent on credit ratings. Our short-term and long-term debts of the Company and NSC are rated by Standard & Poor s, Moody s Investors Service, Fitch Ratings, Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd.

The following tables present the credit ratings of the Company and NSC as of May 31, 2015.

Nomura Holdings, Inc.	Short-term Debt	Long-term Debt
Standard & Poor s	A-2	BBB+
Moody s Investors Service		Baa1
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

Nomura Securities Co., Ltd.	Short-term Debt	Long-term Debt
Standard & Poor s	A-2	A-
Moody s Investors Service	P-2	A3
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

(6) 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.

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

- an obligation under a guarantee contract;
- a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves to provide credit, liquidity or market risk support to such entity;
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or
- 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. Nomura both creates or sponsors these entities and also enters into arrangements with entities created or sponsored by others.

Nomura s involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In connection with our securitization and equity derivative activities, Nomura also acts as a transferor of financial assets to these entities, as well as, underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities. Nomura retains, purchases and sells variable interests in SPEs in connection with our market-making, investing and structuring activities. Nomura s other types of off-balance sheet arrangements include guarantee agreements and derivative contracts. Significant involvement is assessed based on all of Nomura s 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 6 *Securitizations and Variable Interest Entities* in the consolidated financial statements.

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(7) Tabular Disclosure of Contractual Obligations

As part of our business, Nomura enters 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 and financing activities, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

Long-term borrowings and contractual interest payments:

In connection with our operating activities, Nomura issues 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:

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

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

Capital lease commitments:

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

Purchase obligations:

Nomura has 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, Nomura enters into contractual commitments to extend credit, which generally have a fixed expiration dates;

In connection with our investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite securities that may be issued by clients.

Commitments to invest in partnerships:

Nomura has commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to those partnerships.

Note 8 *Lease* in our consolidated financial statements contains further detail on our operating lease and capital lease. Note 10 *Borrowings* in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 20 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report 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. Nomura evaluates each client s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension of credit, is based on management s credit evaluation of the counterparty.

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The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2015:

	Millions of yen				
		Years to maturity			
	Total contractual amount	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 9,494	¥ 13	¥ 8	¥	¥ 9,473
Long-term borrowings(1)	8,202,773	982,982	2,049,893	2,204,074	2,965,824
Contractual interest payments(2)	1,163,644	149,435	250,550	183,247	580,412
Operating lease commitments	171,746	20,410	34,722	28,314	88,300
Capital lease commitments(3)	66,840	3,750	8,785	8,681	45,624
Purchase obligations(4)	18,779	16,363	2,416		
Commitments to extend credit	421,526	50,395	74,747	181,211	115,173
Commitments to invest in partnerships	20,710	2,676	318	6,462	11,254
Total	¥ 10,075,512	¥ 1,226,024	¥ 2,421,439	¥ 2,611,989	¥ 3,816,060

(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, 2015.

(3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.

(4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

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

In addition to amounts presented above, we have commitments under resale and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥3,140 billion for resale agreements and ¥1,296 billion for repurchase agreements as of March 31, 2015.

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Item 4. Company Information

1. Share Capital Information

(1) Total Number of Shares

A. Number of Authorized Share Capital

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

(Note)

The Authorized Share Capital is stated by class and the total is the number of authorized share capital designated in the Articles of Incorporation.

B. Issued Shares

Type	Number of Issued Shares as of March 31, 2015	Number of Issued Shares as of June 25, 2015	Trading Markets	Description
Common Stock	3,822,562,601	3,822,562,601	Tokyo Stock Exchange[(2)] Nagoya Stock Exchange[(2)] Singapore Stock Exchange New York Stock Exchange	1 unit is 100 shares
Total	3,822,562,601	3,822,562,601		

(1) Shares that may have increased from exercise of stock options between June 1, 2015 and June 25, 2015 are not included in the number of issued shares as of June 25, 2015.

(2) Listed on the First Section of each stock exchange.

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(2) Stock Options

A. Stock Acquisition Right

Name of Stock Acquisition Rights (SARs)	Number of SARs	Number of Common Stock under SARs (March 31, 2015)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2015)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.19	403	40,300		From April 24, 2010 to April 23, 2015	1
SARs No.20	159	15,900	9,900	From June 24, 2010 to June 23, 2015	1
SARs No.21	899	89,900	56,100	From June 24, 2010 to June 23, 2015	1
SARs No.22	1,100	110,000	Same as left	From August 6, 2010 to August 5, 2015	1,280
SARs No.23	18,620	1,862,000	1,859,000	From August 6, 2010 to August 5, 2015	1,280
SARs No.28	2,128	212,800	200,000	From May 1, 2011 to April 30, 2016	1
SARs No.29	833	83,300	Same as left	From June 17, 2011 to June 16, 2016	1
SARs No.30	2,353	235,300	208,300	From June 17, 2011 to June 16, 2016	1
SARs No.31	1,560	156,000	141,000	From August 6, 2011 to August 5, 2016	730
SARs No.32	21,920	2,192,000	2,155,500	From August 6, 2011 to August 5, 2016	730
SARs No.34	9,359	935,900	914,000	From May 19, 2012 to May 18, 2017	1
SARs No.35	8,371	837,100	818,500	From May 19, 2012 to May 18, 2017	1
SARs No.37	19,564	1,956,400	1,819,900	From April 30, 2012 to April 29, 2017	1
SARs No.38	6,949	694,900	672,700	From April 30, 2013 to April 29, 2018	1
SARs No.39	18,886	1,888,600	1,824,900	From November 16, 2012 to November 15, 2017	474
SARs No.40	12,829	1,282,900	1,228,300	From May 25, 2012 to May 24, 2018	1
SARs No.41	20,580	2,058,000	1,768,500	From May 25, 2013 to May 24, 2018	1
SARs No.42	37,294	3,729,400	2,596,200	From May 25, 2014 to May 24, 2018	1
SARs No.43	17,871	1,787,100	1,725,600	From November 16, 2013 to November 15, 2018	299
SARs No.44	13,284	1,328,400	1,194,100	From April 20, 2013 to April 19, 2018	1
SARs No.45	26,195	2,619,500	2,122,300	From April 20, 2014 to April 19, 2019	1
SARs No.46	121,339	12,133,900	5,823,700	From April 20, 2015 to April 19, 2020	1
SARs No.47	47,811	4,781,100	Same as left		1

	From April 20, 2016 to April 19, 2021

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Name of Stock Acquisition Rights (SARs)	Number of SARs	Number of Common Stock under SARs (March 31, 2015)	Number of Common Stock under SARs in the Preceding Month to Filing of this Report (May 31, 2015)	Period for the Exercise of SARs	Exercise Price per Share under SARs (yen)
SARs No.48	47,576	4,757,600	Same as left	From April 20, 2017 to April 19, 2022	1
SARs No.49	16,493	1,649,300	Same as left	From October 20, 2015 to April 19, 2021	1
SARs No.50	16,479	1,647,900	Same as left	From October 20, 2016 to April 19, 2022	1
SARs No.51	22,279	2,227,900	2,143,500	From November 13, 2014 to November 12, 2019	298
SARs No.52	19,199	1,919,900	1,500,300	From April 20, 2014 to April 19, 2019	1
SARs No.53	67,274	6,727,400	4,046,700	From April 20, 2015 to April 19, 2020	1
SARs No.54	66,964	6,696,400	6,674,300	From April 20, 2016 to April 19, 2021	1
SARs No.55	26,987	2,698,700	2,694,700	From November 19, 2015 to November 18, 2020	831
SARs No.56	85,546	8,554,600	5,049,100	From April 20, 2015 to April 19, 2020	1
SARs No.57	85,220	8,522,000	8,420,800	From April 20, 2016 to April 19, 2021	1
SARs No.58	84,586	8,458,600	8,357,800	From April 20, 2017 to April 19, 2022	1
SARs No.59	46,289	4,628,900	2,874,200	From March 31, 2015 to March 30, 2020	1
SARs No.60	45,965	4,596,500	Same as left	From March 31, 2016 to March 30, 2021	1
SARs No.61	91,949	9,194,900	Same as left	From March 31, 2017 to March 30, 2022	1
SARs No.62	27,271	2,727,100	2,720,600	From November 18, 2016 to November 17, 2021	744

B. Bond with the stock acquisition right

None

C. Convertible Bonds and Bonds with subscription warrant which are deemed as Bonds with stock acquisition rights according to Article 19, paragraph 2 of Law Amending and Furnishing Commercial Code, etc

None

(3) Conversion of bond with the stock acquisition right with provision of adjustment of conversion price

None

(4) Rights plan

None

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(5) Changes in Issued Shares, Common Stock, etc.

Date	Increase/(Decrease) of Issued Shares	Total Issued Shares	Increase/(Decrease) of Common Stock (thousand yen)	Common Stock (thousand yen)	Increase/(Decrease) of Additional paid-in capital (thousand yen)	Additional paid-in capital (thousand yen)
July 1, 2011(1)	103,429,360	3,822,562,601		594,492,852	35,478,900	559,676,228

(1) Increase due to the Share Exchange Agreement between the Company and Nomura Land and Building Co., Ltd. (NLB) on which 118 common shares of the Company were allotted for each share of NLB.

(6) Shareholders

As of March 31, 2015

	Unit Shareholders (100 shares per 1 unit)								
					Foreign Shareholders				
	Governments and Municipal Governments	Financial Institutions	Securities Companies	Other Corporations	Other than individuals	Individuals	Individuals and Others	Total	Shares Representing Less than One Unit (Shares)
Number of Shareholders	0	201	101	3,803	788	238	412,824	417,955	
Number of Units Held	0	7,791,462	1,368,423	1,617,417	13,497,767	5,785	13,927,720	38,208,574	1,705,201
Percentage of Units Held (%)	0.00	20.40	3.58	4.23	35.32	0.02	36.45	100.00	

(1) Out of 222,555,702 treasury stocks, 2,225,557 units are included in *Individuals and Others* while 2 shares are in *Shares Representing Less than One Unit (Shares)*.

(2) *Other Corporations* includes 20 units held by Japan Securities Depository Center, Inc.

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(7) Major Shareholders

Name	Address	As of March 31, 2015 Shares Held (thousand shares)	Percentage of Issued Shares (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	148,073	3.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-Ku, Tokyo, Japan	145,364	3.80
The Bank of New York Mellon SA/NV 10	Rue Montoyerstraat 46, 1000 Brussels, Belgium	49,865	1.30
State Street Bank West Client Treaty 505234	1776 Heritage Drive, North Quincy, MA 02171, U.S.A.	46,849	1.22
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	41,992	1.09
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	41,966	1.09
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	41,815	1.09
Japan Trustee Services Bank, Ltd. (Trust Account 6)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	41,747	1.09
Japan Trustee Services Bank, Ltd. (Trust Account 3)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	41,340	1.08
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1-8-11, Harumi, Chuo-Ku, Tokyo, Japan	41,210	1.07
Total		640,221	16.74

(1) The Company has 222,555 thousand shares of treasury stock as of March 31, 2015 which is not included in the Major Shareholders list above.

(2) For *Shares Held* in the above, amounts less than thousand shares are discarded.

(8) Voting Rights

A. Outstanding Shares

	As of March 31, 2015 Number of Shares		Number of Votes	Description
Stock without voting right				
Stock with limited voting right (Treasury stocks, etc.)				
Stock with limited voting right (Others)				
Stock with full voting right (Treasury stocks, etc.)	(Treasury stocks)			
	Common stock	222,555,700		
	(Crossholding stocks)			
	Common stock	2,105,000		
Stock with full voting right (Others)	Common stock	3,596,196,700	35,961,967	
Shares less than 1 unit	Common stock	1,705,201		Shares less than 1 unit (100 shares)
Total Shares Issued		3,822,562,601		
Voting Rights of Total Shareholders			35,961,967	

(1) *Stock with full voting right (Others)* includes 2,000 shares held by Japan Securities Depository Center, Inc. *Shares less than 1 unit* includes 2 treasury stocks.

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B. Treasury Stocks

Name	Address	As of March 31, 2015 Directly held shares	Indirectly held shares	Total	Percentage of Issued Shares (%)
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan	222,555,700		222,555,700	5.82
(Crossholding Stocks)					
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishi Shinjuku, Shinjuku-Ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Nomura Research Institute, Ltd.	1-6-5, Marunouchi, Chiyoda-Ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Takagi Securities Co., Ltd.	1-3-1-400, Umeda, Kita-Ku, Osaka-Shi, Osaka, Japan	100,000		100,000	0.00
Nomura Japan Corporation	2-1-3 Nihonbashi, Horidomecho, Chuo-Ku, Tokyo, Japan	5,000		5,000	0.00
Total		224,660,700		224,660,700	5.88

(9) Stock Option System

The Company adopts stock option system utilizing stock acquisition rights.

2. Stock Repurchase

Type of Stock Repurchase of the common stock in accordance with provisions of Articles 155-3 and 155-7 of the Companies Act.
(1) Stock Repurchase resolved by Shareholders Meeting

None

(2) Stock Repurchase resolved by Board of Directors

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (April 30, 2014) (Purchase period from May 19 to July 25, 2014)	100,000,000	70,000,000,000
Stock repurchased prior to April 1, 2014		
Stock repurchased from April 1, 2014 to March 31, 2015	100,000,000	65,188,616,000
Total shares and amounts resolved		
Percentage not repurchased at year end (%)		6.9
Repurchases made in the period		
Percentage not repurchased at the date of submission of this annual report (%)		6.9

Number of Shares

		Total Amount (Yen)
Resolution at the Board of Directors (October 28, 2014) (Purchase period from November 13, 2014 to January 16, 2015)	40,000,000	28,000,000,000
Stock repurchased prior to April 1, 2014		
Stock repurchased from April 1, 2014 to March 31, 2015	15,198,700	10,192,680,230
Total shares and amounts resolved		
Percentage not repurchased at year end (%)	62.0	63.6
Repurchases made in the period		
Percentage not repurchased at the date of submission of this annual report (%)	62.0	63.6

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (January 29, 2015) (Purchase period from February 16, 2015 to March 27, 2015)	40,000,000	30,000,000,000
Stock repurchased prior to April 1, 2014		
Stock repurchased from April 1, 2014 to March 31, 2015	40,000,000	28,642,387,970
Total shares and amounts resolved		
Percentage not repurchased at year end (%)		4.5
Repurchases made in the period		
Percentage not repurchased at the date of submission of this annual report (%)		4.5

	Number of Shares	Total Amount (Yen)
Resolution at the Board of Directors (May 19, 2015) (Purchase period from May 20, 2015 to July 28, 2015)	25,000,000	20,000,000,000
Stock repurchased prior to April 1, 2014		
Stock repurchased from April 1, 2014 to March 31, 2015		
Total shares and amounts resolved	25,000,000	20,000,000,000
Percentage not repurchased at year end (%)	100.0	100.0
Repurchases made in the period	24,331,100	19,976,847,950
Percentage not repurchased at the date of submission of this annual report (%)	2.7	0.1

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(3) Stock Repurchase not based on above (1) or (2)

	Number of Shares	Total Amount (Yen)
Stock repurchased during the year ended March 31, 2015[1]	34,295	23,274,144
Stock repurchased during the period[2]	4,675	3,508,659

(1) Acceptance of requests for purchasing less-than-a-full-unit-shares.
(2) Repurchases from June 1, 2015 to the reporting date of this annual report are not included.

(4) Disposal and retention of repurchased stock

	Year ended March 31, 2015		Stock repurchased during the period[2]	
	Number of shares	Total amount of disposal (yen)	Number of shares	Total amount of disposal (yen)
Disposal through offering				
Cancellation				
Transfer through merger, share exchange and corporate division				
Others[1]	36,461,551	24,226,753,947	16,814,600	11,562,082,155
Treasury stocks	222,555,702		230,076,877	

(1) Others are for purchasing less-than-a-full-unit-shares and disposal for exercise of stock acquisition rights.
(2) Repurchases or disposals from June 1, 2015 to the reporting date of this annual report are not included.

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3. Dividend Policy

The Company seeks to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, Nomura maintains sufficient capital to support its business. It reviews its capital sufficiency as appropriate, taking into consideration economic risks inherent in its businesses, regulatory requirements, and maintenance of a sufficient debt rating for a global financial institution.

The Company believes that raising shareholder value over the long term and paying dividends are essential to rewarding shareholders. It will strive to pay stable dividends using a consolidated payout ratio of 30 percent as a key indicator.

However, dividend payments for period 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.

The payment frequency is semi-annual in principle (record dates: September 30 and March 31).

As for retained earnings, the Company intends to invest in business areas where high profitability and growth may reasonably be expected, including development and expansion of infrastructure such as IT system and retail, to maximize shareholder value, while giving due regard to potential regulatory changes as mentioned above.

Acquisition of treasury stocks is considered as one of the choices in the financial policy in order to take flexible action to the changes in the business environment. Approved treasury stock acquisition will be disclosed without delay and executed according to the Company s policy.

(Dividends for the year ended March 31, 2015)

In line with its dividend policy for the year ended March 31, 2015, the Company paid a dividend of ¥6 per share to shareholders of record as of September 30, 2014. Based on the same dividend policy, we paid a dividend of ¥13 per share to shareholders of record as of March 31, 2015. As a result, the annual dividend totaled ¥19 per share.

The details of dividends from retained earnings in the year ended March 31, 2015 are as follows.

Decision date	Record date	Total dividend value (millions of yen)	Dividend per share (yen)
Board of Directors October 28, 2014	September 30, 2014	21,848	6.00
Board of Directors April 30, 2015	March 31, 2015	46,800	13.00

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4. Stock Price History

(1) Annual Highs and Lows over the last five years

Year Ending	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
High (Yen)	717	436	608	980	757.0
Low (Yen)	361	223	241	535	576.2

Stock prices in the first section of Tokyo Stock Exchange

(2) Monthly Highs and Lows over the last six months

Month	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
High (Yen)	680.5	750.0	757.0	688.0	736.4	744.5
Low (Yen)	576.2	700.1	676.3	609.3	619.8	699.1

Stock prices in the first section of Tokyo Stock Exchange

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6. Status of Corporate Governance and Other

(1) Status of Corporate Governance

Underlying Concept of Corporate Governance

The Company recognizes that enhancement of corporate governance is one of the top priorities for the Company to achieve its management visions to enhance corporate value by deepening society s trust in the firm and increasing the satisfaction of stakeholders, including that of shareholders and clients. On this basis, the Company is committed to strengthening and to improving its governance framework by pursuing transparency in the Company s management and expediting the decision-making process within the Nomura Group.

Although Japan s Corporate Governance Code went into effect in June 2015, we had already been moving forward with a number of initiatives to reinforce our corporate governance prior to this.

In 2001, when the Company adopted a holding company structure and was listed on the New York Stock Exchange (NYSE), the Company installed Outside Directors and established an Internal Controls Committee, a Compensation Committee (comprised of a majority of Outside Directors) and an Advisory Board of eminent persons from outside the Company, and further improved its information disclosure system.

Beginning in 2003, the Company further strengthened and increased the transparency of the Company s oversight functions by adopting the governance structure under which management oversight and business execution functions are clearly separated (Company with Three Committees), and established the Nomination, Audit and Compensation Committees, and the majority of the members of each committee are Outside Directors. At the same time, considerable authority for the execution of business functions has been delegated to the Company s Executive Officers to expedite the decision-making process within the Nomura Group.

In addition, the Company is striving to fulfill its responsibility to all stakeholders by establishing the Code of Ethics of Nomura Group in 2004, which specifies matters to be observed by each director, officer and employee of the Nomura Group with respect to corporate governance and corporate social responsibility.

The latest information on the Company s corporate governance status is disclosed in the Corporate Governance Report submitted to the stock exchange, which can also be accessed from the Company s website (http://www.nomuraholdings.com/investor/).

Summary of the corporate governance structure and reasons for adopting such structure

The Company is a Company with Three Committees. The Company determined that the Company with Three Committees structure is the most suitable form of corporate governance at this point in time for the reasons below.

The Company with Three Committees structure clearly separates management oversight and business execution functions. The Company with Three Committees structure expedites the decision-making process by broadly delegating authority for the execution of business functions from the Board of Directors to the Executive Officers. Further, the Company with Three Committees structure enhances management oversight and increases transparency by establishing the Nomination, Audit and Compensation Committees, and the majority of the members of each committee are Outside Directors. Among the various organizational structures the Company could have chosen to adopt, the Company believes that the Company with Three Committees structure is the most compatible with the corporate governance standards which form a part of the NYSE (which the company is listed on) Listed Company Manual.

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The outline of the Company s Corporate Governance Structure is as follows:

<The Board of Directors and Committees>

Aiming for transparent management under oversight with an emphasis on external perspective, seven out of the twelve Directors of the Company s Board of Directors are Outside Directors.

As an entity that has adopted the Company with Three Committees structure, the Board of Directors and the Audit Committee perform the central role in management oversight functions within the Company. The Chair of the Board of Directors is held by a Director who is not concurrently serving as an Executive Officer, allowing the Board of Directors to better oversee the business conducted by the Executive Officers. The Audit Committee is chaired by an Outside Director, making its independence from the management even clearer.

The overview of the roles and members, etc., of each Committee are as follows:

(1) Nomination Committee

This Committee is a statutory organ which determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders. The three members of the committee are elected by the Board of Directors. The current members of this Committee are: Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Masahiro Sakane and Takao Kusakari. This Committee is chaired by Nobuyuki Koga.

(2) Audit Committee

This Committee is a statutory organ which (i) audits the execution by the Directors and Executive Officers of their duties and the preparation of audit reports and (ii) determines the details of proposals concerning the election, dismissal, and non-reappointment of the independent auditors to be submitted to general meetings of shareholders. The four members of the Committee are elected by the Board of Directors. The current members of the Committee are: Outside Directors Tsuguoki Fujinuma, Toshinori Kanemoto and Hiroshi Kimura, and Hiroyuki Suzuki, a Director not concurrently serving as an Executive Officer. This Committee is chaired by Tsuguoki Fujinuma. All members satisfy requirements for independent directors as defined in the Sarbanes-Oxley Act of 2002, and Tsuguoki Fujinuma is a Financial Expert under this Act and has comprehensive knowledge in the areas of finance and accounting.

(3) Compensation Committee

This Committee is a statutory organ which determines the Company s policy with respect to the determination of the details of each Director and Executive Officer s compensation. The committee also determines the details of each Director and Executive Officer s actual compensation. The three members of the committee are elected by the Board of Directors. The current members of this committee are: Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Masahiro Sakane and Takao Kusakari. This Committee is chaired by Nobuyuki Koga.

<Outside Director>

Seven out of the twelve Directors of the Company s Board of Directors are Outside Directors. The Outside Directors, including corporate managers, an attorney and accountants, possess diverse backgrounds.

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The Company believes that having Outside Directors make statements based on their extensive experience and knowledge from their field of expertise diversifies and activates the discussions of the Board of Directors and each of the Nomination, Audit and Compensation Committees. Such activities of the Outside Directors have played a significant role in determining important managerial matters and overseeing the business execution of the Company and the Company recognizes that the status of the appointment of Outside Directors is appropriate.

As for decisions on resolutions to appoint/dismiss Outside Directors, the Company s Nomination Committee sets specific selection standards based on factors such as personality, insight, expertise and experience in corporate management and makes decisions based on such standards. In addition, the Company s Independence Criteria for Outside Directors is set forth below. Furthermore, as none of the Outside Directors fall under the categories set down by the Exchange for which independence is considered suspect, and since there is no danger of a conflict of interest arising with the general shareholders, the Company has designated all seven Outside Directors as Independent Directors, and has notified the Exchange accordingly.

Independence Criteria for Outside Directors of Nomura Holdings, Inc.

Outside Directors of Nomura Holdings, Inc. (the Company) shall satisfy the requirements set forth below to maintain their independence from the Nomura Group.

1. The person, currently, or within the last three years, shall not correspond to a person listed below.

   (1) Person Related to the Company

A person satisfying any of the following requirements shall be considered a Person Related to the Company:

- Executive (*1) of another company where any Executive of the Company serves as a director or officer of that company;

- Major shareholder of the Company (directly or indirectly holding more than 10% of the voting rights) or Executive of such major shareholder; or

- Partner of the Company s accounting auditor or employee of such firm who works on the Company s audit.

   (2) Executive of a Major Lender (*2) of the Company.

   (3) Executive of a Major Business Partner (*3) of the Company (including Partners, etc.).

   (4) A person receiving compensation from the Nomura Group of more than 10 million yen per year, excluding director/officer compensation.

   (5) A person executing the business of an institution receiving more than a Certain Amount of Donation (*4) from the Company.

2. The person s spouse, relatives within the second degree of kinship or anyone who lives with the person shall not correspond to a person listed below (excluding persons in unimportant positions):

(1) Executive of the Nomura Group; or

(2) A person identified in any of subsections (1) ~ (5) in Section 1 above.

(Notes)

*1: Executive shall mean Executive Directors (*gyoumu shikkou torishimariyaku*), Executive Officers (*shikkouyaku*) and important employees (*jyuuyou na shiyounin*), including Senior Managing Directors (*shikkouyakuin*), etc.

*2: Major Lender shall mean a lender from whom the Company borrows an amount equal to or greater than 2% of the consolidated total assets of the Company.

*3: Major Business Partner shall mean a business partner whose transactions with the Company exceed 2% of such business partner s consolidated gross revenues in the last completed fiscal year.

*4: Certain Amount of Donation shall mean a donation that exceeds 10 million yen per year that is greater than 2% of the donee institution s gross revenues or ordinary income.

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<Business Execution Framework>

The Board of Directors has broadly delegated to the Executive Officers decision making authority for business execution functions to ensure that the Executive Officers can execute the Company s business with speed and efficiency. Among the matters delegated to the Executive Officers by resolutions adopted by the Board of Directors, the most important matters of business must be deliberated and decided by specific management bodies within the Company including the Executive Management Board, the Group Integrated Risk Management Committee, and the Internal Controls Committee. These management bodies are required to report to the Board of Directors on the status of their deliberations at least once every three months. The roles and members of each management body are outlined below.

(1) Executive Management Board

This Board is chaired by the Group Chief Executive Officer (Group CEO) and also consists of the Group Chief Operating Officer (Group COO), Division CEOs (responsible for execution of business in each division) and other persons designated by the Group CEO. The Executive Management Board deliberates and determines management strategies, business plans, budgets, allocation of management resources, and other important matters related to the management of the Nomura Group.

(2) Group Integrated Risk Management Committee

This committee is chaired by the Group CEO and also consists of the Group COO, Division CEOs, Chief Risk Officer, Chief Financial Officer (CFO), Chief Legal Officer, Deputy CRO and other persons designated by the Group CEO. The Executive Management Board has delegated authority to the Group Integrated Risk Committee to deliberate and determine important matters concerning enterprise risk management of the Nomura Group. Please refer to Item 2 *(4) Quantitative and Qualitative Disclosures about Market Risk* of the Section 6. *Operating and Financial Analysis* for other information relating to the status of the risk management system.

(3) Internal Controls Committee

This committee is chaired by the Group CEO, any person(s) designated by the Group CEO, an Audit Committee member elected by the Audit Committee, and a Director elected by the Board of Directors. The Internal Controls Committee deliberates and decides upon maintenance and assessment of internal controls with respect to the Nomura Group s business, and matters related to the promotion of proper corporate behavior throughout the Nomura Group.

In order to further bolster the Company s business execution framework for financial operations that are becoming increasingly sophisticated and specialized, the Company utilizes a system whereby the Executive Officers delegate a part of their authority for business execution decisions to Senior Managing Directors, who focus on individual business and operations.

In addition to the above, an Advisory Board , consisting of eminent managers, has been established as a consultative panel for the Executive Management Board to utilize outside opinions in planning the Company s management strategies.

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Management Organizations

Status of the Internal Controls System and Status of the Internal Controls System of the Subsidiaries

The Company is committed to strengthening and improving its internal controls system in order to promote proper corporate behavior throughout the Nomura Group, from the viewpoints of ensuring management transparency and efficiency, complying with laws and regulations, controlling risks, ensuring the reliability of business and financial reports and fostering the timely and appropriate disclosure of information.

The internal controls system implemented in the Company has been implemented based on a resolution adopted by the Board of Directors under the title Structures for Ensuring Appropriate Operations at Nomura Holdings, Inc., which also includes matters regarding maintenance of internal control system as a group. Further, based on the content of the resolution of the Company, each Nomura Group company maintains internal control system that reflects the actual conditions of each company.

Organization, personnel and procedures for internal audits and audits by the Audit Committee/Cooperation in conducting internal audits, audits by the Audit Committee and accounting audits, and their relationship with the Internal Audit Department

The Company established an Office of Audit Committee to support the Audit Committee. Either the Audit Committee or an Audit Committee member elected by the Audit Committee performs personal evaluations of the staff employees working in the Office of Audit Committee, and the consent of either the Audit Committee or an Audit Committee member elected by the Audit Committee is required for recruitments, transfers, and discipline of employees serving in the Office of Audit Committee. Further, in order to increase the effectiveness of audit work, a non-executive full-time Director familiar with the business and organization of Nomura Group may be appointed as an Audit Mission Director as necessary.

Further, in order to ensure effective and adequate internal controls, the Group Internal Audit Department which is independent from the business execution functions and other similar audit sections placed in major affiliated subsidiaries conduct internal audits of the Company and its subsidiaries. The implementation status of the internal audit is reported to the Internal Controls Committee, which includes a member of the Audit Committee, and the matters discussed at the Internal Controls Committee are also reported to the Board of Directors. Results of individual internal audits are also reported periodically (monthly as a general rule) to the Audit Committee by the Group Internal Audit Department, and concerning any matters worthy of special mention, such matters are included in the periodic reports from the Audit Committee to the Board of Directors. Through such reports, the Outside Directors recognize challenges, etc., based on the internal audits and provide advice, etc., as necessary, to executives.

In addition, to strengthen the independence of the internal audit sections from the business execution functions, implementation plans and formulation of the budget of the Internal Audit Division, as well as the election and dismissal of the Head of the Internal Audit Division require the consent of the Audit Committee, or a member of the Audit Committee designated by the Audit Committee. Audit Committee members may recommend to Executive Officers changes to the implementation plan, additional audit procedures or improvement plan preparations.

The Audit Committee has the authority to approve the accounting auditor s annual audit plan, hear reports and explanations regarding the accounting audit from the accounting auditor at least once each quarter, exchange information from time to time with the accounting auditor, audit the method and result of the accounting auditor s audits in view of the appropriateness thereof and examine the relevant financial statements, etc. In addition, audit fees to be paid to the accounting auditor are approved by the Audit Committee upon an explanation from the CFO. Furthermore, regarding services rendered by the accounting auditor and its affiliates to the Company and its subsidiaries and the fees to be paid, the Company has a procedure for deliberation and prior approval by the Audit Committee upon the request of the CFO, pursuant to the U.S. Sarbanes-Oxley Act of 2002 and the relevant rules of the U.S. Securities and Exchange Commission.

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

1. align with Nomura values and strategies;
2. reflect group, divisional 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 the Nomura Group s compensation framework supports our business strategy. The Company has delegated authority to the Human Resources Committee (HRC) to develop and to implement the Nomura Group s compensation policy. The HRC s responsibilities include:

- approving the compensation framework, while taking into account necessary factors to ensure that all staff, including members of executive management, are provided with appropriate incentives to enhance their performance and are rewarded for their individual contributions to the success of our business globally;
- approving the total bonus pool and its allocation to each business;
- reviewing the performance measures of senior executives to ensure that compensation reflects the performance of both individuals and our business globally;
- continually reviewing the appropriateness and relevance of our compensation policy; and

approving any major changes in employee benefits structures globally;

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

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(3) Nomura s compensation framework

Nomura delivers compensation to executives and employees through fixed and variable components. The key objectives of these components are provided below, together with the specific elements of each component.

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

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

Fixed Compensation in EMEA was revised in line with regulations on remunerations in European countries.

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(4) Variable Compensation

Cash bonuses

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

Deferred compensation

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

- align employee interest with that of shareholders;
- increase employee retention through providing opportunities to grow personal wealth over the period from grant to vesting; and
- encourage cross-divisional and cross-regional collaboration by focusing individuals on a common goal of long-term increase in corporate value.

As a result of these benefits, deferred compensation awards are also recommended by regulators in the key jurisdictions in which we operate.

The deferral period over which our deferred compensation awards vest is generally three or more years. This is in line with the Principles for Sound Compensation Practices issued by the FSB, which recommends, among other things, a deferral period of three or more years. Deferred compensation awards are also generally reduced, forfeited or clawed back in the event of:

- voluntary termination of employment;
- material restatement in our consolidated group financial statements;
- material violation of policies of Nomura; and
- material detriment to the business or reputation of Nomura.

Deferred compensation awards for the fiscal year ended March 31, 2013 and subsequent fiscal years which are delivered to senior management and employees who exceed certain compensation levels will also be reduced, forfeited or clawed back in the event of a material downturn in performance of the Nomura group and/or a material failure of risk management.

Furthermore, stricter terms and conditions for reduction, forfeiture and clawback were introduced into deferred compensation awards for the fiscal year ended March 31, 2015.

Certain deferred compensation awards delivered in respect of the fiscal years ended March 31, 2013 and March 2014 include Full Career Retirement (FCR) provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria are met. Awards in respect of the fiscal year ended March 31, 2015 include similar FCR provisions, however the ability of the recipient to claim FCR in the first year of the award is now limited to a pre-defined election window which closes at 25 June.

Nomura s deferred compensation awards currently comprise core deferral awards and supplemental deferral awards.

1. Core deferral awards

(a) Stock Acquisition Right (SAR) awards

Nomura has issued the following two types of SAR awards.

SAR Plan A awards

The Company issues SAR Plan A awards linked to price of the Company s common stock pursuant to several stock option plans. These awards vest and are exercisable into the Company s common stock two years after grant date, expire approximately seven years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is generally not less than the fair value of the Company s common stock on grant date. The awards qualify as SARs under Japanese tax law and are therefore delivered primarily to employees in Japan.

SAR Plan B awards

The Company issues SAR Plan B awards linked to price of the Company s common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company s common stock approximately half to five years after grant date, expire approximately five and a half to ten years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

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.

(b) Notional Stock Unit (NSU) awards

NSU awards are cash-settled awards linked to the price of the Company s common stock which are designed to replicate the key features of SAR Plan B awards described above but are settled in cash rather than exercisable into the Company s common stock. This allows equity-linked awards to be made in countries where SARs are less favorably treated from tax or other perspectives. These awards have graded vesting over five years from grant date and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

2. Supplemental deferral awards

Beginning with the fiscal year ended March 31, 2011, we have also delivered deferred compensation to certain senior management and employees through supplemental deferral awards which are in additional to the core deferral awards described above. These awards reinforce our goals of retaining and motivating our key talent in the competitive market place. These awards have graded vesting over five years after grant date.

(a) Collared Notional Stock Unit (CSU) awards

CSU awards are linked to the value of the Nomura s stock price subject to a cap and a floor.

(b) Notional Indexed Unit (NIU) awards

NIU awards are 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.

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(5) Consistency with risk management and linkage to performance

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

Nomura recognizes that its aggregate compensation should maintain consistency with the current financial soundness and future prospects of Nomura, and that it should 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

		Millions of yen Year ended March 31, 2015			
	Number of Directors or Executive Officers(1)	Basic Compensation(2)	Bonus	Deferred Compensation(3)	Total
Directors	9	¥ 285	¥ 46	¥ 103	¥ 433
(Outside Directors included in above)	(6)	(144)	( )	( )	(144)
Executive Officers	7	501	273	646	1,420
Total	16	¥ 786	¥ 319	¥ 749	¥ 1,853

(1) There were 9 Directors and 7 Executive Officers as of March 31, 2015. Compensation to Directors who concurrently serve as Executive Officers is included in amounts reported for Executive Officers.
(2) Basic compensation of ¥786 million includes other compensation (commuter pass allowances) of ¥0.4 million that has been provided.
(3) Represents the portion of deferred compensation (such as stock options) granted during the year ended March 31, 2015 and prior years which has been recognized as compensation expense in our consolidated financial statements included in this annual report during the year ended March 31, 2015.
(4) Subsidiaries of the Company paid ¥57 million to Outside Directors as compensation for their directorship of those subsidiaries for the year ended March 31, 2015.
(5) The Company abolished retirement bonuses to Directors in 2001.

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

			Millions of yen						
			Fixed Remuneration (Basic Compensation)			Variable Compensation[(1)]			
Name	**Company**	**Category**	**Base Salary**	**Equity Compensation (SARs)**	**Total**	**Cash Bonus**	**Deferred Compensation (SARs, etc.)**	**Total**	**Total**
Nobuyuki Koga	Nomura	Director	¥ 83	¥	¥ 83	¥ 36	¥ 73	¥ 109	¥ 192
Koji Nagai	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	70	139	209	328
Atsushi Yoshikawa	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	57	115	172	280
Tetsu Ozaki	Nomura	Executive Officer	66	13	79	40	81	121	200
Toshio Morita	Nomura	Executive Officer	60	13	73	49	98	147	220
Kunio Watanabe	Nomura	Executive Officer	60	13	73	22	45	67	140
Shoichi Nagamatsu	Nomura	Executive Officer	60	13	73	19	38	57	130
Shigesuke Kashiwagi	Nomura	Executive Officer	60	13	73	16	31	47	120

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2015.

Status of Equity Investment

(1) Equity investment not for pure investment purpose

Number of the different securities:	313 securities
Amount on balance sheet:	¥ 134,992 million

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(2) Equity investments not for pure investment purpose by security, number of shares, amount on balance sheet and holding purpose.
(Year ended March 31, 2014)

Name of security	Number of shares (000 shares)	Amount on balance sheet (Millions of yen)	Holding purpose
Toyota Motor Corporation	3,553	20,700	To enhance business relationship
DENTSU INC.	2,400	9,396	Same as above
Asahi Group Holdings, Ltd.	2,650	7,656	Same as above
Japan Exchange Group, Inc	2,215	5,576	Same as above
Resona Holdings, Inc.	7,905	3,945	Same as above
The Chiba Bank, Ltd.	5,693	3,621	Same as above
HIROSE ELECTRIC CO., LTD.	200	2,836	Same as above
Daiko Clearing Services Corporation	3,571	2,517	Same as above
Benesse Holdings, Inc.	568	2,240	Same as above
SURUGA bank, Ltd.	1,136	2,066	Same as above
The Gunma Bank, Ltd.	3,168	1,780	Same as above
Mitsui Fudosan Co., Ltd.	516	1,625	Same as above
The Shizuoka Bank, Ltd.	1,500	1,511	Same as above
Takashimaya Company, Limited	1,379	1,335	Same as above
Nankai Electric Railway Co., Ltd.	3,316	1,326	Same as above
The Hiroshima Bank, Ltd.	3,000	1,293	Same as above
The Musashino Bank, Ltd.	313	1,071	Same as above
Japan Securities Finance Co., Ltd.	1,790	1,070	Same as above
THE NISHI-NIPPON CITY BANK, LTD.	4,610	1,069	Same as above
NIPPON EXPRESS CO., LTD.	2,060	1,040	Same as above
The Juroku Bank, Ltd.	2,617	942	Same as above
Nippon Television Holdings, Inc.	548	924	Same as above
The Iyo Bank, Ltd.	934	921	Same as above
Hokuhoku Financial Group, Inc.	4,132	818	Same as above
Heiwa Corporation.	400	708	Same as above
North Pacific Bank, Ltd.	1,670	700	Same as above
The Joyo Bank, Ltd.	1,298	669	Same as above
Olympus Corporation.	200	659	Same as above
C.Uyemura & Co., Ltd.	114	583	Same as above
The Aomori Bank, Ltd.	2,040	581	Same as above

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(Year ended March 31, 2015)

Name of security	Number of shares (000 shares)	Amount on balance sheet (Millions of yen)	Holding purpose
Toyota Motor Corporation	3,553	29,785	To enhance business relationship
DENTSU INC.	2,400	12,360	Same as above
Asahi Group Holdings, Ltd.	2,650	10,106	Same as above
Japan Exchange Group, Inc	2,215	7,718	Same as above
The Chiba Bank, Ltd.	5,693	5,021	Same as above
Resona Holdings, Inc.	7,905	4,716	Same as above
SURUGA bank, Ltd.	1,136	2,835	Same as above
The Gunma Bank, Ltd.	3,168	2,572	Same as above
Benesse Holdings, Inc.	568	2,146	Same as above
The Hiroshima Bank, Ltd.	3,000	1,944	Same as above
Mitsui Fudosan Co., Ltd.	516	1,821	Same as above
The Shizuoka Bank, Ltd.	1,500	1,800	Same as above
Nankai Electric Railway Co., Ltd.	3,316	1,645	Same as above
HIROSE ELECTRIC CO., LTD.	105	1,632	Same as above
Takashimaya Company, Limited	1,379	1,629	Same as above
THE NISHI-NIPPON CITY BANK, LTD.	4,610	1,609	Same as above
NIPPON EXPRESS CO., LTD.	2,060	1,384	Same as above
The Iyo Bank, Ltd.	934	1,333	Same as above
The Musashino Bank, Ltd.	313	1,264	Same as above
The Juroku Bank, Ltd.	2,617	1,154	Same as above
Hokuhoku Financial Group, Inc.	4,132	1,107	Same as above
Nippon Television Holdings, Inc.	548	1,097	Same as above
Heiwa Corporation.	400	944	Same as above
Daiko Securities Business Co., Ltd.	1,071	901	Same as above
The Joyo Bank, Ltd.	1,298	802	Same as above
The Aomori Bank, Ltd.	2,040	790	Same as above
Japan Securities Finance Co., Ltd.	1,000	759	Same as above
North Pacific Bank, Ltd.	1,670	758	Same as above
Higo Bank, Ltd.	1,000	737	Same as above
TOKYO TY Financial Group, Inc.	218	703	Same as above

(3) Equity investments for pure investment purpose

	Millions of yen				
	Year ended March 31, 2014	Year ended March 31, 2015			
	Total amount on balance sheet	Total amount on balance sheet	Total dividends received	Total gains on sale	Total gains on valuation
Non-listed securities	950			2,011	
Listed securities	4,684	7,339	165		4,176

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Regulations regarding the Number of Directors

The Company s Articles of Incorporation provide for not more than 20 Directors.

Requirements for a Resolution to Appoint Directors

The Company s Articles of Incorporation provide that a resolution for the appointment of Directors shall be adopted at a general meeting of shareholders with a vote in favor by a simple majority of the voting rights held by the shareholders present at a meeting attended by shareholders entitled to exercise voting rights holding in aggregate 1/3 or more of the total voting rights. The Company s Articles of Incorporation also provide that no cumulative voting shall be used for the appointment of Directors.

Requirements for a Special Resolution at the General Meeting of Shareholders

The Company s Articles of Incorporation provide that any resolution under Article 309, Paragraph 2 of the Companies Act must be adopted with a vote in favor by 2/3 of the voting rights held by the shareholders at a meeting attended by shareholders entitled to exercise voting rights holding in aggregate 1/3 or more of the total voting rights.

Decision-Making Body for Dividends, etc.

In order for the Company to return profit to the shareholders and execute capital policy by responding flexibly to changes in the business environment, the Company s Articles of Incorporation provide that dividend distributions, etc., under Article 459, Paragraph 1 of the Companies Act must be approved by a resolution adopted by the Board of Directors, instead of a resolution adopted by the general meeting of shareholders, unless otherwise prescribed by law.

Release for Directors and Executive Officers

In order for the Directors and Executive Officers to perform their expected roles in the execution of their duties, the Company s Articles of Incorporation provide that Directors (including former Directors) and Executive Officers (including former Executive Officers) can be released from Companies Act Article 423 Paragraph 1 liability by a resolution adopted by the Board of Directors pursuant to Article 426 Paragraph 1 of the Companies Act, up to the amount specified in applicable laws and regulations.

Limitation of Liability Agreement

The Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages (limitation of liability agreements) with each of the following Directors (excluding a person who serves as an executive director, etc.): Hiroyuki Suzuki, David Benson and all of the Outside Directors. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

Preferred Stock

In order for the Company to secure flexibility of financing and to quickly respond to changes in the economic and business environments, the Company s Articles of Incorporation enables the Company to issue preferred stock with no voting rights, in addition to common stock. The unit for preferred stock is 100 shares, which is the same as the unit for common stock. The shareholders of preferred stock may not exercise voting rights with regard to any proposals at a general meeting of shareholders, as long as such shareholders of the preferred stock receive preferred dividends that are paid in priority to the shareholders of the common stock.

As of the date of this report, the Company has only issued common stock.

Names of the certified public accountants who executed the audit work, name of the audit corporation to which the certified public accountants belong, and composition of the assistants assigned to the audit work

1. Names of the certified public accountants who executed the audit work and name of the audit corporation to which the certified public accountants belong

Designated and Operating Partner Tadayuki Matsushige	Ernst & Young ShinNihon LLC
Designated and Operating Partner Noboru Miura	Ernst & Young ShinNihon LLC
Designated and Operating Partner Toyohiro Fukata	Ernst & Young ShinNihon LLC
Designated and Operating Partner Hisashi Yuhara	Ernst & Young ShinNihon LLC

Personal profiles are not provided, as none of the above accountants have records of more than seven years of continuous service as auditors of the Company.

2. Composition of the assistants assigned to the audit work

Certified public accountants:	thirty two (32) persons
Others:	seventy seven (77) persons

Others include those who passed the Certified Public Accountant Examination and system auditors.

(2) Audit fees, etc

1. Details of fees to Ernst & Young ShinNihon LLC

	Year ended March 31, 2014		Year ended March 31, 2015	
	Audit	Non-audit	Audit	Non-audit
	(in millions of yen)			
Company	¥ 844	¥ 52	¥ 858	¥ 18
Consolidated subsidiaries	369	98	380	119
Total	¥ 1,213	¥ 150	¥ 1,238	¥ 137

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2. Details of significant fees to Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC is a member firm of Ernst & Young. Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC also provide a various type of services, such as audit services, audit-related services, tax services and other services with the Company and its consolidated subsidiaries. The following table presents information about fees for those services provided by Ernst & Young and its member firm companies other than Ernst & Young ShinNihon LLC.

	Millions of yen Year ended March 31, 2014	Millions of yen Year ended March 31, 2015
Audit Fees	¥ 2,063	¥ 2,047
Audit-Related Fees	17	124
Tax Fees	113	139
All Other Fees	477	570
Total	¥ 2,670	¥ 2,880

3. Details of non-audit services provided by Ernst & Young ShinNihon for the Company

Ernst & Young ShinNihon LLC provides certain non-audit services, such as, accounting advice and comfort letter, which are not included in the scope of services prescribed in Article 2, Paragraph 1 of Certified Public Accountants Act, with the Company.

4. Approval of audit fees

Our Audit Committee is to agree on audit fee level for Ernst & Young ShinNihon LLC after receiving the explanation from our Chief Financial Officer (CFO). With respect to non-audit services to be provided by Ernst & Young ShinNihon LLC, Ernst & Young and its member firm companies, our Audit Committee receives the application from our CFO and makes the pre-approval decision on these services after reviewing the details and estimated fee levels for each engagement, pursuant to its internal policies.

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Item 5. Financial Information

1. Preparation Method of Consolidated Financial Statements and Unconsolidated Financial Statements

(1) Pursuant to Article 95 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976), the consolidated financial statements were prepared in accordance with the accounting principles which are required in order to issue American Depositary Shares (ADS), i.e., the accounting principles generally accepted in the United States of America (U.S. GAAP).

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

(3) The unconsolidated financial statements of the Company were prepared based on the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No. 59, 1963) (the Ordinance). In accordance with Cabinet Office Ordinance to Partially Revise Ordinance on Terminology, Forms and Preparation Methods of Financial Statements (Supplementary Provisions Article 2-2 of the Cabinet Office Ordinance No. 61, September 21, 2012), comparatives included in the financial statements for the year ended March 31, 2014 are prepared based on the Ordinance prior to the issued revisions. Also, the financial statements of the Company are prepared in accordance with Article 127 of the Ordinance.

2. Audit Certificate

Under Article No.193-2-1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed audits of the consolidated and unconsolidated financial statements for the year ended March 31, 2015.

3. Specific efforts to ensure the appropriateness of the consolidated financial statements

The Company makes specific efforts to ensure the appropriateness of its consolidated financial statements. Certain internal structures are in place for ensuring the Company s correct understanding of the accounting standards and the ability to accurately deal with any changes in the standards as well as for maintaining the completeness and appropriateness in disclosure in relation to any significant information which is subject to disclosure requirements.

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1. Consolidated Financial Statements and Other

(1) Consolidated Financial Statements

NOMURA HOLDINGS, INC.

1. CONSOLIDATED BALANCE SHEETS

	Notes	Millions of yen March 31 2014	2015
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents		¥ 1,489,792	¥ 1,315,408
Time deposits		363,682	328,151
Deposits with stock exchanges and other segregated cash		335,836	453,037
Total cash and cash deposits		2,189,310	2,096,596
Loans and receivables:	*7		
Loans receivable (including ¥303,956 million and ¥317,218 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2	1,327,875	1,461,075
Receivables from customers (including ¥2,180 million and ¥1,803 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2	64,070	187,026
Receivables from other than customers		1,181,742	1,303,576
Allowance for doubtful accounts		(3,009)	(3,253)
Total loans and receivables		2,570,678	2,948,424
Collateralized agreements:			
Securities purchased under agreements to resell (including ¥1,087,138 million and ¥1,529,451 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2	9,617,675	8,481,474
Securities borrowed		7,729,326	8,238,046
Total collateralized agreements		17,347,001	16,719,520
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥9,266,192 million and ¥8,114,490 million in 2014 and 2015, respectively; including ¥9,156 million and ¥8,133 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2, 3	18,672,318	17,260,121
Private equity investments (including ¥3,476 million and ¥6,539 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2	41,996	48,727
Total trading assets and private equity investments		18,714,314	17,308,848
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥350,820 million and ¥383,992 million in 2014 and 2015, respectively)		408,917	401,069
Non-trading debt securities	*2, 5	1,023,746	948,180
Investments in equity securities	*2	136,740	159,755
Investments in and advances to affiliated companies	*7, 19	345,434	378,278
Other (including ¥56,976 million and ¥90,984 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2, 5, 9	784,174	822,566

Total other assets	2,699,011	2,709,848
Total assets	¥ 43,520,314	¥ 41,783,236

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

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	Notes	Millions of yen March 31 2014	2015
LIABILITIES AND EQUITY			
Short-term borrowings (including ¥49,279 million and ¥189,018 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2, 10	¥ 602,131	¥ 662,256
Payables and deposits:			
Payables to customers		492,516	723,839
Payables to other than customers		1,230,176	1,454,361
Deposits received at banks		1,114,181	1,220,400
Total payables and deposits		2,836,873	3,398,600
Collateralized financing:			
Securities sold under agreements to repurchase (including ¥530,397 million and ¥982,567 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2	13,937,690	12,217,144
Securities loaned		2,359,809	2,494,036
Other secured borrowings		814,500	668,623
Total collateralized financing		17,111,999	15,379,803
Trading liabilities	*2, 3	11,047,285	10,044,236
Other liabilities (including ¥1,123 million and ¥15,786 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2, 9	1,141,750	1,217,099
Long-term borrowings (including ¥1,984,986 million and ¥2,578,489 million measured at fair value by applying the fair value option in 2014 and 2015, respectively)	*2, 10	8,227,063	8,336,296
Total liabilities		40,967,101	39,038,290
Commitments and contingencies	*20		
Equity:	*17		
Nomura Holdings, Inc (NHI) shareholders equity:			
Common stock			
No par value shares Authorized 6,000,000,000 shares in 2014 and 2015 Issued 3,822,562,601 shares in 2014 and 2015 Outstanding 3,717,630,462 shares in 2014 and 3,598,865,213 shares in 2015		594,493	594,493
Additional paid-in capital		683,638	683,407
Retained earnings		1,287,003	1,437,940
Accumulated other comprehensive income (loss)	*16	20,636	143,739
Total NHI shareholder s equity before treasury stock		2,585,770	2,859,579
Common stock held in treasury, at cost 104,932,139 shares in 2014 and 223,697,388 shares in 2015		(72,090)	(151,805)
Total NHI shareholders equity		2,513,680	2,707,774
Noncontrolling interests		39,533	37,172
Total equity		2,553,213	2,744,946
Total liabilities and equity		¥ 43,520,314	¥ 41,783,236

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

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

	Billions of yen March 31	
	2014	**2015**
Cash and cash deposits	¥ 18	¥ 9
Trading assets and private equity investments	751	1,008
Other assets	114	40
Total assets	¥ 883	¥ 1,057
Trading liabilities	¥ 42	¥ 12
Other liabilities	27	3
Borrowings	424	750
Total liabilities	¥ 493	¥ 765

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

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NOMURA HOLDINGS, INC.

2. CONSOLIDATED STATEMENTS OF INCOME

	Notes	Millions of yen Year ended March 31 2014	2015
Revenue:			
Commissions		¥ 473,121	¥ 453,401
Fees from investment banking		91,301	95,083
Asset management and portfolio service fees		168,683	203,387
Net gain on trading	*2, 3	476,356	531,337
Gain on private equity investments		11,392	5,502
Interest and dividends		416,350	436,766
Gain (loss) on investments in equity securities		15,156	29,410
Other	*9	179,485	175,702
Total revenue		1,831,844	1,930,588
Interest expense		274,774	326,412
Net revenue		1,557,070	1,604,176
Non-interest expenses:			
Compensation and benefits		570,058	596,593
Commissions and floor brokerage		111,849	129,977
Information processing and communications		192,168	192,300
Occupancy and related depreciation		80,142	76,112
Business development expenses		38,485	35,230
Other	*9	202,754	227,205
Total non-interest expenses		1,195,456	1,257,417
Income before income taxes		361,614	346,759
Income tax expense	*15	145,165	120,780
Net income		¥ 216,449	¥ 225,979
Less: Net income (loss) attributable to noncontrolling interests		2,858	1,194
Net income attributable to NHI shareholders		¥ 213,591	¥ 224,785
		Yen	
Per share of common stock:	*11		
Basic			
Net income attributable to NHI shareholders per share		¥ 57.57	¥ 61.66
Diluted			
Net income attributable to NHI shareholders per share		¥ 55.81	¥ 60.03

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

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NOMURA HOLDINGS, INC.

3. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen	
	Year ended March 31	
	2014	2015
Net income	¥ 216,449	¥ 225,979
Other comprehensive income (loss):		
Change in cumulative translation adjustments, net of tax	68,090	110,487
Defined benefit pension plans:		
Pension liability adjustment	15,093	5,259
Deferred income taxes	(5,384)	(1,854)
Total	9,709	3,405
Non-trading securities:		
Net unrealized gain on non-trading securities	3,358	27,643
Deferred income taxes	(1,109)	(8,681)
Total	2,249	18,962
Total other comprehensive income	80,048	132,854
Comprehensive income	296,497	358,833
Less: Comprehensive income attributable to noncontrolling interests	4,875	10,945
Comprehensive income attributable to NHI shareholders	¥ 291,622	¥ 347,888

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

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NOMURA HOLDINGS, INC.

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Millions of yen Year ended March 31 2014	2015
Common stock		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of year	594,493	594,493
Additional paid-in capital		
Balance at beginning of year	691,264	683,638
Gain (loss) on sales of treasury stock	(7,647)	(2,417)
Issuance and exercise of common stock options	(210)	2,186
Purchase / sale of subsidiary shares, net	231	
Balance at end of year	683,638	683,407
Retained earnings		
Balance at beginning of year	1,136,523	1,287,003
Net income attributable to NHI shareholders	213,591	224,785
Cash dividends	(63,111)	(68,627)
Gain (loss) on sales of treasury stock		(5,221)
Balance at end of year	1,287,003	1,437,940
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments		
Balance at beginning of year	(38,875)	27,704
Net change during the year	66,579	105,667
Balance at end of year	27,704	133,371
Defined benefit pension plans		
Balance at beginning of year	(28,518)	(18,809)
Pension liability adjustment	9,709	3,405
Balance at end of year	(18,809)	(15,404)
Non-trading securities		
Balance at beginning of year	9,998	11,741
Net unrealized gain on non-trading securities	1,743	14,031
Balance at end of year	11,741	25,772
Balance at end of year	20,636	143,739
Common stock held in treasury		
Balance at beginning of year	(70,514)	(72,090)
Repurchases of common stock	(32,511)	(104,047)
Sales of common stock	9	3

Common stock issued to employees	30,127	24,226
Other net change in treasury stock	799	103
Balance at end of year	(72,090)	(151,805)
Total NHI shareholders equity		
Balance at end of year	2,513,680	2,707,774
Noncontrolling interests		
Balance at beginning of year	24,612	39,533
Cash dividends	(40)	(39)
Net income (loss) attributable to noncontrolling interests	2,858	1,194
Accumulated other comprehensive income (loss) attributable to noncontrolling interests		
Cumulative translation adjustments	1,511	4,820
Net unrealized gain on non-trading securities	506	4,931
Purchase / sale of subsidiary shares, net	341	4,889
Other net change in noncontrolling interests	9,745	(18,156)
Balance at end of year	39,533	37,172
Total equity		
Balance at end of year	¥ 2,553,213	¥ 2,744,946

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

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NOMURA HOLDINGS, INC.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen Year ended March 31 2014	2015
Cash flows from operating activities:		
Net income	¥ 216,449	¥ 225,979
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	79,468	78,882
Stock option expenses	21,091	19,364
Gain on investments in equity securities	(15,156)	(29,410)
Equity in earnings of affiliates, net of dividends received	(29,499)	(34,772)
Loss on disposal of office buildings, land, equipment and facilities	8,360	9,690
Deferred income taxes	117,061	26,489
Changes in operating assets and liabilities:		
Time deposits	274,593	38,341
Deposits with stock exchanges and other segregated cash	(42,403)	(66,122)
Trading assets and private equity investments	(485,673)	2,917,895
Trading liabilities	2,007,807	(1,731,133)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(183,884)	(1,251,323)
Securities borrowed, net of securities loaned	(1,604,469)	(221,295)
Other secured borrowings	7,992	(145,877)
Loans and receivables, net of allowance for doubtful accounts	217,397	(92,713)
Payables	278,325	236,029
Bonus accrual	16,356	(3,659)
Accrued income taxes, net	(87,933)	59,931
Other, net	(338,456)	(113,324)
Net cash provided by (used in) operating activities	457,426	(77,028)
Cash flows from investing activities:		
Payments for purchases of office buildings, land, equipment and facilities	(214,336)	(209,468)
Proceeds from sales of office buildings, land, equipment and facilities	176,680	159,480
Payments for purchases of investments in equity securities	(4,799)	(354)
Proceeds from sales of investments in equity securities	6,945	6,977
Increase in loans receivable at banks, net	(10,972)	(49,192)
Decrease (increase) in non-trading debt securities, net	(103,187)	109,761
Business combinations or disposals, net		(7,308)
Decrease in investments in affiliated companies, net	43,298	2,212
Other, net	3,176	229
Net cash provided by (used in) investing activities	(103,195)	12,337
Cash flows from financing activities:		
Increase in long-term borrowings	2,140,351	2,974,115
Decrease in long-term borrowings	(1,594,148)	(3,167,956)
Increase (decrease) in short-term borrowings, net	(149,437)	34,041
Increase (decrease) in deposits received at banks, net	(23,605)	140,571
Proceeds from sales of common stock held in treasury	682	387
Payments for repurchases of common stock held in treasury	(32,511)	(104,047)
Payments for cash dividends	(51,947)	(55,317)
Net cash provided by (used in) financing activities	289,385	(178,206)

Effect of exchange rate changes on cash and cash equivalents	41,089	68,513
Net increase (decrease) in cash and cash equivalents	684,705	(174,384)
Cash and cash equivalents at beginning of the year	805,087	1,489,792
Cash and cash equivalents at end of the year	¥ 1,489,792	¥ 1,315,408
Supplemental information:		
Cash paid during the year for		
Interest	¥ 303,331	¥ 364,392
Income tax payments, net	¥ 116,037	¥ 34,359

Non cash activities

Business acquisitions:

Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥34,271 million and ¥18,817 million, respectively, for the year ended March 31, 2015.

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

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of accounting and summary of accounting policies:

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

Therefore, the Company and other entities in which it has a controlling financial interest (collectively Nomura) prepares consolidated financial statements in accordance with the accounting principles, procedures and presentations which are required in order to issue ADS, i.e., U.S. generally accepted accounting principles (U.S. GAAP), pursuant to Article 95 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976). The following paragraphs describe the major differences between U.S. GAAP applied by Nomura and accounting principles generally accepted in Japan (Japanese GAAP) for the year ended March 31, 2015. Where the effect of these major differences are significant to *Income before income taxes*, Nomura discloses as (higher) or (lower) below the amount by which *Income before income taxes* based on U.S. GAAP was higher or lower than Japanese GAAP, respectively.

Scope of consolidation

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

In addition, U.S. GAAP provides a definition of investment companies for which specialized accounting guidance applies, and entities that are subject to this guide carry all of their investments at fair value, with changes in fair value recognized through earnings. Under Japanese GAAP, under situations such as where a venture capital fund holds other companies shares for trading and investment promotion purposes, such companies are not considered as subsidiaries even if such shareholding otherwise meets the control criteria.

Unrealized gains and losses on investments in equity securities

Under U.S. GAAP applicable to broker-dealers, minority investments in equity securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥10,728 million (higher) and ¥24,685 million (higher) for the years ended March 31, 2014 and 2015, respectively.

Unrealized gains and losses on investment in equity securities for other than operating purposes

Under U.S. GAAP applicable to broker-dealers, investments in equity securities for other than operating purposes are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥4,373 million (higher) and ¥2,515 million (higher) for the years ended March 31, 2014 and 2015, respectively. The investments in equity securities for other than operating purposes are included in *Other assets-Other* in the consolidated balance sheets.

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Unrealized gains and losses on non-trading debt securities

Under U.S. GAAP applicable to broker-dealers, unrealized gains and losses on non-trading debt securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, unrealized gains and losses on non-trading debt securities, net of applicable income taxes, are reported in other comprehensive income. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥3,995 million (lower) and ¥1,059 million (lower) for the years ended March 31, 2014 and 2015, respectively.

Retirement and severance benefits

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

Amortization of goodwill and equity method goodwill

Under U.S. GAAP, goodwill is not amortized and is tested for impairment periodically. Under Japanese GAAP, goodwill is amortized over a certain periods of less than 20 years using the straight-line method. Therefore, under U.S. GAAP, *Income before income taxes* was ¥3,843 million (higher) and ¥9,121 million (higher) for the years ended March 31, 2014 and 2015, respectively.

Changes in the fair value of derivative contracts

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

Fair value for financial assets and financial liabilities

Under U.S. GAAP, the fair value option may be elected for eligible financial assets and liabilities which would otherwise be carried on a basis other than fair value (the fair value option). Where the fair value option is elected, the financial asset or liability is carried at fair value with changes in fair value are recognized in earnings. Under Japanese GAAP, the fair value option is not permitted. Therefore, under U.S. GAAP, *Income before income taxes* was ¥11,574 million (higher) and ¥375 million (lower) for the years ended March 31, 2014 and 2015, respectively. In addition, non-marketable equity securities which are valued at fair value in the consolidated financial statements shall be valued at cost except in case of impairment loss recognition under Japanese GAAP.

Offsetting of amounts related to certain contracts

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

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Stock issuance costs

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

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

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

Description of business

The Company and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government clients on a global basis.

Nomura operates its business through various divisions based upon the nature of specific products and services, its main client base and its management structure. Nomura reports operating results through three business segments: Retail, Asset Management and Wholesale.

In its Retail segment, Nomura provides investment consultation services mainly to individual clients in Japan. In its Asset Management segment, Nomura develops and manages investment trusts, and provides investment advisory services. In its Wholesale segment, Nomura engages in the sales and trading of debt and equity securities, derivatives, and currencies on a global basis, and provides investment banking services such as the underwriting of debt and equity securities as well as mergers and acquisitions and financial advice.

Basis of consolidated financial statements

These consolidated financial statements include the financial statements of the Company and other entities in which it has a controlling financial interest. Nomura initially determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity (VIE) under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 810 *Consolidation* (ASC 810). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. Nomura consolidates VIEs where Nomura is the primary beneficiary, which is where Nomura holds variable interests that provide power over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses meeting a significance test, provided that Nomura is not acting as a fiduciary for other interest holders. For certain VIEs that qualify as investment companies under ASC 946 *Financial Services Investment Companies* (ASC 946) or for which it is industry practice to apply guidance consistent with the measurement principles in ASC 946, Nomura is the primary beneficiary when it holds an interest that will absorb a majority of the expected losses or a majority of the expected residual returns of the entity, or both.

For entities other than VIEs, Nomura is generally determined to have a controlling financial interest in an entity when it owns a majority of the voting interests.

Equity investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as a holding of 20 to 50 percent of the voting stock of a corporate entity, or at least 3 percent of a limited partnership) are accounted for under the equity method of accounting (equity method investments) and reported within *Other assets Investments in and advances to affiliated companies* or at fair value by electing the fair value option permitted by ASC 825 *Financial Instruments* (ASC 825) and reported within *Trading assets*, *Private equity investments or Other assets Other*. Other financial investments are generally reported within Trading assets. Equity investments in which Nomura has neither control nor significant influence are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income.

Certain entities in which Nomura has a financial interest are investment companies under ASC 946. These entities carry all of their investments at fair value, with changes in fair value recognized through the consolidated statements of income.

The Company s principal subsidiaries include Nomura Securities Co., Ltd. (NSC), Nomura Securities International, Inc. (NSI), Nomura International plc (NIP) and Nomura Financial Products & Services, Inc. (NFPS).

All material intercompany transactions and balances have been eliminated on consolidation. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Use of estimates

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

Fair value of financial instruments

A significant amount of Nomura s financial assets and financial liabilities are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income. Use of fair value is either specifically required under U.S. GAAP or Nomura makes an election to use fair value for certain eligible items under the fair value option.

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

In all cases, fair value is determined in accordance with ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura s principal market, or in the absence of a principal market, the most advantageous market for the relevant financial asset or financial liability. See Note 2 *Fair value measurements* for further information regarding how Nomura estimates fair value for specific types of financial instruments used in the ordinary course of business.

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Transfers of financial assets

Nomura accounts for the transfer of a financial asset as a sale when Nomura relinquishes control over the asset by meeting the following conditions: (a) the asset has been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the asset received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, if, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests held and (c) the transferor has not maintained effective control over the transferred asset.

In connection with its securitization activities, Nomura utilizes special purpose entities (SPEs) to securitize commercial and residential mortgage loans, government and corporate securities and other types of financial assets. Nomura s involvement with SPEs includes structuring and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets and does not consolidate the SPE. Nomura may obtain or retain an interest in the financial assets, including residual interests in the SPEs dependent upon prevailing market conditions. Any such interests are accounted for at fair value and reported within *Trading assets* in the consolidated balance sheets with the change in fair value reported within *Revenue Net gain on trading* in the consolidated statements of income.

Foreign currency translation

The financial statements of the Company s subsidiaries are measured using their functional currency which is the currency of the primary economic environment in which the entity operates. All assets and liabilities of subsidiaries which have a functional currency other than Japanese yen are translated into Japanese yen at exchange rates in effect at the balance sheet date; all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported within *Accumulated other comprehensive income (loss)* in NHI shareholders equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date and the resulting translation gains or losses are credited or charged to the consolidated statements of income.

Fee revenue

Revenue Commissions includes amounts charged for executing brokerage transactions accrued on a trade date basis and are included in current period earnings. *Revenue Fees from investment banking* includes securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when the related services are performed. *Revenue Asset management and portfolio service fees* are accrued over the period that the related services are provided or when specified performance requirements are met.

Trading assets and trading liabilities

Trading assets and *Trading liabilities* primarily comprise debt securities, equity securities and derivatives which are recognized on the consolidated balance sheets on a trade date basis and loans which are recognized on the consolidated balance sheets on a settlement date basis. Trading assets and liabilities are carried at fair value with changes in fair value reported within *Revenue Net gain on trading* in the consolidated statements of income.

Collateralized agreements and collateralized financing

Collateralized agreements consist of reverse repurchase agreements disclosed as *Securities purchased under agreements to resell* and securities borrowing transactions disclosed as *Securities borrowed. Collateralized financing* consists of repurchase agreements disclosed as *Securities sold under agreements to repurchase*, securities lending transactions disclosed as *Securities loaned* and certain other secured borrowings.

Reverse repurchase and repurchase agreements principally involve the buying or selling of securities under agreements with clients to resell or repurchase these securities to or from those clients, respectively. These transactions are generally accounted for as collateralized agreements or collateralized financing transactions and are recognized in the consolidated balance sheets at the amount for which the securities were originally acquired or sold. Certain reverse repurchase and repurchase agreements are carried at fair value through election of the fair value option. No allowance for credit losses is generally recognized against reverse repurchase agreements due to the strict collateralization requirements.

Repurchase agreements where the maturity of the security transferred as collateral matches the maturity of the repurchase agreement (repurchase-to-maturity transactions), which were previously accounted for as sales where the criteria for derecognition of the securities transferred under ASC 860 *Transfers and Servicing* (ASC 860) are met, are now also accounted for as secured borrowing transactions following adoption of ASU 2014-11 *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures* (ASU 2014-11) from January 1, 2015. See *New accounting pronouncements recently adopted* below for further information regarding the adoption of ASU 2014-11. There were no securities derecognized from the consolidated balance sheet under repurchase-to-maturity transactions as of March 31, 2014.

Nomura also enters into Gensaki Repo transactions which are the standard type of repurchase agreement used in Japanese financial markets. Gensaki Repo transactions contain margin requirements, rights of security substitution, and certain restrictions on the client s right to sell or repledge the transferred securities. Gensaki Repo transactions are accounted for as collateralized agreements or collateralized financing transactions and are recognized on the consolidated balance sheets at the amount that the securities were originally acquired or sold.

Reverse repurchase agreements and repurchase agreements accounted for as collateralized agreements and collateralized financing transactions, respectively, entered into with the same counterparty and documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 *Balance Sheet Offsetting* (ASC 210-20) are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

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

Securities borrowing and lending transactions accounted for as collateralized agreements and collateralized financing transactions, respectively, entered into with the same counterparty and documented under a master netting agreement are also offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met.

Other secured borrowings consist primarily of secured borrowings from financial institutions and central banks in the inter-bank money market, and are recorded at contractual amounts due.

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Trading balances of secured borrowings consist of liabilities related to transfers of financial assets that are accounted for as secured financing transactions rather than sales under ASC 860 and are reported in the consolidated balance sheets within *Long-term borrowings*. The fair value option is generally elected for these transactions, which are carried at fair value on a recurring basis. See Note 6 *Securitizations and Variable Interest Entities* and Note 10 *Borrowings* for further information regarding these transactions.

All Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including collateral transferred under Gensaki Repo transactions, are reported parenthetically within *Trading assets as Securities pledged as collateral* in the consolidated balance sheets.

See Note 4 *Collateralized transactions* for further information.

Derivatives

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, for both trading and non-trading purposes. All freestanding derivatives are carried at fair value in the consolidated balance sheets and reported within *Trading assets or Trading liabilities* depending on whether fair value at the balance sheet date is positive or negative, respectively. Certain derivatives embedded in hybrid financial instruments such as structured notes and certificates of deposit are bifurcated from the host contract and are also carried at fair value in the consolidated balance sheets and reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.

Changes in fair value are recognized either through the consolidated statements of income or the consolidated statements of comprehensive income depending on the purpose for which the derivatives are used.

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

Trading

Derivative financial instruments used for trading purposes, including bifurcated embedded derivatives, are carried at fair value with changes in fair value reported in the consolidated statements of income within *Revenue Net gain on trading*.

Non-trading

In addition to its trading activities, Nomura uses derivative financial instruments for other than trading purposes such as to manage risk exposures arising from recognized assets and liabilities, forecasted transactions and firm commitments. Certain derivatives used for non-trading purposes are formally designated as fair value and net investment hedges under ASC 815.

Nomura designates certain derivative financial instruments as fair value hedges of interest rate risk and foreign exchange risk arising from specific financial liabilities and foreign currency denominated non-trading debt securities, respectively. These derivatives are effective in reducing the risk associated with the exposure being hedged and they are highly correlated with changes in the fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Changes in fair value of the hedging derivatives are reported together with those of the hedged financial liabilities through the consolidated statements of income within *Interest expense* and *Revenue Other*, respectively.

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Derivative financial instruments designated as hedges of the net investment in foreign operations are linked to specific subsidiaries with non-Japanese yen functional currencies. When determining the effectiveness of net investment hedges, the effective portion of the change in fair value of the hedging derivative is determined by changes in spot exchange rates and is reported through NHI shareholders equity within *Accumulated other comprehensive income (loss)*. The change in fair value of the hedging derivatives attributable to changes in the difference between the forward rate and spot rate is excluded from the measure of hedge effectiveness and is reported in the consolidated statements of income within *Revenue Other*.

See Note 3 *Derivative instruments and hedging activities* for further information.

Loans receivable

Loans receivable are loans which management intends to hold for the foreseeable future. Loans receivable are either carried at fair value or at amortized cost. Interest earned on loans receivable is generally reported in the consolidated statements of income within *Revenue Interest and dividends*.

Loans receivable carried at fair value

Certain loans which are risk managed on a fair value basis are carried at fair value through election of the fair value option. Nomura makes this election to mitigate volatility in the consolidated statements of income caused by the difference in measurement basis that would otherwise exist between the loans and the derivatives used to risk manage those loans. Changes in the fair value of loans receivable carried at fair value are reported in the consolidated statements of income within *Revenue Net gain on trading*.

Loans receivable carried at amortized cost

Loans receivable which are not carried at fair value are carried at amortized cost. Amortized cost represents cost adjusted for deferred fees and direct costs, unamortized premiums or discounts on purchased loans and after deducting any applicable allowance for credit losses.

Loan origination fees, net of direct origination costs, are amortized to *Revenue Interest and dividends* as an adjustment to yield over the life of the loan. Net unamortized deferred fees and costs were ¥808 million and ¥536 million as of March 31, 2014 and March 31, 2015, respectively.

See Note 7 *Financing receivables* for further information.

Other receivables

Receivables from customers include amounts receivable on client securities transactions and *Receivables from other than customers* include amounts receivable for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, receivables for commissions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥349,573 million and ¥315,708 million as of March 31, 2014 and March 31, 2015, respectively.

These amounts are carried at contractual amounts due less any applicable allowance for credit losses which reflects management s best estimate of probable losses incurred within these receivables which have been specifically identified as impaired. The allowance for credit losses is reported in the consolidated balance sheets within *Allowance for doubtful accounts*.

Loan commitments

Unfunded loan commitments written by Nomura are accounted for as either off-balance sheet instruments, or are carried at fair value on a recurring basis either as trading instruments or through election of the fair value option.

These loan commitments are generally accounted for in a manner consistent with the accounting for the loan receivable upon funding. Where the loan receivable will be classified as a trading asset or will be elected for the fair value option, the loan commitment is also generally held at fair value, with changes in fair value reported in the consolidated statements of income within *Revenue Net gain on trading*. Loan commitment fees are recognized as part of the fair value of the commitment.

For loan commitments where the loan will be held for the foreseeable future, Nomura recognizes an allowance for credit losses which is reported within *Other liabilities other* in the consolidated balance sheets which reflects management s best estimate of probable losses incurred within the loan commitments which have been specifically identified as impaired. Loan commitment fees are generally deferred and recognized over the term of the loan when funded as an adjustment to yield. If drawdown of the loan commitment is considered remote, loan commitment fees are recognized over the commitment period as service revenue.

Payables and deposits

Payables to customers include amounts payable on client securities transactions and are generally measured at contractual amounts due.

Payables to other than customers include payables to brokers and dealers for securities failed to receive, cash collateral payable for derivative transactions, certain collateralized agreements and financing transactions and net payables arising from unsettled securities transactions. Amounts are measured at contractual amounts due.

Deposits received at banks represent amounts held on deposit within Nomura s banking subsidiaries and are measured at contractual amounts due.

Office buildings, land, equipment and facilities

Office buildings, land, equipment and facilities, held for use by Nomura are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are expensed as incurred in the consolidated statements of income.

The following table presents a breakdown of *Office buildings, land, equipment and facilities* as of March 31, 2014 and 2015.

	Millions of yen March 31 2014	2015
Land	¥ 94,991	¥ 91,055
Office buildings	109,052	105,043
Equipment and facilities	48,101	46,186
Software	156,717	158,348
Construction in progress	56	437
Total	¥ 408,917	¥ 401,069

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Depreciation and amortization charges of assets which are owned by Nomura are generally computed using the straight-line method and recognized over the estimated useful lives of each asset. Depreciation charges of assets which are leased by Nomura under agreements which are classified as capital leases under ASC 840 *Leases* (ASC 840) are generally recognized over the term of the lease. The estimated useful life of an asset takes into consideration technological change, normal deterioration and actual physical usage by Nomura. Leasehold improvements are depreciated over the shorter of their useful life and the term of the lease.

The estimated useful lives for significant asset classes are as follows:

Office buildings	5 to 50 years
Equipment and facilities	2 to 20 years
Software	Up to 5 years

Depreciation and amortization charges of both owned and capital lease assets are reported within *Non-interest expenses Information processing and communications* in the amount of ¥57,173 million and ¥59,153 million, and in *Non-interest expenses Occupancy and related depreciation* in the amount of ¥22,295 million and ¥19,729 million for the years ended March 31, 2014 and 2015, respectively.

Leases that involve real estate are classified as either operating or capital leases in accordance with ASC 840. Rent expense relating to operating leases is recognized over the lease term on a straight-line basis. If the lease is classified as a capital lease, Nomura recognizes the real estate as an asset on the consolidated balance sheets together with a lease obligation. The real estate is initially recognized at the lower of its fair value or present value of minimum lease payments, and subsequently depreciated over its useful life on a straight-line basis. Where Nomura has certain involvement in the construction of real estate subject to a lease, Nomura is deemed the owner of the construction project and recognizes the real estate on the consolidated balance sheets until construction is completed. At the end of the construction period the real estate is either derecognized or continues to be recognized on the consolidated balance sheets in accordance with ASC 840, depending on the extent of Nomura s continued involvement with the real estate.

Long-lived assets, excluding goodwill and indefinite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flows generated by the asset is less than the carrying amount of the asset, a loss is recognized to the extent that the carrying value exceeds its fair value.

Nomura recognized impairment charges of ¥1,246 million primarily related to write-downs of software, office buildings, land, equipment, facilities, and other assets for the years ended March 31 2014. The amount of impairment charges for the year ended March 31, 2015 was not significant. These losses are reported in the consolidated statements of income within *Non-interest expenses Other* and within *Other* in Nomura s segment reporting. The revised carrying values of these assets were based on the estimated fair value of the assets.

Investments in equity securities

Nomura holds minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations in order to promote existing and potential business relationships. These companies often have similar investments in Nomura. Such cross-holdings are a customary business practice in Japan and provide a way for companies to manage shareholder relationships.

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets Investments in equity securities* in the consolidated balance sheets, with changes in fair value reported within *Revenue Gain on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥98,736 million and ¥38,004 million, respectively, as of March 31, 2014 and ¥121,901 million and ¥37,854 million, respectively, as of March 31, 2015.

Other non-trading debt and equity securities

Certain non-trading subsidiaries within Nomura, including an insurance subsidiary, hold debt securities and minority stakes in equity securities for non-trading purposes. Non-trading securities held by non-trading subsidiaries are carried at fair value and reported within *Other assets Non-trading debt securities* and *Other assets Other* in the consolidated balance sheets with changes in fair value reported within *Revenue Other* in the consolidated statements of income. Non-trading securities held by the insurance subsidiary are also carried at fair value within *Other assets Non-trading debt securities* and *Other assets Other* in the consolidated balance sheets with unrealized changes in fair value generally reported net-of-tax within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income. Changes in fair value of non-trading debt securities designated as foreign currency fair value hedges attributable to the risk being hedged are reported within *Revenue Other* in the consolidated statements of income with other unrealized changes in fair value reported net-of-tax within *Other comprehensive income (loss)*. Realized gains and losses on non-trading securities are reported within *Revenue Other* in the consolidated statements of income.

Where the fair value of non-trading securities held by Nomura s insurance subsidiary has declined below amortized cost, the securities are assessed to determine whether the decline in fair value is other-than-temporary in nature. Nomura considers quantitative and qualitative factors including the length of time and extent to which fair value has been less than amortized cost, the financial condition and near-term prospects of the issuer and Nomura s intent and ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value. If an other-than-temporary impairment loss exists, for equity securities, the security is written down to fair value, with the entire difference between fair value and amortized cost reported within *Revenue Other* in the consolidated statements of income. For debt securities, an other-than-temporary impairment loss is also reported within *Revenue Other* in the consolidated statements of income if Nomura intends to sell the debt security or it is more likely than not that Nomura will be required to sell the debt security before recovery of amortized cost. If Nomura does not intend to sell the debt security and it is not more likely than not that Nomura will be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss is reported in the consolidated statements of income and any non-credit loss component reported within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income.

See Note 5 *Non-trading securities* for further information.

Short-term and long-term borrowings

Short-term borrowings are defined as borrowings which are due on demand, which have a contractual maturity of one year or less at issuance date, or which have a longer contractual maturity but which contain features outside of Nomura s control that allows the investor to demand redemption within one year from original issuance date. Short-term and long-term borrowings primarily consist of commercial paper, bank borrowings, and certain structured notes issued by Nomura and SPEs consolidated by Nomura, and financial liabilities recognized in transfers of financial assets which are accounted for as financings rather than sales under ASC 860 (secured financing transactions). Of these financial liabilities, certain structured notes and secured financing transactions are accounted for at fair value on a recurring basis through election of the fair value option. Other short and long-term borrowings are carried at amortized cost.

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Structured notes are debt securities which contain embedded features (often meeting the accounting definition of a derivative) that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variable(s) such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or more complex interest rate calculation.

All structured notes issued by Nomura on or after April 1, 2008 are carried at fair value on a recurring basis through election of the fair value option. This blanket election for structured notes is made primarily to mitigate the volatility in the consolidated statements of income caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions and to generally simplify the accounting Nomura applies to these financial instruments.

Certain structured notes issued prior to April 1, 2008 were already measured at fair value but others continue to be accounted for by Nomura by bifurcating the embedded derivative from the associated debt host contract. The embedded derivative is accounted for at fair value and the debt host contract is accounted for at amortized cost.

Changes in the fair value of structured notes elected for the fair value option and bifurcated embedded derivatives are reported within *Revenue Net gain on trading* in the consolidated statements of income.

See Note 10 *Borrowings* for further information.

Income taxes

Deferred tax assets and liabilities are recognized to reflect the expected future tax consequences of operating loss carryforwards, tax credit carryforwards and temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities based upon enacted tax laws and tax rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is established against deferred tax assets for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Deferred tax assets and deferred tax liabilities that relate to the same tax-paying component within a particular tax jurisdiction are offset in the consolidated balance sheets. Net deferred tax assets and net deferred tax liabilities are reported within *Other assets Other* and *Other liabilities* in the consolidated balance sheets.

Nomura recognizes and measures unrecognized tax benefits based on Nomura s estimate of the likelihood, based on technical merits, that tax positions will be sustained upon examination based on the facts and circumstances and information available at the end of each period. Nomura adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. The reassessment of unrecognized tax benefits could have a material impact on Nomura s effective tax rate in the period in which it occurs.

Nomura recognizes income tax-related interest and penalties within *Income tax expense* in the consolidated statements of income.

See Note 15 *Income taxes* for further information.

Stock-based and other compensation awards

Stock-based awards issued by Nomura to senior management and other employees are classified as either equity or liability awards depending on the terms of the award.

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Stock-based awards such as Stock Acquisition Rights (SARs) which are expected to be settled by the delivery of the Company s common stock are classified as equity awards. For these awards, total compensation cost is generally fixed at the grant date and measured using the grant-date fair value of the award, net of any amount the employee is obligated to pay and estimated forfeitures.

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

Multi-year Performance Deferral (MYPD) awards which contain performance conditions and are expected to result in the issuance of SARs or NSUs are classified as equity or liability awards, respectively.

For both equity and liability awards, fair value is determined either by using option pricing models, the market price of the Company s common stock or the price of the third party index, as appropriate. Compensation cost is recognized in the consolidated statements of income over the requisite service period, which generally is equal to the contractual vesting period. For MYPD awards with performance conditions, compensation expense is also recognized over the requisite service period to the extent it is probable that the performance conditions will be met. Where an award has graded vesting, compensation expense is recognized using the accelerated recognition method.

Certain new deferred awards granted since May 2013 include Full Career Retirement provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for Full Career Retirement.

See Note 13 *Deferred compensation plans* for further information.

Earnings per share

The computation of basic earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities based on the most advantageous conversion rate or exercise price available to the investors, and assuming conversion of convertible debt under the if-converted method.

See Note 11 *Earnings per share* for further information.

Cash and cash equivalents

Nomura defines cash and cash equivalents as cash on hand and demand deposits with banks.

Goodwill and intangible assets

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

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

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

Intangible assets not subject to amortization (indefinite-lived intangible assets) are tested for impairment on an individual asset basis during the fourth quarter of each fiscal year, or more frequently during earlier interim periods if events or circumstances indicate there may be impairment. Similar to goodwill, Nomura tests an indefinite-lived intangible asset by initially qualitatively assessing whether events or circumstances indicate that it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If such assessment indicates fair value is not less than the carrying value, the intangible asset is deemed not to be impaired and no further analysis is required. If it is more likely than not that the fair value of the intangible asset is below its carrying value, the current estimated fair value of the intangible asset is compared with its carrying value. An impairment loss is recognized if the carrying value of the intangible asset exceeds its estimated fair value.

Intangible assets with finite lives (finite-lived intangible assets) are amortized over their estimated useful lives and tested for impairment either individually or with other assets (asset group) when events and circumstances indicate that the carrying value of the intangible asset (or asset group) may not be recoverable.

A finite-lived intangible asset is impaired when its carrying amount or the carrying amount of the asset group exceeds its fair value. An impairment loss is recognized only if the carrying amount of the intangible asset (or asset group) is not recoverable and exceeds its fair value.

For both goodwill and intangible assets, to the extent an impairment loss is recognized, the loss establishes a new cost basis for the asset which cannot be subsequently reversed.

See Note 9 *Other assets Other/Other liabilities* for further information.

Nomura s equity method investments are tested in their entirety for other-than-temporary impairment when there is an indication of impairment. The underlying assets associated with the equity method investments, including goodwill, are not tested separately for impairment.

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Restructuring costs

Costs associated with an exit activity are recognized at fair value in the period in which the liability is incurred. Such costs include one-time termination benefits provided to employees, costs to terminate certain contracts and costs to relocate employees. Termination benefits provided to employees as part of ongoing benefit arrangements are recognized as liabilities at the earlier of the date an appropriately detailed restructuring plan is approved by regional executive management or the terms of the involuntary terminations are communicated to employees potentially affected. Contractual termination benefits included in an employee s contract of employment that is triggered by the occurrence of a specific event are recognized during the period in which it is probable that Nomura has incurred a liability and the amount of the liability can be reasonably estimated. A one-time termination benefit is established by a plan of termination that applies to a specified termination event and is recognized when an appropriately detailed restructuring plan is approved by regional executive management and the terms of the involuntary terminations are communicated to those employees potentially affected by the restructuring.

See Note 14 *Restructuring Initiatives* for further information.

Employee benefit plans

Nomura provides certain eligible employees with various benefit plans, including pensions and other post-ret