

NOMURA HOLDINGS INC
Form 20-F
June 27, 2013
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2013

OR

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

OR

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

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Jurisdiction of incorporation or organization)

Japan

(Address of principal executive offices)

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

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

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

Title of Each Class
Common Stock*

Name of Each Exchange On Which Registered
New York Stock Exchange

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

None

(Title of Class)

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

None

(Title of Class)

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

As of March 31, 2013, 3,710,960,252 shares of Common Stock were outstanding, including 22,948,546 shares represented by 22,948,546 American Depositary Shares.

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

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

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

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

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table shows selected financial information as of and for the years ended March 31, 2009, 2010, 2011, 2012 and 2013 which is derived from our consolidated financial statements included in this annual report. These financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP). Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

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

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

Notes:

- (1) On April 1, 2009, we adopted new guidance for the accounting and reporting for noncontrolling interests. In the above table, this guidance has been retrospectively applied to the amounts as of and for the years ended March 31, 2009.
- (2) Calculated using the number of shares outstanding at year end.
- (3) Calculated using the yen-dollar exchange rate of the respective fiscal year end date, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.
- (4) The number shown is used to calculate basic earnings per share.
- (5) Calculated as Net income (loss) attributable to NHI shareholders divided by average Total NHI shareholders equity.

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

Year ended March 31	High	Low	Average⁽¹⁾	Year end
2009	110.48	87.80	100.85	99.15
2010	100.71	86.12	92.49	93.40
2011	94.68	78.74	85.00	82.76
2012	85.26	75.72	78.86	82.41
2013	96.16	77.41	83.26	94.16
Calendar year 2013	High	Low		
January	91.28	86.92		
February	93.64	91.38		
March	96.16	93.32		
April	99.61	92.96		
May	103.52	97.28		
June (through June 21)	100.15	94.29		

(1) Average rate represents the average of rates available on the last business day of each month during the year. The noon buying rate for Japanese yen on June 21, 2013 was \$1.00 = ¥97.48

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

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D. Risk Factors.

Risk Factors

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

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

In recent years, market trends and economic conditions have been changing in Japan and around the world. The global financial crisis that originated with the collapse of Lehman Brothers Holding Inc. (Lehman Brothers) in 2008 which affected not only the global securities market but also the financial services industry as participants, and it also affected economic activity as a whole, especially in developed countries, including Japan. Also in 2011, financial problems in the U.S. and the worsening of financial issues in the peripheral countries of the Eurozone, including Greece adversely influenced major global financial markets.

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

In addition, not only purely economic factors but also future wars, acts of terrorism, economic or political sanctions, pandemics, forecast of geopolitical risks and geopolitical events which have actually occurred, natural disasters or other similar events could have an effect on financial markets and economies of each country. For example, economic activity as a whole including financial transactions diminished due to the Great East Japan Earthquake in March 2011 because of the accidents at the nuclear power plants and the resulting power shortages and supply line disruptions. As a result, the Japanese economy and our business were severely affected.

If events like these occur, a market/economic downturns may be extended for long periods of time, which can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market/economic downturn, changes from market volatility or governmental fiscal and monetary policy changes in each country and region where we conduct business and other changes in the business environment may adversely affect our business, financial condition and results of operations. The following are certain risks related to the financial markets and economic conditions for our specific businesses.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

Changes in financial or economic conditions would likely affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size

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of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients. For example, due in part to the slowdown in financing activities resulting primarily from the worsened and prolonged impact of the European sovereign debt crisis in 2011, our Investment Banking net revenue for the year ended March 31, 2012 and 2013 decreased by 15.9% and 15.0% from the previous years respectively.

Our electronic trading business revenues may decline

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

We may incur significant losses from our trading and investment activities

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

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

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

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

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

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

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

Extended market declines can reduce liquidity and lead to material losses

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

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase other risks that we face

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

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

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

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

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

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

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

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

We may be unable to access the debt capital markets

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

we incur large trading losses,

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

regulatory authorities take significant action against us.

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

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

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

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We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

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

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

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

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

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

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

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

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

Credit risk may also arise from:

holding securities issued by third parties, or

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

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

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

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

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

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

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

Our exposure to legal liability is significant

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

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

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

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

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

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

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

Changes in regulations applicable to accounting standards, consolidated regulatory capital adequacy rules and liquidity ratios could also have a material adverse effect on our business, financial condition, and results of operations. For example, in March 2012, Japan's Financial Services Agency (FSA) published the Partial Revision of Public Notice on Consolidated Capital Adequacy of Final Designated Parent Company in order to respond to the Basel III measures announced by the Basel Committee on Banking Supervision (Basel Committee), and beginning on March 31, 2013, the amended Notice has been gradually phased in. The full implementation of such new measures may cause our capital adequacy ratio calculated pursuant to such new measures to decrease below the levels at the end of March 2013 or may require us to liquidate assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the Financial Stability Board (FSB) and the Basel Committee have announced that they will annually update the list of global systemically important banks (G-SIBs) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, the G20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks (D-SIBs), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. The costs and impact on us as described above may further increase if we are identified as a G-SIB or a D-SIB in the future.

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

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

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

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

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

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

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

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

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

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

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address conflicts of interest, a failure, or a perceived failure, to identify, disclose and appropriately address conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, potential conflicts could give rise to regulatory scrutiny, enforcement action or litigation.

Our business is subject to various operational risks

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

failure to execute, confirm or settle securities transactions,

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

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

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

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

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

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

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

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

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

The Company heavily depends on dividends, distributions and other payments from subsidiaries to make payments on the Company's obligations. Regulatory and other legal restrictions, such as those under the Companies Act of Japan, may limit the Company's ability to transfer funds freely, either to or from the Company's subsidiaries. In particular, many of the Company's subsidiaries, including the Company's broker-dealer subsidiaries, are subject to laws and regulations, including regulatory capital requirements, that authorize regulatory bodies to block or reduce the flow of funds to the parent holding company, or that prohibit such

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transfers altogether in certain circumstances. For example, Nomura Securities Co., Ltd., Nomura Securities International, Inc., Nomura International plc and Nomura International (Hong Kong) Limited, our main broker-dealer subsidiaries, are subject to regulatory capital requirements that could limit the transfer of funds to the Company. These laws and regulations may hinder the Company's ability to access funds needed to make payments on the Company's obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Special Note Regarding Forward-looking Statements

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

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

Item 4. Information on the Company

A. History and Development of the Company.

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

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

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

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

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

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

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

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

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

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

B. Business Overview.

Overview

We are one of the leading financial services groups in Japan and have worldwide operations. As of March 31, 2013, we operated offices in over 30 countries and regions including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region (Hong Kong) through our subsidiaries.

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

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

Retail investment consultation services

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

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

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

Corporate Goals and Principles

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

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

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

Our Business Divisions

Retail

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

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177 as of the end of March 2013. We offer investment consultation services to meet the medium- to long-term needs of our clients. The aggregate market value of our retail client assets increased ¥11.8 trillion to ¥83.8 trillion as of the end of March 2013 from ¥72.0 trillion a year ago. We discuss retail client assets in *Retail Client Assets* under Item 5.A of this annual report.

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

Asset Management

We conduct our asset management business, which consists of the development and management of investment trusts and investment advisory services, primarily through NAM. NAM is the largest asset management company in Japan in terms of assets under management in investment trusts as of March 31, 2013. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create business opportunities. In order to make these opportunities available, NAM manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through NSC as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank Co., Ltd. Investment trusts are also offered in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

Wholesale

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

Global Markets

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

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

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

Investment Banking

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

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

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

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

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

Our Research Activities

We have an extensive network of intellectual capital with key research offices in Tokyo, Hong Kong and other major markets in the Asia-Pacific region, as well as, London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our researchers collaborate closely across regions and disciplines to track changes and spot future trends in politics, economics, foreign exchange, interest rates, equities, credit and quantitative analysis. Our Japan Equity Research team continued to top the Institutional Investor and Nikkei Veritas research polls in 2012. Our Fixed Income Research teams topped the Nikkei Veritas rankings for the third straight year.

Our Information Technology

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

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

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

Competition

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

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

our ability to originate and develop innovative client solutions,

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our ability to maintain and develop client relationships,

our ability to access and commit capital resources,

our ability to retain and attract qualified employees, and

our general reputation.

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

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

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

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

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

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

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

Regulation

Japan

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

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trading of securities, including inspection of securities companies. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of the securities industry.

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

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

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

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

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

On April 16, 2013, another bill to amend the FIEA was submitted to the Diet of Japan and was passed on June 12, 2013. A part of the amendment includes establishing Orderly Resolution Regime for Financial Institutions to prevent financial crisis that may spread across financial markets and may seriously impact the

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real economy. Under the Orderly Resolution Regime, the Financial Crisis Response Council, chaired by the Prime Minister, will take measures such as providing liquidity etc. to ensure the performance of obligations for critical market transactions where it is considered necessary to prevent severe market disruption. Such measures will be funded by the financial industry, except in special cases where the government will provide financial support.

Overseas

Our overseas offices and subsidiaries are also subject to various laws, rules and regulations applicable in the countries where they conduct their operations, including, but not limited to, those promulgated and enforced by the Securities and Exchange Commission, the Commodity Futures Trading Commission, the New York Stock Exchange and the Financial Industry Regulatory Authority (a private organization with quasi-governmental authority and a regulator for all securities companies doing business in the U.S.) in the U.S. and by the Prudential Regulation Authority, the Financial Conduct Authority and the London Stock Exchange plc in the U.K. We are also subject to international money laundering and related regulations in various countries. For example, the USA Patriot Act of 2001 contains measures to prevent, detect and prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations on, creating crimes and penalties. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could materially and adversely affect us.

Regulatory Changes. In response to the financial markets crisis, governments and regulatory authorities in various jurisdictions have made and continue to make numerous proposals to reform the regulatory framework for, or impose a tax or levy upon, the financial services industry to enhance its resilience against future crises, contribute to the relevant economy generally or for other purposes. In July 2010, the U.S. enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) which is now the subject of a multi-agency rulemaking process. The rulemakings include, (i) create a tighter regulatory framework for OTC derivatives to promote transparency and impose conduct rules in that marketplace; (ii) establish a process for designating nonbank financial firms as systemic, subject to increased (and sometimes new) prudential oversight including early remediation, capital standards and new regulatory fees (U.S. SIFIs); (iii) prohibit material conflicts of interest between firms that package and sell asset-backed securities (ABS) and firms that invest in ABS; (iv) establish risk retention requirements for ABS; and (v) a number of executive compensation mandates, including rules to curtail incentive compensation that promotes excessive risk taking. The new regulatory framework for OTC derivatives will include mandates for clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, and internal and external business conduct rules. Some U.S. derivatives rules may be applied extraterritorially and therefore impact some Nomura non-U.S. entities.

Other aspects of the Dodd-Frank Act and related rulemakings include provisions that (i) prohibit deposit-taking banks and their affiliates from engaging in proprietary trading and limit their ability to make investments in hedge funds and private equity funds (the so-called Volcker Rule); (ii) empower regulators to liquidate failing nonbank financial companies that are systemically important; (iii) provide for new systemic risk oversight and increased capital requirements for both bank and non-bank U.S. SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) new regulations regarding the role of credit rating agencies, investment advisors and others. The exact details of the Dodd Frank Act implementation and ultimate impact on Nomura's operations will depend on the form and substance of the final regulations adopted by various governmental agencies and oversight boards.

On July 19, 2011, the Financial Stability Board published a consultative document to establish a global framework to improve authorities capacity to resolve failing systemically important financial institutions (SIFIs) without systemic disruption and exposing taxpayers to the risk of loss. The proposed measures require G-SIFIs to prepare and maintain recovery and resolution plans (RRPs) by December 2012. In light of such a global framework, the Financial Services Authority in the U.K. (U.K. FSA) published a consultation on August 9, 2011 containing its proposals for RRP. The consultation covered the requirement for banks and large investment

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firms in the U.K. not limited to G-SIFIs to prepare and maintain RRP. In a separate discussion paper, the UK FSA explores matters relevant to resolving financial services firms, including the resolution of trading books, enhancing the resolution toolkit and bail-ins. In May 2012, the U.K. FSA published a feedback statement setting out its approach to ensure firms develop appropriate recovery plans and resolution packs. The feedback statement provides firms with clarity regarding what they are expected to do while final rules are being adjusted to take into account developments in the international area.

On October 20, 2011, the European Commission published draft legislation for the Directive on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council. The draft legislation has been split into two parts: the Markets in Financial Instruments Directive and the Markets in Financial Instruments Regulation (MiFIR). The draft legislation seeks to introduce wide-reaching changes to markets, including the extension of market transparency rules into non-equities and potentially reducing the size of the OTC derivative market by pushing derivatives onto exchanges.

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

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

Regulatory Capital Rules

Japan

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

Under the FIEA and regulations thereunder, the capital adequacy ratio means the ratio of adjusted capital to a quantified total of business risks. Adjusted capital is defined as net worth less illiquid assets. Net worth

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

The FSA reviewed the FIEA and regulations thereunder in line with Basel 2.5 framework and the revised regulations for Basel 2.5 were implemented at the end of December 2011. We are required to calculate the market risks increased significantly are required to be calculated requirement as a result of under the Basel 2.5 rule implementation, which is significantly larger than before.

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

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

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

As discussed above, the FSA amended the FIEA and introduced new rules on consolidated regulation and supervision of securities companies on consolidated basis on April 1, 2011 to improve the stability and transparency of Japan's financial system and ensure the protection of investors. The FSA also amended the FIEA to include reporting on consolidated regulatory capital for the Final Designated Parent Companies. On the introduction of these rules, NSC was designated as a Special Financial Instruments Firm, following which we have been designated as a Final Designated Parent Company. As such, we are required to calculate consolidated regulatory capital adequacy ratio according to the FSA's Establishment of standards on sufficiency of capital stock of a final designated parent company and its subsidiary entities, etc. compared to the assets held thereby (2010 FSA Regulatory Notice No. 130; Capital Adequacy Notice on Final Designated Parent Company). Accordingly, since our designation as a Final Designated Parent Company in April 2011, we now calculate our Basel rule-based consolidated regulatory capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company.

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

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

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

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

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

Overseas

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

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

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

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Management Challenges and Strategies

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

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

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

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

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

Challenges and strategies in each division are as follows:

Retail Division

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

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

Asset Management Division

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

Wholesale Division

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

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

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

Risk Management, Compliance and Other Matters

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

As our business becomes increasingly international and diverse, we recognize the growing importance of compliance. We will continue to focus on improving the management structure to comply with local laws and regulations in the countries that we operate.

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

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

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

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

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

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

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D. Property, Plants and Equipment.

Our Properties

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

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

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

As of March 31, 2013, the aggregate book value of the land and buildings we owned, including capital leases was ¥198 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥53 billion.

Item 4A. Unresolved Staff Comments

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2013 and which remain unresolved as of the date of the filing of this annual report with the Commission.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

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

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

Business Environment

Japan

The Japanese economy recorded two quarters of contraction in the first half of the year ended March 31, 2013. Although public investment, mainly in the form of post-quake reconstruction spending, expanded in Japan, exports weakened amid a depressed global economy triggered by the European debt crisis, and capital investment

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

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

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

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

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

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

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action, the yen depreciated against both the U.S. dollar and euro. As a result, the yen was trading at the ¥94 level versus the U.S. dollar and the ¥120 level versus the euro at the end of March 2013.

Overseas

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

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

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

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

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

Executive Summary

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

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

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

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

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

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

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

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

In Wholesale, net revenue for the year ended March 31, 2013 increased by 16% from the previous year to ¥644.9 billion. The environment was continuously challenging in the first half of the fiscal year, characterized by resurgent concerns over economic and financial markets in Europe, and revenue remained low. In the second half of the fiscal year, we posted gains from the sale of an investment to a private equity fund in the third quarter. Also, Japanese market conditions took a favorable turn due to anticipation of economic recovery spurred by the change in government and driven by revenue in Japan in the fourth quarter, net revenue for the fiscal year increased from the previous year. The additional cost reduction of \$1.0 billion announced in September 2012 is progressing on schedule and non-interest expenses decreased by 3% to ¥573.2 billion. As a result, income before income taxes totaled ¥71.7 billion.

Results of Operations*Overview*

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

	Millions of yen, except percentages Year ended March 31		
	2011	2012	2013
Non-interest revenues:			
Commissions	¥ 405,463	¥ 347,135	¥ 359,069
Fees from investment banking	107,005	59,638	62,353
Asset management and portfolio service fees	143,939	144,251	141,029
Net gain on trading	336,503	272,557	367,979
Gain on private equity investments	19,292	25,098	8,053
Gain (loss) on investments in equity securities	(16,677)	4,005	38,686
Other	43,864	563,186	708,767
Total Non-interest revenues	1,039,389	1,415,870	1,685,936
Net interest revenue	91,309	119,989	127,695
Net revenue	1,130,698	1,535,859	1,813,631
Non-interest expenses	1,037,443	1,450,902	1,575,901
Income before income taxes	93,255	84,957	237,730
Income tax expense	61,330	58,903	132,039
Net income	¥ 31,925	¥ 26,054	¥ 105,691
Less: Net income attributable to noncontrolling interests	3,264	14,471	(1,543)
Net income attributable to NHI shareholders	¥ 28,661	¥ 11,583	¥ 107,234

Return on equity 1.4% 0.6% 4.9%

Net revenue increased by 18% from ¥1,535,859 million for the year ended March 31, 2012 to ¥1,813,631 million for the year ended March 31, 2013. Commissions increased by 3%, due primarily to an increase in commissions from the distribution of investment trust certificates. Fees from investment banking increased by 5%, due primarily to an increase in commissions received from equity and equity related products.

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Asset management and portfolio service fees decreased by 2%. Net gain on trading increased by 35% to ¥367,979 million for the year ended March 31, 2013, primarily driven by the revenue from Fixed Income trading. Net gain on trading also included total losses of ¥57.8 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was due primarily to the tightening of Nomura's credit spreads during the period. Gain on private equity investments decreased by 68% due primarily to the realized gains on equity securities of certain investee companies for the year ended March 31, 2012. Other was ¥708,767 million for the year ended March 31, 2013, including ¥663,466 million of revenue from of Nomura Land and Building Co., Ltd (NLB) and its related subsidiaries. This contained ¥336,858 million of revenues from real estate sales generated by Nomura Real Estate Holdings Inc. (NREH) which was a subsidiary of NLB. The revenues were recognized when sales have closed, the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the real estate and Nomura doesn't have a substantial continuing involvement in the real estate. Also, ¥50,139 million of revenues were from Nomura's sale of a portion of its holding shares of NREH in March 2013. This included ¥38,468 million of the unrealized gain from Nomura's remaining shares. With this sale, Nomura no longer maintains controlling financial interest and NREH has changed from a consolidated subsidiary to an affiliate accounted for by the equity method.

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

Net interest revenue was ¥91,309 million for the year ended March 31, 2011, ¥119,989 million for the year ended March 31, 2012 and ¥127,695 million for the year ended March 31, 2013. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest revenue is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view net interest revenue and non-interest revenues in aggregate. For the year ended March 31, 2013, interest revenue decreased by 10% due mainly to a decrease of dividends and interest income on reverse repo transactions in our Europe region and interest expense decreased by 16% due primarily to a decrease in interest expense on repo transactions and loans. As a result, net interest revenue for the year ended March 31, 2013 increased by ¥7,706 million from the year ended March 31, 2012. For the year ended March 31, 2012, interest revenue increased by 26% due mainly to an increase in securitized product trading in our Americas region and interest expense increased by 24% due primarily to an increase in interest expense on securities lending transactions. As a result, net interest revenue for the year ended March 31, 2012 increased by ¥28,680 million from the year ended March 31, 2011.

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

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the year ended March 31, 2013. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes. These investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

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

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

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

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

Income tax expense for the year ended March 31, 2013 was ¥132,039 million, representing an effective tax rate of 55.5%. The significant factors causing the difference between the effective tax rate of 55.5% and the effective statutory tax rate of 38% were non-deductible expenses which increased the effective tax rate by 12.8% and the effect of the tax positions to foreign subsidiaries which increased the effective tax rate by 10.0%. The significant factor reducing the effective tax rate was non-taxable revenue which decreased the effective tax rate by 9.3%.

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

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

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Net income attributable to NHI shareholders for the year ended March 31, 2011, 2012 and 2013 was ¥28,661 million, ¥11,583 million and ¥107,234 million, respectively. Our return on equity for the year ended March 31, 2011, 2012 and 2013 was 1.4%, 0.6% and 4.9%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling items outside of our segment information. The following segment information should be read in conjunction with Item 4.B *Business Overview* of this annual report and Note 23 *Segment and geographic information* in our consolidated financial statements. The reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 23 *Segment and geographic information* in our consolidated financial statements.

Retail

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

Operating Results of Retail

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

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

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

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

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

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

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

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

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Retail Client Assets

The following graph shows amounts and details regarding the composition of retail client assets at March 31, 2011, 2012, and 2013. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

Retail Client Assets

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

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

Asset Management

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

Table of Contents*Operating Results of Asset Management*

	Millions of yen Year ended March 31		
	2011 ⁽¹⁾	2012	2013
Non-interest revenues	¥ 62,670	¥ 63,022	¥ 66,489
Net interest revenue	3,865	2,778	2,448
Net revenue	66,535	65,800	68,937
Non-interest expenses	46,513	45,281	47,768
Income before income taxes	¥ 20,022	¥ 20,519	¥ 21,169

(1) In April 2011, Nomura Bank (Luxembourg) S.A. in the Asset Management segment was integrated into Other. Following with this integration, certain prior period amounts have been reclassified to conform to the current period presentation. Net revenue increased by 5% from ¥65,800 million for the year ended March 31, 2012 to ¥68,937 million for the year ended March 31, 2013, primarily due to an increase in assets under management.

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

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

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

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

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

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

(1)

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Certain prior period balances have been reclassified following the acquisition of Nomura Asset Management Deutschland KAG mbH by Nomura Asset Management Co., Ltd in April 2012 and Nomura Funds Research and Technologies America by Nomura Funds Research and Technologies Co., Ltd in January 2013.

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

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In our investment trust business, there was an inflow into funds representing a wide range of investment assets including Japanese equities and overseas bonds. In our investment advisory business, there was an increase in mandates from overseas clients. As a result, investment trust assets included in assets under management by NAM were ¥17.9 trillion as of March 31, 2013, up ¥2.6 trillion, or 17%, from the previous year due to the impact of the rallied market conditions and inflows, reflecting net cash inflows by clients of ¥1.1 trillion and market appreciation of ¥1.5 trillion. The balance of investment trusts such as Nomura High Dividend Infrastructure Equity Premium (Currency Select Course), Nomura US High Yield Bond Fund (Currency Select Course), Nomura Global REIT Premium (Currency Select Course) and Nomura Japan High Dividend Stock Premium (Currency Select Course) increased. Investment trust assets included in assets under management by NAM were ¥15.3 trillion as of March 31, 2012, down ¥0.7 trillion, or 4%, from the previous year due to the impact of weakened market conditions, reflecting net cash inflows by clients of ¥0.2 trillion and market depreciation of ¥0.9 trillion.

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

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

Wholesale

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

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

Operating Results of Wholesale

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

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

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

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

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

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

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

Global Markets

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

	Millions of yen		
	Year ended March 31		
	2011 ⁽¹⁾	2012 ⁽¹⁾	2013
Net revenue	¥ 508,066	¥ 455,756	¥ 560,429
Non-interest expenses	493,291	470,360	459,715
Income (loss) before income taxes	¥ 14,775	¥ (14,604)	¥ 100,714

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

Net revenue increased from ¥455,756 million for the year ended March 31, 2012 to ¥560,429 million for the year ended March 31, 2013. In Fixed Income, net revenue increased from ¥274.5 billion for the year ended March 31, 2012 to ¥378.7 billion for the year ended March 31, 2013. In the fluctuating market conditions throughout the year, stable client flow and high research capability drove revenue growth backed by appropriate risk management. As a result, we recorded significant revenue growth across products, especially, Rates and Securitized Products, and across regions. In Equities, net revenue increased from ¥181.2 billion for the year ended March 31, 2012 to ¥181.7 billion for the year ended March 31, 2013. The first half of the fiscal year saw low earnings from client flow due to low sales volume in the markets. In the second half of the fiscal year, equity markets turned up starting from the late in 2012, due in part to the change in government in Japan and the effect of monetary policies by the BOJ, resulting in greatly increased earnings from our equity business in Japan.

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

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

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

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

Investment Banking

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

	Millions of yen		
	Year ended March 31		
	2011 ⁽¹⁾	2012 ⁽¹⁾	2013
Investment Banking (Gross)	¥ 185,011	¥ 141,678	¥ 143,001
Allocation to Other divisions	(82,114)	(66,284)	(70,990)
Investment Banking (Net)	102,897	75,394	72,011
Other	15,171	23,899	12,416
Net revenue	118,068	99,293	84,427
Non-interest expenses	128,709	122,341	113,484
Loss before income taxes	¥ (10,641)	¥ (23,048)	¥ (29,057)

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

Net revenue decreased from ¥99,293 million for the year ended March 31, 2012 to ¥84,427 million for the year ended March 31, 2013. Investment banking (net) revenue decreased from ¥75,394 million for the year ended March 31, 2012 to ¥72,011 million for the year ended March 31, 2013, year due to globally sluggish equity capital markets and M&A activity, especially in the first half of the fiscal year. Other revenue decreased from ¥23,899 million for the year ended March 31, 2012 to ¥12,416 million for the year ended March 31, 2013, primarily due to realized gains on equity securities of certain investee companies recognized during the year ended March, 2012. For the year ended March 31, 2013, realized gains from investments in Japan were ¥0.4 billion and unrealized losses from investments in Japan were ¥10.7 billion. Realized gains from the Terra Firma

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Investments were ¥18.2 billion and unrealized losses from Terra Firma Investments were ¥0.6 billion. Realized gains were primarily due to the gains on sale of Annington. Unrealized losses equated primarily to the additional losses booked against investments in the leisure and utilities sectors.

Net revenue decreased from ¥118,068 million for the year ended March 31, 2011 to ¥99,293 million for the year ended March 31, 2012. Investment banking (net) revenue decreased from ¥102,897 million for the year ended March 31, 2011 to ¥75,394 million for the year ended March 31, 2012, as the business environment proved challenging, especially in equity capital markets and M&A. Other revenue increased from ¥15,171 million for the year ended March 31, 2011 to ¥23,899 million for the year ended March 31, 2012. For the year ended March 31, 2012, realized gains from investments in Japan were ¥33.7 billion and unrealized losses from investments in Japan were ¥12.3 billion. Realized gains from the Terra Firma Investments were ¥0.5 billion and unrealized gains from Terra Firma Investments were ¥4.8 billion. Realized and unrealized gains arose primarily on residential real estate and utilities sectors while unrealized losses are related to investments in the leisure and services sectors. For the year ended March 31, 2011, realized gains from investments in Japan were ¥11.1 billion. Realized losses from the Terra Firma Investments were ¥3.4 billion and unrealized gains from the Terra Firma Investments were ¥14.6 billion. Realized and unrealized gains arose primarily on investments in the residential real estate, leisure and utilities sectors while realized losses are related to the exit of a media business.

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

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

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

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 23 *Segment and geographic information* to our consolidated financial statements. In accordance with the realignment in April 2012, certain prior period amounts of wholesale and other have been reclassified to conform with the current year presentation.

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

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

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

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Summary of Regional Contribution

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

Regulatory Capital Requirements

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

Translation Exposure

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

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

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

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

Level 1:

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

Level 2:

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

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Level 3:

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

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

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 3% as of March 31, 2013 as listed below:

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

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

Private equity business

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

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

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

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

Derivative contracts

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

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

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

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

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

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

	Billions of yen						Cross-maturity netting ⁽¹⁾	Total fair value
	March 31, 2013							
	Years to Maturity							
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years			
OTC derivative assets	¥ 796	¥ 1,015	¥ 1,049	¥ 860	¥ 2,854	¥ (5,126)	¥ 1,448	
OTC derivative liabilities	916	790	1,056	767	2,611	(4,814)	1,326	

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

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

Goodwill

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

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

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

For the year ended March 31, 2013, we recognized a goodwill impairment loss on goodwill relating to the Wholesale segment of ¥8,293 million within *Non-interest expenses - Other* in the consolidated statements of income, due to a decline in fair value of a reporting unit in the Wholesale segment caused by the prolonged economic downturn. The fair value was determined based on DCF.

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

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

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Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of March 31, 2013.

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

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

The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of March 31, 2013. Ratings are based on the lowest ratings given by Standard & Poor's Financial Services LLC, Moody's Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2013.

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

Leveraged Finance

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

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

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

Special Purpose Entities (SPEs)

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

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

Accounting Developments

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

Private Equity Business

We make private equity investments primarily in Japan and Europe.

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

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

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

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Private equity business in Japan

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

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

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

Private equity business in Europe

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

Terra Firma Investments

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

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

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

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

Other Terra Firma Funds

We are a 10% investor in a ¥234 billion private equity fund (TFCP II) and a 2% investor in a ¥623 billion private equity fund (TFCP III), also raised and managed by Terra Firma Capital Partners Limited.

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

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

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

Other Investments

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

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

Details of deferred tax assets and liabilities reported within *Other assets*, *Other* and *Other liabilities* respectively in the consolidated balance sheets as of March 31, 2013 are as follows:

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

Calculation method of deferred tax assets

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

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B. Liquidity and Capital Resources.

Funding and Liquidity Management

Overview

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

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

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

1. Centralized Control of Residual Cash.

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

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

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

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

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

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

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

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

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

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other debt or equity securities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivative positions and/or the underlying assets to maintain funding consistency with our unsecured long term debt. The proportion of our non-yen denominated long-term debt slightly increased to 29.7% of total term debt outstanding as of March 31, 2013 from 28.0% as of March 31, 2012.

2.1 Short-Term Unsecured Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity for plain vanilla debt securities and borrowings with maturities longer than one year was 3.80 years as of March 31, 2013. A major part of our medium-term notes are structured and linked to interest

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or equity, indices, currencies or commodities. Conditions for calling notes linked to indices are individually determined. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 7.95 years as of March 31, 2013. The average maturity of our entire long-term debt portfolio, including plain vanilla debt securities and borrowings, was 5.19 years as of March 31, 2013. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

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

2.4 Secured Borrowings

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

3. Management of Credit Lines to Nomura Group entities

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

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as of March 31, 2013 from ¥138.3 billion as of March 31, 2012. We have structured facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw on the facilities. We occasionally test the effectiveness of our drawdown procedures.

4. Implementation of Liquidity Stress Tests

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

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

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

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

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

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

As of March 31, 2013, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

To ensure a readily available source for a potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2013, our liquidity portfolio was ¥5,883.5 billion which generated a liquidity surplus taking into account a stress scenario as defined in our liquidity risk policy. We recognize that the liquidity standards for financial institutions continue to be the subject of further discussion among the relevant supervisory bodies including the Basel Committee. The existing model and simulations upon which we currently rely may need to be reviewed depending on any new development in this area.

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

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

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

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

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

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

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

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. (NHI), Nomura Securities Co. Ltd (NSC), our other major broker-dealer subsidiaries and our bank subsidiaries. In determining the amounts and entities which hold this portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 20 *Regulatory requirements* in our consolidated financial statements included in this annual report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Contingency Funding Plan

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

Cash Flows

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

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

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

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

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

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

Balance Sheet and Financial Leverage

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

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to repurchase and Trading liabilities. NHI shareholders' equity as of March 31, 2013, was ¥2,294.4 billion, an increase of ¥187.2 billion compared with ¥2,107.2 billion as of March 31, 2012, due to increases in *Retained earnings* and *Accumulated other comprehensive income (loss)*.

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

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

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

	Billions of yen, except ratios March 31	
	2012	2013
NHI shareholders' equity	¥ 2,107.2	¥ 2,294.4
Total assets ⁽¹⁾	35,697.3	37,942.4
Adjusted assets ⁽²⁾	21,954.7	23,827.1
Leverage ratio ⁽³⁾	16.9x	16.5x
Adjusted leverage ratio ⁽⁴⁾	10.4x	10.4x

- (1) Reconciles to the total assets amount disclosed on the face of our consolidated balance sheets and therefore excludes the fair value of securities transferred to counterparties under repo-to-maturity and certain Japanese securities lending transactions which are accounted for as sales rather than collateralized financing arrangements. The fair value of securities derecognized under these agreements has not had a significant impact on our reported Leverage and Adjusted leverage ratios as of March 2012. The fair value of securities derecognized under these agreements as of March 2013 was ¥nil.
- (2) Represents total assets less *Securities purchased under agreements to resell* and *Securities borrowed*. Adjusted assets is a non-GAAP financial measure and is calculated as follows:

	Billions of yen March 31	
	2012	2013
Total assets	¥ 35,697.3	¥ 37,942.4
Less:		
Securities purchased under agreements to resell	7,662.7	8,295.4
Securities borrowed	6,079.9	5,819.9
Adjusted assets	¥ 21,954.7	¥ 23,827.1

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

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

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Adjusted assets increased primarily due to an increase in *Trading assets*. As a result, our adjusted leverage ratio was 10.4 times as of March 31, 2012 and as of March 31, 2013.

Capital Management*Capital Management Policy*

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

Dividends

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

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

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

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

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

Fiscal year ended or ending March 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2008	¥ 8.50	¥ 8.50	¥ 8.50	¥ 8.50	¥ 34.00
2009	8.50	8.50	8.50		25.50
2010		4.00		4.00	8.00
2011		4.00		4.00	8.00
2012		4.00		2.00	6.00
2013		2.00		6.00	8.00

Stock Repurchases

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

Preferred Stock

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

Table of Contents**Consolidated Regulatory Capital Requirements**

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

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

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31 2013, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 11.9%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 11.9% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 13.9% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of March 31, 2013 is 3.5% for common equity Tier 1 capital ratio, 4.5% for Tier 1 capital ratio and 8% for consolidated capital adequacy ratio).

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

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

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

As of March 31, 2013, capital items for our common equity Tier 1 capital mainly consists of shareholder's equity relating to the common stock and all or part of subordinated debt which satisfies the requirements under Capital Adequacy Notice on Final Designated Parent Company (such as maturity) is included into capital items for Tier 2 capital. We have not issued any capital instruments which can be included into additional Tier 1 capital.

Regulatory adjustment for our common equity Tier 1 capital mainly consists of a part of intangible assets and 50% of expected losses and regulatory adjustment for our Tier 2 capital includes investments in additional Tier 1 capital instruments of other financial institutions and 50% of expected losses. Regulatory adjustment for our additional Tier 1 capital will be included into regulatory adjustment for common equity Tier 1 capital, as we don't have any outstanding additional Tier 1 capital instruments.

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

On the end of March, 2011, we started calculating credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and The Standardized Approach, respectively, with the approval of the FSA. Furthermore, from the end of December, 2012, upon approval from the FSA, we started using the Internal Model Method for credit risk exposure calculation of majority of derivative and repurchase transactions instead of the Current Exposure Method or the Comprehensive Method. Since the end of March 2013, the scope of credit risk-weighted assets calculation has been widened following the implementation of Basel III.

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

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

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, "International framework for liquidity risk measurement, standards and monitoring" and "A global regulatory framework for more resilient banks and banking systems". The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (CVA) charge for over-the-counter derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; and introducing a series of measures to address concerns over the procyclicality of the current

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framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards will be phased in gradually from 2013. In addition, after two rounds of public consultation and discussions with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO), the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (CCPs) on July 25, 2012, which are intended to come into effect as of January 2013 as part of Basel III.

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

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

Credit Ratings

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

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

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

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

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

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

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

Not applicable.

D. Trend Information.

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

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

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

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

an obligation under a guarantee contract;

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

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

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

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

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

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

Repurchase and securities lending transactions accounted for as sales

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

We enter into repo-to-maturity transactions to take advantage of arbitrage opportunities between the cash security and repo markets. These transactions involve the sourcing of specific securities in the market and contemporaneously entering into repurchase agreements with different counterparties where the maturity of the agreement matches the maturity of the security transferred as collateral. We account for these transactions as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 are met. The amounts of securities derecognized from our consolidated balance sheets under open repo-to-maturity transactions as of March 31, 2012 and 2013 were ¥39,797 million and ¥nil, respectively.

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

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F. Tabular Disclosure of Contractual Obligations.

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

Standby letters of credit and other guarantees:

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

Long-term borrowings and contractual interest payments:

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

Operating lease commitments:

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

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

Capital lease commitments:

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

Purchase obligations:

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

Commitments to extend credit:

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

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

Commitments to invest in partnerships:

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

Commitments to purchase aircraft:

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

Note 10 *Lease* in our consolidated financial statements contains further detail on our operating lease and capital lease. Note 13 *Borrowings* in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 22 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

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

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

	Total contractual amount	Less than 1 year	Millions of yen Years to maturity		
			1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 9,084	¥ 8	¥ 319	¥ 668	¥ 8,089
Long-term borrowings ⁽¹⁾	7,414,978	701,517	2,460,980	1,499,218	2,753,263
Contractual interest payments ⁽²⁾	1,170,022	158,257	216,650	151,005	644,110
Operating lease commitments	154,254	17,801	30,896	21,785	83,772
Capital lease commitments ⁽³⁾	54,036	497	3,397	6,965	43,177
Purchase obligations ⁽⁴⁾	26,228	24,569	1,659		
Commitments to extend credit	369,988	55,459	74,810	126,139	113,580
Commitments to invest in partnerships	29,974	375	17,702	1,503	10,394
Commitments to purchase aircraft	30,143	21,141	9,002		
Total	¥ 9,258,707	¥ 979,624	¥ 2,815,415	¥ 1,807,283	¥ 3,656,385

- (1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.
- (2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2013.
- (3) The total contractual amount of capital lease commitments is the total minimum lease payments before deducting interest.
- (4) The minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. Amounts exclude obligations that are already reflected on our consolidated balance sheets as liabilities or payables.

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

In addition to amounts presented above, we have commitments under resale and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki Repo transactions. These commitments amount to ¥4,103 billion for resale agreements and ¥1,152 billion for repurchase agreements as of March 31, 2013.

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

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

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

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Name	Responsibilities and Status	Brief Personal History
(Date of Birth)	in Nomura and Other Companies	
Atsushi Yoshikawa (Apr. 7, 1954)	Director, Representative Executive Officer and Group COO Wholesale CEO	Oct. 2008 Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2009 Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2011 Co-COO and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2012 Senior Managing Director of the Company
		Director and President of Nomura Securities Co., Ltd.
		Aug. 2012 Representative Executive Officer & Group CEO of the Company
		Director and President of Nomura Securities Co., Ltd.
		Jun. 2013 Director, Representative Executive Officer & Group CEO of the Company (Current)
		Director and President of Nomura Securities Co., Ltd. (Current)
		Apr. 1978 Joined the Company
		Jun. 2000 Director of the Company
		Oct. 2001 Director of Nomura Securities Co., Ltd.
		Jun. 2003 Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2004 Senior Managing Director of the Company
Executive Managing Director of Nomura Asset Management Co., Ltd.		
Apr. 2005 Senior Managing Director of the Company		
Executive Vice President of Nomura Asset Management Co., Ltd.		
Apr. 2006 Executive Vice President of Nomura Asset Management Co., Ltd.		
Apr. 2008 Director and President of Nomura Asset Management Co., Ltd.		
Oct. 2008 Executive Managing Director of the Company		
Director, President & CEO of Nomura Asset Management Co., Ltd.		

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

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Name	Responsibilities and Status	Brief Personal History
(Date of Birth)	in Nomura and Other Companies	
Masahiro Sakane	Outside Director	Nov. 2008 Chief Risk Officer, Senior Managing Director of the Company
(Jan 7, 1941)	Member of the Nomination Committee	Jan. 2011 Vice Chairman of the Company (Senior Managing Director) Risk and Regulatory Affairs
	Member of the Compensation Committee Councilor and Senior Adviser of Komatsu Ltd.	Apr. 2011 Vice Chairman of the Company (Senior Managing Director)
	Outside Director of Tokyo Electron Limited	Jun. 2011 Director of the Company (Current)
	Outside Director of ASAHI GLASS Co., Ltd.	Apr. 1963 Joined Komatsu Ltd.
	Outside Director of Nomura Securities Co., Ltd.	Jun. 2001 Representative Director and President of Komatsu Ltd.
		Jun. 2003 Representative Director and President & CEO of Komatsu Ltd.
		Jun. 2007 Representative Director and Chairman of Komatsu Ltd.
		Jun. 2008 Outside Director of the Company (Current)
		Jun. 2010 Director and Chairman of Komatsu Ltd.
		Apr. 2013 Director and Councilor of Komatsu Ltd.
		Jun. 2013 Councilor and Senior Adviser of Komatsu Ltd. (Current)
Toshinori Kanemoto	Outside Director	Apr. 1968 Joined National Police Agency
(Aug. 24, 1945)	Member of the Audit Committee	Apr. 1992 Kumamoto Prefecture Police Headquarters, Director-General
	Of-Counsel of City-Yuwa Partners Outside Statutory Auditor of Kameda Seika Co., Ltd.	Aug. 1995 Director General of the International Affairs Department, National Police Agency
	Outside Statutory Auditor of JX Holdings, Inc. Outside Director of Nomura Securities Co., Ltd.	Oct. 1996 President of ICPO-INTERPOL
		Aug. 2000 President, National Police Academy
		Apr. 2001 Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan
		Jan. 2007 Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
		Feb. 2007 Of-Counsel of City-Yuwa Partners (Current)
		Jun. 2011 Outside Director of the Company (Current)

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Name	Responsibilities and Status		
(Date of Birth)	in Nomura and Other Companies		Brief Personal History
Tsuguoki Fujinuma	Outside Director	Apr. 1969	Joined Horie Morita Accounting Firm
(Nov. 21, 1944)	Chairman of the Audit Committee		
	Outside Statutory Auditor of Sumitomo Corporation	Jun. 1970	Joined Arthur & Young Accounting Firm
	Outside Statutory Auditor of Takeda Pharmaceutical Company Limited	Nov. 1974	Registered as a Certified Public Accountant
	Outside Director of Sumitomo Life Insurance Company	May 1991	Managing Partner of Asahi Shinwa Accounting Firm
	Outside Statutory Auditor of Seven & i Holdings Co., Ltd.	Jun. 1993	Managing Partner of Ota Showa & Co. (Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC))
	Outside Director of Nomura Securities Co., Ltd.	May 2000	President of the International Federation of Accountants
		Jul. 2004	Chairman and President of the Japanese Institute of Certified Public Accountants
		Jun. 2007	Retired from Ernst & Young ShinNihon
		Jul. 2007	Advisor of the Japanese Institute of Certified Public Accountants (Current)
		Jun. 2008	Outside Director of the Company (Current)
Takao Kusakari	Outside Director	Apr. 1964	Joined Nippon Yusen Kabushiki Kaisha (NYK Line)
(Mar. 13, 1940)	Member of the Nomination Committee	Aug. 1999	President of NYK Line
	Member of the Compensation Committee	Apr. 2002	President, Corporate Officer of NYK Line
	Corporate Advisor of NYK Line	Apr. 2004	Chairman, Corporate Officer of NYK Line
	Outside Director of Nomura Securities Co., Ltd.	Apr. 2006	Chairman, Chairman Corporate Officer of NYK Line
		Apr. 2009	Director and Corporate Advisor of NYK Line
		Jun. 2010	Corporate Advisor of NYK Line (Current)
		Jun. 2011	Outside Director of the Company (Current)
Dame Clara Furse	Outside Director	Feb. 1983	Joined Phillips & Drew/UBS
(Sep. 16, 1957)	Non-Executive Director of Amadeus IT Holding, S.A.	Jun. 1990	Non-Executive Director of London International Financial Futures Exchange (LIFFE)
	Non-Executive Director of UK Department for Work and Pensions	Jun. 1997	Deputy Chairman of LIFFE
	External Member of the Bank of England's Financial Policy Committee	May 1998	Group Chief Executive of Credit Lyonnais Rouse
		Jan. 2001	Chief Executive of London Stock Exchange Group

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

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

Table of Contents**Executive Officers**

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

Name (Date of Birth)	Responsibilities and Status in Nomura and Other Companies	Brief Personal History
Koji Nagai (Jan. 25, 1959)	See <i>Directors</i> under this Item 6.A.	See <i>Directors</i> under this Item 6.A.
Atsushi Yoshikawa (Apr. 7, 1954)	See <i>Directors</i> under this Item 6.A.	See <i>Directors</i> under this Item 6.A.
Toshio Morita (Apr. 17, 1961)	Executive Managing Director Retail CEO	Apr. 1985 Joined the Company Apr. 2008 Executive Managing Director of Nomura Securities Co., Ltd. Oct. 2008 Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2010 Senior Corporate Managing Director of Nomura Securities Co., Ltd. Apr. 2011 Senior Corporate Managing Director of the Company Aug. 2012 Executive Managing Director of the Company (Current) Retail CEO (Current) Executive Vice President of Nomura Securities Co., Ltd. (Current)
Toshihiro Iwasaki (May 10, 1957)	Executive Managing Director Asset Management CEO Director and Chairman, President & CEO of Nomura Asset Management Co., Ltd.	Apr. 1981 Joined the Company Apr. 2004 Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2008 President & CEO of The Nomura Trust and Banking Co., Ltd. Apr. 2011 Deputy President of Nomura Asset Management Co., Ltd. Jun. 2011 Executive Managing Director of the Company Asset Management CEO Director and Chairman & CEO of Nomura Asset Management Co., Ltd. Aug. 2012 Executive Managing Director of the Company (Current) Asset Management CEO (Current) Director and Chairman, President & CEO of Nomura Asset Management Co., Ltd. (Current)

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

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B. Compensation.

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

(1) Compensation policy

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

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

(2) Compensation governance

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

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

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

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

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

continually reviewing the appropriateness and relevance of the compensation policy and

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approving any major changes in employee benefits structures globally.

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

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(3) Nomura's compensation framework

The outline of our compensation framework is as follows:

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

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

(4) Outline of variable compensations

Cash bonuses

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

Deferred compensation

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

align employee interest with that of shareholders;

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

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

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

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

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

voluntary resignation

material restatement in financial statements

material violation of policies of Nomura; and

material detriment to the business or reputation of Nomura.

Also, deferred compensations for the fiscal year ended March 31, 2013 granted to senior management and employees who receive a certain level of compensations shall be reduced or forfeited in case of a material downturn in performance of Nomura and/or a material failure of risk management.

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

1. Core deferral plans

(a) Stock Acquisition Right (SAR) Plan

Nomura has issued the following two types of SARs.

SAR Plan A

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

SAR Plan B

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

(b) Notional Stock Unit (NSU) Plan

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

2. Supplemental deferral plans

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

(a) Collared Notional Stock Unit (CSU) Plan

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

(b) Notional Indexed Unit (NIU) Plan

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

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

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

(5) Consistency with risk management and linkage to performance

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

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

(6) Compensation for Directors and Executive Officers

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

1 Aggregate compensation

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

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

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

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

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

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

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

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

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

Stock Acquisition Rights (SARs)

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

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Stock Acquisition Rights No.17	August 1, 2007	191,600	From August 2, 2009 to August 1, 2014	1	0
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Series of SARs	Allotment Date	Number of Shares under SARs	March 31, 2013		
			Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.18	October 19, 2007	21,800	From October 20, 2009 to October 19, 2014	¥ 1	0
Stock Acquisition Rights No.19	April 23, 2008	511,400	From April 24, 2010 to April 23, 2015	1	0
Stock Acquisition Rights No.20	June 23, 2008	31,300	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.21	June 23, 2008	286,800	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.22	August 5, 2008	110,000	From August 6, 2010 to August 5, 2015	1,298	0
Stock Acquisition Rights No.23	August 5, 2008	1,874,000	From August 6, 2010 to August 5, 2015	1,298	0
Stock Acquisition Rights No.24	August 5, 2008	3,000	From August 6, 2010 to August 5, 2015	1	0
Stock Acquisition Rights No.26	November 10, 2008	5,200	From November 11, 2010 to November 10, 2015	1	0
Stock Acquisition Rights No.27	November 10, 2008	5,200	From November 11, 2010 to November 10, 2015	1	0
Stock Acquisition Rights No.28	April 30, 2009	473,300	From May 1, 2011 to April 30, 2016	1	0
Stock Acquisition Rights No.29					