

**UNITED STATES
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, 2017
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)

Japan
(Jurisdiction of incorporation or organization)

**9-1, Nihonbashi 1-chome
Chuo-ku, Tokyo 103-8645
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	Name of Each Exchange On Which Registered
Common Stock*	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)

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, 2017, 3,528,429,451 shares of Common Stock were outstanding, including 25,767,342 shares represented by 25,767,342 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, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†] The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

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

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

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As used in this annual report, references to the “Company”, “Nomura”, the “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, “dollar” or “\$” means the lawful currency of the United States of America (“U.S.”), and “EUR” means the lawful currency of the member states of the European Monetary Union.

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.

As used in this annual report, except as the context otherwise requires, the “Companies Act” means the Companies Act of Japan and the “FSA” means the Financial Services Agency of Japan.

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 presents selected financial information as of and for the years ended March 31, 2013, 2014, 2015, 2016 and 2017 which is derived from our consolidated financial statements. The consolidated balance sheets for the years ended March 31, 2016 and 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2015, 2016 and 2017, and notes thereto appear elsewhere 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.

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				
	2013	2014	2015	2016	2017
Statement of income data:					
Revenue	¥ 2,079,943	¥ 1,831,844	¥ 1,930,588	¥ 1,723,096	¥ 1,715,516
Interest expense	266,312	274,774	326,412	327,415	312,319
Net revenue	1,813,631	1,557,070	1,604,176	1,395,681	1,403,197
Non-interest expenses	1,575,901	1,195,456	1,257,417	1,230,523	1,080,402
Income before income taxes	237,730	361,614	346,759	165,158	322,795
Income tax expense	132,039	145,165	120,780	22,596	80,229
Net income	¥ 105,691	¥ 216,449	¥ 225,979	¥ 142,562	¥ 242,566
Less: Net income (loss) attributable to noncontrolling interests	(1,543)	2,858	1,194	11,012	2,949
Net income attributable to Nomura Holdings, Inc. (“NHI”) shareholders	¥ 107,234	¥ 213,591	¥ 224,785	¥ 131,550	¥ 239,617
Balance sheet data (period end):					
Total assets	¥37,942,439	¥43,520,314	¥41,783,236	¥41,090,167	¥42,852,078
Total NHI shareholders’ equity	2,294,371	2,513,680	2,707,774	2,700,239	2,789,916
Total equity	2,318,983	2,553,213	2,744,946	2,743,015	2,843,791
Common stock	594,493	594,493	594,493	594,493	594,493
Per share data:					
Net income attributable to NHI shareholders—basic	¥ 29.04	¥ 57.57	¥ 61.66	¥ 36.53	¥ 67.29
Net income attributable to NHI shareholders—diluted	28.37	55.81	60.03	35.52	65.65
Total NHI shareholders’ equity ⁽¹⁾	618.27	676.15	752.40	748.32	790.70
Cash dividends ⁽¹⁾	8.00	17.00	19.00	13.00	20.00
Cash dividends in USD ⁽²⁾	\$ 0.08	\$ 0.17	\$ 0.16	\$ 0.12	\$ 0.18
Weighted average number of shares outstanding (in thousands) ⁽³⁾	3,692,796	3,709,831	3,645,515	3,600,701	3,560,776
Return on equity⁽⁴⁾:	4.9%	8.9%	8.6%	4.9%	8.7%

Notes:

- (1) Calculated using the number of shares outstanding at year end.
- (2) Calculated using the Japanese Yen—U.S. Dollar exchange rate as 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.
- (3) The number shown is used to calculate basic earnings per share.
- (4) Calculated as net income attributable to NHI shareholders divided by total NHI shareholders’ equity.

Foreign Exchange

Fluctuations in exchange rates between the Japanese Yen and U.S. Dollar will affect the U.S. Dollar equivalent of the Japanese Yen price of our common stocks 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.

<u>Year ended March 31</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>Year end</u>
2013	¥ 96.16	¥ 77.41	¥ 83.26	¥ 94.16
2014	105.25	92.96	100.46	102.98
2015	121.50	101.26	110.78	119.96
2016	125.58	111.30	120.13	112.42
2017	118.32	100.07	108.31	111.41
<u>Calendar year 2017</u>	<u>High</u>	<u>Low</u>		
January	¥117.68	¥112.72		
February	114.34	111.74		
March	115.02	110.48		
April	111.52	108.40		
May	114.19	110.68		
June (through June 16)	111.24	109.16		

(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 16, 2017 was \$1.00 = ¥110.84

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

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

Our business and revenues may be affected by any adverse changes in the Japanese and global economic environments and financial markets. In addition, not only purely economic factors but also future wars, acts of terrorism, economic or political sanctions, pandemics, forecasts of geopolitical risks and geopolitical events which have actually occurred, natural disasters or other similar events could have an effect on the financial markets and economies of each country. If any adverse events including those discussed above were to occur, a market or economic downturn may last for a long period of time, which could adversely affect our business and can result in us incurring substantial losses. Even in the absence of a prolonged market or economic downturn, changes in market volatility and other changes in the environment may adversely affect our business, financial condition and results of operations. The following are certain risks related to the financial markets and economic conditions for our specific businesses.

Governmental fiscal and monetary policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations

We engage in our business globally through domestic and international offices. Governmental fiscal, monetary and other policy changes in Japan, or in any other country or region where we conduct business may affect our business, financial condition and results of operations. For example, in June 2016, the people of the United Kingdom voted to leave the European Union. Withdrawal from the European Union may affect our business because London office serves as our EMEA headquarters. This event may also result in additional costs when we review structure of business operations and personnel distribution. In addition, in recent years, the Bank of Japan and central banks in many major economies have been pursuing an expansionary monetary policy, including in some cases the introduction of negative interest rates. The prolonged implementation of a negative interest rate policy or the further lowering of negative interest rates in one or more countries as well as further decreases in yields of financial assets in the financial markets may negatively affect our ability to provide asset management products to our clients as well as our trading and investment activities.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

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

Our electronic trading business revenues may decline

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

We may incur significant losses from our trading and investment activities

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

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

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

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

profitability due to decrease in client transactions. Assuming a one-notch and two-notch downgrade of our credit ratings on March 31, 2017, 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 ¥20.2 billion and ¥47.5 billion, respectively.

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

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

Extended market declines and decreases in market participants can reduce liquidity and lead to material losses

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in those markets in which we operate. Market liquidity may also be affected by decreases in market participants that could occur, for example, if financial institutions scale back market-related businesses due to increasing regulation or other reasons. As a result, it may be difficult for us to sell, hedge or value such assets which we hold. Also, in the event that a market fails in pricing such assets, it will be difficult to estimate their value. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to Over-The-Counter ("OTC") derivatives, we may incur substantial losses. Further, if the liquidity of a market significantly decreases and the market may become unable to price financial instruments held by us, this could lead to unanticipated losses.

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase other risks that we face

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

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

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

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

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

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

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

Liquidity, or having ready access to cash, is essential to our business. We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of our creditworthiness or deterioration in market conditions. In addition to maintaining a readily available cash position, we seek to secure ample liquidity through repurchase agreements and securities lending transactions, long-term borrowings and the issuance of long-term debt securities, diversification of our short-term funding sources such as commercial paper, and by holding a portfolio of highly liquid assets. We bear the risk that we may lose liquidity under certain circumstances, including the following:

We may be unable to access unsecured or secured funding

We continuously access unsecured funding from issuance of securities in the short-term credit markets and debt capital markets as well as bank borrowings to finance our day-to-day operations, including refinancing. We also enter into repurchase agreements and securities lending transactions to raise secured funding for our trading businesses. An inability to access unsecured or secured funding or funding at significantly higher cost than normal levels could have a substantial negative effect on our liquidity. For example, lenders could refuse to extend the credit necessary for us to conduct our business based on their assessment of our long-term or short-term financial prospects if:

- we incur large trading losses,
- the level of our business activity decreases due to a market downturn,
- regulatory authorities take significant action against us, or
- our credit rating is downgraded.

In addition to the above, our ability to borrow in the debt capital markets could also be adversely impacted by factors that are not specific to us, such as reductions in banks' lending capacity, a severe disruption of the financial and credit markets, negative views about the general prospects for the investment banking, brokerage or financial services industries, or negative market perceptions of Japan's financial soundness.

We may be unable to sell assets

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

Lowering of our credit ratings could impact our funding

Our funding depends significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on "credit watch" with negative implications. Future downgrades could increase our funding costs and limit our funding. This, in turn, could adversely affect our result of operations and our financial condition. In addition, other factors which are not specific to us may impact our funding, such as negative market perceptions of Japan's financial soundness.

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

Event risk refers to potential losses we may suffer through unpredictable events that cause large unexpected market price movements such as natural or man-made disasters, epidemics, acts of terrorism, armed conflicts or political instability, as well as adverse events specifically affecting our business activities or counterparties. These events include not only significant events such as the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, the global financial and credit crisis in the autumn of 2008, the Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year, the political crisis in Ukraine which began in late 2013, the terrorist attacks in Paris in November 2015, the terrorist attacks in Brussels in March 2016 and the terrorist attacks in London in June 2017, but also more specifically the following types of events that could cause losses in our trading and investment assets:

- sudden and significant reductions in credit ratings with regard to financial instruments held by our trading and investment businesses by major rating agencies,
- sudden changes in trading, tax, accounting, regulatory requirements, laws and other related rules which may make our trading strategy obsolete, less competitive or no longer viable, or
- an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and administrative penalty with respect to the issuers of our trading and investment assets.

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

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

Credit risk may also arise from:

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

Since the late 1990s, the financial services sector in Japan has undergone deregulation. In accordance with the amendments to the Securities and Exchange Law of Japan (which has been renamed as the Financial

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

Increased consolidation, business alliance and cooperation in the financial services groups 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 large financial services groups have established or acquired broker-dealers or have consolidated with other financial institutions. Recently, these large financial services groups have been further developing business linkage within their respective groups in order to provide comprehensive financial services to clients. These financial services groups continue 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, the financial services industry has seen collaboration beyond the borders of businesses and industries, such as alliances between commercial banks and securities companies outside of framework of existing corporate groups and recent alliances with non-financial companies including emerging companies. Our competitiveness may be adversely affected if our competitors are able to expand their businesses and improve their profitability through such business alliances.

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

We continue to believe there are significant opportunities in the international markets, but there is also significant competition associated with such opportunities. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Under such competitive environment, as a means to bolster our international operations, we acquired certain Lehman Brothers operations in Europe, the Middle East and Asia in 2008 and we have invested significant management resources to maintain and develop our operations in these regions and the U.S. After the acquisition, however, market structures have changed drastically due to the scaling back of market-related businesses by European financial institutions and the monetary easing policies by central banks of each country, resulting in decline in whole market liquidity. In light of this challenging business environment, we have endeavored to reallocate our management resources to optimize our global operations and thereby improve our profitability. For example, we made strategic changes to our Wholesale businesses in EMEA and the Americas in 2016 in order to reallocate resources towards our areas of expertise and most profitable business lines. 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 various operational risks

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

Operational risk is inherent in all our products, activities, processes and systems which therefore can potentially have a direct financial impact on us or an indirect financial impact through a disruption to our business, regulatory sanctions, loss of clients, reputational damage or damage to the health and safety of our management and employees. While we have established a robust framework to manage and mitigate the impact of operational risks within us, prevention of the following key specific types of key operational risks occurring remains challenging:

Event Category	Definition
Internal Fraud	Intentional breach of laws, rules, regulations or internal policies and procedures.
Mis-selling	Offering of products and services which are not commensurate with the client's knowledge, experience, asset status and investment purpose as well as his/her ability to make judgment regarding risk management, or failure to provide sufficient information about the risks associated with the products and services offered.
Regulatory non- Compliance	Violation of financial and other applicable laws, rules or regulations and internal rules governing the firm's business activities and personnel.
Information Management Failure	Activity which may lead to leakage or damage of the firm's data including client and sensitive information, or failure to maintain a sufficient control environment to prevent such events.
Cyber Attack	Unauthorized intrusion, theft, modification and destruction of data, failure or malfunction of information systems and execution of illegal computer programs, committed via the Internet through malicious use of information communication networks and information systems.
System Outages	Significant system defects, including system outages or malfunction.
Business Continuity Management Failure	Failure to maintain effective business continuity due to insufficient measures and preparations against major natural or man-made disaster.

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 our employees, directors or officers, or any third party, could engage in misconduct that may adversely affect our business. Misconduct by an employee, director or officer includes conduct such as entering into transactions in excess of authorized limits, acceptance of risks that exceed our limits, or concealment of unauthorized or unsuccessful activities. The misconduct could also involve the improper use or disclosure of our or our clients' non-public information, such as insider trading and the recommendation of trades based on such information, as well as other crimes, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us.

In August 2012, Nomura Securities Co., Ltd. ("NSC"), a subsidiary of the Company, received a business improvement order from the FSA with respect to flaws recognized in connection with the management of entity-related information for public stock offerings. In response to the order, NSC implemented and completed a series of improvement measures as of December 2012.

Although we have precautions in place to detect and prevent such misconduct in the future, the measures we have implemented or may 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 appropriately address conflicts of interest could adversely affect our business

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

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

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

Our exposure to legal liability is significant

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

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

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

The financial services industry is subject to extensive regulation. We are subject to increasing regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate, and such governmental and regulatory scrutiny may increase as our operations expand or as laws change. In addition, while regulatory complexities increase, possibilities of extra-territorial application of a regulation in one jurisdiction to business activities outside of such jurisdiction may also increase. These regulations are broadly designed to ensure the stability of financial systems and the integrity of the financial markets and financial institutions, and to protect clients and other third parties who deal with us, and often limit our activities and/or affect our profitability, through net capital, client protection and market conduct requirements. In addition, on top of traditional finance-related legislation, the scope of laws and regulations applying to, and/or impacting on, our operations may become wider depending on the situation of the wider international political and economic environment or policy approaches taken by governmental authorities in respect of regulatory application or law enforcement. In particular, the number of investigations and proceedings against the financial services industry by governmental and self-regulatory organizations has increased substantially and the consequences of such investigations and proceedings have become more severe in recent years, and we are subject to face the risk of such investigations and proceedings. 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, which may negatively affect our business opportunities and ability to secure human resources. 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. In addition, certain market participants may refrain from investing in or entering into transactions with us if we engage in business activities in regions subject to international sanctions, even if our activities do not constitute violations of sanctions laws and regulations.

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

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

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

New regulations or revisions to existing regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. Such new regulations or revisions to existing regulations include the so-called Basel III package formulated by the Basel Committee on Banking Supervision (“Basel Committee”), some rules of which are still to be finalized and/or implemented. These changes in regulations may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the Financial Stability Board (“FSB”) and the Basel Committee annually update the list of global systemically important banks

("G-SIBs") identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G-20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks ("D-SIBs"), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. In December 2015, the FSA identified us as a D-SIB and imposed a surcharge of 0.5% on our required capital ratio after March 2016 over a 3-year transitional period. This may result in additional costs and impact on us as described above.

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

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 to protect the confidentiality of personal information and take steps to safeguard such information in compliance with applicable laws, rules and regulations, were any material unauthorized disclosure of personal information to occur, our business could be adversely affected. For example, we could be subject to complaints and lawsuits for damages from clients if they are adversely affected due to the unauthorized disclosure of their personal information (including leakage of such information by an external service provider). 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. 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 incurred for public relations campaigns designed to prevent or mitigate damage to our corporate or brand image or reputation.

System failure and the information leakage could adversely affect our business

Our businesses rely on secure processing, storage, transmission and reception of personal, confidential and proprietary information on our systems. We may become the target of attempted unauthorized access, computer viruses or malware, and other cyber-attacks designed to access and obtain information on our systems or to disrupt and cause other damage to our services. Although these threats may originate from human error or technological failure, they may also originate from the malice or fraud of internal parties, such as employees, or third parties, including foreign non-state actors and extremist parties. Additionally, we could also be adversely impacted if any of the third-party vendors, exchanges, clearing houses or other financial institutions to whom we are interconnected are subject to cyber-attacks or other informational security breaches. Such events could cause interruptions to our systems, reputational damage, client dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our financial condition and operations.

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

Natural disaster, terrorism, military dispute and infectious disease could adversely affect our business

We have developed a contingency plan for addressing unexpected situations. However, disaster, terrorism, military dispute or infectious disease afflicting our management and employees could exceed the assumptions of our plan, and could adversely affect our business.

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

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

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

We hold substantial investments in equity securities and non-trading debt securities. Under U.S. GAAP, depending on market conditions, we may recognize significant unrealized gains or losses on our investments in equity securities and debt securities, which could have an adverse impact on our financial condition and results of operations. Depending on the market conditions, we may also not be able to dispose of these equity securities and debt securities when we would like to do so, as quickly as we may wish or at the desired price.

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

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

We may face an outflow of clients' assets due to losses of cash reserve funds or debt securities we offer

We offer many types of products to meet various needs of our clients with different risk profiles.

Cash reserve funds, such as money market funds and money reserve funds are categorized as low risk financial products. As a result of a sudden rise in interest rates, such cash reserve funds may fall below par value due to losses resulting from price decreases of debt securities in the portfolio, defaults of debt securities in the portfolio or charges of negative interest. If we determine that a stable return cannot be achieved from the investment performance of cash reserve funds, we may accelerate the redemption of, or impose a deposit limit on, such cash reserve funds. For example, Nomura Asset Management Co., Ltd., the Company's subsidiary, ended its operation of money market funds in late August 2016 and executed an accelerated redemption of such funds in September 2016.

In addition, debt securities that we offer may default or experience delays in the payment of interest and/or principal.

Such losses, early redemption or deposit limit for the products we offer may result in the loss of client confidence and lead to an outflow of client assets from our custody or preclude us from increasing such client assets.

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.

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, 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 any time 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 secure personal jurisdiction within the U.S. over 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 obtain personal jurisdiction over the Company or these persons within the U.S. or to enforce against the Company or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the 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.”

The Company has proactively engaged in establishing a governance framework to ensure transparency in the Company’s management. Among other endeavors, when the Company adopted a holding company structure and was listed on the New York Stock Exchange (“NYSE”) in 2001, the Company installed Outside Directors. In addition, in June 2003, the Company further strengthened and increased the transparency of the Company’s oversight functions by adopting the Company with Three Board Committees (previously known as the Committee System), a system in which management oversight and business execution functions are clearly separated.

In 2008, to pave the way for future growth, the Company acquired and integrated the operations of Lehman Brothers in Asia Pacific, 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 we operate offices in countries and regions worldwide 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 our Retail, Asset Management and Wholesale divisions which are described in further detail below. See also Note 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

Corporate Goals and Principles

The 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 our 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 management’s 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 local branches, including our head office, was 158 as of the end of March 2017. We offer investment consultation services to meet the medium- to long-term needs of our clients. We discuss retail client assets in “*Retail Client Assets*” under Item 5.A of this annual report.

We continue to focus on delivering top-quality solutions including our broad range of products and services through face-to-face meetings, online and call center channels, so that Nomura Group can sustainably be a trusted partner to our clients.

Asset Management

We conduct our asset management business, which consists of the development and management of investment trusts and investment advisory services, primarily through Nomura Asset Management Co., Ltd (“NAM”). NAM is the largest asset management company in Japan in terms of assets under management in investment trusts as of March 31, 2017. 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 held in defined contribution pension plans. We also provide investment advisory services to public pension funds, private pension funds, governments and their agencies, central banks and institutional investors globally.

Wholesale

Our Wholesale Division consists of Global Markets and Investment Banking, providing our corporate and institutional clients with timely, high value-added products and services tailored to their needs.

Global Markets

Global Markets provides research, sales, trading, and market-making of fixed income and equity-related products.

Our global fixed income offerings include, among other products, government securities, interest rate derivatives, investment-grade and high-yield corporate debt securities, 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 are also primary dealers 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.

Our global equity-related products include equity securities, Exchange Traded Funds (“ETFs”), convertible securities, listed and OTC equity derivatives, and prime services. In addition, we offer execution services based on cutting-edge electronic trading technology to help clients navigate through the complex market structure and achieve best execution. We are also a member of various exchanges around the world, with leading positions on Tokyo stock exchanges.

These product offerings are underpinned by our global structuring function which provides tailored ideas and trading strategies for our institutional and corporate clients as well as our retail franchise.

Investment Banking

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

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

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 reorganizations and other corporate restructurings related to industry consolidation enhances our opportunities to offer clients other advisory and investment banking services.

We capitalize on the linkages between our Retail, Asset Management and Wholesale Divisions to offer various financial instruments such as equity securities, 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 in London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our analysts collaborate closely across regions and disciplines to track changes and spot future trends in politics, economics, foreign exchange, interest rates, equities, credit, as well as provide quantitative analysis.

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 Nomura Group is able to fulfill the various needs of our clients. Accordingly, we will continue to invest, enhance and adapt a technology platform to ensure it remains suitable for each division. As a financial institution, we have been promoting to implement FinTech to improve our business operation.

In our Retail Division, we continually invest and enhance our core system and related systems to improve efficiency on business operation. We are also continuously working on improving our internet-based and smartphone platforms.

In our Wholesale Division, we continually invest and enhance our technology platform to provide better risk management, improved data governance and also to increase trading capabilities through platforms allowing direct market access and algorithmic trading. In order to ensure the support level of Wholesale operations, we will continue to maintain utilization of our offshore service entities in India and enhance our regional support based capabilities.

Our recent focus is cyber security. In order to prevent potential damage as well as take immediate actions in case a security threat occurs, we continue to strengthen measures in four areas, which are system implementation, trainings and drills, organizational emergency plans and information sharing with external institutions. In March 2015, we established a global team specializing in cyber security measures called the Computer Security Incident Response Team (“CSIRT”).

Competition

The financial services industry is intensely competitive and we expect it to continue remain so. We compete globally with other brokers and dealers, investment banking firms, commercial banks, investment advisors and

other financial services firms. We also face competition on regional, product and niche bases from local and specialist firms. A number of factors determine our competitive position against other firms, including:

- the quality, range and prices of our products and services,
- our ability to originate and develop innovative client solutions,
- our ability to maintain and develop client relationships,
- our ability to access and commit capital resources,
- our ability to retain and attract qualified employees, and
- our general reputation.

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 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 subsidiaries such as NSC and Nomura Financial Products & Services, Inc. (“NFPS”), are subject to such supervision and regulation by the FSA. The Commissioner of the FSA delegates certain authority to the Director General of Local Finance Bureaus to inspect local securities companies and branches. Furthermore, the Securities

and Exchange Surveillance Commission, an external agency of the FSA which is independent from the Agency's other bureaus, is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder the fair trading of securities, including inspection of securities companies. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of the securities industry.

To enhance investor protection, each Japanese securities company is required to segregate client assets and to hold membership in an Investor Protection Fund approved by the government under the FIEA. The Investor Protection Fund is funded through assessments on its securities company members. In the event of failure of a 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 systems, compliance systems and risk management systems to ensure the protection of investors. The FIEA and its related guidelines also provide reporting requirements to the FSA on the Designated Parent Company Group's business and capital adequacy ratios, enhanced public disclosures as well as restrictions on compensation all of which are designed to reduce excessive risk-taking by executives and employees of a Designated Parent Company Group. We were designated as the Designated Parent Company of NSC in April 2011 and were designated as the Designated Parent Company of NFPS in December 2013. As the Designated Parent Company and the final parent company within a corporate group (*Saishu Shitei Oyagaisha*, "a Final Designated Parent Company"), we are subject to these requirements. A violation of the FIEA may result in various administrative sanctions, including the revocation of registration or license, the suspension of business or an order to discharge any director or executive officer who has failed to comply with the FIEA.

Regulatory Changes. On April 16, 2013, a bill was submitted to the Diet of Japan to amend the FIEA and the Deposit Insurance Act and was passed on June 12, 2013. A part of the amendment includes establishing "Orderly Resolution Regime for Financial Institutions" to prevent a financial crisis that may spread across financial markets and may seriously impact the real economy. Under the Orderly Resolution Regime, the Financial Crisis Response Council, chaired by the Prime Minister, will take measures such as providing liquidity 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. The amendment became effective on March 6, 2014.

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 U.S. Securities and Exchange Commission (“SEC”), the Commodity Futures Trading Commission (“CFTC”), the U.S. Treasury, the Financial Stability Oversight Council, the New York Stock Exchange, 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.), the National Futures Association (a self-regulatory organization for the U.S. derivatives industry) in the U.S.; and by the Prudential Regulation Authority (“U.K. PRA”), the Financial Conduct Authority (“U.K. FCA”), and the London Stock Exchange 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 and 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 Act, which is now the subject of a multi-agency rulemaking process. The rulemakings include the following: (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 Systemically Important Financial Institutions (“SIFIs”), subject to increased (and sometimes new) prudential oversight including early remediation, capital standards, resolution authority and new regulatory fees; (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; (v) establish rules related to the orderly liquidation of certain broker dealers; (vi) create annual stress tests; and (vii) set forth a number of executive compensation mandates, including rules to curtail incentive compensation that promotes excessive risk taking and listing standards for recovery of erroneously awarded compensation. The new regulatory framework for OTC derivatives includes mandates for clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, reporting and recordkeeping, and internal and external business conduct rules. Some U.S. derivatives and executive compensation rules may be applied extraterritorially and therefore impact some non-U.S. Nomura 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 SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) establish new regulations regarding the role of credit rating agencies, investment advisors and others. To facilitate the transition to the requirements of the Dodd-Frank Act, the Commodity Futures Trading Commission issued an exemptive order in July 2013 (“Exemptive Order”) that granted market participants temporary conditional relief from certain provisions of the Commodity Exchange Act, as amended by the Dodd-Frank Act. As the Exemptive Order expired on December 21, 2013 some U.S. derivatives rules are now being applied extraterritorially and are now therefore impacting some non-U.S. Nomura entities. In addition, Title VII of the Dodd-Frank Act gives the SEC regulatory authority over “security-based swaps” which are defined under the act as swaps based on a single security or loan or a narrow-based group or index of securities. Security-based swaps are included within the definition of “security” under the U.S.

Securities and Exchange Act of 1934 and the U.S. Securities Act of 1933. The SEC continues to issue final rules and interpretive guidance addressing cross-border security-based swap activities. On June 25, 2014, the SEC initially finalized a portion of its cross-border rules, namely key foundational definitions and registration calculations that will become operative once the SEC sets a timeframe for the security-based swap dealer registration process to begin. Since then, the SEC has issued a series of final rules that will apply certain Dodd-Frank Act requirements to security-based swaps between two non-U.S. person counterparties when the security-based swaps are arranged, negotiated or executed using personnel or personnel of agents located in the United States. On February 10, 2016, the SEC issued final rules that require a non-U.S. person that uses personnel or personnel of agents located in the United States in connection with security-based swap dealing activity to include such security-based swaps in its security-based swap dealer registration de minimis calculation. On April 14, 2016 the SEC issued final rules that require a non-U.S. security-based swap dealer to comply with external business conduct standards rules when facing a non-U.S. person counterparty if the non-U.S. security-based swap dealer uses personnel or personnel of agents located in the United States to arrange, negotiate or execute the security-based swap. Finally, on July 14, 2016 the SEC issued final rules that subject a security-based swap between a non-U.S. security-based swap dealer and a non-U.S. person counterparty to public dissemination pursuant to SEC rules if the non-U.S. swap dealer uses personnel or personnel of agents located in the United States to arrange, negotiate or execute the security-based swap. The SEC could issue additional final rules that apply certain Dodd-Frank Act requirements to security-based swaps of two non-U.S. person counterparties when one or both uses personnel or personnel of agents located in the United States to arrange, negotiate or execute the security-based swap, but no such additional rules have been proposed. Once final and effective, these cross-border rules may impact some non-U.S. Nomura entities. 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. In addition to the rulemakings required by the Dodd-Frank Act, the SEC is considering other rulemakings that will impact Nomura's U.S. entities. While these rules have not been formally proposed, they have been publicly reported in the U.S. Office of Management and Budget's ("OMB") "Current Regulatory Plan and Unified Agenda of Regulatory and Deregulatory Actions." The SEC's Division of Trading and Markets is considering recommending that the SEC propose an amendment to its net capital rule that would prohibit a broker-dealer that carries customer accounts from having a ratio of total assets to regulatory capital in excess of a certain level. The SEC and the CFTC are also considering a number of changes to market structure rules.

On February 3, 2017, U.S. President Donald J. Trump signed Executive Order 13772 outlining core principles to regulate the U.S. financial system. The order directed the Secretary of the Treasury to consult with heads of member agencies of the Financial Stability Oversight Council and report within 120 days of the date of the order (and periodically thereafter) on the extent to which existing laws, treaties, regulations, guidance, reporting and recordkeeping requirements and other government policies promote the core principles. U.S. regulatory agencies may change financial regulations through administrative procedures and rulemakings, supervisory guidance or no-action relief as the result of recommendations by the Treasury Secretary in accordance with the core principles of the executive order. These may have a material impact on Nomura's business.

The core principles are as follows: (i) empower Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth; (ii) prevent taxpayer-funded bailouts; (iii) foster economic growth and vibrant financial markets through more rigorous regulatory impact analysis that addresses systemic risk and market failures, such as moral hazard and information asymmetry; (iv) enable American companies to be competitive with foreign firms in domestic and foreign markets; (v) advance American interests in international financial regulatory negotiations and meetings; (vi) make regulation efficient, effective, and appropriately tailored; and (vii) restore public accountability within Federal financial regulatory agencies and rationalize the Federal financial regulatory framework.

The Foreign Account Tax Compliance Act ("FATCA") which was enacted in 2010, requires foreign financial institutions ("FFIs") to report to the U.S. Internal Revenue Service information about financial accounts

held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. As a result, Nomura will be subject to certain reporting requirements consistent with a mutual agreement between Japanese governmental authorities and the U.S. Treasury Department. In addition, the US Treasury Department proposed new rules in April 2016 that would give the Internal Revenue Service the authority to reclassify certain related-company debt transactions as equity and as a result could impact the Company's tax liability.

On July 19, 2011, the Financial Stability Board published a consultative document to establish a global framework to improve authorities' capacity to resolve failing SIFIs without systemic disruption and exposing taxpayers to the risk of loss. The proposed measures require Global SIFIs ("G-SIFIs") to prepare and maintain recovery and resolution plans ("RRPs") by December 2012. In light of such a global framework, the U.K. Financial Services Authority ("U.K. FSA") (which has now been replaced by the U.K. PRA and FCA) published a consultation paper on August 9, 2011 containing its proposals for RRP. The consultation paper covered a requirement for banks and large investment firms in the U.K. (including G-SIFIs) to prepare and maintain RRP. In a separate discussion paper, the U.K. 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 and a further update was issued by the U.K. FSA in February 2013. In December 2013, the U.K. PRA published a policy statement setting out final rules which require banks, building societies and U.K. PRA-regulated investment firms to produce recovery plans (identification of options to recover financial strength in stress situations) and resolution packs (information to support resolution planning by the authorities).

These rules were amended in January 2015 as part of the U.K. implementation of the EU Bank Recovery and Resolution Directive ("BRRD"), which was published on June 12, 2014. The BRRD also aims to implement Financial Stability Board recommendations on recovery and resolution regimes for financial institutions and for U.K. purposes it will partially supersede the existing U.K. regime. The BRRD applies to banks and investment firms operating in EU member states, including EU branches and subsidiaries of third country firms. It includes requirements for the preparation of RRP by institutions and regulators. It also creates various powers for EU regulators to intervene to resolve institutions at risk of failure, including the ability to sell or transfer all or part of an institution (similar to existing U.K. regulatory powers) and the introduction of a debt write down or bail-in tool. Amongst other things, relevant firms are required to include a contractual recognition of the bail-in clause in a wide range of non-EU law governed contracts governing liabilities created or materially amended after January 1, 2016 under which the creditor contractually recognizes and agrees that the liability may be subject to use of the bail-in tool. Specific provision is also made to facilitate cross-border crisis management and the recognition of third country recovery and resolution action in relation to third country banking and investment groups. As part of the bail-in rules, firms will be required to maintain capital resources sufficient to meet the stipulated minimum requirement for eligible liabilities ("MREL"). The MREL requirement overlaps with the global capital standards on total loss absorbing capacity ("TLAC") for G-SIBs issued by the Financial Stability Board on November 9, 2015. The TLAC standard defines a minimum requirement for the instruments and liabilities that should be readily available for bail-in within resolution at G-SIBs, but does not limit authorities' powers under the applicable resolution law to expose other liabilities to loss through bail-in or the application of other resolution tools. G-SIBs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework.

On August 18, 2016 the FSB published final guidance on resolution planning arrangements designed to support operational continuity in resolution ("FSB Guidance") in order to assist authorities and firms subject to resolution planning requirements assess whether such firms have appropriate arrangements in place. On April 28, 2017, the U.K. PRA issued a policy statement to introduce rules implementing the FSB Guidance ("U.K. PRA Rules"). The U.K. PRA Rules will apply from January 1, 2019 to designated investment firms, certain U.K. banks and building societies. The U.K. PRA Rules largely reflect the FSB Guidance, but go beyond the FSB Guidance in some respects.

There are a number of regulatory developments that impact capital requirements for U.K. regulated entities. Most significant of these is the Basel III framework, as adopted into EU law through the fourth Capital

Requirements Directive and Capital Requirements Regulation (together, “CRD IV”), which became effective on January 1, 2014. The aim of CRD IV is to strengthen the resilience of the EU banking sector so it is better placed to absorb economic shocks while ensuring that banks continue to finance economic activity and growth. CRD IV sets out requirements for minimum capital requirements for banks and investment firms and also introduced new capital and liquidity buffers.

The framework also modifies treatment of financial institution exposures to central counterparties, resulting in increased capital charges, as well as qualifying conditions that must be met by central counterparties before institutions may benefit from preferential treatment. CRD IV introduces the concept of the leverage ratio and the net stable funding ratio (“NSFR”). The directive introduces corporate governance requirements with a more rigorous supervision of risks by directors as well as management or supervisory boards. The rules concern the composition of boards, their functioning and their role in risk oversight and strategy in order to improve the effectiveness of risk oversight by boards. The regulation requires financial institutions to make increased Pillar 3 disclosures about their corporate governance arrangements. CRD IV also sets out requirements in relation to remuneration policies imposing a 1:1 ratio on the basic salary relative to bonus for certain staff.

On November 23, 2016, the European Commission published the fifth Capital Requirements Directive (“CRD V”). CRD V is a legislative dossier implementing the remaining parts of Basel III in the EU as well as addressing issues identified in the prudential requirements of CRD IV. The European Commission also introduced amendments to existing legislation in the form of the CRD V Capital Requirements Regulation (“CRR II”), Bank Recovery and Resolution Directive (“BRRD II”) and Single Resolution Mechanism Regulation (“SRMR”). As dossiers will need to pass through the EU legislative process, which usually takes about 18 months, the rules will enter into force in 2019 at the earliest.

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 legislation has been split into two parts: the Markets in Financial Instruments Directive (“MiFID”) and the Markets in Financial Instruments Regulation (“MiFIR”). On May 13, 2014, the Council of the European Union announced that it had adopted MiFID II (the revised MiFID) and MiFIR. MiFID II was published in the EU Official Journal on June 12, 2014 and entered into force on July 3, 2014. The majority of the new rules under MiFID II and MiFIR will take effect from January 3, 2018, with Member States required to implement MiFID II through national legislation by July 3, 2017. The 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 mandating the clearing of standardized OTC transactions through central clearing counterparties and their trading through regulated trading venues. The new framework introduces a market structure which seeks to close certain loopholes and ensures that trading, wherever appropriate, takes place on regulated platforms. It introduces rules on high frequency trading and aims to improve the transparency and oversight of financial markets. The revised MiFID also aims to strengthen the protection of investors by introducing more robust organizational and conduct requirements and by strengthening the role of management bodies. The new framework also increases the role and supervisory powers of regulators and establishes powers to prohibit or restrict the marketing and distribution of certain products in well-defined circumstances. A harmonized regime for granting firms from third countries access to EU professional markets, based on an equivalence assessment of third-country jurisdictions by the Commission, will also be introduced.

Following a range of consultations and technical advice published by the European Securities and Markets Authority (“ESMA”), in April 2016 the European Commission adopted a MiFID Delegated Directive (“Directive”). The Directive contains provisions on investor protection, notably on safeguarding of clients’ funds and financial instruments, product governance and monetary/non-monetary compensation. The Commission also adopted a delegated regulation supplementing MiFID II. This regulation aims at specifying, in particular, the rules relating to exemptions, the organizational requirements for investment firms, and conduct of business obligations in the provision of investment services. In May 2016, the Commission adopted a further delegated regulation supplementing MiFIR. This regulation aims at specifying, in particular, the rules relating to determining liquidity for equity instruments, the rules on the provision of market data on a reasonable

commercial basis, the rules on publication, order execution and transparency obligations for systematic internalisers, and the rules on supervisory measures on product intervention by the ESMA, the European Banking Authority and national authorities, as well as on position management powers by the ESMA. The Commission also has adopted the majority of final technical standards. There is still ongoing work on the technical guidelines.

In the U.K., the U.K. FCA has also published various consultations on MiFID II, including a Discussion Paper in March 2015, which discussed the FCA's approach to those areas of MiFID II for which the U.K. has discretion in relation to implementation. In March 2015, U.K. HM Treasury published a consultation on the Transposition of the MiFID II. The U.K. FCA published its first consultation paper on MiFID II implementation in December 2015. The paper focused on markets issues. The U.K. FCA published a second consultation in July 2016 on commodities, supervision and senior management issues and a third consultation in September 2016 on a range of business conduct issues including investment research and product governance. In December 2016, the U.K. FCA published a fourth consultation on specialist regimes, tied agents, market data and other miscellaneous changes to the FCA Handbook. In March 2017, the first of two policy statements was published, setting out the U.K. FCA's near-final rules on most of the topics which were addressed in the first and second consultation papers. In February 2017, U.K. HM Treasury published responses to the feedback they received on their March 2015 paper.

The European Market Infrastructure Regulation ("EMIR") became effective on August 16, 2012, and applies to any entity established in the European Union that is a legal counterparty to a derivative contract, even when trading with non-EU firms. Although the majority of EMIR regulations have already been implemented, there were several important developments during the course of 2016 and 2017. On June 6, 2016, The ESMA and the CFTC established a memorandum of understanding ("MoU") under EMIR which established the cooperation agreements regarding central clearing counterparties ("CCPs") that are established in the U.S. and authorized or recognized by the CFTC and which have applied for EU recognition under EMIR.

On June 14, 2016, the ESMA updated its list of recognized third-country CCPs to include the Chicago Mercantile Exchange Inc. ("CME"), and in September 2016 the ESMA updated its list to also include ICE Clear Europe.

On July 1, 2016, the European Commission published an Implementing Decision in the EU Official Journal which granted equivalence to certain designated contract markets ("DCMs") in the U.S. that operate under the regulatory oversight of the CFTC. The decision came into force on July 22, 2016. This equivalence decision was particularly relevant to EMIR, as products traded on equivalent third-country markets (in this case DCMs subject to CFTC regulatory oversight) no longer fall under the definition of an OTC derivative and are therefore no longer subject to the EMIR obligations relevant to OTC derivatives (such as inclusion within the calculation of the clearing threshold for non-financial counterparties).

On January 12, 2016, the Securities Financing Transactions Regulation ("SFTR"), which forms part of the EU's package of legislation targeted at reforming shadow banking and aims to improve transparency in the securities financing transactions ("SFTs") market, came into force subject to a range of transitional provisions over a number of years. On March 31, 2017, the ESMA published their final technical standards under SFTR to the European Commission which has three months to decide whether to endorse them. The SFTR implementing measures are expected to enter into force by end of 2017.

On July 3, 2016, the EU Market Abuse Regulation ("MAR") came into force in all EU member states. The new rules on market abuse update and strengthen the existing framework to ensure greater market integrity and investor protection, replacing the existing Market Abuse Directive. The MAR strengthens the existing U.K. market abuse framework by extending its scope to new markets, new platforms and new behaviors. It contains prohibitions of insider dealing and market manipulation, as well as provisions designed to prevent and detect these behaviors, including the obligation to report suspicious orders and transactions. The MAR also introduced Investment Recommendations as a type of client communication requiring disclosures and tracking akin to investment research.

In June 2015, the European Parliament and Council to the EU members issued the final version of the Fourth Money Laundering Directive (“MLD4”). All EU member states, including the U.K., have two years in which to transpose the requirements of the directive into national law which will, where necessary, amend or replace the existing regulations or legislation. In February 2016, the EU Commission, in an effort to bolster the fight against terrorist financing, proposed amendment to the MLD4 that would enable the tracing of terrorists through financial movements and disrupt the sources of revenue for terrorist organizations by targeting their capacity to raise funds. These proposed amendments must still be agreed upon among all 28 Member States, but were included in a final version of the MLD4 issued by the EU Parliament in July 2016. In September 2017, additional legislation was implemented in the U.K. designed to combat financial crime including the Criminal Finances Act. The Act functions as an enhancement and extension of the Proceeds of Crime Act 2002 and, in addition to increasing the powers of authorities in investigating tax evasion, is also designed to make failure by a commercial organization to prevent the facilitation of tax evasion a punishable offence.

The Alternative Investment Fund Managers Directive (“AIFMD”) became effective on July 21, 2011. The AIFMD was required to be implemented by Member States by July 22, 2013 (subject to a one-year transitional period). The AIFMD and its related implementing legislation establish a detailed framework for the management and marketing of alternative investment funds (or “AIFs”) within the EEA. As the concept of an “AIF” is broadly defined, the AIFMD captures the majority of non-UCITs funds, including hedge funds, private equity, debt and real estate funds.

Under the AIFMD regime, fund managers operating within the EEA are subject to extensive organizational requirements, including mandatory authorization by an EEA regulator, substantial ongoing compliance, conduct of business and disclosure requirements and the obligation to appoint an independent depositary with responsibility for an AIF’s assets. A separate regulatory regime applies to depositaries, which must also be authorized for this purpose. Additional restrictions and disclosure obligations apply to managers of private equity firms which acquire material holdings in EEA companies. Non-EEA fund managers seeking to target EEA investors are also subject, at a minimum, to a sub-set of the compliance requirements for EEA managers, focusing mainly on disclosure. It is open to each Member State to introduce additional restrictions for third-country managers and some jurisdictions remain very restrictive in this respect. The possibility of a passporting regime for third-country managers is, however, provided for in the AIFMD and is still under consideration at the EU level, following positive feedback from the ESMA on a number of jurisdictions such as Canada, Guernsey, Japan, Jersey and Switzerland (further legislation would be required to introduce such a third-country passport). The AIFMD has material impact for Nomura insofar as certain group entities manage and/or market investment funds within the EEA (which attracts an enhanced compliance burden). Nomura also acts as depositary or “depo lite” to AIFs and is accordingly subject to separate compliance requirements and liability provisions in this capacity.

On March 7, 2017, the Senior Managers and Certification Regime (“SMCR”) reached its one-year implementation anniversary, and, additional rules regarding regulatory references and broadening the application of conduct rules to all staff also came into force on the same day. On May 12, 2017, the U.K. PRA and U.K. FCA announced the final amendments to the SMCR which will come into force on July 3, 2017. Amongst the key changes announced was a new power for U.K. Regulators (the U.K. FCA and the U.K. PRA) to apply individual rules of conduct to all non-executive directors, irrespective of whether they perform a senior manager role or another controlled function, and clarification that this rule applies to a director (whether executive or non-executive) when they are acting as a member of the board, of the board’s committees or other governing body. In addition, a further rule, the ‘*Duty of Responsibility*’ for senior managers, came into force on May 3, 2017. Under this ‘*Duty of Responsibility*,’ the U.K. FCA and U.K. PRA will now be able to take enforcement action against senior managers if they are responsible for the management of any activities within their firm where their firm contravenes a regulatory requirement and the senior managers do not take ‘*reasonably expected steps*’ to avoid such a contravention from ‘*occurring or continuing*.’

Over the past two to three years, the U.K. FCA has worked towards introducing a number of changes to the U.K. regulatory regime for the protection of client assets (“CASS”). These requirements are relevant to Nomura’s U.K. entities that hold client money and other assets on behalf of their clients (other than in the course of deposit-taking activity). The reforms made to the CASS regime have been driven in large part by concerns of the U.K. FCA regarding the shortcomings of the previous rules that were highlighted in the U.K. case law surrounding the collapse of Lehman Brothers International (Europe). The U.K. FCA commenced its review of the CASS regime in 2012 and published final rules in 2014, the last of which came into force on June 1, 2015. The reforms aim to improve the speed and efficiency with which client assets may be distributed following the insolvency of the holding firm and to minimize negative market impact. This has resulted in extensive changes to the rules, designed to strengthen the legal and operational requirements of holding firms for effective segregation of client money and to enhance controls over institutions with which client money is deposited and third parties to whom client money is transferred. The conditions attached to exclusions from the client money rules have also been clarified and enhanced. In addition, various changes have also been made to the rules to give effect to EMIR requirements regarding client money held in the course of derivatives clearing activity. The net effect of these various changes is generally to increase the operational and compliance burden on firms that hold client money and assets.

On July 29, 2016, the U.K. FCA released Consultation Paper 16/19: Markets in Financial Instruments Directive II Implementation (“CP 16/19”). CP16/19 provides for incremental changes to CASS. Many of the changes introduced by MiFID II are already part of the U.K. FCA rules. Although CASS will implement MiFID II using language closely mirroring that of MiFID II, such language will be adapted where appropriate to conform with U.K. law and practice.. On November 9, 2015, the Financial Reporting Council published its Standard for audit firms on Providing Assurance on Client Assets to the U.K. FCA. The Reasonable Assurance Standard was implemented on January 1, 2016, and has helped to ensure that the strengthened CASS regime is underpinned by sound assurances.

Since 2012, the European Commission has been working on the EU Data Protection Reform to establish a modern and harmonized data protection framework across the EU to replace the existing Directive. On May 4, 2016, the official texts of the new Regulation were published in the EU Official Journal in all the official languages and it came into force on May 25, 2016. However, the Regulation will not be effective across the EU member states until May 25, 2018. The Regulation includes a number of important changes to existing data protection legislation including new obligations on data processors, restrictions on the transfer of personal data outside the EEA and the introduction of new concepts such as “accountability” (and related record-keeping), the “right to be forgotten” and a requirement for data breach notifications to the relevant Regulators. Enforcement of the Regulation will be carried out by both national regulators (for the U.K., the Information Commissioner) and the Commission, and the regulators will also now have the new power to impose greater fines for any breaches of the data protection requirements of up to 4% of a firm’s global turnover.

The EU Benchmark Regulation entered into force on June 30, 2016 and will apply in the U.K. from January 1, 2018. Global regulators have imposed fines on firms following attempted manipulation of the LIBOR, gold and foreign exchange benchmarks, and have taken action against individuals for misconduct related to benchmarks. The objectives of the EU Benchmark Regulation include, but are not limited: (i) improving governance and controls over the benchmarking process to ensure that administrators avoid/manage conflicts of interest, (ii) improving the quality of input data and methodologies used by benchmark administrators, (iii) ensuring that contributors to benchmarks and the data they provide are subject to adequate controls, and (iv) protecting consumers and investors through greater transparency and adequate rights of redress.

In the U.K., as a follow up to the Fair and Effective Markets Review (established by the Chancellor of the Exchequer), the Fixed Income, Currencies and Commodities (“FICC”) Markets Standards Board (“FMSB”) was established in 2015 as a private sector response to the conduct problems revealed in global wholesale FICC markets after the financial crisis. The function of the FMSB is to help raise standards of conduct in global wholesale markets by producing voluntary Standards and other guidance in areas of uncertainty that are

developed by the membership and designed to illustrate best practices to all market participants. These Standards are intended to reduce the continuing uncertainty about acceptable practices in opaque and unregulated areas, which is a hazard for FMSB members, as well as other market participants. The Standards published to date cover the new issue process, binary options for the commodities markets and reference price transactions for the fixed income markets. The published Standards do not have legal or regulatory force and do not replace existing legislation; rather, they are intended to supplement the rules already in place. The Standards are implemented by way of FMSB member firms making an adherence statement on an annual basis.

Following the Brexit referendum held in June 2016, in which 51.9% of votes were cast in favor of leaving the EU, the U.K. Prime Minister triggered Article 50 of the Treaty of the Functioning of the European Union to start the formal exit process on March 29, 2017, meaning that the U.K. is on a course to leave the EU by the end of March 2019. The terms of withdrawal and agreements outlining any new relationships between the U.K. and the EU will be negotiated during this two year period. In the meantime, the U.K. remains a full member of the EU, although its influence over rule-making is significantly reduced. Furthermore, the triggering of Article 50 means that the U.K. will leave the EU after two years even if no deal is reached, but this period can be extended with the unanimous agreement of all parties. The U.K. financial services sector currently relies on access to the EU single market to conduct business across borders within the EU. However the U.K. government has said that it will not seek to remain part of the single market after Brexit. It is not yet clear whether an agreement can be reached through other means in order to maintain a similar level access for U.K.-based firms and so the precise impact of Brexit on financial services cannot yet be judged. Firms such as Nomura are currently working on their contingency plans in order to ensure that they are able to provide continued service to clients both regionally and globally.

Regulatory Capital Rules

Japan

The FIEA requires that all Financial Instruments Firms (Category I) (“Financial Instruments Firms I”), a category that includes NSC and 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 monthly reports regarding their capital adequacy ratios with the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, and also to disclose their capital adequacy ratios to the public on a quarterly basis. In addition, if the capital adequacy ratio of a Financial Instruments Firm I falls below 140%, it must file a daily report with the authorities. The FIEA provides for actions which the Prime Minister, through the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau, may take if any Financial Instruments Firm I fails to meet the capital adequacy requirement. More specifically, if the capital adequacy ratio of any Financial Instruments Firms I falls below 120%, the Commissioner of the FSA or the Director-General of the appropriate Local Finance Bureau may order the Financial Instruments Firm I to change its business conduct, to deposit its property in trust, or may issue any other supervisory order that such authorities deem necessary and appropriate to protect the interests of the general public or investors. If the capital adequacy ratio of a Financial Instruments Firm I falls below 100%, the authorities may take further action, including the issuance of orders to temporarily suspend its business and the revocation of its registration as a Financial Instruments Firm I under the FIEA.

Under the FIEA and regulations thereunder, the “capital adequacy ratio” means the ratio of adjusted capital to a quantified total of business risks. Adjusted capital is defined as net worth less illiquid assets. Net worth mainly consists of stated capital, additional paid-in capital, retained earnings, reserves for securities transactions, certain allowances for doubtful current accounts, net unrealized gains/losses in the market value of investment securities, and subordinated debt. Illiquid assets generally include non-current assets, certain deposits and advances and prepaid expenses. 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. Market risks increased significantly as a result of the Basel 2.5 rule implementation.

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

As discussed above, the FSA amended the FIEA and introduced new rules 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. Following 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.

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 since the end of March 2013. Basel 2.5 includes significant changes in the method of calculating 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 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 Capital 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. Since November 2011, we have not been designated as a G-SIB. 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. In December 2015, the FSA identified us as a D-SIB and required additional capital charge of 0.5% after March 2016, with 3-year transitional arrangement.

Overseas

In the U.S., Nomura Securities International, Inc. (“NSI”) is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commission merchant with the Commodity Futures Trading Commission (“CFTC”). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority (“FINRA”) and the Chicago Mercantile Exchange Group. NSI is subject to the SEC’s Uniform Net Capital Rule (“Rule 15c3-1”) and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. (“NGFP”) is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC (“ILLC”) is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2016 and 2017, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc (“NEHS”) is subject to consolidated regulatory supervision by the Prudential Regulation Authority (“U.K. PRA”). The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive and the Capital Requirements Regulation which came into effect on January 1, 2014. Nomura International plc (“NIP”), the most significant of NEHS’ subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated by the U.K. PRA and has minimum capital adequacy requirements imposed on it on a standalone basis. In addition, Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the U.K. PRA on a standalone basis. As of March 31, 2016 and 2017, NEHS, NIP and NBI were in compliance with relevant regulatory capital related requirements.

In Asia, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Singapore Ltd (“NSL”) are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing and clearing in securities and futures contracts, advising on securities, futures contracts and corporate finance and wealth finance management. Activities of NIHK, including its branch in Taiwan, are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit (“ACU”) license governed by the Monetary Authority of Singapore (“MAS”). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. As of March 31, 2016 and 2017, NIHK and NSL were in compliance with relevant regulatory capital related requirements.

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

Management Challenges and Strategies

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

In order to achieve our management objectives, we are primarily focusing on ensuring that profits are recorded by all divisions and regions. We are committed to continuing business model transformation in Japan as well as aiming to improve profitability of our international operations under Vision C&C slogan, so that we will be able to build a solid foundation to generate profits even in severe market environments.

We will ensure a flexible and robust response to changes in the global operating environment related to international financial regulations and progress in various innovations; and make efforts to monitor international political situation which is changing rapidly, so that we will be able to maintain robust financial position and to use management resources effectively by improving capital efficiency among others.

The challenges and strategies in each division are as follows:

- **Retail Division**

In Retail Division, we have been working to transform our business model in order to "expand our business by increasing clients' trust and improving clients' satisfaction" and to "become financial institution a lot of people need." We are aiming to improve clients' satisfaction and expand our business by responding to clients' diversifying needs. We also focus on providing a broad range of clients with value-added solutions through face-to-face consulting services, seminars, online and call center channels, so that we will win greater trust from account holders as well as new clients.

- **Asset Management Division**

We intend to increase assets under management and expand our client base in (i) our investment trust business, by providing clients with a diverse range of investment opportunities to meet investors' various needs, and (ii) our investment advisory business, by providing value-added investment services to our clients on a global basis. As a distinctive investment manager based in Asia with the ability to provide a broad range of products and services, we aim to gain the strong trust of investors worldwide by making continuous efforts to improve investment performance and to meet clients' various needs.

- **Wholesale Division**

Global Markets has been focusing on delivering differentiated and competitive products and solutions to our clients by leveraging our global capabilities in trading, research, and global distribution. We aim to provide uninterrupted liquidity to our clients across asset classes and markets, and strive to offer best-in-class market access and execution services.

In Investment Banking, we continue to enhance our structure to further provide cross-border M&A, as well as to support our clients with financing in both domestic and overseas markets amid the globalization of our clients' business activities. We also continue to provide solution business services including interest and currency hedging associated with our M&A and financing services.

In our Wholesale Division, in order to provide quality services to meet the needs of our clients, we deploy the firm's resources to areas of competitive advantage. We continue to reinforce the connectivity between Global Markets, Investment Banking, as well as among divisions and regions, to holistically meet capital markets needs of our clients. We will strive to continuously improve our

products and services, as well as to make use of our competitive advantage in the Asia-Pacific region, so that we can meet the evolving needs of our clients along with the changes in macroeconomic and the market environment.

Risk Management and Compliance, etc.

Nomura Group has established its risk appetite which articulates the risks that the firm is willing to assume in pursuit of its corporate vision, strategic objectives and business plan. We will continue to develop a risk management framework which ensures financial soundness, enhances corporate value, and is strategically aligned to the business plan and incorporated in decision making by senior management.

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

Nomura Group established the Nomura Founding Principles and Corporate Ethics Day in 2015, based on our experiences including the business improvement order in connection with public stock offerings in 2012 against our subsidiary, Nomura Securities Co. Ltd. Commemorated annually, this day aims to remind all of our executive officers and employees of the lessons learned from the incident and to renew our determination to prevent similar incidents from recurring in the future and further improve public trust through various measures. We will strive to maintain a sound corporate culture through these initiatives. We will also further enhance and reinforce our internal control framework, which includes measures to prevent insider trading and solicitation of unfair dealing, by ensuring that all of our executive officers and employees continually maintain the highest level of business ethics expected from professionals engaged in the capital markets.

Through the efforts described above, we are strengthening the earnings power of the entire Nomura Group and working to achieve our management targets and to maximize corporate value. We will advance collaboration across regions and among our three Divisions, and devote our efforts to the stability of financial and capital markets and to our further expansion and development as “Asia’s global investment bank”.

Disclosure pursuant to Section 13(r) of the Securities Exchange Act of 1934

Under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), if an issuer that is required to file an annual or quarterly report under the Exchange Act or its affiliates knowingly engaged in certain activities during the period covered by any such report with the Government of Iran, entities controlled by the Government of Iran or persons sanctioned by the U.S. government under programs relating to terrorism or proliferation of weapons of mass destruction, or knowingly engaged in certain other Iran-related activities during the period covered by any such report, the issuer is required to disclose certain information related to such activity in the applicable periodic report. Disclosure is generally required even for activities not prohibited by applicable law.

During the fiscal year ended March 31, 2017, certain non-U.S. affiliates of the Company engaged in the following activities with entities that are or may be owned or controlled by the Government of Iran:

- Nomura Research Institute, Ltd. (“NRI”), an affiliate in which we hold, directly and indirectly, 37.2% of the outstanding share capital, has engaged in meetings and discussions on potential business development with entities that are or may be owned or controlled by the Government of Iran. There were no revenues or profits arising directly from these meetings and discussions.

In addition, NRI entered into several contracts with an investment and development company, which is owned or controlled by the Government of Iran, pursuant to which NRI agreed to perform benchmark investigations, conduct comparative analyses and provide other consulting services to facilitate development projects. Performance under these contracts is ongoing. During the period covered by this report, these contracts and related activities generated gross revenues of \$1,743,500 and estimated net profits of \$261,525. Further, NRI entered into a contract with another entity pursuant to which NRI receives certain services related to the work that NRI is performing for the aforementioned investment and development company, and performance under this contract is also ongoing. This contract did not, on its own, generate any revenues or profits for NRI. After consultation with NRI and on the basis of information publicly available to us, we believe that this other entity is a private entity that is not owned or controlled by the Government of Iran.

NRI also entered into a contract with an entity pursuant to which NRI receives certain services related to the exploration of business opportunities in Iran in the cardiovascular treatment field, and performance under this contract is ongoing. After consultation with NRI and on the basis of information publicly available to us, we believe that this entity is a private entity that is not owned or controlled by the Government of Iran. There were no revenues or profits arising directly from this contract.

- Nomura International plc, our indirect wholly-owned subsidiary, has engaged in meetings and discussions on potential business development with officials of entities that are owned or controlled by the Government of Iran and representatives of certain Iranian brokerage firms. There were no revenues or profits arising directly from these meetings and discussions.
- Certain non-U.S. affiliates of the Company made payments to the Government of Iran to obtain entry visas to travel to Iran in connection with the activities described above.

Sanctions relief regarding Iran was implemented in 2016 in accordance with the Joint Comprehensive Plan of Action (“JCPOA”) reached by the permanent members of the United Nations Security Council (China, France, Russia, the United Kingdom and the United States), Germany, the EU, and Iran to ensure that Iran’s nuclear program is used for peaceful purposes. Despite the JCPOA, certain activities, including transactions involving targeted Iran-related persons and entities and transactions that implicate U.S. jurisdiction, remain subject to sanctions.

To the extent permitted under applicable law, regulations, and sanctions relief (such as the JPOA-related sanctions relief), we intend to continue to engage in the activities described above and may engage in similar activities in future periods.

C. Organizational Structure.

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

Name	Country	Ownership Interest (%)
Nomura Holdings, Inc.	Japan	—
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Financial Partners Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Facilities, Inc.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Nomura Agri Planning & Advisory Co., Ltd.	Japan	100
Nomura Land and Building Co., Ltd.	Japan	100
The Asahi Fire & Marine Insurance Co., Ltd.	Japan	54
Nomura Financial Products & Services, Inc.	Japan	100
Nomura Institute of Estate Planning	Japan	100
Nomura Asia Pacific Holdings Co., Ltd	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 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 (Switzerland) Ltd.	Switzerland	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Capital Markets Limited	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 Sekuritas 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
Nomura Asia Investment (Fixed Income) Pte. Ltd.	Singapore	100
Nomura Asia Investment (Singapore) Pte. Ltd.	Singapore	100
Capital Nomura Securities Public Co., Ltd.	Thailand	86

D. Property, Plants and Equipment.

Our Properties

As of March 31, 2017, our principal head office is located in Tokyo, Japan and occupies 967,689 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 125,184 square feet, our Nagoya branch office, which occupies 82,914 square feet, and the head office of NAM in Tokyo, which occupies 176,098 square feet.

As of March 31, 2017, our major offices outside Japan are the head offices of NIP located in London, which occupies 456,564 square feet, the New York head office of Nomura Securities International, Inc., which occupies 158,468 square feet, and the offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 146,389 square feet. We lease most of our overseas office space.

As of March 31, 2017, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 413,517 square feet.

As of March 31, 2017, the aggregate book value of the land and buildings we owned was ¥173 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥39 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, 2017 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 expanded at a modest pace. Japan’s real gross domestic product (“GDP”) grew relatively rapidly in January-March 2016, at a quarter-on-quarter annualized rate of 1.9%, and continued to grow thereafter, by 2.2% in April-June, 1.2% in July-September, and 1.2% in October-December. We see the easing of concerns about price hikes for food and other items as one of the reasons why consumer spending carried on rising. Exports from Japan also embarked on a clear upward trend in July-September 2016 as global manufacturing activity picked up. Capital expenditure improved too, and the Bank of Japan’s March 2017 Short-Term Economic Survey of Enterprises in Japan (“Tankan”) indicated that Japanese companies’ capital expenditure plans for fiscal 2017 were bullish. However, the Japanese government implemented an economic

stimulus package totaling around ¥28.1trn in August 2016 in response to both considerable ongoing uncertainty about the economic outlook in January-June 2016 and concerns about the impact of the decision taken by the United Kingdom (“UK”) in a referendum held in June 2016 to leave the European Union (“EU”). In addition, Donald Trump was inaugurated as U.S. President in January 2017, but it is still not clear what the new administration’s policies are on Japan. However, at summit talks between leaders of the two countries in February 2017 the Japanese deputy prime minister and the U.S. vice president agreed to work on creating a new economic dialogue. In September 2016 the Bank of Japan published a “comprehensive assessment” of its monetary policy since 2013, in which it said that its monetary easing policies to date had helped to put an end to deflation and noted the possibility that excessively low interest rates might have unwanted side-effects. The Bank of Japan then introduced its policy of “quantitative and qualitative easing with yield curve control”, switching the target of its monetary policy to interest rates while still mentioning “quantity”, and making clear its intention to achieve its 2% price stability target over the long term.

The yen was stronger versus the U.S. dollar in the fiscal year ended March 31, 2017 than in the fiscal year ended March 31, 2016, and this caused corporate earnings to struggle in some sectors, particularly exporting sectors. However, profits grew in sectors benefiting from the rebound in international commodity prices, including crude oil prices, and in some domestic demand-related sectors. This appears to have been the first time in two years that Japanese corporate profits rose overall. Major contributions to this profit growth came from sectors such as trading companies and chemicals, housing & real estate, and telecommunications. The trading companies and chemicals sectors saw profits rebound, after deteriorating in the previous fiscal year, partly in response to the recovery in international commodity prices; the housing & real estate sector saw a gradual recovery in demand in response to low interest rates; and in the telecommunications sector cost reductions and the expansion of non-telecommunications businesses supported earnings. Meanwhile, the autos, utilities, machinery, and transportation sectors all made substantial negative contributions to overall profit growth. The autos sector was hit hard because the yen was stronger versus the U.S. dollar than in the fiscal year ended March 31, 2016; the utilities sector was affected by delays in restarting nuclear power stations and by electricity rate cuts triggered by the full deregulation of the electricity retail market; the machinery sector was hit by production cutbacks and delays in reducing costs in commercial aircraft business, and also by additional costs at ship & offshore structure businesses; and in the transportation sector the marine transport subsector looks likely to swing to losses as containership rates deteriorate further in response to excess supply. As of April 7, 2017, we estimate that recurring profits at major Japanese companies (those in the Russell/Nomura Large Cap Index) rose 1% year-on-year in the fiscal year ended March 31, 2017, thus improving from the 1% decline recorded in the fiscal year ended March 31, 2016.

On the Japanese stock market, the view that monetary tightening in the U.S. looked likely to be slower than market participants had been expecting led to growing concerns that a strengthening of the yen versus the U.S. dollar would lead to a slowdown in corporate earnings. In addition, when those in favor of the UK leaving the EU won a majority in the referendum held in the UK in June 2016, this fueled concerns about the economic outlook in Europe. In response, the Nikkei Stock Average fell sharply, dipping temporarily below 15,000. However, Japanese equities were firm after expectations of economic stimulus measures in Japan rose to the surface following victory by the ruling coalition in the Japanese Upper House election in July 2016, the Bank of Japan raised the value of its annual ETF (exchange-traded fund) purchases to around ¥6 trillion, and a growing number of U.S. economic indicators pointed to U.S. economic strength. Republican Party candidate Donald Trump won the U.S. presidential election in November 2016. Immediately after the outcome of the election became clear, Japanese equity prices saw a sharp temporary fall on concerns about the U.S. political outlook. However, equity markets rose around the world, particularly in the U.S., on high hopes regarding President Trump’s economic policies, and specifically the prospect of an increase in infrastructure investment and other forms of government spending. On the foreign exchange markets the yen weakened to more than ¥118 versus the U.S. dollar at one point, and Japanese equities similarly turned upward and subsequently remained firm, with the Nikkei Stock Average rising to around the 19,500 level by mid-December 2016. From the beginning of 2017, the weakening of the yen versus the U.S. dollar came to a halt, reflecting the view that market participants would take a wait-and-see stance on policies of the new U.S. administration, and Japanese equity prices saw limited

upside, although the Bank of Japan supported equity prices by buying ETFs. The key Tokyo Stock Price Index (the “TOPIX”) rose 12.3% over the fiscal year, from 1,347.20 at the end of March 2016 to 1,512.60 at the end of March 2017. Meanwhile, the Nikkei Stock Average rose 12.8% over the fiscal year, from 16,758.67 at the end of March 2016 to 18,909.26 at the end of March 2017.

Yields on Japanese government debt securities followed a downward trend through July 31, 2016 and an upward trend thereafter. The yield on newly issued 10-year Japanese government debt securities, which fell sharply after the Bank of Japan introduced a negative interest rate policy in January 2016, was in negative territory from the middle of February and fell further into negative territory in June 2016 after the UK voted in a referendum to leave the EU, briefly touching -0.3% in July. However, the yield on newly issued Japanese government debt securities then rose above -0.1% as expectations grew that the Bank of Japan would revise excessive easing policies after its announcement at the conclusion of the BOJ policy board meeting at the end of July that it would carry out a comprehensive assessment of the effects of its policies to date. As previously discussed, the BOJ released the results of its comprehensive assessment in September 2016 and simultaneously launched its policy of “quantitative and qualitative easing with yield curve control”, under which it buys long-term Japanese government debt securities to ensure that the yield on 10-year Japanese government debt securities is around zero. The yield on newly issued Japanese government debt securities was 0.065% at the end of March 2017, and was mostly within the 0.0-0.1% range in January-March 2017, after returning to positive territory in tandem with the sharp rise in U.S. long-term interest rates stoked by expectations for large-scale fiscal policies after Mr. Trump was elected in the U.S. presidential election in November, counter to most projections.

In foreign exchange markets, the dollar/yen exchange rate fluctuated sharply in both directions, strongly influenced by political events in the UK and the U.S.. At the end of March 2016 the yen was trading at ¥112-113 versus the U.S. dollar. At the start of fiscal 2016, the dollar/yen exchange rate maintained the strong yen trend dating back to January 2016. Investors sold dollars and bought yen as deep-rooted concerns remained over a slowdown in the global economy, and particularly the Chinese economy, and expectations of further U.S. rate hikes weakened, and furthermore because of wariness about political risk, such as the impending referendum in the UK on leaving the EU in June 2016. The yen briefly strengthened to trade at less than ¥100 versus the U.S. dollar immediately after the UK voted to leave the EU. Uncertainty about the outcome of the November U.S. presidential election then weighed on the dollar/yen exchange rate, which traded in the range of ¥100-105 for a sustained period. After the November 2016 presidential election in the U.S., optimism about the prospects for the global economy grew, and the dollar/yen exchange rate rose to as high as ¥118-119 by mid-December as U.S. interest rates rose. The sharp weakening in the yen was aided also by the widening of the gap between U.S. and Japanese interest rates as yields on 10-year Japanese government debt securities remained at around zero under the yield curve control policy introduced by the Bank of Japan after its September 2016 policy board meeting. Then, as market expectations for the new U.S. administration weakened from the beginning of 2017 and investors became concerned about the presidential elections in France scheduled for April-May, the yen strengthened again versus the dollar and the dollar/yen exchange rate fell back to ¥111-112 at the end of March. Meanwhile, the euro/yen exchange rate started fiscal 2016 at ¥128-129 but fell sharply in the wake of the Brexit vote and traded in the ¥111-117 range in July-October. While interest rates rose around the world after the U.S. presidential election in November 2016, Japanese interest rates were effectively fixed, so the gap between Japanese and European interest rates widened. The euro/yen exchange rate rose to ¥122-123 by December. After this, however, the euro weakened again versus the yen in response to concerns about the French presidential election and other geopolitical risks, as well as in response to moves in global interest rates, and by the end of March 2017 the euro/yen exchange rate had fallen back to ¥118-119.

Overseas

The global economy continued to see a moderate recovery in growth, although the situation varied from region to region. The U.S. raised interest rates in December 2016 and March 2017 in response to a solid domestic economy and improvement in economic sentiment in China and other countries around the world. Japan and Europe continued with large-scale quantitative easing, but with economic sentiment improving and inflation

rising in Europe, discussions about a strategy to put an end to this easing also became prominent in the markets. China maintained stable growth on the whole, supported by increased public investment and the effect of policies such as tax breaks on car purchases. Economic conditions remained difficult for Brazil, Russia, and some other resource-rich/oil-producing nations, but with a bottoming in crude oil and other resource prices, currency weakness abated and signs of economic stabilization appeared, including declines in inflation.

In the U.S., the FRB (Federal Reserve Board) was unable to raise interest rates for the second time until December 2016, about a year after its first rate hike, after financial market volatility increased sharply in January 2016 and the UK voted in the June 2016 referendum to leave the EU. The FRB decided to raise rates for the third time, in March 2017, after determining that downside risk to its economic outlook had receded in response to the improvement in the Chinese economy, stability on commodity markets, and the rise in equity prices and improvement in consumer sentiment following Donald Trump's victory in the U.S. presidential election. Fiscal policy did not change much in 2016, but with the advent of the Trump administration expectations grew for tax reductions, an increase in public works, and higher defense spending. Real GDP growth weakened in January-June 2016 and picked up in July-December 2016, but over 2016 as a whole it slowed to +1.6% year-on-year, from +2.6% in 2015. Corporate earnings in July-December 2016 were higher than in the previous year as the U.S. currency stopped rising and crude oil prices rose. U.S. equity markets were flat through October 2016 but started to rise from November on expectations that pro-business policies would be rolled out with the victory of Donald Trump in the presidential election. The Dow Jones Industrial Average advanced 16.8% to 20,663.22 at the end of March 2017, from 17,685.09 at the end of March 2016. The yield on 10-year U.S. Treasuries was about 2.39% at the end of March 2017, up from about 1.77% at the end of March 2016.

In Europe, the result of the UK referendum on June 23, 2016 ran counter to expectations with the people choosing to leave the EU. In response, risk-off trades took hold around the world on June 24 and equity prices declined. The Bank of England lowered its policy interest rate to 0.25% in August 2016 and decided to carry out quantitative easing policies through the end of January 2017, in response to concerns about downside risks to the economy. Meanwhile, the underlying economy in Europe, including in the UK, remained favorable. The DAX German stock index at the end of March 2017 was 23.6% higher than at the end of March 2016, after Eurozone real GDP grew 1.7% year-on-year in 2016 on strong domestic demand, capex rose, after being held back during the 2012 European debt crisis, and the German government increased spending related to refugees in response to an influx of refugees from the Middle East. The European Central Bank announced in December 2016 that it planned to reduce monthly asset purchases under its quantitative easing program from April 2017, in a so-called tapering, in response to the ebbing of deflationary risk. In response, the yield on German 10-year government bonds rose to 0.3-0.4% by the end of March 2017, up from 0.1-0.2% at the end of March 2016, as market expectations for the ECB to conduct further monetary easing faded and Eurozone inflation came in line with the ECB target, at 2% year-on-year in February 2017.

In Asia, real GDP growth came in at 6.7% year-on-year in China in 2016. This represented a slowdown from 7.3% growth in 2014 and 6.9% growth in 2015 but was nevertheless stable. Domestic construction activity picked up from January-June 2016, contributing to a stable economy, as real estate prices recovered and regional government fund raising improved. Buoyancy in industrial production was supported by a turn to inventory accumulation in the corporate sector in July-December 2016. Earnings improved in the corporate sector, mainly at state-owned companies, supported partly by higher raw material prices after authorities started efforts in May to eliminate excess production capacity in the steel and coal industries. In Asia ex-China, exports picked up as demand in the US and China recovered, and domestic demand was buoyed by economic stimulus measures. India recovered from a temporary disruption in the economy caused by the withdrawal of high-denomination banknotes in November 2016, and continued to restructure, including efforts to strengthen infrastructure, resolve the nonperforming loan problem weighing on the financial sector, reform the tax system, and deregulate foreign direct investment. Indonesia plans to expand investment in infrastructure on the back of improvement in fiscal conditions resulting from a tax amnesty program and the scrapping of fuel subsidies. In the Philippines, we expect the economy to benefit from robust domestic demand, a healthy fiscal situation, and a low debt-to-GDP ratio.

Executive Summary

During the fiscal year ended March 31, 2017, the global economy continued to see a moderate recovery in growth, although the situation varied from region to region. In the US, the real Gross Domestic Product (“GDP”) growth rate weakened in the first half of 2016 and although it picked up in the second half of the year, over 2016 as a whole growth slowed compared with the previous year. However, the Federal Reserve Board (FRB) has raised interest rates twice since December 2016, based on its view that downside risk to its economic outlook has receded. In Europe, including the UK, the underlying economy was favorable as a result of growth in capital expenditure and fiscal spending. In Asia ex-China, exports picked up as demand in the US and China recovered, and domestic demand was buoyed by economic stimulus measures.

The Japanese economy meanwhile expanded at a modest pace. Exports from Japan also embarked on a clear upward trend in July-September 2016 as global manufacturing activity picked up. Capital expenditure improved too. Following Donald Trump’s inauguration as U.S. President in January 2017, at summit talks between the US and Japan in February 2017 the Japanese deputy prime minister and the U.S. vice president agreed to work on creating a new economic dialogue. The Tokyo Stock Price Index (the “TOPIX”) rose from 1,347.20 at the end of March 2016 to 1,512.60 at the end of March 2017, and the Nikkei Stock Average rose from 16,758.67 at the end of March 2016 to 18,909.26 at the end of March 2017. At the end of March 2016 the yen was trading at ¥112-113 versus the U.S. dollar, but the dollar/yen exchange rate fluctuated sharply in both directions, strongly influenced by political events, such as the UK referendum and the U.S. presidential election, and fell back to ¥111-112 at the end of March 2017. The yield on Japanese government debt securities followed a downward trend through July 31, 2016, following the introduction of a negative interest rate policy by the Bank of Japan. Thereafter expectations that the Bank of Japan would revise excessive easing policies coupled with the rise in U.S. long-term interest rates resulted in a return to an upward trend, and the yield on newly issued 10-year Japanese government debt securities was 0.065% at the end of March 2017.

From a regulatory perspective, in addition to the implementations of Basel III requirements relating to capital ratio, liquidity ratio, and leverage ratio, Nomura was identified as one of the domestic systemically important banks. As part of the global tightening of the financial regulations, wide-ranging reforms will be further introduced. Nomura will continue to monitor these issues closely and take necessary measures in responding to any such changes.

While our environment is changing drastically, based on our basic philosophy of “placing our clients at the heart of everything we do,” we have continued to transform our domestic business model of Retail Division. Also, we delivered strategic changes in EMEA and the Americas and worked on improving the profitability of our international operations. In our Retail Division, discretionary investment assets under management grew steadily. Our asset Management Division booked ongoing inflows and assets under management climbed to a record high. In our Wholesale Division, the cost base dropped and Fixed Income revenues grew driven by a strong performance in the Rates business.

As a result of these efforts, we generated net revenue of ¥1,403.2 billion for the year ended March 31, 2017, a 0.5% increase from the previous fiscal year. Non-interest expenses decreased by 12.2% to ¥1,080.4 billion, income before income taxes was ¥322.8 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥239.6 billion. Return on equity (“ROE”) was 8.7%. Diluted EPS⁽¹⁾ for the year ended March 31, 2017 was ¥65.65, an increase from ¥35.52 for the year ended March 31, 2016.

We have decided to pay a dividend of ¥11 per share to shareholders of record as of March 31, 2017. As a result, the total annual dividend was ¥20 per share.

In our Retail Division, net revenue for the year ended March 31, 2017 decreased by 14.0% from the previous fiscal year to ¥374.4 billion. Non-interest expenses decreased by 2.7% to ¥299.6 billion. As a result,

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

income before income taxes decreased by 41.4% to ¥74.8 billion. Under the basic philosophy of “placing our clients at the heart of everything we do,” we have been working to transform our business model in order to “expand our business by increasing clients’ trust and improving clients’ satisfaction” and to “become a financial institution a lot of people need.” Although we saw slowdown in sales of stocks, investment trusts and insurance due to uncertain market environments, we continued to provide consulting services by responding to clients’ diversifying needs and delivering ideal solutions. As a result, the discretionary investment assets under management grew and we have made steady progress on revenue stabilization. The amount of clients’ assets under management also increased from the previous fiscal year and reached a near-record level.

In our Asset Management Division, net revenue for the year ended March 31, 2017 increased by 4.2% from the previous fiscal year to ¥99.4 billion. Non-interest expenses decreased by 2.8% to ¥57.1 billion. As a result, income before income taxes increased by 15.5% to ¥42.3 billion. In our investment trust business, in spite of cash outflow from money market funds, funds developed in response to regional financial institutions’ demands and ETFs contributed to the increase in assets under management. In our investment advisory business, cash inflow from domestic public pensions continued. Outside of Japan, cash inflow into high yield related products mainly contributed to increasing assets under management. As a result, assets under management increased from the end of the previous fiscal year. In this fiscal year, dividends from the strategic partner American Century Investments also contributed to income.

In our Wholesale Division, net revenue for the year ended March 31, 2017 increased by 2.6% from the previous fiscal year to ¥739.3 billion. Non-interest expenses decreased by 18.0% to ¥577.8 billion, primarily due to decreases in compensation and benefits in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas. As a result, income before income taxes increased by 948.0% to ¥161.4 billion. Global Markets recognized an increase in net revenue compared with the previous fiscal year, led by turnaround of international performance particularly in Fixed Income, offsetting the slowdown in Equities due to low market activity. Regionally, in Americas and EMEA had a strong performance, while Japan and AEJ were roughly flat. For Investment Banking, we ranked No.1 in the Japan Equity Capital Market league table under a challenging environment with significant decreasing equity issuance volumes in Japan. We served as joint global coordinator and joint bookrunner for a number of financings. Outside of Japan, net revenue grew compared to the previous fiscal year with the Americas achieving its highest revenues since the fiscal year ended March 31, 2010. Additionally, we enhanced cross-regional and cross-divisional collaboration, which resulted in a number of notable M&A transactions and its related financing or Solutions deals including interest and currency hedging across all regions.

Results of Operations

Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen, except percentages		
	Year ended March 31		
	2015	2016	2017
Non-interest revenues:			
Commissions	¥ 453,401	¥ 431,959	¥ 327,129
Fees from investment banking	95,083	118,333	92,580
Asset management and portfolio service fees	203,387	229,006	216,479
Net gain on trading	531,337	354,031	475,587
Gain on private equity investments	5,502	13,761	1,371
Gain (loss) on investments in equity securities	29,410	(20,504)	7,708
Other	175,702	156,460	153,626
Total Non-interest revenues	1,493,822	1,283,046	1,274,480
Net interest revenue	110,354	112,635	128,717
Net revenue	1,604,176	1,395,681	1,403,197
Non-interest expenses	1,257,417	1,230,523	1,080,402
Income before income taxes	346,759	165,158	322,795
Income tax expense	120,780	22,596	80,229
Net income	¥ 225,979	¥ 142,562	¥ 242,566
Less: Net income attributable to noncontrolling interests	1,194	11,012	2,949
Net income attributable to NHI shareholders	¥ 224,785	¥ 131,550	¥ 239,617
Return on equity	8.6%	4.9%	8.7%

Net revenue increased by 1% from ¥1,395,681 million for the year ended March 31, 2016 to ¥1,403,197 million for the year ended March 31, 2017. The increase is primarily due to high performance in Global Markets in the American and European regions. *Commissions* decreased by 24% from ¥431,959 million for the year ended March 31, 2016 to ¥327,129 million for the year ended March 31, 2017 primarily due to a decrease in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* decreased by 22% from ¥118,333 million for the year ended March 31, 2016 to ¥92,580 million for the year ended March 31, 2017 primarily due to decrease in revenue from ECM. *Asset management and portfolio service fees* decreased by 5% from ¥229,006 million for the year ended March 31, 2016 to ¥216,479 million for the year ended March 31, 2017 primarily due to a decrease in assets under management early in the fiscal year. *Net gain on trading* increased by 34% from ¥354,031 million for the year ended March 31, 2016 to ¥475,587 million for the year ended March 31, 2017, primarily driven by high performance in our Fixed Income business. *Net gain on trading* also included total losses of ¥20.8 billion attributable to changes in Nomura's own creditworthiness with respect to derivative liabilities primarily due to a tightening of Nomura's credit spreads during the fiscal year. *Gain on private equity investments* decreased by 90% from ¥13,761 million for the year ended March 31, 2016 to ¥1,371 million for the year ended March 31, 2017 primarily due to lack of gains from the sale of our investment in Mitsui Life Insurance during the previous fiscal year. *Other* decreased by 2% from ¥156,460 million for the year ended March 31, 2016 to ¥153,626 million for the year ended March 31, 2017.

As a result of early adoption of Accounting Standards Update ("ASU") 2016-01, "Recognition and measurement of financial assets and financial liabilities" as of April 2016, unrealized changes in the fair value of financial liabilities elected for the fair value option due to Nomura's own creditworthiness are now presented

through other comprehensive income rather than earnings. As a result, losses of ¥12,147 million which would otherwise have been recognized through earnings were recognized through other comprehensive income during the year ended March 31, 2017. See Note 1 “*Summary of accounting policies*” in our consolidated financial statements included within this annual report for further information about the early adoption of ASU 2016-01.

Net revenue decreased by 13% from ¥1,604,176 million for the year ended March 31, 2015 to ¥1,395,681 million for the year ended March 31, 2016. The decrease is primarily due to slower performance in our Fixed Income business as a result of the challenging trading environment and the impact of settlement of legal proceedings with Banca Monte dei Paschi di Siena SpA (“MPS”). *Commissions* decreased by 5% from ¥453,401 million for the year ended March 31, 2015 to ¥431,959 million for the year ended March 31, 2016 primarily due to a decrease in commissions received from the distribution of investment trusts in Japan. *Fees from investment banking* increased by 24% from ¥95,083 million for the year ended March 31, 2015 to ¥118,333 million for the year ended March 31, 2016 primarily due to revenue from M&A, ECM and our solution businesses associated with fund raising. *Asset management and portfolio service fees* increased by 13% from ¥203,387 million for the year ended March 31, 2015 to ¥229,006 million for the year ended March 31, 2016 primarily due to an increase in assets under management driven by positive net inflows into ETFs and investment trusts for discretionary investments. *Net gain on trading* decreased by 33% from ¥531,337 million for the year ended March 31, 2015 to ¥354,031 million for the year ended March 31, 2016, primarily driven by slower performance in our Fixed Income business and the impact of settlement of legal proceedings with MPS. *Net gain on trading* also included total gains of ¥28.3 billion attributable to changes in Nomura’s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net gain was primarily due to the widening of Nomura’s credit spreads during the period. *Gain on private equity investments* increased by 150% from ¥5,502 million for the year ended March 31, 2015 to ¥13,761 million for the year ended March 31, 2016. *Other* decreased by 11% from ¥175,702 million for the year ended March 31, 2015 to ¥156,460 million for the year ended March 31, 2016, primarily due to unrealized losses from our investment in Ashikaga Holdings Co., Ltd. (“Ashikaga Holdings”) and a decrease in net income from other affiliated companies.

Net interest revenue was ¥110,354 million for the year ended March 31, 2015, ¥112,635 million for the year ended March 31, 2016 and ¥128,717 million for the year ended March 31, 2017. *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, 2017, interest revenue, including the dividend from American Century Investments, was largely unchanged and interest expense decreased by 5% from the year ended March 31, 2016. As a result, *Net interest revenue* for the year ended March 31, 2017 increased by ¥16,082 million from the year ended March 31, 2016. For the year ended March 31, 2016, interest revenue increased by 1%, primarily due to an increase in dividend income and interest income on reverse repurchase agreements and interest expense was largely unchanged with the year ended March 31, 2015. As a result, *Net interest revenue* for the year ended March 31, 2016 increased by ¥2,281 million from the year ended March 31, 2015.

Gain (loss) on investments in equity securities was ¥29,410 million for the year ended March 31, 2015, ¥(20,504) million for the year ended March 31, 2016 and ¥7,708 million for the year ended March 31, 2017. This includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses for the year ended March 31, 2017 decreased by 12% from ¥1,230,523 million for the year ended March 31, 2016 to ¥1,080,402 million primarily due to a decrease in compensation and benefits in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas.

Non-interest expenses for the year ended March 31, 2016 decreased by 2% from ¥1,257,417 million for the year ended March 31, 2015 to ¥1,230,523 million primarily due to a decrease in compensation and benefits and commissions and floor brokerage expenses which were partially offset by employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

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

Income before income taxes was ¥346,759 million for the year ended March 31, 2015, ¥165,158 million for the year ended March 31, 2016 and ¥322,795 million for the year ended March 31, 2017.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Nomura's domestic effective statutory tax rate was approximately 36% for the fiscal year ended March 31, 2015, approximately 33% for the fiscal year ended March 31, 2016 and approximately 31% for the fiscal year ended March 31, 2017. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company's effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for the year ended March 31, 2017 was ¥80,229 million, representing an effective tax rate of 24.9%. The significant factors causing the difference between the effective tax rate of 24.9% and the effective statutory tax rate of 31% were changes in deferred tax valuation allowance which decreased the effective tax rate by 10.8% but partially offset by non-deductible expenses which increased the effective tax rate by 2.9%.

Income tax expense for the year ended March 31, 2016 was ¥22,596 million, representing an effective tax rate of 13.7%. The significant factors causing the difference between the effective tax rate of 13.7% and the effective statutory tax rate of 33% were changes in deferred tax valuation allowance which increased the effective tax rate by 36.1% but partially offset by Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates which decreased the effective tax rate by 54.8%.

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

Net income attributable to NHI shareholders was ¥224,785 million for the year ended March 31, 2015, ¥131,550 million for the year ended March 31, 2016 and ¥239,617 million for the year ended March 31, 2017, respectively. Our return on equity for the year ended March 31, 2014, 2015 and 2016 was 8.6%, 4.9% and 8.7%, 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 on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and

other financial adjustments are included as “Other” operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling item 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 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

Retail

In our Retail Division, our sales activities focus on providing consultation services and investment proposals to clients for which we receive commissions and fees. Additionally, we receive fees from asset management companies in connection with administration services we provide in connection with investment trust certificates that we distribute. We also receive agent commissions from insurance companies for the insurance products we sell as an agent.

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Non-interest revenues	¥471,565	¥429,948	¥369,503
Net interest revenue	4,940	5,686	4,931
Net revenue	476,505	435,634	374,434
Non-interest expenses	314,675	308,003	299,642
Income before income taxes	<u>¥161,830</u>	<u>¥127,631</u>	<u>¥ 74,792</u>

Net revenue decreased by 14% from ¥435,634 million for the year ended March 31, 2016 to ¥374,434 million for the year ended March 31, 2017, primarily due to a lack of activity by retail investors because of market uncertainty.

Net revenue decreased by 9% from ¥476,505 million for the year ended March 31, 2015 to ¥435,634 million for the year ended March 31, 2016, primarily due to the market turmoil from August 2015 which led to a slowdown in sales of stocks and investment trusts.

Non-interest expenses decreased by 3% from ¥308,003 million for the year ended March 31, 2016 to ¥299,642 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits.

Non-interest expenses decreased by 2% from ¥314,675 million for the year ended March 31, 2015 to ¥308,003 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits and information technology-related expenses.

Income before income taxes was ¥161,830 million for the year ended March 31, 2015, ¥127,631 million for the year ended March 31, 2016, and ¥74,792 million for the year ended March 31, 2017.

The following table shows the breakdown of Retail non-interest revenues for the year ended March 31, 2016 and 2017.

	Millions of yen	
	Year ended March 31	
	2016	2017
Commissions	¥220,266	¥171,834
Brokerage commissions	78,870	62,796
Commissions for distribution of investment trusts	93,597	82,265
Other commissions	47,799	26,773
Net gain on trading	86,360	85,269
Fees from investment banking	35,894	27,292
Asset management fees	85,328	81,761
Others	2,100	3,347
Non-interest revenues	<u>¥429,948</u>	<u>¥369,503</u>

Commissions decreased by 22% from ¥220,266 million for the year ended March 31, 2016 to ¥171,834 million for the year ended March 31, 2017, primarily due to a slowdown in sales of stocks and investment trusts. *Net gain on trading* decreased by 1% from ¥86,360 million for the year ended March 31, 2016 to ¥85,269 million for the year ended March 31, 2017. *Fees from investment banking* decreased by 24% from ¥35,894 million for the year ended March 31, 2016 to ¥27,292 million for the year ended March 31, 2017, primarily due to a decrease in large capital market transactions. *Asset management fees* decreased by 4% from ¥85,328 million for the year ended March 31, 2016 to ¥81,761 million for the year ended March 31, 2017, primarily due to there being a lower level of client assets in first half of the fiscal year. *Others* increased by 59% from ¥2,100 million for the year ended March 31, 2016 to ¥3,347 million for the year ended March 31, 2017.

Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2016 and 2017. Retail client assets consist of clients' assets held in our custody and assets relating to variable annuity insurance products.

	Trillions of yen				
	Year ended March 31, 2016				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 67.2	¥14.5	¥(14.1)	¥ (7.4)	¥ 60.2
Bonds	18.5	67.4	(67.8)	(0.8)	17.3
Stock investment trusts	10.3	4.1	(3.7)	(2.1)	8.6
Bond investment trusts	7.3	0.8	(0.9)	0.1	7.3
Overseas mutual funds	1.8	0.1	(0.4)	(0.1)	1.4
Others	4.4	2.0	(0.7)	0.1	5.8
Total	<u>¥109.5</u>	<u>¥88.9</u>	<u>¥(87.6)</u>	<u>¥(10.2)</u>	<u>¥100.6</u>

Trillions of yen					
Year ended March 31, 2017					
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 60.2	¥11.7	¥(11.9)	¥ 6.3	¥ 66.3
Bonds	17.3	25.9	(24.9)	(0.7)	17.6
Stock investment trusts	8.6	3.4	(3.4)	0.2	8.8
Bond investment trusts	7.3	1.4	(1.3)	(0.1)	7.3
Overseas mutual funds	1.4	0.1	(0.2)	—	1.3
Others	5.8	1.4	(0.6)	(0.2)	6.4
Total	<u>¥100.6</u>	<u>¥43.9</u>	<u>¥(42.3)</u>	<u>¥ 5.5</u>	<u>¥107.7</u>

Retail client assets increased by ¥7.1 trillion from ¥100.6 trillion as of March 31, 2016 to ¥107.7 trillion as of March 31, 2017. The balances of our clients' equity and equity-related products increased by ¥6.1 trillion from ¥60.2 trillion as of March 31, 2016 to ¥66.3 trillion as of March 31, 2017, primarily due to a turnaround within the Japanese equity market. The balances of our clients' investment trusts decreased by ¥0.1 trillion from ¥17.3 trillion as of March 31, 2016 to ¥17.4 trillion as of March 31, 2017.

Retail client assets decreased by ¥8.9 trillion from ¥109.5 trillion as of March 31, 2015 to ¥100.6 trillion as of March 31, 2016. The balances of our clients' equity and equity-related products decreased by ¥7.0 trillion from ¥67.2 trillion as of March 31, 2015 to ¥60.2 trillion as of March 31, 2016, mainly due to the deterioration in Japanese equity markets. The balances of our clients' investment trusts decreased by ¥2.1 trillion from ¥19.4 trillion as of March 31, 2015 to ¥17.3 trillion as of March 31, 2016, mainly due to the deterioration in Japanese equity market.

Asset Management

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

Operating Results of Asset Management

Millions of yen			
Year ended March 31			
	2015	2016	2017
Non-interest revenues	¥88,802	¥91,014	¥90,025
Net interest revenue	3,552	4,395	9,402
Net revenue	92,354	95,409	99,427
Non-interest expenses	60,256	58,743	57,094
Income before income taxes	<u>¥32,098</u>	<u>¥36,666</u>	<u>¥42,333</u>

Net revenue increased by 4% from ¥95,409 million for the year ended March 31, 2016 to ¥99,427 million for the year ended March 31, 2017, primarily due to an increase in assets under management and contribution from income revenues.

Net revenue increased by 3% from ¥92,354 million for the year ended March 31, 2015 to ¥95,409 million for the year ended March 31, 2016, primarily due to inflows into our investment trust business and investment advisory business..

Non-interest expenses decreased by 3% from ¥58,743 million for the year ended March 31, 2016 to ¥57,094 million for the year ended March 31, 2017, primarily due to effective management of costs.

Non-interest expenses decreased by 3% from ¥60,256 million for the year ended March 31, 2015 to ¥58,743 million for the year ended March 31, 2016 due to certain non-recurring expenditures during the year ended March 31, 2015.

Income before income taxes was ¥32,098 million for the year ended March 31, 2015, ¥36,666 million for the year ended March 31, 2016 and ¥42,333 million for the year ended March 31, 2017.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2016 and 2017.

	Billions of yen				
	Year ended March 31, 2016				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd	¥43,261	¥37,357	¥(34,435)	¥(2,715)	¥43,468
Nomura Funds Research and Technologies Co., Ltd.	3,021	854	(991)	192	3,076
Nomura Corporate Research and Asset Management Inc.	1,685	762	(681)	(157)	1,609
Nomura Private Equity Capital Co., Ltd.	178	1	(3)	(176)	—
Combined total	48,145	38,974	(36,110)	(2,856)	48,153
Shared across group companies	(8,836)	(2,494)	3,485	(228)	(8,073)
Total	<u>¥39,309</u>	<u>¥36,480</u>	<u>¥(32,625)</u>	<u>¥(3,084)</u>	<u>¥40,080</u>

	Billions of yen				
	Year ended March 31, 2017				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd	¥43,468	¥28,199	¥(27,382)	¥3,140	¥47,425
Nomura Funds Research and Technologies Co., Ltd.	3,076	518	(999)	244	2,839
Nomura Corporate Research and Asset Management Inc.	1,609	973	(528)	303	2,357
Combined total	48,153	29,690	(28,909)	3,687	52,621
Shared across group companies	(8,073)	(2,020)	2,770	(939)	(8,262)
Total	<u>¥40,080</u>	<u>¥27,670</u>	<u>¥(26,139)</u>	<u>¥2,748</u>	<u>¥44,359</u>

Assets under management were ¥44.4 trillion as of March 31, 2017, a ¥5.1 trillion increase from March 31, 2015 (increased due to positive net inflows of ¥5.4 trillion and partially offset by market depreciation of ¥0.3 trillion) and a ¥4.3 trillion increase from March 31, 2016 (increased due to positive net inflows of ¥1.5 trillion

and market appreciation of ¥2.7 trillion). In our investment trust business, there was a net inflow into funds representing a wide range of investment assets including ETFs, products for discretionary investments and privately placed funds. In our investment advisory business, there was an increase in mandates from domestic and overseas clients.

The following table presents NAM's share, in terms of net asset value, of the Japanese asset management market as of March 31, 2015, 2016 and 2017.

	March 31		
	2015	2016	2017
Total of publicly offered investment trusts	24%	25%	26%
Stock investment trusts	20%	21%	23%
Bond investment trusts	43%	46%	44%

The investment trust assets included in assets under management by NAM were ¥29.3 trillion as of March 31, 2017, a ¥3.1 trillion increase from March 31, 2016. The increase is due to positive net inflows of ¥1.8 trillion and market appreciation of ¥1.3 trillion. The balances of investment trusts, such as, the TOPIX ETF, the Nikkei 225 ETF, were increased.

The investment trust assets included in assets under management by NAM were ¥26.2 trillion as of March 31, 2016, similar to that of previous year ended March 31, 2015. The positive net inflows of ¥2.9 trillion were offset by market depreciation of ¥2.9 trillion. The balances of investment trusts, such as the Japan Enterprise Value Improvement Fund, Nomura Templeton Total Return and Nomura Fund Wrap International Bond Course increased.

Wholesale

Operating Results of Wholesale

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

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Non-interest revenues	¥626,228	¥571,322	¥564,877
Net interest revenue	163,639	148,955	174,379
Net revenue	789,867	720,277	739,256
Non-interest expenses	707,671	704,872	577,809
Income before income taxes	<u>¥ 82,196</u>	<u>¥ 15,405</u>	<u>¥161,447</u>

Net revenue increased by 3% from ¥720,277 million for the year ended March 31, 2016 to ¥739,256 million for the year ended March 31, 2017. Equities and Investment Banking reported lower revenues year on year, while Fixed Income revenue increased primarily due to strong performance in Rates and spread products.

Net revenue decreased by 9% from ¥789,867 million for the year ended March 31, 2015 to ¥720,277 million for the year ended March 31, 2016. Our Equities business and Investment Banking recognized higher revenues year on year, while our Fixed Income business had a challenging year in spread products, such as in our Credit and Securitized Products businesses.

Non-interest expenses decreased by 18.0% from ¥704,872 million for the year ended March 31, 2016 to ¥577,809 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits by the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses decreased by 0.4% from ¥707,671 million for the year ended March 31, 2015 to ¥704,872 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits and commissions and floor brokerage costs partially offset by an increase of expenses in employee termination costs recognized in connection with the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Income before income taxes was ¥82,196 million for the year ended March 31, 2015, ¥15,405 million for the year ended March 31, 2016 and ¥161,447 million for the year ended March 31, 2017.

Global Markets

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

The following table shows financial data for Global Markets. These figures are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Global Markets as an individual business line, which we believe can help enhance the understanding of underlying trends in Global Markets. For a reconciliation of the financial data for Global Markets to the operating results of our Wholesale segment, see “*Reconciliation for Global Markets and Investment Banking Financial Data*” below.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Net revenue	¥683,399	¥600,300	¥643,148
Non-interest expenses	585,850	580,253	477,182
Income before income taxes	<u>¥ 97,549</u>	<u>¥ 20,047</u>	<u>¥165,966</u>

Net revenue increased by 7% from ¥600,300 million for the year ended March 31, 2016 to ¥643,148 million for the year ended March 31, 2017. In our Fixed Income businesses, net revenue increased from ¥275,162 million for the year ended March 31, 2016 to ¥411,277 million for the year ended March 31, 2017. Revenues increased primarily in our Rates and spread products businesses such as Credit and Securitized Products due to recovering increased client activity as market uncertainty from political events like the EU referendum in the UK and the U.S. presidential election cleared. In our Equities business, *Net revenue* decreased from ¥325,138 million for the year ended March 31, 2016 to ¥231,871 million for the year ended March 31, 2017. Year on year revenues decreased primarily due to the restructuring of our Equities business in EMEA and there was a nonrecurring gain on the disposal of our investment in Chi-X in the year ended March 31, 2016.

Net revenue decreased by 12% from ¥683,399 million for the year ended March 31, 2015 to ¥600,300 million for the year ended March 31, 2016. In our Fixed Income business, *Net revenue* decreased from ¥396,944 million for the year ended March 31, 2015 to ¥275,162 million for the year ended March 31, 2016. The trading environment was impacted by rapid spread-widening, plunging liquidity and market disruption following the introduction of negative rates policy in Japan in January 2016. Revenues decreased mainly due to the under-

performance in spread products and a slowdown in our Rates business, particularly in Japan. In our Equities business, *Net revenue* increased from ¥286,455 million for the year ended March 31, 2015 to ¥325,138 million for the year ended March 31, 2016 due to a strong performance in Japan amid heightened volatility and in the Americas because of gains recognized in connection with the partial disposal of our investment in Chi-X.

In accordance with the realignments of our Global Markets business during the year ended March 31, 2016, comprehensive amounts for the Fixed Income and Equities for the year ended March 31, 2015 have been reclassified.

Non-interest expenses decreased by 18% from ¥580,253 million for the year ended March 31, 2016 to ¥477,182 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits through the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses decreased by 1% from ¥585,850 million for the year ended March 31, 2015 to ¥580,253 million for the year ended March 31, 2016, primarily due to decreases in compensation and benefits, partially offset by an increase of expenses in our overseas businesses as a result of depreciation of the Japanese Yen.

Income before income taxes was ¥97,549 million for the year ended March 31, 2015, ¥20,047 million for the year ended March 31, 2016 and ¥165,966 million for the year ended March 31, 2017.

Investment Banking

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

The following table shows financial data for Investment Banking. These figures are non-GAAP financial measures prepared on a management accounting basis that we believe are a useful supplement to financial information of our Wholesale segment. We disclose these measures to show the performance of Investment Banking as an individual business line, which we believe can help enhance the understanding of underlying trends in Investment Banking. For a reconciliation of the financial data for Investment Banking to the operating results of our Wholesale segment, see “*Reconciliation for Global Markets and Investment Banking Financial Data*” below.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Investment Banking (gross) revenue ⁽¹⁾⁽²⁾	¥195,617	¥205,702	¥167,806
Allocation to other divisions ⁽³⁾	(89,149)	(85,725)	(71,698)
Net revenue	106,468	119,977	96,108
Non-interest expenses	121,821	124,619	100,627
Income (loss) before income taxes	¥(15,353)	¥ (4,642)	¥ (4,519)

(1) Investment Banking (gross) revenue represents gross revenue generated by investment banking transactions in Investment Banking, including revenue attributable to other business lines that we allocate to Global Markets and our other business segments.

(2) We have reclassified certain prior period amounts of Investment Banking to conform to the current period presentation.

- (3) Where transactions in Investment Banking involve business lines other than Investment Banking, we allocate a portion of Investment Banking (gross) revenue to such other business lines and record it as net revenue of Global Markets or our other business segments, as applicable.

Net revenue decreased by 20% from ¥119,977 million for the year ended March 31, 2016 to ¥96,108 million for the year ended March 31, 2017, primarily due to decreases in large transactions of our ECM business.

Net revenue increased by 13% from ¥106,468 million for the year ended March 31, 2015 to ¥119,977 million for the year ended March 31, 2016, primarily due to large transactions of our M&A and ECM businesses and the realized gain from our investment in Mitsui Life Insurance.

Non-interest expenses decreased by 20% from ¥124,619 million for the year ended March 31, 2016 to ¥100,617 million for the year ended March 31, 2017, primarily due to decreases in compensation and benefits through the restructuring of our Wholesale Division operations within EMEA and the Americas in March 2016.

Non-interest expenses increased by 2% from ¥121,821 million for the year ended March 31, 2015 to ¥124,619 million for the year ended March 31, 2016, primarily due to increased expenses incurred by our overseas businesses due to the depreciation of the Japanese Yen.

Loss before income taxes was ¥15,353 million for the year ended March 31, 2015, ¥4,642 million for the year ended March 31, 2016 and ¥4,519 million for the year ended March 31, 2017.

Reconciliation for Global Markets and Investment Banking Financial Data

The following table presents a reconciliation of the Global Markets and Investment Banking financial data presented above, which are non-GAAP financial measures, to *net revenue*, *non-interest expenses* and *income (loss) before income taxes* for our Wholesale segment.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Wholesale net revenue:			
Global Markets net revenue	¥683,399	¥600,300	¥643,148
Investment Banking net revenue:			
Investment Banking (gross) revenue ⁽¹⁾⁽²⁾	195,617	205,702	167,806
Allocation to other divisions ⁽³⁾	(89,149)	(85,725)	(71,698)
Total Investment Banking net revenue	106,468	119,977	96,108
Total Wholesale net revenue	¥789,867	720,277	739,256
Wholesale non-interest expenses:			
Global Markets non-interest expenses	¥585,850	580,253	477,182
Investment Banking non-interest expenses	121,821	124,619	100,627
Total Wholesale non-interest expenses	¥707,671	704,872	577,809
Wholesale income (loss) before income taxes:			
Global Markets income before income taxes	¥ 97,549	20,047	165,966
Investment Banking income (loss) before income taxes	(15,353)	(4,642)	(4,519)
Total Wholesale income before income taxes	¥ 82,196	¥ 15,405	¥161,447

- (1) Investment Banking (gross) revenue represents gross revenue generated by investment banking transactions in Investment Banking, including revenue attributable to other business lines that we allocate to Global Markets and our other business segments.

- (2) We have reclassified certain prior period amounts of Investment Banking to conform to the current period presentation.
- (3) Where transactions in Investment Banking involve business lines other than Investment Banking, we allocate a portion of Investment Banking (gross) revenue to such other business lines and record it as net revenue of Global Markets or our other business segments, as applicable.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 21 “*Segment and geographic information*” in our consolidated financial statements included within this annual report.

Income before income taxes in Other operating results was ¥45,950 million for the year ended March 31, 2015, ¥6,147 million for the year ended March 31, 2016 and ¥37,607 million for the year ended March 31, 2017.

Other operating results for the year ended March 31, 2017 include the positive impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥16.6 billion and gains from changes in counterparty credit spreads of ¥8.8 billion.

As a result of early adoption of ASU 2016-01 as of April 2016, unrealized changes in the fair value of financial liabilities elected for the fair value option due to Nomura’s own creditworthiness are now presented through other comprehensive income rather than earnings. As a result, losses of ¥12,147 million which would otherwise have been recognized through earnings were recognized through other comprehensive income during the year ended March 31, 2017. See Note 1 “*Summary of accounting policies*” in our consolidated financial statements included within this annual report for further information about the early adoption of ASU 2016-01.

Other operating results for the year ended March 31, 2016 include gains from changes in the fair value of certain financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness of ¥23.1 billion, the positive impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥4.4 billion and losses from changes in counterparty credit spreads of ¥12.3 billion.

Summary of Regional Contribution

For a summary of our *net revenue, income (loss) before income taxes* and long-lived assets by geographic region, see Note 21 “*Segment and geographic information*” in our consolidated financial statements included in this annual report.

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. For further discussion on statutory capital requirements, see Note 18 “*Regulatory requirements*” in our consolidated financial statements included in this annual report.

Translation Exposure

A significant portion of our business is conducted in currencies other than Japanese 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 measure fair value.

Level 1:

Observable valuation inputs that reflect quoted prices (unadjusted) for identical financial instruments traded in active markets at the measurement date.

Level 2:

Valuation inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the financial instrument.

Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

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 as a proportion of total financial assets, carried at fair value on a recurring basis were 3% as of March 31, 2017 as listed below:

	Billions of yen				
	March 31, 2017				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total
Financial assets measured at fair value					
(Excluding derivative assets)	¥7,261	¥ 9,616	¥462	¥ —	¥17,339
Derivative assets	18	23,163	178	(22,322)	1,037
Total	¥7,279	¥32,779	¥640	¥(22,322)	¥18,376

See Note 2 “Fair value measurements” in our consolidated financial statements included in this annual report.

Derivative contracts

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

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

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

Billions of yen		
March 31, 2016		
	Assets	Liabilities
Listed derivatives	¥ 89	¥ 123
OTC derivatives	1,283	927
	<u>¥1,372</u>	<u>¥1,050</u>

Billions of yen		
March 31, 2017		
	Assets	Liabilities
Listed derivatives	¥ 63	¥ 156
OTC derivatives	974	765
	<u>¥1,037</u>	<u>¥ 921</u>

The following table presents the fair value of OTC derivative assets and liabilities as of March 31, 2017 by remaining contractual maturity.

Billions of yen							
March 31, 2017							
	Years to Maturity					Cross-maturity netting⁽¹⁾	Total fair value
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years		
OTC derivative assets	¥2,094	¥1,696	¥1,359	¥1,054	¥5,099	¥(10,328)	¥974
OTC derivative liabilities	1,847	1,535	1,129	636	3,301	(7,683)	765

(1) Represents 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, 2017, Nomura did not recognize any impairment loss on goodwill.

Assets and Liabilities Associated with Investment and Financial Services Business

Exposure to Certain Financial Instruments and Counterparties

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

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2017.

	Millions of yen		
	March 31, 2017		
	Funded	Unfunded	Total
Europe	¥52,590	¥ 48,233	¥100,823
Americas	36,453	201,503	237,956
Asia and Oceania	—	39,132	39,132
Total	<u>¥89,043</u>	<u>¥288,868</u>	<u>¥377,911</u>

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, see Note 6 “*Securitizations and Variable Interest Entities*” in our consolidated financial statements included in this annual report.

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.

Deferred Tax Assets

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets—Other and Other liabilities*, respectively, in the consolidated balance sheets as of March 31, 2017.

	<u>Millions of yen</u> <u>March 31, 2017</u>
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 17,988
Investments in subsidiaries and affiliates	100,100
Valuation of financial instruments	65,158
Accrued pension and severance costs	21,854
Other accrued expenses and provisions	84,268
Operating losses	406,440
Other	8,408
Gross deferred tax assets	704,216
Less—Valuation allowance	<u>(519,492)</u>
Total deferred tax assets	<u>184,724</u>
Deferred tax liabilities	
Investments in subsidiaries and affiliates	125,752
Valuation of financial instruments	46,684
Undistributed earnings of foreign subsidiaries	947
Valuation of fixed assets	18,042
Other	5,840
Total deferred tax liabilities	<u>197,265</u>
Net deferred tax assets (liabilities)	<u>¥ (12,541)</u>

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.

B. Liquidity and Capital Resources.

Funding and Liquidity Management

Overview

We define liquidity risk as the risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group's creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Our global liquidity risk management policy is based on liquidity risk appetite formulated by the Executive Management Board ("EMB"). Nomura's liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and 30-day periods, respectively, without

raising funds through unsecured funding or through the liquidation of assets. We are required to meet regulatory notice on the liquidity coverage ratio issued by the FSA.

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

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

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio, managed by Global Treasury apart from other assets, in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2017, our liquidity portfolio was ¥4,970.3 billion which sufficiently met liquidity requirements under the stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2016 and 2017 and averages maintained for the years ended March 31, 2016 and 2017. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2016	March 31, 2016	Average for year ended March 31, 2017	March 31, 2017
Cash, cash equivalents and time deposits ⁽¹⁾	¥1,873.0	¥2,050.5	¥2,289.4	¥2,317.1
Government debt securities	3,821.8	3,617.9	3,094.3	2,507.0
Others ⁽²⁾	230.0	278.7	235.7	146.2
Total liquidity portfolio	<u>¥5,924.8</u>	<u>¥5,947.1</u>	<u>¥5,619.4</u>	<u>¥4,970.3</u>

- (1) Cash, cash equivalents, and time deposits include nostro balances and deposits with both central banks and market counterparties that are readily available to support the liquidity position of Nomura.
- (2) Others include other liquid financial assets such as money market funds and U.S. agency securities.

The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2016 and 2017 and averages maintained for the years ended March 31, 2016 and 2017. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2016	March 31, 2016	Average for year ended March 31, 2017	March 31, 2017
Japanese Yen	¥1,859.5	¥2,464.5	¥1,946.0	¥1,527.9
U.S. Dollar	2,839.8	2,698.3	2,877.5	2,632.6
Euro	772.7	369.7	358.7	382.0
British Pound	319.9	248.2	308.4	285.1
Others ⁽¹⁾	132.9	166.4	128.8	142.7
Total liquidity portfolio	<u>¥5,924.8</u>	<u>¥5,947.1</u>	<u>¥5,619.4</u>	<u>¥4,970.3</u>

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

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

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2016 and 2017.

	Billions of yen	
	March 31, 2016	March 31, 2017
NHI and NSC ⁽¹⁾	¥1,522.5	¥1,250.8
Major broker-dealer subsidiaries	2,958.5	2,474.5
Bank subsidiaries ⁽²⁾	1,037.1	776.2
Other affiliates	429.0	468.8
Total liquidity portfolio	<u>¥5,947.1</u>	<u>¥4,970.3</u>

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

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

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

In addition to our liquidity portfolio, we had ¥2,048.5 billion of other unencumbered assets comprising mainly of unpledged trading assets that can be used as an additional source of secured funding. Global Treasury monitors other unencumbered assets and can, under a liquidity stress event when the contingency funding plan has been invoked, monetize and utilize the cash generated as a result. The aggregate of our liquidity portfolio and other unencumbered assets as of March 31, 2017 was ¥7,018.8 billion, which represented 372.7% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2016	March 31, 2017
Net liquidity value of other unencumbered assets	¥2,002.7	¥2,048.5
Liquidity portfolio	5,947.1	4,970.3
Total	<u>¥7,949.8</u>	<u>¥7,018.8</u>

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

We seek to maintain a surplus of long-term debt and equity above the cash capital requirements of our assets. We also seek to achieve diversification of our funding by market, instrument type, investors, currency, and staggered maturities in order to reduce unsecured refinancing risk.

We diversify funding by issuing various types of debt instruments—these include both structured loans and structured notes with returns linked to interest rates, currencies, equities, commodities, or related indices. We issue structured loans and structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to obtain funding equivalent to our unsecured long-term debt. The proportion of our non-Japanese Yen denominated long-term debt decreased to 38.1% of total long-term debt outstanding as of March 31, 2017 from 39.2% as of March 31, 2016.

3.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2016 and 2017.

	Billions of yen	
	March 31, 2016	March 31, 2017
Short-term bank borrowings	¥ 184.9	¥ 206.4
Other loans	127.1	177.9
Commercial paper	177.9	2.6
Deposits at banking entities	2,021.2	909.0
Certificates of deposit	32.0	16.1
Debt securities maturing within one year	760.7	571.0
Total short-term unsecured debt	<u>¥3,303.8</u>	<u>¥1,883.0</u>

3.2 Long-Term Unsecured Debt

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

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

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

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2016 and 2017.

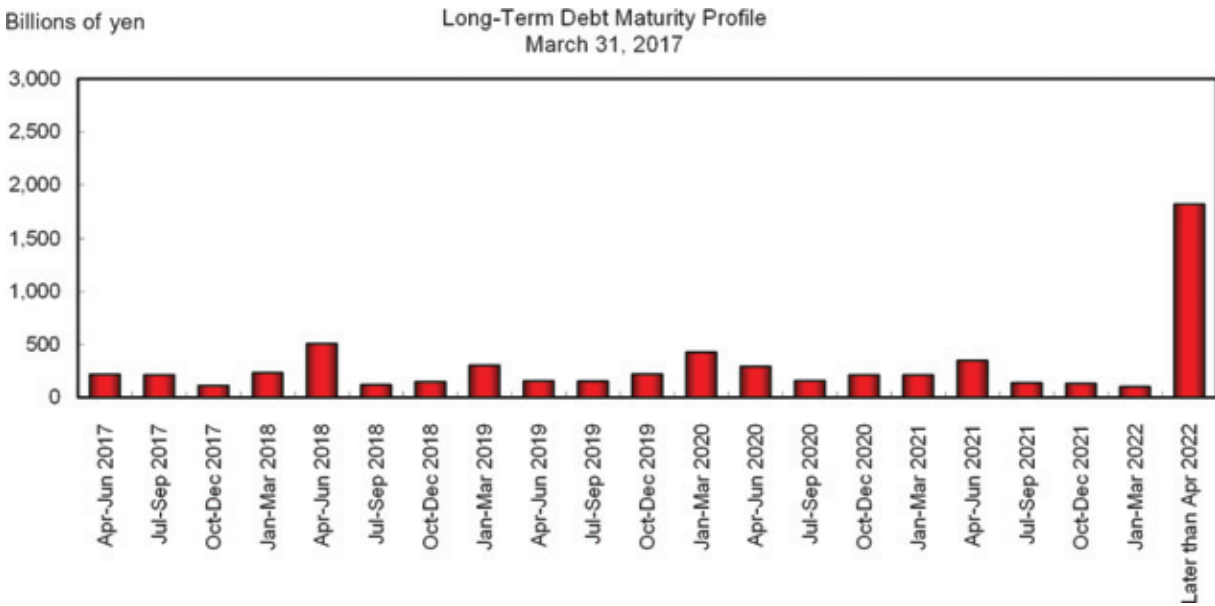
	Billions of yen	
	March 31, 2016	March 31, 2017
Long-term deposits at banking entities	¥ 169.8	¥ 207.8
Long-term bank borrowings	2,732.5	2,474.0
Other loans	143.9	116.8
Debt securities ⁽¹⁾	<u>3,547.4</u>	<u>3,120.3</u>
Total long-term unsecured debt	<u>¥6,593.6</u>	<u>¥5,918.9</u>

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

3.3 Maturity Profile

We also seek to maintain an average maturity for our plain vanilla debt securities and borrowings greater than or equal to three years. The average maturity for our plain vanilla debt securities and borrowings with maturities longer than one year was 3.6 years as of March 31, 2017. A significant amount of our structured loans and structured notes are linked to interest rates, currencies, equities, commodities, or related indices. These maturities are evaluated based on internal models and monitored by Global Treasury. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. The model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings by the model.

On this basis, the average maturity of our structured loans and structured notes with maturities longer than one year was 7.3 years as of March 31, 2017. The average maturity of our entire long-term debt with maturities longer than one year including plain vanilla debt securities and borrowings, was 5.1 years as of March 31, 2017.



3.4 Secured Funding

We typically fund our trading activities through secured borrowings, repurchase agreements and Japanese “Gensaki Repo” transactions. We believe such funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Our secured funding capabilities depend on the quality of the underlying collateral and market conditions. While we have shorter term secured financing for highly liquid assets, we seek longer terms for less liquid assets. We also seek to lower the refinancing risks of secured funding by transacting with a diverse group of global counterparties and delivering various types of securities collateral. In addition, we reserve an appropriate level of liquidity portfolio for the refinancing risks of secured funding maturing in the short term for less liquid assets. For more detail of secured borrowings and repurchase agreements, see Note 4 “*Collateralized transactions*” in our consolidated financial statements.

4. Management of Credit Lines to Nomura Group Entities

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

5. Implementation of Liquidity Stress Tests

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

We assess the liquidity requirements of the Nomura Group under various stress scenarios with differing levels of severity over multiple time horizons. We evaluate these requirements under Nomura-specific and broad market-wide events, including potential credit rating downgrades at the Company and subsidiary levels. We call this risk analysis our Maximum Cumulative Outflow (“MCO”) framework.

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

- Stressed scenario—To maintain adequate liquidity during a severe market-wide liquidity event without raising funds through unsecured financing or through the liquidation of assets for a year; and
- Acute stress scenario—To maintain adequate liquidity during a severe market-wide liquidity event coupled with credit concerns regarding Nomura’s liquidity position, without raising funds through unsecured funding or through the liquidation of assets for 30 days.

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, 2017, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

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

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

6. Contingency Funding Plan

We have developed a detailed contingency funding plan to integrate liquidity risk control into our comprehensive risk management strategy and to enhance the quantitative aspects of our liquidity risk control procedures. As a part of our Contingency Funding Plan (“CFP”), we have developed an approach for analyzing

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

Liquidity Regulatory Framework

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

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

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

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

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Averages of Nomura’s month-end LCRs for the three months ended March 31, 2017 was 180.0%, and Nomura was compliant with requirements of the above notices. As for the NSFR, it is not yet implemented in Japan.

Cash Flows

Nomura’s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the year ended March 2016 and 2017, we recorded net cash inflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2016 and 2017.

	Billions of yen	
	Year Ended March 31	
	2016	2017
Net cash provided by (used in) operating activities	¥ 1,238.4	¥ 1,305.0
Net income	142.6	242.6
Trading assets and private equity investments	248.5	1,197.1
Trading liabilities	(2,280.0)	708.2
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,605.7	635.6
Securities borrowed, net of securities loaned	1,762.2	(1,706.5)
Other, net	(240.6)	228.2
Net cash provided by (used in) investing activities	(23.7)	(118.1)
Net cash provided by (used in) financing activities	986.4	(2,130.6)
Long-term borrowings, net	95.9	(876.7)
Increase in deposits received at banks, net	1,010.1	(1,068.2)
Other, net	(119.6)	(185.7)
Effect of exchange rate changes on cash and cash equivalents	(40.2)	4.2
Net increase (decrease) in cash and cash equivalents	2,160.9	(939.4)
Cash and cash equivalents at beginning of the year	1,315.4	3,476.3
Cash and cash equivalents at end of the year	¥ 3,476.3	¥ 2,536.8

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

For the year ended March 31, 2017, our cash and cash equivalents decreased by ¥939.4 billion to ¥2,536.8 billion. Net cash of ¥2,130.6 billion was used in financing activities due to net cash outflows of ¥1,068.2 billion from *Deposits received at banks*. As part of trading activities, while there were net cash inflows of ¥1,905.3 billion from cash inflows due to a decrease in *Trading assets and Private equity investments* and an increase in *Trading liabilities*, they were offset by ¥1,071.0 billion of net cash outflows from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase*, and *Securities borrowed, net of Securities loaned*. As a result, net cash of ¥1,305.0 billion was provided by operating activities.

For the year ended March 31, 2016, our cash and cash equivalents increased by ¥2,160.9 billion to ¥3,476.3 billion. Net cash of ¥986.4 billion was provided by financing activities due to net cash inflows of ¥1,010.1 billion from *Deposits received at banks*. As part of trading activities, while there were net cash outflows of ¥2,031.5 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 ¥3,367.8 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 ¥1,238.4 billion was provided by operating activities.

Balance Sheet and Financial Leverage

Total assets as of March 31, 2017, were ¥42,852.1 billion, an increase of ¥1,761.9 billion compared with ¥41,090.2 billion as of March 31, 2016, reflecting primarily due to an increase in *Securities purchased under agreements to resell*. Total liabilities as of March 31, 2017, were ¥40,008.3 billion, an increase of ¥1,661.1 billion compared with ¥38,347.2 billion as of March 31, 2016, reflecting primarily an increase in

Securities sold under agreements to repurchase. NHI shareholders' equity as of March 31, 2017 was ¥2,789.9 billion, an increase of ¥89.7 billion compared with ¥2,700.2 billion as of March 31, 2016, primarily due to an increase in *Retained earnings*.

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

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

The following table presents NHI shareholders' equity, total assets, adjusted assets and leverage ratios as of March 31, 2016 and 2017.

	Billions of yen, except ratios	
	March 31	
	2016	2017
NHI shareholders' equity	¥ 2,700.2	¥ 2,789.9
Total assets	41,090.2	42,852.1
Adjusted assets ⁽¹⁾	26,012.5	24,122.3
Leverage ratio ⁽²⁾	15.2 x	15.4 x
Adjusted leverage ratio ⁽³⁾	9.6 x	8.6 x

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

	Billions of yen	
	March 31	
	2016	2017
Total assets	¥41,090.2	¥42,852.1
Less:		
Securities purchased under agreements to resell	9,205.2	11,456.6
Securities borrowed	5,872.5	7,273.2
Adjusted assets	<u>¥26,012.5</u>	<u>¥24,122.3</u>

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

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

Total assets increased by 4.3% reflecting primarily an increase in *Securities purchased under agreements to resell*. Total NHI shareholders' equity increased by 3.3% reflecting primarily an increase in *Retained earnings*. As a result, our leverage ratio increased from 15.2 times as of March 31, 2016 to 15.4 times as of March 31, 2017.

Adjusted assets decreased primarily due to a decrease in *Cash and cash equivalents*. As a result, our adjusted leverage ratio was 9.6 times as of March 31, 2016 and 8.6 times as of March 31, 2017.

Capital Management

Capital Management Policy

We seek to enhance shareholder value and to capture growing business opportunities by maintaining sufficient levels of capital. We will continue to review our levels of capital as appropriate, taking into

consideration the economic risks inherent to operating our businesses, the regulatory requirements, and maintaining our ratings necessary to operate businesses globally.

Dividends

We believe that raising corporate value over the long term and paying dividends is essential to rewarding shareholders. We will strive to pay dividends using a consolidated pay-out ratio of 30 percent of each semi-annual consolidated earnings as a key indicator.

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

Dividends will in principle be paid on a semi-annual basis with record dates of September 30 and March 31.

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.

We consider repurchases 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.

Dividends for the Fiscal Year

Based on our Capital Management Policy described above, we paid a dividend of ¥9 per share to shareholders of record as of September 30, 2016 and have decided to pay a dividend of ¥11 per share to shareholders of record as of March 31, 2017. As a result, the total annual dividend will be ¥20 per share.

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

<u>Fiscal year ended or ending March 31,</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>	<u>Total</u>
2012	¥—	¥ 4.00	¥—	¥ 2.00	¥ 6.00
2013	—	2.00	—	6.00	8.00
2014	—	8.00	—	9.00	17.00
2015	—	6.00	—	13.00	19.00
2016	—	10.00	—	3.00	13.00
2017	—	9.00	—	11.00	20.00

Consolidated Regulatory Capital Requirements

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

The Company has been assigned by the FSA as a Final Designated Parent Company who must calculate a consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company in April 2011. Since then, we have been calculating our consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised to be in line with Basel 2.5 and Basel III since then. We have

calculated a Basel III-based consolidated capital adequacy ratio from the end of March 2013. Basel 2.5 includes significant change in calculation method of market risk and Basel III includes redefinition of capital items for the purpose of requiring higher quality of capital and expansion of the scope of credit risk-weighted assets calculation.

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, 2017, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 18.2%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 19.2% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 20.0% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. (required level including applicable minimum consolidated capital buffers as of March 31, 2017 is 6.00% for the common equity Tier 1 capital ratio, 7.50% for the Tier 1 capital ratio and 9.50% for the consolidated capital adequacy ratio).

The following table presents the Company's consolidated capital adequacy ratios as of March 31, 2016 and March 31, 2017.

	Billions of yen, except ratios	
	March 31	
	2016	2017
Common equity Tier 1 capital	¥ 2,469.4	¥ 2,549.2
Tier 1 capital	2,577.5	2,689.8
Total capital	2,900.6	2,799.4
Risk-Weighted Assets		
Credit risk-weighted assets	7,872.0	7,762.6
Market risk equivalent assets	5,307.4	3,504.6
Operational risk equivalent assets	2,791.2	2,710.6
Total risk-weighted assets	<u>¥15,970.5</u>	<u>¥13,977.9</u>
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	15.4%	18.2%
Tier 1 capital ratio	16.1%	19.2%
Consolidated capital adequacy ratio	18.1%	20.0%

Since the end of March, 2011, we have been 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, Market risk equivalent assets are calculated by using the Internal Models Approach for market risk.

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

Consolidated Leverage Ratio Requirements

In March 2015, the FSA set out requirements for the calculation and disclosure of a consolidated leverage ratio, through amendments to revising "Specification of items which a final designated parent company should disclose on documents to show the status of its sound management" (2010 FSA Regulatory Notice No. 132; "Notice on Pillar 3 Disclosure") and the publication of "Consolidated Leverage Ratio prescribed by

Commissioner of Financial Services Agency in accordance with Article 3, paragraph 1 of Pillar 3 Notice” (2015 FSA Regulatory Notice No. 11; “Notice on Consolidated Leverage Ratio”). We started calculating and disclosing a consolidated leverage ratio from March 31, 2015 in accordance with the Notice on Pillar 3 Disclosure and Notice on Consolidated Leverage Ratio. Management receives and reviews this consolidated leverage ratio on a regular basis. As of March 31 2017, our consolidated leverage ratio was 4.63%.

Regulatory changes which affect us

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, “International framework for liquidity risk measurement, standards and monitoring” and “A global regulatory framework for more resilient banks and banking systems”. They include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (“CVA”) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; introducing a series of measures to address concerns over the “procyclicality” of the current framework; and introducing a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. These standards were implemented from 2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (“CCPs”) on July 25, 2012, which came into effect in 2013 as part of Basel III. Moreover, in addition to Basel III leverage ratio framework under which we started the calculation and disclosure of consolidated leverage ratio as above, a series of final standards on the regulatory frameworks such as capital requirements for banks’ equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to CCPs, supervisory framework for measuring and controlling large exposures, Basel III: The Net Stable Funding Ratio and revisions to the securitization framework, and revised framework for market risk capital requirements have been published 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 group of G-SIBs have been updated annually and published by the FSB each November. Since November 2011, we have not been designated as a G-SIBs. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions (“D-SIBs”) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In December 2015, the FSA identified us as a D-SIB and required additional capital charge of 0.5% after March 2016, with 3-year transitional arrangement.

It is likely that the FSA’s regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee, FSB or International Organization of Securities Commissions.

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.

As of May 31, 2017, 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	A-
Moody's Investors Service	—	Baa1
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.	—	AA-
Nomura Securities Co., Ltd.	Short-term Debt	Long-term Debt
Standard & Poor's	A-1	A
Moody's Investors Service	P-2	A3
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.	—	AA-

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, Moody's Investors Service, and Fitch Ratings 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 eleven 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 where Nomura has:

- an obligation under a guarantee contract;
- a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves to provide credit, liquidity or market risk support to such entity;

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

Off-balance sheet entities may take the form of a corporation, partnership, fund, trust or other legal vehicle which is designed to fulfill a limited, specific purpose by its sponsor. 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 connection with our securitization and equity derivative activities, we also act as a transferor of financial assets to these entities, as well as, underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities. 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 6 “*Securitized and Variable Interest Entities*” in our consolidated financial statements included in this annual report.

F. Tabular Disclosure of Contractual Obligations.

In the ordinary course 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 connection with our banking and 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:

- We have commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to those partnerships.

Note 8 “Leases” in our consolidated financial statements contains further detail on our operating leases and capital leases. Note 10 “Borrowings” in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 20 “Commitments, contingencies and guarantees” in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

The contractual amounts of commitments to extend credit represent the maximum amounts at risk should the contracts be fully drawn upon, should the counterparties default, and assuming the value of any existing collateral becomes worthless. The total contractual amount of these commitments may not represent future cash requirements since the commitments may expire without being drawn upon. The credit risk associated with these commitments varies depending on our 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, 2017.

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 8,604	¥ 15	¥ 3	¥ 688	¥ 7,898
Long-term borrowings ⁽¹⁾	7,155,196	478,658	2,337,682	1,536,160	2,802,696
Contractual interest payments ⁽²⁾	743,046	108,237	181,505	112,363	340,941
Operating lease commitments	127,818	17,075	26,954	17,935	65,854
Capital lease commitments ⁽³⁾	46,579	3,666	7,085	7,279	28,549
Purchase obligations ⁽⁴⁾	27,313	19,663	4,221	1,600	1,829
Commitments to extend credit	1,010,257	388,275	123,303	157,510	341,169
Commitments to invest	15,194	465	—	383	14,346
Total	<u>¥9,134,007</u>	<u>¥1,016,054</u>	<u>¥2,680,753</u>	<u>¥1,833,918</u>	<u>¥3,603,282</u>

(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, 2017.
- (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 reverse repurchase and repurchase agreements), and trading liabilities.

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amount to ¥1,830 billion for reverse repurchase agreements and ¥968 billion for repurchase agreements as of March 31, 2017.

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 26, 2017.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
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 of Nomura Securities Co., Ltd.	Oct. 2001	Director and Deputy President of the Company
	Representative Director and President of Kanagawa Kaihatsu Kanko Co., Ltd.		Director and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2003	Director and President of the Company
			Director and President of Nomura Securities Co., Ltd.
		Jun. 2003	Director, President & CEO of the Company
			Director and Executive Officer and President of Nomura Securities Co., Ltd.
		Apr. 2008	Director and Representative Executive Officer of the Company
			Director and Chairman of Nomura Securities Co., Ltd.
		Jun. 2008	Director and Chairman of Nomura Securities Co., Ltd.
	Jun. 2011	Director and Chairman of the Company	
		Director and Chairman of Nomura Securities Co., Ltd.	
	Apr. 2017	Director and Chairman of the Company (Current)	
		Director of Nomura Securities Co., Ltd. (Current)	
Koji Nagai (Jan. 25, 1959)	Director, Representative Executive Officer, President, and Group CEO	Apr. 1981	Joined the Company
	Director and Chairman of Nomura Securities Co., Ltd.	Apr. 2003	Director 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.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		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 and Group CEO of the Company Director and President of Nomura Securities Co., Ltd.
		Apr. 2017 Director, Representative Executive Officer, President, and Group CEO of the Company (Current) Director and Chairman of Nomura Securities Co., Ltd. (Current)
Tetsu Ozaki (Jan. 16, 1958)	Director, Representative Executive Officer, Deputy President, and Group COO Director of Nomura Securities Co., Ltd.	Apr. 1982 Joined the Company Apr. 2004 Senior Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd. Apr. 2008 Executive Managing Director of Nomura Securities Co., Ltd. Oct. 2008 Senior Corporate Managing Director of Nomura Securities Co., Ltd. Aug. 2012 Deputy President of Nomura Securities Co., Ltd. Apr. 2013 Director and Deputy President of Nomura Securities Co., Ltd. Apr. 2014 Executive Managing Director of the Company Deputy President of Nomura Securities Co., Ltd.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		<p>Apr. 2016 Representative Executive Officer & Group COO of the Company Director and Deputy President of Nomura Securities Co., Ltd.</p> <p>Jun. 2016 Director, Representative Executive Officer and Group COO of the Company Director and Deputy President of Nomura Securities Co., Ltd.</p> <p>Apr. 2017 Director, Representative Executive Officer, Deputy President, and Group COO of the Company (Current) Director of Nomura Securities Co., Ltd. (Current)</p>
Hisato Miyashita (Dec. 26, 1958)	<p>Director Member of the Audit Committee (full-time) Director of Nomura Asset Management Co., Ltd. Director of The Nomura Trust and Banking Co., Ltd. Statutory Auditor of Nomura Financial Products & Services, Inc.</p>	<p>Jul. 1987 Joined the Company</p> <p>Jun. 1993 Joined Union Bank of Switzerland (currently, UBS)</p> <p>Aug. 1996 Joined Bankers Trust Asia Securities Ltd.</p> <p>Apr. 1998 Joined Credit Suisse First Boston Securities (Japan) Limited</p> <p>Dec. 1999 Joined Nikko Citigroup Limited (currently, Citigroup Global Markets Japan Inc.)</p> <p>Mar. 2005 Executive Officer of Nikko Citigroup Limited, Internal Control Supervisory Manager</p> <p>Jul. 2009 Managing Director of Group Compliance Department of the Company</p> <p>Apr. 2012 Senior Managing Director of the Company, Head of Wholesale Compliance</p> <p>Jun. 2012 Senior Managing Director of the Company, Group Compliance Head Senior Managing Director of Nomura Securities Co., Ltd.</p> <p>Apr. 2013 Senior Managing Director of the Company, Group Compliance Head Representative Executive Officer of Nomura Securities Co., Ltd., Internal Control Supervisory Manager</p>

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
		<p>Apr. 2015 Senior Managing Director of the Company, Deputy Chief of Staff and Group Compliance Head Representative Executive Officer and Senior Corporate Managing Director of Nomura Securities Co., Ltd., Internal Control Supervisory Manager</p> <p>Apr. 2016 Advisor of the Company</p> <p>Jun. 2016 Director of the Company (Current)</p>
Takao Kusakari (Mar. 13, 1940)	<p>Outside Director Member of the Nomination Committee Member of the Compensation Committee Senior Advisor of NYK Line</p>	<p>Apr. 1964 Joined Nippon Yusen Kabushiki Kaisha (“NYK Line”)</p> <p>Aug. 1999 President of NYK Line</p> <p>Apr. 2002 President, Corporate Officer of NYK Line</p> <p>Apr. 2004 Chairman, Corporate Officer of NYK Line</p> <p>Apr. 2006 Chairman, Chairman Corporate Officer of NYK Line</p> <p>Apr. 2009 Director and Corporate Advisor of NYK Line</p> <p>Jun. 2010 Corporate Advisor of NYK Line</p> <p>Jun. 2011 Outside Director of the Company (Current)</p> <p>Apr. 2015 Senior Advisor of NYK Line (Current)</p>
Hiroshi Kimura (Apr. 23, 1953)	<p>Outside Director Member of the Nomination Committee Member of the Compensation Committee Advisor of Japan Tobacco Inc. Outside Director of Asahi Glass Co., Ltd. Outside Director of IHI Corporation</p>	<p>Apr. 1976 Joined Japan Tobacco and Salt Public Corporation (currently, Japan Tobacco Inc.)</p> <p>Jun. 1999 Director of Japan Tobacco Inc.</p> <p>Jun. 2001 Resigned as Director of Japan Tobacco Inc.</p> <p>Jun. 2005 Director of Japan Tobacco Inc.</p> <p>Jun. 2006 President and CEO and Representative Director of Japan Tobacco Inc.</p> <p>Jun. 2012 Chairman of the Board of Japan Tobacco Inc.</p> <p>Jun. 2014 Special Advisor of Japan Tobacco Inc.</p> <p>Jun. 2015 Outside Director of the Company (Current)</p> <p>Jul. 2016 Advisor of Japan Tobacco Inc. (Current)</p>

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Noriaki Shimazaki (Aug. 19, 1946)	Outside Director Chairman of the Audit Committee Director of Nomura Securities Co., Ltd. Outside Director of Autobacs Seven Co., Ltd. Outside Director of UKC Holdings Corporation Outside Director of Loginet Japan Co., Ltd.	Apr. 1969 Joined Sumitomo Corporation Jun. 1998 Director of Sumitomo Corporation Apr. 2002 Representative Director and Managing Director of Sumitomo Corporation Jan. 2003 Member of the Business Accounting Council of the Financial Services Agency Apr. 2004 Representative Director and Senior Managing Executive Officer of Sumitomo Corporation Apr. 2005 Representative Director and Executive Vice President of Sumitomo Corporation Jan. 2009 Trustee of the IFRS Foundation Jul. 2009 Special Advisor of Sumitomo Corporation Jun. 2011 Director of the Financial Accounting Standards Foundation Chairman of Self-regulation Board and Public Governor of the Japan Securities Dealers Association Sep. 2013 Advisor of the IFRS Foundation Asia-Oceania Office (Current) Advisor of the Japanese Institute of Certified Public Accountants (Current) Jun. 2016 Outside Director of the Company (Current) Director of Nomura Securities Co., Ltd. (Current)
Toshinori Kanemoto (Aug. 24, 1945)	Outside Director Member of the Audit Committee Of-Counsel of City-Yuwa Partners Outside Statutory Auditor of Nippon Television Holdings, Inc. Outside Director of Riken Corporation	Apr. 1968 Joined National Police Agency Apr. 1992 Kumamoto Prefecture Police Headquarters, Director-General Aug. 1995 Director General of the International Affairs Department, National Police Agency Oct. 1996 President of ICPO-INTERPOL Aug. 2000 President, National Police Academy Apr. 2001 Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Mari Sono (Feb. 20, 1952)	Outside Director	Jan. 2007 Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
		Feb. 2007 Of-Counsel, City-Yuwa Partners (Current)
		Jun. 2011 Outside Director of the Company (Current)
		Oct. 1976 Joined NISSHIN Audit Corporation (currently Ernst & Young ShinNihon LLC)
		Mar. 1979 Registered as Certified Public Accountant
		Nov. 1988 Partner of CENTURY Audit Corporation (currently Ernst & Young ShinNihon LLC)
		Nov. 1990 Member of “Certified Public Accountant Examination System Subcommittee”, Certified Public Accountant Examination and Investigation Board, Ministry of Finance
		Apr. 1992 Member of “Business Accounting Council”, Ministry of Finance
		Dec. 1994 Senior Partner, CENTURY Audit Corporation (currently Ernst & Young ShinNihon LLC)
		Oct. 2002 Member of Secretariat of the Information Disclosure, Cabinet Office (currently Secretariat of the Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications)
		Apr. 2005 External Comprehensive Auditor, Tokyo
		Jul. 2008 Senior Partner of Ernst & Young ShinNihon LLC
		Aug. 2012 Retired Ernst & Young ShinNihon LLC
		Dec. 2013 Commissioner of the Securities and Exchange Surveillance Commission
Jun. 2017 Outside Director of the Company (Current)		

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience
Michael Lim Choo San (Sep. 10, 1946)	Outside Director Non-Executive Chairman of Fullerton Healthcare Corporation Limited Non-Executive Chairman of Nomura Singapore Ltd.	<p>Aug. 1972 Joined Price Waterhouse, Singapore</p> <p>Jan. 1992 Managing Partner of Price Waterhouse, Singapore</p> <p>Oct. 1998 Member of the Singapore Public Service Commission (Current)</p> <p>Jul. 1999 Executive Chairman of PricewaterhouseCoopers, Singapore</p> <p>Sep. 2002 Chairman of the Land Transport Authority of Singapore</p> <p>Sep. 2004 Independent Director of Olam International Limited</p> <p>Jun. 2011 Outside Director of the Company (Current)</p> <p>Nov. 2011 Chairman of the Accounting Standards Council, Singapore</p> <p>Apr. 2013 Chairman of the Singapore Accountancy Commission</p> <p>Sep. 2016 Non-Executive Chairman of Fullerton Healthcare Corporation Limited (Current)</p>

Among the Directors listed above, Takao Kusakari, Hiroshi Kimura, Noriaki Shimazaki, Toshinori Kanemoto, Mari Sono and Michael Lim Choo San satisfy the requirements for an “Outside Director” under the Companies Act.

Executive Officers

The following table provides information about the Company's Executive Officers as of June 26, 2017.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Koji Nagai (Jan. 25, 1959)	See “ <i>Directors</i> ” under this Item 6.A.	See “ <i>Directors</i> ” under this Item 6.A.	
Tetsu Ozaki (Jan. 16, 1958)	See “ <i>Directors</i> ” under this Item 6.A.	See “ <i>Directors</i> ” under this Item 6.A.	
Shoichi Nagamatsu (Jul. 6, 1958)	Representative Executive Officer, Deputy President of the Company Chief of Staff Director of Nomura Securities Co., Ltd.	Apr. 1982	Joined the Company
		Apr. 2004	Senior Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Executive Managing Director of the Company
			Senior Managing Director of Nomura Securities Co., Ltd.
		Jun. 2010	Senior Corporate Managing Director of the Company
			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 of the Company	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.	
Apr. 2016	Executive Managing Director of the Company	Executive Managing Director of the Company Deputy President of Nomura Securities Co., Ltd.	
Apr. 2017	Representative Executive Officer, Deputy President of the Company (Current) Chief of Staff (Current) Director of Nomura Securities Co., Ltd. (Current)		
Toshio Morita (Apr. 17, 1961)	Executive Managing Director Director, Representative Executive Officer and President of Nomura Securities Co., Ltd.	Apr. 1985	Joined the Company
		Apr. 2008	Senior 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.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience		
Kunio Watanabe (Feb. 22, 1963)	Executive Managing Director Head of the Asset Management Director, President and CEO of Nomura Asset Management Co., Ltd.	<p>Apr. 2011 Senior Corporate Managing Director of the Company</p> <p>Apr. 2012 Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.</p> <p>Aug. 2012 Executive Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.</p> <p>Apr. 2015 Executive Managing Director of the Company Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.</p> <p>Apr. 2016 Representative Executive Officer and Deputy President of Nomura Securities Co., Ltd</p> <p>Apr. 2017 Executive Managing Director of the Company (Current) Director, Representative Executive Officer and President of Nomura Securities Co., Ltd. (Current)</p>		
		<p>Apr. 1985 Joined the Company</p> <p>Apr. 2009 Senior Managing Director of Nomura Asset Management Co., Ltd.</p> <p>Apr. 2012 Senior Corporate Managing Director of Nomura Asset Management Co., Ltd.</p> <p>Apr. 2014 Executive Managing Director of the Company (Current) Asset Management CEO (currently, Head of the Asset Management) (Current) Director, President and CEO of Nomura Asset Management Co., Ltd. (Current)</p>		
		Takumi Kitamura (Nov. 26, 1966)	Executive Managing Director Chief Financial Officer Executive Managing Director of Nomura Securities Co., Ltd. Financial Officer of Nomura Securities Co., Ltd.	<p>Apr. 1990 Joined the Company</p> <p>Apr. 2016 Executive Managing Director of the Company (Current) Chief Financial Officer of the Company (Current) Executive Managing Director of Nomura Securities Co., Ltd. (Current) Financial Officer of Nomura Securities Co., Ltd. (Current)</p>

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Yuji Nakata (Jun. 6, 1959)	Executive Managing Director	Apr. 1983	Joined the Company
	Head of Group Entity Structure and Co-CRO	Apr. 2007	Senior Managing Director of Nomura Securities Co., Ltd.
	Representative Executive Officer and Deputy President of Nomura Securities Co., Ltd.	Apr. 2008	Executive Managing Director of the Company
		Oct. 2008	Senior Managing Director of the Company
		Nov. 2008	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2012	Senior Managing Director of the Company
		Apr. 2014	Senior Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2016	Executive Managing Director of the Company Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2017	Executive Managing Director of the Company (Current) Head of Group Entity Structure and Co-CRO (Current) Representative Executive Officer and Deputy President of Nomura Securities Co., Ltd. (Current)

B. Compensation.

(1) Compensation policy

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

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

(2) Compensation governance

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

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

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

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

(3) Nomura’s compensation framework

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

Compensation Components	Objectives	Specific Elements
Fixed Compensation	<ul style="list-style-type: none"> • Rewards individuals for their knowledge, skills, competencies and experiences • Reflects local labour market standards • Reflects practices of local labour markets to deliver allowances as a part of fixed compensation to individuals 	<ul style="list-style-type: none"> • Base salary • Housing allowances • Overtime pay
Variable Compensation	<ul style="list-style-type: none"> • Rewards team and individual performances, and their contribution to results as well as the Company’s strategic and future value • Reflects appropriate internal and market-based peer comparisons • Reflects broad views on compensation, including individual performances, approaches to risk, compliance and cross-divisional cooperation 	<ul style="list-style-type: none"> • Cash bonuses • Deferred compensation

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

(4) Variable Compensation

Cash bonuses

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

Deferred compensation

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

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

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

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

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

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

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

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

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

1. Core deferral awards

(a) Stock Acquisition Right (“SAR”) awards

Nomura has issued the following two types of SAR awards.

- SAR Plan A awards

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

- SAR Plan B awards

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

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

(b) Notional Stock Unit (“NSU”) awards

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

2. Supplemental deferral awards

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

(a) Collared Notional Stock Unit (“CSU”) awards

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

(b) Notional Indexed Unit (“NIU”) awards

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

(5) Consistency with risk management and linkage to performance

In determining aggregate compensation, Nomura considers the ratio of compensation and benefit expenses to adjusted net income (defined as net income before income taxes and before deduction of compensation and

benefits expenses followed by a specific risk adjustment). The risk adjustment to income is determined by deducting a certain proportion of economic capital from each division's revenue. Such economic capital comprehensively recognizes quantitatively assessed risks, and reflects various risks including market, credit, liquidity, and operational risks.

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

(6) Compensation for Directors and Executive Officers

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

1. Aggregate compensation

	Number of Directors or Executive Officers ⁽¹⁾	Millions of yen			
		Year ended March 31, 2017			
		Basic Compensation ⁽²⁾⁽³⁾	Bonus	Deferred Compensation ⁽⁴⁾	Total
Directors	9	¥ 315	¥ 94	¥ 88	¥ 497
(Outside Directors included in above) . . .	(6)	(146)	(—)	(—)	(146)
Executive Officers	6	430	379	288	1,098
Total	15	¥ 745	¥ 473	¥ 376	¥1,595

- (1) There were 9 Directors and 6 Executive Officers as of March 31, 2017. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.
- (2) Basic compensation of ¥745 million includes other compensation (such as commuter pass allowances) of ¥0.69 million.
- (3) In addition to basic compensation, ¥24 million of corporate housing costs, such as housing allowance and related tax adjustments, were provided.
- (4) Deferred compensation represents amounts recognized as compensation and benefit expense during the year ended March 31, 2017 in respect of awards such as SARs granted during the year ended March 31, 2017 and prior years.
- (5) Subsidiaries of the Company paid ¥47 million to Outside Directors as compensation etc. for their directorship at those subsidiaries for the year ended March 31, 2017.
- (6) The Company abolished retirement bonuses to Directors in 2001.

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

			Millions of yen						
Name	Company	Category	Fixed Remuneration (Basic Compensation)			Variable Compensation ⁽¹⁾			
			Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	Deferred Compensation (SARs, etc.)	Total	Total
Nobuyuki Koga	Nomura	Director	¥ 87	¥—	¥ 87	¥ 79	¥ 80	¥159	¥246
Koji Nagai ⁽²⁾	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	155	156	311	430
Tetsu Ozaki	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	86	86	172	280
Shoichi Nagamatsu	Nomura	Executive Officer	66	13	79	45	46	91	170
Kunio Watanabe	Nomura	Executive Officer	60	13	73	48	49	97	170
Takumi Kitamura	Nomura	Executive Officer	50	8	58	21	21	42	100
Yuji Nakata	Nomura	Executive Officer	60	13	73	23	24	47	120

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2017.

(2) In addition to basic compensation, ¥24 million of corporate housing costs, such as housing allowance and related tax adjustments, were provided.

Stock Acquisition Rights (“SARs”)

The following table presents information regarding unexercised Stock Acquisition Rights as of March 31, 2017.

March 31, 2017					
Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.34	May 18, 2010	122,100	From May 19, 2012 to May 18, 2017	¥ 1	¥ 0
Stock Acquisition Rights No.35	May 18, 2010	351,300	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.37	July 28, 2010	516,000	From April 30, 2012 to April 29, 2017	1	0
Stock Acquisition Rights No.38	July 28, 2010	482,700	From April 30, 2013 to April 29, 2018	1	0
Stock Acquisition Rights No.39	November 16, 2010	1,209,900	From November 16, 2012 to November 15, 2017	474	0
Stock Acquisition Rights No.40	June 7, 2011	500,800	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	862,800	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	1,164,400	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	1,234,400	From November 16, 2013 to November 15, 2018	299	0
Stock Acquisition Rights No.44	June 5, 2012	622,600	From April 20, 2013 to April 19, 2018	1	0
Stock Acquisition Rights No.45	June 5, 2012	1,091,200	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.46	June 5, 2012	1,284,300	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.47	June 5, 2012	1,013,000	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.48	June 5, 2012	4,627,700	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	193,600	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	1,645,000	From October 20, 2016 to April 19, 2022	1	0
Stock Acquisition Rights No.51	November 13, 2012	1,539,400	From November 13, 2014 to November 12, 2019	298	0
Stock Acquisition Rights No.52	June 5, 2013	767,800	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.53	June 5, 2013	967,700	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.54	June 5, 2013	1,446,100	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.55	November 19, 2013	2,681,200	From November 19, 2015 to November 18, 2020	824	0

March 31, 2017

Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.56	June 5, 2014	1,140,300	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.57	June 5, 2014	1,987,800	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.58	June 5, 2014	7,988,600	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.59	June 5, 2014	510,600	From March 31, 2015 to March 30, 2020	1	0
Stock Acquisition Rights No.60	June 5, 2014	1,008,800	From March 31, 2016 to March 30, 2021	1	0
Stock Acquisition Rights No.61	June 5, 2014	9,112,700	From March 31, 2017 to March 30, 2022	1	0
Stock Acquisition Rights No.62	November 18, 2014	2,675,700	From November 18, 2016 to November 17, 2021	741	0
Stock Acquisition Rights No.63	June 5, 2015	1,788,900	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.64	June 5, 2015	6,561,400	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.65	June 5, 2015	6,526,900	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.66	June 5, 2015	371,000	From November 8, 2015 to November 7, 2020	1	0
Stock Acquisition Rights No.68	November 18, 2015	2,571,000	From November 18, 2017 to November 17, 2022	805	0
Stock Acquisition Rights No.69	June 7, 2016	6,167,500	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.70	June 7, 2016	6,142,400	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.71	June 7, 2016	6,120,000	From April 20, 2019 to April 19, 2024	1	0
Stock Acquisition Rights No.72	June 7, 2016	827,200	From October 30, 2016 to October 29, 2021	1	0
Stock Acquisition Rights No.73	June 7, 2016	418,400	From April 30, 2017 to April 29, 2022	1	0
Stock Acquisition Rights No.74	November 11, 2016	2,559,400	From November 11, 2018 to November 10, 2023	593	0

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

SARs Held by Directors and Executive Officers of Nomura

The following table presents details of Stock Acquisition Rights held by Directors and Executive Officers as of March 31, 2017.

Series of SARs	March 31, 2017	
	Number of Shares under SARs	Numbers of Holders Directors and Executive Officers (excluding Outside Directors)
SARs No.42	4,100	1
SARs No.44	4,900	2
SARs No.45	4,900	2
SARs No.46	4,900	2
SARs No.47	19,200	5
SARs No.48	27,600	7
SARs No.52	26,100	4
SARs No.53	30,700	5
SARs No.54	57,100	6
SARs No.56	27,200	4
SARs No.57	77,400	5
SARs No.58	93,600	7
SARs No.59	20,600	3
SARs No.60	20,600	3
SARs No.61	73,300	5
SARs No.63	76,100	5
SARs No.64	89,200	7
SARs No.65	88,900	7
SARs No.69	126,900	7
SARs No.70	126,400	7
SARs No.71	126,300	7

Pension, Retirement or Similar Benefits

See Note 12 “*Employee benefit plans*” in our consolidated financial statements included in this annual report.

C. Board Practices.

Information Concerning Directors

The Companies Act states that a Company with Three Board Committees (as defined below) must establish three committees; a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company’s directors, and the majority of the members of each committee must be outside directors. At a Company with Three Board Committees, the board of directors is entitled to establish the basic management policy for the company, has decision-making authority over certain prescribed matters, and supervises the execution by the executive officers of their duties. Executive officers and representative executive officers appointed by a resolution adopted by the board of directors manage the business affairs of the company, based on a delegation of authority by the board of directors.

Since June 2003, the Company has adopted a corporate governance structure that separates management oversight functions from business execution functions (“Company with Three Board Committees”). Through this governance structure, the Company aims to strengthen management oversight, increase the transparency of the Company’s management and expedite the decision-making process within the Nomura Group. An outline of the Company’s Board of Directors, Nomination Committee, Audit Committee and Compensation Committee is provided below.

Board of Directors

The Company's Board of Directors consists of Directors who are elected at a general meeting of shareholders and the Company's Articles of Incorporation provide that the number of Directors shall not exceed twenty. The term of office of each Director expires upon the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within one year after their appointment. Directors may serve any number of consecutive terms. From among its members, the Company's Board of Directors elects the Chairman. The Company's Board of Directors met eleven times during the fiscal year ended March 31, 2017. As a group, the Directors attended 100% of the total number of meetings of the Board of Directors during the year. The Board of Directors has the authority to determine the Company's basic management policy and supervise the execution by the Executive Officers of their duties. Although the Board of Directors also has the authority to make decisions with regard to the Company's business, most of this authority has been delegated to the Executive Officers by a resolution adopted by the Board of Directors. There are no Directors' service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Nomination Committee

The Nomination Committee, in accordance with the Company's Regulations of the Nomination Committee, determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders by the Board of Directors. The Nomination Committee met five times during the fiscal year ended March 31, 2017. As a group, the member Directors attended all of the meetings of the Nomination Committee during the year. As of June 23, 2017, the members of the Nomination Committee are Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Takao Kusakari and Hiroshi Kimura. Nobuyuki Koga is the Chairman of this Committee.

Audit Committee

The Audit Committee, in accordance with the Company's Regulations of the Audit Committee, (i) audits the execution by the Directors and the Executive Officers of their duties and the preparation of audit reports and (ii) determines the details of proposals concerning the election, dismissal or non-reappointment of the accounting auditor to be submitted to general meetings of shareholders by the Board of Directors. With respect to financial reporting, the Audit Committee has the statutory duty to examine financial statements and business reports to be prepared by Executive Officers designated by the Board of Directors and is authorized to report its opinion to the ordinary general meeting of shareholders.

The Audit Committee met sixteen times during the fiscal year ended March 31, 2017. As a group, the member Directors attended all of the meetings of the Audit Committee during the year. As of June 23, 2017, the members of the Audit Committee are Hisato Miyashita (a full-time member of the Audit Committee) and Outside Directors, Noriaki Shimazaki, Toshinori Kanemoto and Mari Sono. Noriaki Shimazaki is the Chairman of this Committee.

Compensation Committee

The Compensation Committee, in accordance with the Company's Regulations of the Compensation Committee, determines the Company's policy with respect to the determination of the details of each Director and Executive Officer's compensation. The Compensation Committee also determines the details of each Director and Executive Officer's actual compensation. The Compensation Committee met three times during the fiscal year ended March 31, 2017. As a group, the member Directors attended all of the meetings of the Compensation Committee during the year. As of June 23, 2017, the members of the Compensation Committee are Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Takao Kusakari and Hiroshi Kimura. Nobuyuki Koga is the Chairman of this Committee.

Limitation of Director Liability

In accordance with Article 33, Paragraph 2 of the Company's Articles of Incorporation and Article 427, Paragraph 1 of the Companies Act, the Company may execute agreements with Directors (excluding a person who serves as an executive director, etc.) that limit their liability to the Company for damages suffered by the Company if they acted in good faith and without gross negligence. Accordingly, the Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages ("Limitation of Liability Agreements") with each of the following Directors: Hisato Miyashita, Takao Kusakari, Hiroshi Kimura, Noriaki Shimazaki, Toshinori Kanemoto, Mari Sono and Michael Lim Choo San. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

Information Concerning Executive Officers

Executive Officers of the Company are appointed by the Board of Directors, and the Company's Articles of Incorporation provide that the number of Executive Officers shall not exceed forty-five. The term of office of each Executive Officer expires upon the conclusion of the first meeting of the Board of Directors convened after the ordinary general meeting of shareholders for the last fiscal year ending within one year after each Executive Officer's assumption of office. Executive Officers may serve any number of consecutive terms. Executive Officers have the authority to determine matters delegated to them by resolutions adopted by the Board of Directors and to execute business activities.

D. Employees.

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

	March 31,		
	2015	2016	2017
Japan	15,973	16,083	16,227
Europe	3,485	3,424	3,026
Americas	2,449	2,503	2,314
Asia and Oceania	6,765	6,855	6,619
Total	<u>28,672</u>	<u>28,865</u>	<u>28,186</u>

As of March 31, 2017, we had 16,227 employees in Japan, including 9,507 in our Retail Division, 1,562 in our Wholesale Division and 859 in our Asset Management Division. In overseas, we had 11,959 employees, of which 3,026 were located in Europe, 2,314 in the Americas, and 6,619 in Asia and Oceania.

As of March 31, 2017, 8,121 of Nomura Securities' employees in Japan were members of the Nomura employees' union, with which we have a labor contract. The Company and labor union communicate frequently in order to resolve labor-related matters.

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

E. Share Ownership.

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2017. As of that date, none of them owned 1% or more of our issued and outstanding shares. None of the shares referred to below have different voting rights.

Directors

Name	Number of Shareholdings
Nobuyuki Koga	300,823
Koji Nagai	284,800
Tetsu Ozaki	153,899
Hisato Miyashita	52,000
Takao Kusakari	—
Hiroshi Kimura	—
Noriaki Shimazaki	2,838
Toshinori Kanemoto	—
Mari Sono	—
Michael Lim Choo San	—
Total	794,360

Executive Officers

Name	Number of Shareholdings
Koji Nagai	See above
Tetsu Ozaki	See above
Shoichi Nagamatsu	200,734
Toshio Morita	167,294
Kunio Watanabe	58,200
Takumi Kitamura	13,382
Yuji Nakata	64,290
Total	503,900

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders.

The Company is aware that Harris Associates L.P. filed reports of substantial shareholding with the Director General of the Kanto Finance Bureau on November 2, 2016. According to the reports, as of October 31, 2016, Harris Associates L.P. owned 139,670,200 shares, representing 3.65% of the issued shares of the Company’s common stock. However the Company has not confirmed the status of these shareholdings as of March 31, 2017.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2017, there

were 283 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 523,204,551 shares of the Company's common stock, representing 13.7% of Nomura's then outstanding common stock. As of March 31, 2017, there were 25,767,342 ADSs outstanding, representing 25,767,342 shares of the Company's common stock or 0.7% of Nomura's then outstanding common stock. Our major shareholders above do not have different voting rights.

B. Related Party Transactions.

Nomura Research Institute, Ltd.

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

We held 37.2% of NRI's outstanding share capital as of March 31, 2017.

For the year ended March 31, 2017, we purchased ¥23,285 million worth of software and computer equipment and paid ¥36,164 million for other services to NRI, while received ¥479 million from NRI.

See also Note 19 "*Affiliated companies and other equity-method investees*" in the consolidated financial statements included in this annual report.

Directors

There were no significant transactions.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Financial Statements

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

Legal Proceedings

For a discussion of our litigation and related matters, see Note 20 "*Commitments, contingencies and guarantees*" in the consolidated financial statements included in this annual report.

Dividend Policy

For our dividend policy, see Item 5.B "*Liquidity and Capital Resources—Capital Management—Dividends*" in this annual report.

B. Significant Changes.

Except as disclosed in this annual report, there have been no significant changes since March 31, 2017.

Item 9. The Offer and Listing

A. Offer and Listing Details.

Price History

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

Year ended March 31,	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
Annual highs and lows				
2013	¥608	¥241	\$6.30	\$3.05
2014	980	535	9.64	5.76
2015	757	576	7.38	5.24
2016	909	443	7.32	3.96
2017	784	339	6.80	3.33
Quarterly highs and lows				
2016				
First Quarter	¥858	¥696	\$6.88	\$5.85
Second Quarter	909	670	7.32	5.68
Third Quarter	809	664	6.63	5.50
Fourth Quarter	682	443	5.58	3.96
2017				
First Quarter	¥554	¥339	\$5.00	\$3.33
Second Quarter	505	348	4.83	3.38
Third Quarter	784	451	6.77	4.29
Fourth Quarter	774	669	6.80	5.85
Monthly highs and lows				
2017 (calendar year)				
January	¥735	¥669	\$6.45	\$5.85
February	774	698	6.80	6.34
March	768	692	6.71	6.26
April	699	633	6.52	5.85
May	713	654	6.28	5.88
June (through June 23)	701	652	6.34	6.00

B. Plan of Distribution.

Not applicable.

C. Markets.

The principal trading market for the Company's common stock is the Tokyo Stock Exchange. The Company's common stock has been listed on the Tokyo Stock Exchange and the Nagoya Stock Exchange since 1961.

Since December 2001, the Company's common stock has been listed on the New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of common stock. The Company's common stock has been listed on the Singapore Stock Exchange since 1994.

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information**A. Share Capital.**

Not applicable.

B. Memorandum and Articles of Association.**Objects and Purposes in the Company's Articles of Incorporation**

Article 2 of the Company's Articles of Incorporation, which is an exhibit to this annual report, states the Company's purpose. Nomura Holdings, Inc. is incorporated in Japan and is registered in the Commercial Register (*Shogyo Tokibo* in Japanese) maintained by the Tokyo Legal Affairs Bureau.

Provisions Regarding the Company's Directors

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

As a Company with Three Board Committees, the compensation of the Company's Directors and Executive Officers is determined by the Compensation Committee (see Item 6.C. "*Board Practices—Information Concerning Directors—Compensation Committee*" in this annual report). The Compensation Committee establishes the policy with respect to the determination of the individual compensation (including variable compensation) of each of the Company's Directors and Executive Officers and makes determinations in accordance with that compensation policy.

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

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

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

Pursuant to the Companies Act and the Company's Articles of Incorporation, the Company may, by a resolution adopted by the Company's Board of Directors, release the liabilities of any Directors or Executive Officers to the Company for damages suffered by the Company due to their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. In

addition, the Company may execute with Directors (excluding a person who serves as an executive director, etc.) agreements that limit their liabilities to the Company for damages suffered by the Company if they acted in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company's Articles of Incorporation. See Item 6.C. "*Board Practices—Limitation of Director Liability*" in this annual report.

Holding of the Company's Shares by Foreign Investors

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

Common Stock

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

General

Under the Company's Articles of Incorporation, the Company is authorized to issue 6,000,000,000 shares, of which 3,822,562,601 shares were issued as of March 31, 2017. All issued shares are fully-paid and non-assessable.

On January 5, 2009, a central clearing system for shares of Japanese listed companies was established pursuant to the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. (including regulations promulgated thereunder; the "Book-Entry Law"), and the shares of all Japanese companies listed on any Japanese stock exchange, including the Company's shares, became subject to this clearing system. On the same day, all existing share certificates for such shares became null and void. At present, Japan Securities Depository Center, Inc. ("JASDEC") is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Law. Under this clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an "account managing institution" unless such person has an account at JASDEC. "Account managing institutions" are financial instruments traders (i.e., securities companies), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Law, and only those financial institutions that meet further stringent requirements of the Book-Entry Law can open accounts directly at JASDEC. For purposes of the description under this "*Common Stock*" section, we assume that the relevant person has no account at JASDEC.

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

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

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

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

Dividends

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

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

Under the Company's Articles of Incorporation, the Company is not obliged to pay any dividends in cash that are left unclaimed for a period of three years after the date on which they first became payable.

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

For information as to Japanese taxes on dividends, see Item 10.E. "*Taxation-Japanese Taxation*" in this annual report.

Restriction on Distributions of Surplus

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

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

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

In the above formula:

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

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

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

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

If the Company has prepared non-consolidated interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a resolution adopted by the general meeting of shareholders, the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company’s treasury stock disposed of, during the period in respect of which such interim financial statements have been prepared.

The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by the Company must be approved by the Board of Directors and audited by the Company's Audit Committee and independent auditors, as required by ordinances of the Ministry of Justice.

Stock Splits

The Company may at any time split the issued shares into a greater number of shares by a resolution adopted by the Company's Board of Directors, and in accordance with the Companies Act, the Company's Board of Directors has adopted a resolution delegating powers to make such stock splits to the Executive Officers.

In accordance with the Companies Act, the Company's Board of Directors has adopted a resolution delegating to the Executive Officers powers to increase the number of authorized shares permitted to be issued up to the number reflecting the rate of stock splits and to amend the Company's Articles of Incorporation to this effect without approval by a resolution adopted by the general meeting of shareholders. For example, if each share became three shares by way of a stock split, the Executive Officers may increase the number of authorized shares from the current 6,000,000,000 shares to 18,000,000,000 shares.

Japanese Unit Share System

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

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

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

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

Voting Rights of a Holder of Shares Constituting Less Than One Unit. A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various

voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

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

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

- to receive dividends,
- to receive cash or other assets in case of consolidation or split of shares, exchange or transfer of shares, corporate split or merger,
- to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders, and
- to participate in any distribution of surplus assets upon liquidation.

Annual General Meeting of Shareholders

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

Voting Rights

A shareholder is generally entitled to one vote per one unit of shares as described in this paragraph and under the section entitled the "*Japanese Unit Share System*" above. In general, under the Companies Act, a resolution can be adopted at a general meeting of shareholders by the holders of a majority of the total number of voting rights represented at the meeting. However, if a corporate shareholder has one-quarter or more of its total voting rights held by the Company or its subsidiary, or if the Company otherwise has actual control over such corporate shareholder, such corporate shareholder is not entitled to exercise its voting rights. The Companies Act and the Company's Articles of Incorporation require a quorum for the election of Directors of not less than one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of Directors. Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights.

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

- reduction of stated capital,
- amendment to the Articles of Incorporation (except amendments which the Board of Directors (or for a Company with Three Board Committees, the Executive Officers) are authorized to make under the Companies Act),

- establishment of a 100% parent-subsidary relationship by way of share exchange or share transfer requiring shareholders' approval,
- dissolution, merger or consolidation requiring shareholders' approval,
- corporate split requiring shareholders' approval,
- transfer of the whole or an important part of a company's business,
- transfer of the whole or a part of a company's equity interests in any of the company's subsidiaries requiring shareholders' approval,
- the taking over of the whole of the business of any other corporation requiring shareholders' approval,
- any issuance of new shares or transfer of existing shares as treasury stock to persons other than the shareholders at a "specially favorable" price,
- any issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favorable" conditions,
- purchase of shares by a company from a specific shareholder other than the company's subsidiary,
- consolidation of shares, and
- partial release of a director, independent auditor or executive officers' liability to the company.

The voting rights of holders of ADRs are exercised by the depositary based on instructions from those holders.

Subscription Rights

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

Stock Acquisition Rights

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

Liquidation Rights

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

Liability to Further Calls or Assessments

All of the Company's currently outstanding shares, including shares represented by the ADSs, are fully paid and non-assessable.

Share Registrar

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

Record Date

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

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

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

Acquisition of Own Shares

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

The Company may hold its shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such shares by a determination by Executive Officers under authority delegated by a resolution adopted by the Board of Directors.

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

Preferred Stock

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

General

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

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

Preferred Dividends

Under the Company's Articles of Incorporation, preferred dividends may be paid to shareholders of preferred stock on record as of March 31 every year. In addition, interim preferred dividends may be paid to shareholders of the Company's preferred stock on record as of September 30 of any year. Dividends on preferred stock are to be paid always in priority to dividends on common stock. The detailed terms and conditions of each class of preferred stock, including the amount of preferred dividends or preferred interim dividends, are to be determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Company's Board of Directors prior to the time of issuance thereof, provided that the annual dividend rate applicable to Class 1 and Class 2 preferred stock may not exceed 15%, and the annual dividend rate applicable to Class 3 and Class 4 preferred stock may not exceed 10%.

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

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

Shareholders of the Company's preferred stock will not be entitled to any further dividends or other participation in or distribution of Surplus.

Voting Rights

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

- If no resolution to pay a preferred dividend has been adopted by the Board of Directors prior to the dispatch of the convocation notice for the annual general meeting of shareholders in respect of any fiscal

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

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

Liquidation Rights

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

Except as described above, shareholders of the Company's preferred stock would not be entitled to receive a distribution of residual assets upon liquidation of the Company.

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

Class 3 preferred stock and Class 4 preferred stock are attached with the right to demand that the Company acquire such shares of preferred stock during a certain period. In the event of the exercise of such right, the Company shall be required to deliver to the relevant shareholder a certain number of shares of the Company's common stock in exchange for the shares of the preferred stock acquired by the Company from such shareholder. Specific terms of such right, including the period during which the preferred stock would be acquired (a "conversion period") and the initial acquisition price (a "conversion price"), would be determined by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors.

The Company's Right and Obligation to Acquire Preferred Stock

With respect to Class 1 preferred stock, Class 2 preferred stock, or Class 4 preferred stock, if any event specified in a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors prior to the issuance of each class of preferred stock occurs and the day separately specified in a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors arrives, the Company shall have the right to acquire all or any part of the relevant shares of preferred stock. In the event the Company exercises such right, the Company would deliver to the relevant shareholder a certain amount of cash in exchange for the shares of the preferred stock acquired by the Company from such shareholder. The initial acquisition price at which the relevant preferred stock would be acquired by the Company would be determined prior to the time of issuance thereof by a resolution adopted by the Company's Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors taking into consideration the amount of subscription moneys paid for the relevant preferred stock.

With respect to Class 3 preferred stock and Class 4 preferred stock, the Company has the obligation to acquire all shares of such preferred stock outstanding on the day immediately following the last day of the relevant conversion period. In such an event, the Company would deliver to the relevant shareholders a certain number of shares of the Company's common stock in exchange for the shares of the preferred stock acquired by the Company from them. The number of shares of the Company's common stock to be delivered to a shareholder of the relevant preferred stock would be calculated by multiplying the number of shares of the preferred stock

held by such shareholder by the amount of the subscription money per share paid for such preferred stock and dividing the resulting amount by the market price of a share of the Company's common stock at the time.

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

Order of Priority

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

Report of Substantial Shareholdings

The FIEA requires any person (other than the Company) who has become, beneficially and solely or jointly, a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange to file with the relevant Local Finance Bureau, within five business days, a report concerning those shareholdings. With certain exceptions, a similar report must also be filed to reflect any change of 1% or more in the above shareholding or any change in material matters set out in any previously filed reports. For this purpose, shares issuable to a person upon exercise of stock acquisition rights are taken into account in determining both the number of shares held by that holder and the Company's total issued share capital.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

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

The following table shows the daily price limit for a stock on the Tokyo Stock Exchange. Other daily price limits would apply if the per share price of shares of the Company moved to other ranges.

Selected Daily Price Limits

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

For a history of the trading price of shares of the Company on the Tokyo Stock Exchange, see Item 9.A “*The Offer and Listing*” of this annual report.

Rights of ADR Holders

The rights of ADR holders, including their rights to corporate governance practices, are governed by the Deposit Agreement which is an exhibit to this annual report. For a description of the rights of holders of ADSs, see “*Rights of Holders of ADSs*” under Item 10.B “*Memorandum and Articles of Association*” of our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. The information contained in that part of the Registration Statement is incorporated in Item 10.B “*Memorandum and Articles of Association*” of this annual report by reference. For fees and charges that a holder of ADSs may have to pay, see Item 12.D. “*American Depositary Shares—Fees payable by ADR Holders*” in this annual report.

C. Material Contracts.

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

D. Exchange Controls.

Acquisition of Shares

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

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

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

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

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

Dividends and Proceeds of Sale

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

E. Taxation.

U.S. Federal Income Taxation

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

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a tax-exempt organization,
- a life insurance company,
- a person liable for alternative minimum tax,
- a person that actually or constructively owns 10% or more of our voting stock,
- a person that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction,
- a person that purchases or sells shares or ADSs as part of a wash sale for tax purposes, or
- a person whose functional currency is not the U.S. dollar.

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

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

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

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

- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

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

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

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

Taxation of Dividends

Under the U.S. federal income tax laws, and subject to the passive foreign investment company ("PFIC") rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) is subject to U.S. federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income.

You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

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

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

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

Taxation of Capital Gains

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

PFIC Rules

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

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

- at least 75% of our gross income for the taxable year is passive income, or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

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

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

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

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,
- the amount allocated to the taxable year in which you realized the gain or excess distribution, or to prior years before the first year in which we were a PFIC with respect to you, will be taxed as ordinary income,
- the amount allocated to each other previous year will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

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

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

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

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

Japanese Taxation

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

- the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,
- the laws of the jurisdiction of which they are resident, and
- any tax treaty between Japan and their country of residence.

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

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax applies, the rate of Japanese withholding tax applicable to dividends on listed shares such as those paid by the Company to non-resident shareholders is currently 15%, except for dividends paid to any individual shareholder who holds 3% or more of the issued shares for which the applicable rate is 20% (please refer to Article 170 and Article 213(1)(i) of the Japanese Income Tax Law and Article 9-3(1)(i) of the Japanese Special Tax Measures Law).

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

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

Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by the Company are required to submit the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends” or the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends with respect to Foreign Depository Receipt”, as the case may be, in advance through the Company, which is the case for ADS holders, or (in cases where the relevant withholding taxpayer for the dividend payment is not the Company but a financial institution in Japan) through the financial institution, to the relevant tax authority before payment of dividends. Non-resident shareholders who receive dividends through a financial institution may select a simplified procedure with respect to dividends payable on or after January 1, 2014. Under such procedure, non-resident shareholders who submit the “Special Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends of Listed Stocks” to the relevant tax authority through a financial institution are deemed to have submitted the “Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Dividends” mentioned above with respect to any dividend which will be paid by the Company to non-resident shareholders through the financial institution thereafter, provided that such non-resident shareholders shall notify the financial institution of certain information regarding the dividends before the payment of such dividends. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called “preservation doctrine” under Article 3-2 of the Special Measures Law for the Income Tax Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under the domestic

tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. Consequently, if the domestic tax rate still applies, no treaty application is required to be filed.

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

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

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

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

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

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Risk Management

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

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

Risk Appetite

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

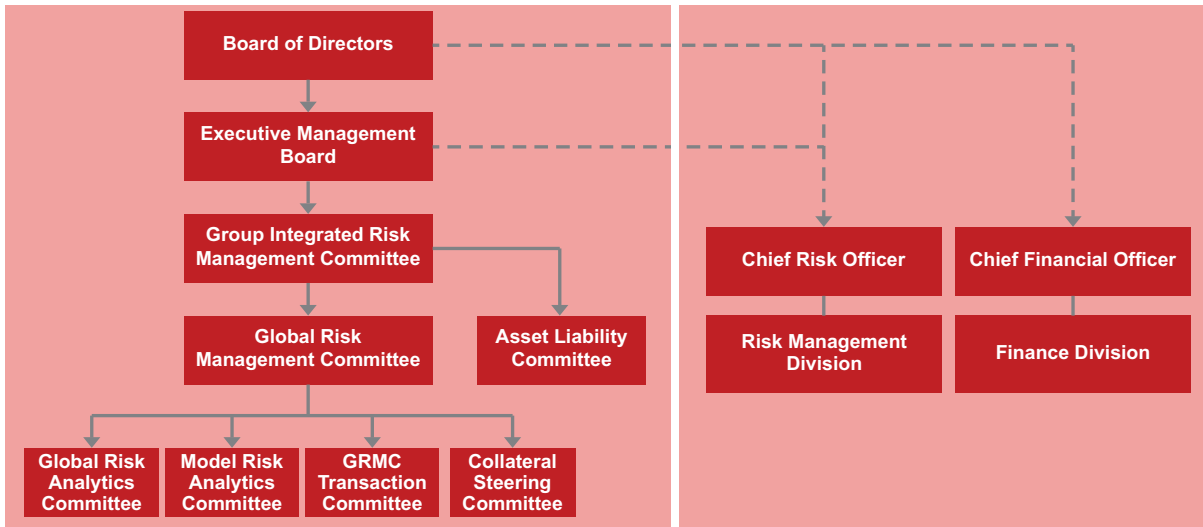
The Risk Appetite Statement provides an aggregated view of risk and includes capital adequacy and balance sheet measures, liquidity risk, market and credit risk, operational risk, compliance risk and model risk, and consists of quantitative metrics and qualitative statements. It is subject to regular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

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

Risk Management Governance and Oversight

Committee Governance

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



→ means “delegation for certain decision making”
 - - → means “appointment”

Board of Directors (“BoD”)

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

Executive Management Board (“EMB”)

The EMB deliberates on and determines management strategy, the allocation of management resources and important management matters of Nomura, and seeks to increase shareholder value by promoting effective use of

management resources and unified decision-making with regard to the execution of business. The EMB delegates responsibility for deliberation of matters concerning risk management to the Group Integrated Risk Management Committee (“GIRMC”). Key responsibilities of the EMB include the following:

- Resource Allocation—At the beginning of each financial year, the EMB determines the allocation of management resources and financial resources such as economic capital and unsecured funding to business units and establishes usage limits for these resources;
- Business Plan—At the beginning of each financial year, the EMB approves the business plan and budget of Nomura. Introduction of significant new businesses, changes to business plans, the budget and the allocation of management resources during the year are also approved by the EMB; and
- Reporting—The EMB reports the status of its deliberations to the BoD.

Group Integrated Risk Management Committee (“GIRMC”)

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

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

Global Risk Management Committee (“GRMC”)

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

Asset Liability Committee (“ALCO”)

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

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

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

GRMC Transaction Committee

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

Collateral Steering Committee (“CSC”)

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

Chief Risk Officer (“CRO”)

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

Chief Financial Officer (“CFO”)

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

Risk Management Division

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

Risk Policy Framework

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

Monitoring, Reporting and Data Integrity

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

Management of Financial Resources

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

Risk-weighted assets

A key component used in the calculation of our consolidated capital adequacy ratios is risk-weighted assets. The EMB determines the risk appetite for our consolidated Tier 1 capital ratio on an annual basis and sets the limits for the usage of risk-weighted assets by each division and by additional lower levels of the division consistent with the risk appetite. In addition the EMB determines the risk appetite for the level of exposures under the leverage ratio framework which is a non-risk based measure to supplement risk-weighted assets. See Item 4.B. “*Business Overview—Regulatory Capital Rules*”, Item 5.B. “*Consolidated Regulatory Capital Requirements*” and “*Consolidated Leverage Ratio Requirements*” in this annual report for further information on our consolidated capital adequacy ratios and risk-weighted assets.

Economic Capital

Nomura’s internal measure of the capital required to support its business is the Nomura Capital Allocation Target (“NCAT”). NCAT is measured as the amount of capital required to absorb maximum potential losses over a one-year time horizon, computed by the risk model at the 99.95th percentile, or the equivalent Expected Shortfall. NCAT consists of Portfolio NCAT and Non-Portfolio NCAT. Portfolio NCAT consists of market risk, credit risk, event risk, principal finance risk, private equity risk and investment securities risk. Non-Portfolio NCAT consists of business risk and operational risk. NCAT is aggregated by taking into account the correlation among its various components. Nomura’s NCAT limit is initially set by the EMB, and the EMB subsequently allocates it to each business division and additional lower levels of the organization.

Available Funds

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

Classification and Definition of Risk

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

<u>Risk Category</u>	<u>Definition</u>
Market risk	Risk of loss arising from fluctuations in values of financial assets and liabilities (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit risk	Risk of loss arising from an obligor’s default, insolvency or administrative proceeding which results in the obligor’s failure to meet its contractual obligations in accordance with agreed terms. This includes both on and off-balance sheet exposures. It is also the risk of loss arising through a credit valuation adjustment (“CVA”) associated with deterioration in the creditworthiness of a counterparty.
Operational risk	Risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It excludes strategic risk (the risk of loss as a result of poor strategic business decisions), but includes the risk of breach of legal and regulatory requirements, and the risk of damage to Nomura’s reputation if caused by an operational risk.

<u>Risk Category</u>	<u>Definition</u>
Model risk	Risk of loss arising from model errors or incorrect or inappropriate model application with regard to valuation models and risk models.
Funding and Liquidity risk	Risk of loss arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of Nomura's creditworthiness or deterioration in market conditions.
Business risk	Risk of failure of revenues to cover costs due to deterioration of the earnings environment or deterioration of the efficiency or effectiveness of business operations. Business risk is managed by the senior management at Nomura.

Market Risk Management

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

Market Risk Management Process

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

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

Value at Risk

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

VaR Methodology Assumptions

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

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

VaR Backtesting

The performance of Nomura's VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare actual 1-day trading losses with the corresponding VaR estimate. Nomura's VaR model is backtested at different hierarchy levels. Backtesting results are reviewed on a monthly basis by Nomura's Risk Management Division. One-day trading losses did not exceed the 99% VaR estimate at the Nomura Group level for the twelve months ended March 31, 2017.

Limitations and Advantages of VaR

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

VaR metrics

The following graph shows the daily VaR over the last six quarters for substantially all of Nomura's trading positions:



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

	Billions of yen		
	As of		
	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017
Equity	¥ 1.01	¥ 0.89	¥ 0.67
Interest rate	4.17	3.80	2.66
Foreign exchange	1.06	0.80	1.67
Subtotal	6.23	5.49	4.99
Less: Diversification Benefit	(1.62)	(1.96)	(1.66)
VaR	¥ 4.62	¥ 3.53	¥ 3.34

	Billions of yen		
	For the twelve months ended		
	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017
Maximum daily VaR ⁽¹⁾	¥ 9.84	¥ 9.13	¥ 6.71
Average daily VaR ⁽¹⁾	6.44	5.31	4.32
Minimum daily VaR ⁽¹⁾	3.11	3.53	2.75

(1) Represents the maximum, average and minimum VaR based on all daily calculations for the twelve months ended March 31, 2015, March 31, 2016, and March 31, 2017.

Total VaR decreased to ¥3.34 billion as of March 31, 2017 from ¥3.53 billion as of March 31, 2016. VaR relating to foreign exchange risk increased to ¥1.67 billion as of March 31, 2017, compared to ¥0.80 billion as of March 31, 2016. VaR relating to equity risk decreased to ¥0.67 billion as of March 31, 2017, compared to ¥0.89 billion as of March 31, 2016. VaR relating to interest rate risk decreased to ¥2.66 billion as of March 31, 2017, compared to ¥3.80 billion as of March 31, 2016.

Total VaR decreased to ¥3.53 billion as of March 31, 2016 from ¥4.62 billion as of March 31, 2015. VaR relating to foreign exchange risk decreased to ¥0.80 billion as of March 31, 2016, compared to ¥1.06 billion as of March 31, 2015. VaR relating to equity risk decreased to ¥0.89 billion as of March 31, 2016, compared to ¥1.01 billion as of March 31, 2015. VaR relating to interest rate risk decreased to ¥3.80 billion as of March 31, 2016, compared to ¥4.17 billion as of March 31, 2015.

Stress Testing

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

Non-Trading Risk

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

Nomura uses regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the fair value of Nomura's equity investments held for operating purposes, which allows to determine a correlation factor. Based on this analysis for each 10% change in the TOPIX, the fair value of Nomura's operating equity investments held for operating purposes can be expected to change by ¥18,527 million at the end of March 2016 and ¥16,275 million at the end of March 2017. The TOPIX closed at 1,347.20 points at the end of March 2016 and at 1,512.60 points at the end of March 2017. This simulation analyzes data for the entire portfolio of equity investments held for operating purposes at Nomura and therefore actual results may differ from Nomura's expectations because of price fluctuations of individual equities.

Credit Risk Management

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

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

Credit Risk Management Framework

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

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

Credit Risk Management Process

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

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

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

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

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

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

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

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

Credit Limits and Risk Measures

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

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

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

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

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

Wrong Way Risk

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

Stress Testing

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

Risk Mitigation

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

Credit Risk to Counterparties in Derivatives Transaction

The credit exposures arising from Nomura’s trading-related derivatives as of March 31, 2017 are summarized in the table below, showing the positive fair value of derivative assets by counterparty credit rating and by remaining contractual maturity. The credit ratings are internally determined by Nomura’s CRM.

Credit Rating	Billions of yen								
	Years to Maturity					Cross-Maturity Netting ⁽¹⁾	Total Fair Value	Collateral obtained	Replacement cost ⁽³⁾
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years				
							(a)	(b)	(a)-(b)
AAA	¥ 77	¥ 14	¥ 3	¥ 11	¥ 58	¥ (146)	¥ 17	¥ 1	¥ 16
AA	574	552	486	343	2,145	(3,771)	329	85	244
A	1,041	806	441	300	947	(3,279)	256	78	178
BBB	262	198	206	116	547	(972)	357	89	268
BB and lower	59	52	38	31	111	(204)	87	203	0
Other ⁽²⁾	81	74	185	253	1,291	(1,956)	(72)	115	0
Sub-total	2,094	1,696	1,359	1,054	5,099	(10,328)	974	571	706
Listed	99	50	9	0	—	(95)	63	88	0
Total	¥2,193	¥1,746	¥1,368	¥1,054	¥5,099	¥(10,423)	¥1,037	¥659	¥706

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

- (2) “Other” comprises unrated counterparties and certain portfolio level valuation adjustments not allocated to specific counterparties.
- (3) Zero balances represent instances where total collateral received is in excess of the total fair value; therefore, Nomura’s credit exposure is zero.

Country Risk

At Nomura, country risk is defined as the risk of loss arising from country-specific events (such as political, economic, legal and other events) that affect counterparties and/or issuers within that country, causing those counterparties and/or issuers to be unable to meet financial obligations. Nomura’s country risk framework acts as a complement to other risk management areas and encompasses a number of tools including, but no limited to, country limits, which restrict credit exposure concentration to any given country. Other tools to manage country risk include country ratings as well as country risk policies and procedures that describe responsibilities and delegation for decision-making.

Nomura’s credit portfolio remains well-diversified by country and concentrated towards highly-rated countries. Over 95% of the exposure was from investment-grade rated countries. The breakdown of top 10 country exposures is as follows:

<u>Top 10 Country Exposures⁽¹⁾</u>	<u>Billions of Yen</u> <u>(As of Mar. 31, 2017)</u>
United States	1,352
Japan	1,329
United Kingdom	906
France	242
Netherlands	153
Singapore	149
Germany	116
Italy	111
India	95
Luxembourg	63

- (1) The table represents the Top 10 country exposures as of 31st March, 2017 based on country of origin, combining counterparty and inventory exposures, offset by Credit Valuations Adjustment (“CVA”) hedges:
 - Counterparty exposures include cash and cash equivalents held at banks, margin balances placed at central clearing counterparties, the positive fair value, after collateral received, of derivative transactions and securities financing transactions, the fair value of funded loans and the notional amount of unfunded loans.
 - Inventory exposures include the positive fair value of debt and equity securities, equity and credit derivatives, using the net of long versus short positions.

Operational Risk Management

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

The Three Lines of Defence

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

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

- 2) 2nd Line of Defence: The Operational Risk Management (“ORM”) function, which defines and co-ordinates Nomura’s operational risk strategy and framework and provides challenge to the 1st Line of Defence
- 3) 3rd Line of Defence: Internal Audit, who provide independent assurance

Operational Risk Management Framework

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

This framework is set out below:

Infrastructure of the framework

- Policy framework: Sets standards for managing operational risk and details how to monitor adherence to these standards.
- Training and awareness: Action taken by ORM to improve business understanding of operational risk.

Products and Services

- Risk and Control Self-Assessment (“RCSA”): The process used by business units to identify and assess the operational risks to which they are exposed, the controls in place to mitigate risks, and action plans to further reduce risk.
- Scenario Analysis: Process to identify and assess high impact, low probability ‘tail events’.
- Event Reporting: Process to obtain information on and learn from actual events impacting Nomura and relevant external events. A key step is to identify appropriate action plans to prevent or mitigate future occurrence of events.
- Key Risk Indicators (“KRI”): Metrics which allow monitoring of certain key operational risks and trigger appropriate responses as thresholds are breached.

Outputs

- Analysis and reporting: A key aspect of ORM’s role is to analyze, report, and challenge operational risk information provided by business units, and work with business units to develop action plans to mitigate risks.
- Operational risk capital calculation: Calculate operational risk capital as required under applicable Basel standards and local regulatory requirements.

Regulatory Capital Calculation for Operational Risk

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

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

Business Line	Description	Beta Factor
Retail Banking	Retail deposit and loan-related services	12%
Commercial Banking	Deposit and loan-related services except for Retail Banking business	15%
Payment and Settlement	Payment and settlement services for clients' transactions	18%
Retail Brokerage	Securities-related services mainly for individuals	12%
Trading and Sales	Market-related business	18%
Corporate Finance	M&A, underwriting, secondary and private offerings, and other funding services for clients	18%
Agency Services	Agency services for clients such as custody	15%
Asset Management	Fund management services for clients	12%

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

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

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

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

Model Risk Management

Model Risk is the risk of loss arising from Model errors or incorrect or inappropriate Model application with regard to Valuation Models and Risk Models.

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

To address these risks, Nomura has established its model risk appetite, which includes a qualitative statement and a quantitative measure. The qualitative statement for model risk specifies that it is expected that models are used correctly and appropriately. The quantitative risk appetite measure is based on Nomura's assessment of the potential loss arising from model risk.

Model Management Framework

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

- valuation models, used for calculating prices and risk sensitivities of Nomura's positions; or,
- risk models, used for quantifying the risk of a portfolio by calculating the potential losses incurred from a specific type of risk, and used for regulatory or economic capital calculations, margin requirements for non-centrally cleared derivatives, limit monitoring, or management reporting.

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

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

Changes to Valuation and Risk Models

Nomura has documented policies and procedures in place, approved by the GIRMC and/or GRSC, which define the process and validation requirements for implementing changes to valuation and risk models. In addition, a Model Performance Monitoring process has been established to identify and assess specific events, that can indicate that a model is not performing as it should or is potentially unsuitable and to determine what actions (for example, additional validation work) might be necessary. For changes with an impact above certain materiality thresholds, model approval is required. MVG defines these materiality thresholds in a formal procedure and operates a control process to identify where the procedure is not followed. For certain material changes to risk models, backtesting of the new model, parallel running of both models and stress-testing of the new model are required prior to the model being approved.

Funding and Liquidity Risk Management

For further information on funding and liquidity risk management, see Item 5.B. "*Liquidity and Capital Resources—Funding and Liquidity Management*" in this annual report.

Risk Measures and Controls

Limit Frameworks

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

New Business Risk Management

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

- 1) Transaction committees are in place to provide formal governance over the review and decision-making process for individual transactions.
- 2) The new product approval process allows business unit sponsors to submit applications for new products and obtain approval from relevant departments prior to execution of the new products. The process is designed to capture and assess risks across all risk classes as a result of the new product or business.

Stress Testing

Stress testing performed at the Nomura Group provides comprehensive coverage of risks across different hierarchical levels, and covers different time horizons, severities, plausibilities and stress testing methodologies. The results of stress tests are used in capital planning processes, capital adequacy assessments, liquidity adequacy assessments, recovery and resolution planning, assessments of whether risk appetite is appropriate, and in routine risk management.

Stress tests are run on a regular basis or on an ad hoc basis as needed, for example, in response to material changes in the external environment and/or in the Nomura Group risk profile. The results of stress tests with supporting detailed analysis are reported to senior management and other stakeholders as appropriate for the stress test being performed.

Stress testing is categorised either as sensitivity analysis or scenario analysis and may be performed on a Nomura Group-wide basis or at more granular levels.

- Sensitivity analysis is used to quantify the impact of a market move in one or two associated risk factors (for example, equity prices, equity volatilities) in order primarily to capture those risks which may not be readily identified by other risk models;
- Scenario analysis is used to quantify the impact of a specified event across multiple asset classes and risk classes. This is a primary approach used in performing stress testing at the different hierarchical levels of the Nomura Group, and in reverse stress testing;
- Group-wide stress to assess the capital adequacy of the Nomura Group under severe but plausible market scenarios is conducted on a quarterly basis at a minimum to calculate the Stressed Tier 1 Ratio; and
- Reverse stress testing, a process of considering the vulnerabilities of the firm and hence how it may react to situations where it becomes difficult to continue its business and reviewing the results of that analysis, is conducted on an annual basis at a minimum.

Stress testing is an integral part of the Nomura Group's overall governance and is used as a tool for forward-looking risk management, decision-making and enhancing communication amongst the Risk Management Division, Front Office, and senior management.

Item 12. Description of Securities Other Than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees payable by ADR Holders

The following table shows the fees and charges that a holder of the Company's ADR may have to pay, either directly or indirectly:

<u>Type of Services:</u>	<u>Amount of Fee (U.S. Dollars)</u>
Taxes and other governmental charges	As applicable. The depositary may offset any taxes or governmental charges it is obligated to withhold, if applicable, against the proceeds from sale of the property received.
Transfers of the Company's shares to or from the name of the depositary (or its nominee) or the Custodian (or its nominee) in connection with deposits or withdrawals	Such registration fees as may be in effect for the registration of transfers of the Company's shares on the Company's share register (or any entity that presently carries out the duties of registrar).
Cable, telex and facsimile transmission expenses	As applicable.
Expenses incurred by the depositary in the conversion of foreign currency	As applicable.
Execution and delivery of Receipts in connection with deposits, stock splits or exercise of subscription rights	\$5.00 or less per 100 ADSs (or portion thereof).
Surrender of Receipts in connection with a withdrawal or termination of the Deposit Agreement	\$5.00 or less per 100 ADSs (or portion thereof).
Any cash distribution pursuant to the Deposit Agreement, including, but not limited to, cash distribution(s) made in connection with cash dividends; distributions in securities, property or subscription rights; and stock splits.	\$.02 or less per ADS (or portion thereof). Only the cash amounts net of this fee, if applicable, are distributed.
Distribution by the depositary of securities (other than common shares of the Company) that accrued on the underlying shares to owners of the Receipts	Treating for the purpose of this fee all such securities as if they were common shares of the Company, \$5.00 or less per 100 ADSs (or portion thereof).
General depositary services	\$.02 or less per ADS (or portion thereof), accruing on the last day of each calendar year, except where the fee for cash distribution described above was assessed during that calendar year.
Any other charge payable by the depositary, any of the depositary's agents, including the Custodian, or the agents of the depositary's agents in connection with the servicing of the Company's shares or other deposited securities	As applicable.

Fees paid to Nomura by the depositary

The Bank of New York Mellon, as depositary, has agreed to pay all its standard out-of-pocket administration and maintenance expenses for providing services to the registered shareholders and up to 100,000 non-registered shareholders of ADRs. From April 1, 2016 to March 31, 2017, the Bank of New York Mellon has waived a total of \$154,255.45 in fees (including \$23,884.49 in connection with the expenses related to the Annual General Meeting of Shareholders) associated with the administration of the ADR program and administrative fees for routine corporate actions and for providing investor relations information services.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures.

Our Disclosure Committee is responsible for the establishment and maintenance of our disclosure controls and procedures. As of March 31, 2017, an evaluation was carried out under the supervision and with the participation of our management, including our Group Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, our Group Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2017, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934). Our management, with the participation of our Group Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2017. Our independent registered public accounting firm, Ernst & Young ShinNihon LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page F-3 of this annual report.

Changes in Internal Control Over Financial Reporting.

Our management also carried out an evaluation, with the participation of our Group Chief Executive Officer and Chief Financial Officer, of changes in our internal control over financial reporting during the year ended March 31, 2017. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2017 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The Company's Board of Directors has determined that each of Noriaki Shimazaki and Mari Sono, a member of the Audit Committee, qualifies as an "audit committee financial expert" as such term is defined by the General Instructions for Item 16A of Form 20-F. Additionally, Mr. Shimazaki and Ms. Sono meet the independence requirements applicable to them under Section 303A.06 of the NYSE Listed Company Manual. For a description of their business experience, see Item 6.A "*Directors and Senior Management—Directors*" in this annual report.

Item 16B. Code of Ethics

On March 5, 2004, the Company adopted the "Code of Ethics of Nomura Group" which includes the "Code of Ethics for Financial Professionals" applicable to our financial professionals including the Company's principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions.

Item 16C. Principal Accountant Fees and Services

Ernst & Young ShinNihon LLC has been our principal accountant for the last fifteen fiscal years. The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountant in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit or review of our financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services provided for tax compliance, tax advice and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit-Related Fees and Tax Fees, such as advisory services concerning risk management and regulatory matters.

	Millions of yen	
	Year ended March 31	
	2016	2017
Audit Fees	¥3,198	¥3,052
Audit-Related Fees	155	220
Tax Fees	148	151
All Other Fees	343	144
Total	<u>¥3,844</u>	<u>¥3,567</u>

Audit-Related Fees included fees for consultations on accounting issues relating to our business. Tax Fees included fees for services relating to tax planning and compliance. All Other Fees included fees for services relating to advice with respect to regulations and disclosures under the Financial Instruments and Exchange Act in connection with our underwriting business.

In accordance with the regulations of the Securities and Exchange Commission issued pursuant to Sections 202 and 208 of the Sarbanes-Oxley Act of 2002, our Audit Committee has adopted a pre-approval policy regarding the engagements of our principal accountant. Under the pre-approval policy, there are two types of pre-approval procedures, “General Pre-Approval” and “Specific Pre-Approval.”

Under “General Pre-Approval,” our CFO in conjunction with our principal accountant must make a proposal to our Audit Committee for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such a proposal must be made at least annually. The Audit Committee will discuss the proposal and if necessary, consult with outside professionals as to whether the proposed services would impair the independence of our principal accountant. If such proposal is accepted, the Audit Committee will inform our CFO and principal accountant of the services that have been pre-approved and are included in a “General Pre-Approved List.” Our Audit Committee is informed of each such service that is provided.

Under “Specific Pre-Approval,” if any proposed services are not on the General Pre-Approved List, our CFO is required to submit an application to the Audit Committee for such services. After reviewing the details and estimated fee levels for each engagement and if necessary, consulting with outside professionals as to whether the proposed services would impair the independence of the principal accountant, the Audit Committee may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, our CFO is required to submit an application to the Audit Committee for new fee levels for such services. The Audit Committee may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

None of the services described in the first paragraph under this Item 16C were waived from the pre-approval requirement pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During the year ended March 31, 2017, we acquired 23,324 shares of the Company's common stock by means of repurchase of shares constituting less than one unit upon the request of the holders of those shares and 120,987,200 shares under a share buyback program in accordance with Article 459-1 of the Companies Act. For an explanation of the right of our shareholders to demand such repurchases by us, see "Common Stock" under Item 10.B of this annual report. As of March 31, 2017, we had 3,528,429,451 outstanding shares of our common stock excluding 294,133,150 shares held as treasury stock.

The following table sets forth certain information with respect to our purchases of shares of our common stock during the year ended March 31, 2017.

Month	Total Number of Shares Purchased	Average Price Paid per Share (in yen)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2016	1,100	¥478	—	—
May 1 to 31, 2016	25,238,725	470	25,237,900 ⁽¹⁾	9,762,100
June 1 to 30, 2016	9,764,101	457	9,762,100 ⁽¹⁾	—
July 1 to 31, 2016	1,466	400	—	—
August 1 to 31, 2016	22,709,722	459	22,707,600 ⁽²⁾	77,292,400
September 1 to 30, 2016	15,775,260	477	15,773,500 ⁽²⁾	61,518,900
October 1 to 31, 2016	23,635,316	475	23,633,700 ⁽²⁾	37,885,200
November 1 to 30, 2016	9,421,759	727	9,420,400 ⁽²⁾	28,464,800
December 1 to 31, 2016	14,456,645	621	14,452,000 ⁽²⁾	—
January 1 to 31, 2017	1,671	696	—	—
February 1 to 28, 2017	2,478	740	—	—
March 1 to 31, 2017	2,281	740	—	—
Total	121,010,524	¥507	120,987,200	—

(1) On April 27, 2016, a resolution of the Board of Directors authorized the Company to purchase up to 35,000,000 shares of our common stock or to a maximum of ¥20 billion during the period from May 18, 2016 through July 22, 2016.

(2) On July 28, 2016, a resolution of the Board of Directors authorized the Company to purchase up to 100,000,000 shares of our common stock or to a maximum of ¥45 billion during the period from August 15, 2016 through January 27, 2017.

Nomura recognizes the need to set out flexible financial strategies that allow the Board of Directors to respond quickly to any changes in the business environment and is looking into implementing further share buybacks. Details will be announced when finalized.

On April 27, 2017, we announced a resolution of the Board of Directors to establish a share buyback program in accordance with Article 459-1 of the Companies Act. The period of repurchase under the program is from May 17, 2017 to March 30, 2018, and we are authorized to purchase up to 100,000,000 shares of our common stock or to a maximum of ¥80 billion.

As of May 31, 2017, 3,544,369,167 shares of common stock were outstanding, excluding 278,193,434 shares held as treasury stock.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as the Company, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by the Company. The information set forth below is current as of the date of this annual report.

<u>Corporate Governance Practices Followed by NYSE-listed U.S. Companies</u>	<u>Corporate Governance Practices Followed by the Company</u>
A NYSE-listed U.S. company must have a majority of Directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.	Under the Companies Act, a company which adopts the Company with Three Board Committees structure is not required to have a majority of outside directors, but is required to have a majority of outside directors on each of the audit, nomination and compensation committees. The Company currently has six outside directors among its ten Directors.
A NYSE-listed U.S. company must have an audit committee that satisfies the requirements under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.	The Company has an Audit Committee consisting of four Directors, three of whom are outside directors in compliance with the requirements under the Companies Act. All four Audit Committee members are independent directors under Rule 10A-3 under the U.S. Securities Exchange Act of 1934 with one member qualified as audit committee financial expert.
A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.	The Company has a Nomination Committee consisting of three Directors, two of whom are outside directors in compliance with the requirements under the Companies Act.
A NYSE-listed U.S. company must have a compensation committee composed entirely of independent directors. Compensation committee members must satisfy the additional independence requirements under Section 303A.02(a)(ii) of the NYSE Listed Company Manual. A compensation committee must also have authority to retain or obtain the advice of compensation and other advisers, subject to prescribed independence criteria that the committee must consider prior to engaging any such adviser.	The Company has a Compensation Committee consisting of three Directors, two of whom are outside directors in compliance with the requirements under the Companies Act.

**Corporate Governance Practices Followed
by NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

A NYSE-listed U.S. company must adopt and disclose corporate governance guidelines.

The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.

A NYSE-listed U.S. company must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

Corporate Governance Practices Followed by the Company

Under the Companies Act, stock options are deemed to be compensation for the services performed by the Company's Directors and Executive Officers and do not require shareholders' approval. The Compensation Committee establishes the policy with respect to the determination of the individual compensation of each of the Company's Directors and Executive Officers (including stock options in the form of stock acquisition rights as equity compensation) and makes determinations in accordance with that compensation policy.

Under the Companies Act, the Company is not required to adopt and disclose corporate governance guidelines. However, in response to Japan's Corporate Governance Code, which was incorporated into the Tokyo Stock Exchange's Securities Listing Regulations, the Company has established and publicly disclosed the "Nomura Holdings Corporate Governance Guidelines."

Under the Companies Act, outside directors of the Company are not required to meet at regularly scheduled executive sessions without management. However, in accordance with the "Nomura Holdings Corporate Governance Guidelines," outside directors hold meetings consisting solely of outside directors in order to discuss matters such as the business and corporate governance of the Company.

Under the Companies Act, the Company is not required to adopt and disclose a code of business conduct and ethics for directors, officers or employees. However, the Company has adopted the "Code of Ethics of Nomura Group." Please see Item 16B of this annual report for further information regarding the "Code of Ethics of Nomura Group."

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18 of this annual report.

Item 18. Financial Statements

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

Item 19. Exhibits

Exhibit Number	Description
1.1	Articles of Incorporation of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.2	Share Handling Regulations of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.3	Regulations of the Board of Directors of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.4	Regulations of the Nomination Committee of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.6	Regulations of the Compensation Committee of Nomura Holdings, Inc. (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among Nomura Holdings, Inc., The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
4.1	Limitation of Liability Agreement (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽¹⁾
4.2	Limitation of Liability Agreement (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽²⁾
4.3	Limitation of Liability Agreement (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽³⁾
8.1	Subsidiaries of Nomura Holdings, Inc.—See Item 4.C. “ <i>Organizational Structure</i> ” in this annual report.
11.1	Code of Ethics of Nomura Group (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) The Company and each of Takao Kusakari and Toshinori Kanemoto entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

(2) The Company and Michael Lim Choo San entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

(3) The Company and each of Hiroshi Kimura, Noriaki Shimazaki, Hisato Miyashita and Mari Sono entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% or our total assets. We will furnish a copy of any such instrument to the SEC upon request.

NOMURA HOLDINGS, INC.
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Nomura Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the “Company”) as of March 31, 2016 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended March 31, 2017. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. at March 31, 2016 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nomura Holdings, Inc.’s internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated June 26, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 26, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
Nomura Holdings, Inc.

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Nomura Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nomura Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nomura Holdings, Inc. as of March 31, 2016 and 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2017 and our report dated June 26, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 26, 2017

NOMURA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

	Millions of yen	
	March 31	
	2016	2017
ASSETS		
Cash and cash deposits:		
Cash and cash equivalents	¥ 3,476,261	¥ 2,536,840
Time deposits	196,632	207,792
Deposits with stock exchanges and other segregated cash	225,950	227,456
Total cash and cash deposits	3,898,843	2,972,088
Loans and receivables:		
Loans receivable (including ¥301,766 million and ¥537,664 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	1,605,603	1,875,828
Receivables from customers (including ¥1,542 million and ¥1,281 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	210,844	148,378
Receivables from other than customers	1,156,608	1,076,773
Allowance for doubtful accounts	(3,477)	(3,551)
Total loans and receivables	2,969,578	3,097,428
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥1,098,969 million and ¥1,089,000 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	9,205,165	11,456,591
Securities borrowed	5,872,495	7,273,234
Total collateralized agreements	15,077,660	18,729,825
Trading assets and private equity investments:		
Trading assets (including securities pledged as collateral of ¥6,483,857 million and ¥5,123,444 million in 2016 and 2017, respectively; including ¥5,761 million and ¥7,334 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	16,379,424	15,165,310
Private equity investments (including ¥7,145 million and ¥7,451 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	30,578	27,054
Total trading assets and private equity investments	16,410,002	15,192,364
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥402,599 million and ¥445,000 million in 2016 and 2017, respectively)	355,507	349,696
Non-trading debt securities	870,812	775,025
Investments in equity securities	137,970	146,730
Investments in and advances to affiliated companies	395,284	420,116
Other (including ¥60,359 million and ¥177,726 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	974,511	1,168,806
Total other assets	2,734,084	2,860,373
Total assets	¥41,090,167	¥42,852,078

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

NOMURA HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS—(Continued)

	Millions of yen	
	March 31	
	2016	2017
LIABILITIES AND EQUITY		
Short-term borrowings (including ¥330,816 million and ¥401,300 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	¥ 662,902	¥ 543,049
Payables and deposits:		
Payables to customers	688,196	1,005,670
Payables to other than customers	1,337,931	1,569,922
Deposits received at banks	2,222,991	1,132,843
Total payables and deposits	<u>4,249,118</u>	<u>3,708,435</u>
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥442,247 million and ¥390,677 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	14,192,309	17,095,898
Securities loaned (including ¥129,201 million and ¥149,377 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	1,937,009	1,627,124
Other secured borrowings	476,273	338,069
Total collateralized financing	<u>16,605,591</u>	<u>19,061,091</u>
Trading liabilities	7,499,335	8,191,794
Other liabilities (including ¥17,739 million and ¥11,202 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	1,200,647	1,308,510
Long-term borrowings (including ¥2,703,816 million and ¥2,562,962 million measured at fair value by applying the fair value option in 2016 and 2017, respectively)	8,129,559	7,195,408
Total liabilities	<u>38,347,152</u>	<u>40,008,287</u>
Commitments and contingencies (Note 20)		
Equity:		
Nomura Holdings, Inc. (“NHI”) shareholders’ equity:		
Common stock		
No par value shares:		
Authorized—6,000,000,000 shares in 2016 and 2017		
Issued—3,822,562,601 shares in 2016 and 2017		
Outstanding—3,608,391,999 shares in 2016 and 3,528,429,451 shares in 2017	594,493	594,493
Additional paid-in capital	692,706	681,329
Retained earnings	1,516,577	1,663,234
Accumulated other comprehensive income	44,980	33,652
Total NHI shareholder’s equity before treasury stock	<u>2,848,756</u>	<u>2,972,708</u>
Common stock held in treasury, at cost—214,170,602 shares in 2016 and 294,133,150 shares in 2017	<u>(148,517)</u>	<u>(182,792)</u>
Total NHI shareholders’ equity	<u>2,700,239</u>	<u>2,789,916</u>
Noncontrolling interests	42,776	53,875
Total equity	<u>2,743,015</u>	<u>2,843,791</u>
Total liabilities and equity	<u>¥41,090,167</u>	<u>¥42,852,078</u>

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

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

	Billions of yen	
	March 31	
	2016	2017
Cash and cash deposits	¥ 3	¥ 4
Trading assets and private equity investments	1,310	1,400
Other assets	10	59
Total assets	¥1,323	¥1,463
Trading liabilities	¥ 3	¥ 18
Other liabilities	2	2
Borrowings	809	954
Total liabilities	¥ 814	¥ 974

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Revenue:			
Commissions	¥ 453,401	¥ 431,959	¥ 327,129
Fees from investment banking	95,083	118,333	92,580
Asset management and portfolio service fees	203,387	229,006	216,479
Net gain on trading	531,337	354,031	475,587
Gain on private equity investments	5,502	13,761	1,371
Interest and dividends	436,766	440,050	441,036
Gain (loss) on investments in equity securities	29,410	(20,504)	7,708
Other	175,702	156,460	153,626
Total revenue	1,930,588	1,723,096	1,715,516
Interest expense	326,412	327,415	312,319
Net revenue	1,604,176	1,395,681	1,403,197
Non-interest expenses:			
Compensation and benefits	596,593	574,191	496,385
Commissions and floor brokerage	129,977	123,881	94,495
Information processing and communications	192,300	189,910	175,280
Occupancy and related depreciation	76,112	78,411	69,836
Business development expenses	35,230	35,892	35,111
Other	227,205	228,238	209,295
Total non-interest expenses	1,257,417	1,230,523	1,080,402
Income before income taxes	346,759	165,158	322,795
Income tax expense	120,780	22,596	80,229
Net income	¥ 225,979	¥ 142,562	¥ 242,566
Less: Net income attributable to noncontrolling interests	1,194	11,012	2,949
Net income attributable to NHI shareholders	¥ 224,785	¥ 131,550	¥ 239,617
	Yen		
Per share of common stock:			
Basic—			
Net income attributable to NHI shareholders per share	¥ 61.66	¥ 36.53	¥ 67.29
Diluted—			
Net income attributable to NHI shareholders per share	¥ 60.03	¥ 35.52	¥ 65.65

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Net income	¥225,979	¥ 142,562	¥242,566
Other comprehensive income (loss):			
Cumulative translation adjustments:			
Cumulative translation adjustments	110,628	(68,237)	(6,764)
Deferred income taxes	(141)	(12,856)	1,073
Total	<u>110,487</u>	<u>(81,093)</u>	<u>(5,691)</u>
Defined benefit pension plans:			
Pension liability adjustment	5,259	(26,074)	(11,340)
Deferred income taxes	(1,854)	8,153	3,645
Total	<u>3,405</u>	<u>(17,921)</u>	<u>(7,695)</u>
Non-trading securities:			
Net unrealized gain (loss) on non-trading securities	27,643	(1,492)	(9,225)
Deferred income taxes	(8,681)	81	2,625
Total	<u>18,962</u>	<u>(1,411)</u>	<u>(6,600)</u>
Own credit adjustments:			
Own credit adjustments	—	—	(14,696)
Deferred income taxes	—	—	1,963
Total	<u>—</u>	<u>—</u>	<u>(12,733)</u>
Total other comprehensive income (loss)	<u>132,854</u>	<u>(100,425)</u>	<u>(32,719)</u>
Comprehensive income	358,833	42,137	209,847
Less: Comprehensive income attributable to noncontrolling interests	10,945	9,346	852
Comprehensive income attributable to NHI shareholders	<u>¥347,888</u>	<u>¥ 32,791</u>	<u>¥208,995</u>

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Common stock			
Balance at beginning of year	¥ 594,493	¥ 594,493	¥ 594,493
Balance at end of year	<u>594,493</u>	<u>594,493</u>	<u>594,493</u>
Additional paid-in capital			
Balance at beginning of year	683,638	683,407	692,706
Gain (loss) on sales of treasury stock	(2,417)	—	—
Issuance and exercise of common stock options	2,186	4,127	(11,377)
Changes in an affiliated company's interests in its subsidiary	—	5,172	—
Balance at end of year	<u>683,407</u>	<u>692,706</u>	<u>681,329</u>
Retained earnings			
Balance at beginning of year	1,287,003	1,437,940	1,516,577
Cumulative effect of change in accounting principle ⁽¹⁾	—	—	(19,294)
Net income attributable to NHI shareholders	224,785	131,550	239,617
Cash dividends	(68,627)	(46,797)	(70,810)
Gain (loss) on sales of treasury stock	(5,221)	(6,116)	(2,856)
Balance at end of year	<u>1,437,940</u>	<u>1,516,577</u>	<u>1,663,234</u>
Accumulated other comprehensive income (loss)			
Cumulative translation adjustments			
Balance at beginning of year	27,704	133,371	53,418
Net change during the year	105,667	(79,953)	(5,651)
Balance at end of year	<u>133,371</u>	<u>53,418</u>	<u>47,767</u>
Defined benefit pension plans			
Balance at beginning of year	(18,809)	(15,404)	(33,325)
Pension liability adjustment	3,405	(17,921)	(7,695)
Balance at end of year	<u>(15,404)</u>	<u>(33,325)</u>	<u>(41,020)</u>
Non-trading securities			
Balance at beginning of year	11,741	25,772	24,887
Net unrealized gain (loss) on non-trading securities	14,031	(885)	(4,543)
Balance at end of year	<u>25,772</u>	<u>24,887</u>	<u>20,344</u>
Own credit adjustments			
Balance at beginning of year	—	—	—
Cumulative effect of change in accounting principle ⁽¹⁾	—	—	19,294
Own credit adjustments	—	—	(12,733)
Balance at end of year	<u>—</u>	<u>—</u>	<u>6,561</u>
Balance at end of year	<u>143,739</u>	<u>44,980</u>	<u>33,652</u>

NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Common stock held in treasury			
Balance at beginning of year	(72,090)	(151,805)	(148,517)
Repurchases of common stock	(104,047)	(20,002)	(61,338)
Sales of common stock	3	1	1
Common stock issued to employees	24,226	23,296	25,796
Other net change in treasury stock	103	(7)	1,266
Balance at end of year	<u>(151,805)</u>	<u>(148,517)</u>	<u>(182,792)</u>
Total NHI shareholders' equity			
Balance at end of year	<u>2,707,774</u>	<u>2,700,239</u>	<u>2,789,916</u>
Noncontrolling interests			
Balance at beginning of year	39,533	37,172	42,776
Cumulative effect of change in accounting principle ⁽²⁾	—	—	11,330
Cash dividends	(39)	(9,978)	(1,781)
Net income attributable to noncontrolling interests	1,194	11,012	2,949
Accumulated other comprehensive income (loss) attributable to noncontrolling interests			
Cumulative translation adjustments	4,820	(1,140)	(40)
Net unrealized gain (loss) on non-trading securities	4,931	(525)	(2,057)
Purchase / sale of subsidiary shares, net	4,889	500	(14)
Other net change in noncontrolling interests	(18,156)	5,735	712
Balance at end of year	<u>37,172</u>	<u>42,776</u>	<u>53,875</u>
Total equity			
Balance at end of year	<u>¥2,744,946</u>	<u>¥2,743,015</u>	<u>¥2,843,791</u>

(1) Represents the adjustment to initially apply Accounting Standards Update (“ASU”) 2016-01, “*Recognition and Measurement of Financial Assets and Financial Liabilities.*”

(2) Represents the adjustment to initially apply ASU 2015-02, “*Amendments to the Consolidation analysis*” (“ASU 2015-02”).

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

NOMURA HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Cash flows from operating activities:			
Net income	¥ 225,979	¥ 142,562	¥ 242,566
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	78,882	79,394	70,928
Stock option expenses	19,364	16,890	8,960
(Gain) loss on investments in equity securities	(29,410)	20,504	(7,708)
Equity in earnings of affiliates, net of dividends received	(34,772)	(22,886)	(21,059)
Loss on disposal of office buildings, land, equipment and facilities	9,690	1,325	1,339
Deferred income taxes	26,489	(58,859)	22,528
Changes in operating assets and liabilities:			
Time deposits	38,341	124,922	(18,275)
Deposits with stock exchanges and other segregated cash	(66,122)	213,288	(2,854)
Trading assets and private equity investments	2,917,895	248,495	1,197,062
Trading liabilities	(1,731,133)	(2,279,966)	708,196
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(1,251,323)	1,605,658	635,593
Securities borrowed, net of securities loaned	(221,295)	1,762,173	(1,706,545)
Other secured borrowings	(145,877)	(192,350)	(138,204)
Loans and receivables, net of allowance for doubtful accounts	(92,713)	(136,694)	(193,786)
Payables	236,029	(41,838)	531,516
Bonus accrual	(3,659)	(41,281)	4,543
Accrued income taxes, net	59,931	(37,126)	10,220
Other, net	(113,324)	(165,839)	(39,995)
Net cash provided by (used in) operating activities	<u>(77,028)</u>	<u>1,238,372</u>	<u>1,305,025</u>
Cash flows from investing activities:			
Payments for purchases of office buildings, land, equipment and facilities	(209,468)	(324,722)	(312,880)
Proceeds from sales of office buildings, land, equipment and facilities	159,480	282,473	239,184
Payments for purchases of investments in equity securities	(354)	—	(647)
Proceeds from sales of investments in equity securities	6,977	899	1,998
Increase in loans receivable at banks, net	(49,192)	(40,767)	(21,322)
Decrease in non-trading debt securities, net	109,761	56,814	88,099
Business combinations or disposals, net	(7,308)	—	—
Decrease in investments in affiliated companies, net	2,212	1,803	809
Other, net	229	(211)	(113,292)
Net cash provided by (used in) investing activities	<u>12,337</u>	<u>(23,711)</u>	<u>(118,051)</u>
Cash flows from financing activities:			
Increase in long-term borrowings	2,974,115	3,018,453	1,526,334
Decrease in long-term borrowings	(3,167,956)	(2,922,558)	(2,403,076)
Increase (decrease) in short-term borrowings, net	34,041	(17,395)	(81,964)
Increase (decrease) in deposits received at banks, net	140,571	1,010,101	(1,068,168)
Proceeds from sales of common stock held in treasury	387	571	401
Payments for repurchases of common stock held in treasury	(104,047)	(20,002)	(61,338)
Payments for cash dividends	(55,317)	(82,783)	(42,833)
Net cash provided by (used in) financing activities	<u>(178,206)</u>	<u>986,387</u>	<u>(2,130,644)</u>
Effect of exchange rate changes on cash and cash equivalents	68,513	(40,195)	4,249
Net increase (decrease) in cash and cash equivalents	(174,384)	2,160,853	(939,421)
Cash and cash equivalents at beginning of the year	1,489,792	1,315,408	3,476,261
Cash and cash equivalents at end of the year	<u>¥ 1,315,408</u>	<u>¥ 3,476,261</u>	<u>¥ 2,536,840</u>
Supplemental information:			
Cash paid during the year for—			
Interest	¥ 364,392	¥ 352,276	¥ 307,635
Income tax payments, net	¥ 34,359	¥ 118,580	¥ 47,482

Non cash activities—

Business acquisitions:

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

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

NOMURA HOLDINGS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies:

Description of business—

Nomura Holdings, Inc. (“Company”) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government clients on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as “Nomura” within these consolidated financial statements.

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

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

Basis of presentation—

The accounting and financial reporting policies of the Nomura conform to accounting principles generally accepted in the United States (“U.S. GAAP”) as applicable to broker-dealers.

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

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

influence are carried at fair value, with changes in fair value recognized through the consolidated statements of income or the consolidated statements of comprehensive income.

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

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

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

Use of estimates—

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

Fair value of financial instruments—

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

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

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

The fair value of financial assets and financial liabilities of consolidated VIEs which meet the definition of collateralized financing entities are both measured using the more observable fair value of the financial assets and financial liabilities.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Transfers of financial assets—

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

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

Foreign currency translation—

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

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

Revenue from services provided to clients—

Nomura earns revenue through fees and commissions from providing financial services to clients across all three business divisions. These services primarily include trade execution and clearing services, financial advisory services, asset management services, underwriting services, syndication services and distribution services.

Revenues are recognized when the fees and commissions have been earned and are realizable which is either at a specific point in time when Nomura has satisfied its obligations to provide the service to the client or over a period of time where Nomura satisfies its obligation to provide services over time. Fees and commissions may be fixed amounts or variable amounts where the amount to be received is uncertain. Such uncertainty may arise because the amount Nomura is entitled to is based on a variable amount, is dependent upon a contingent event occurring or not occurring, or because it may be reduced by amounts to be repaid to the client. Variable fees and commissions are only recognized when the underlying uncertainty is resolved.

Revenue—Commissions includes amounts charged for executing brokerage transactions accrued on a trade date basis and are included in current period earnings. *Revenue—Fees from investment banking* includes underwriting fees, syndication fees and other financial advisory fees. Underwriting and syndication fees are

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

recorded when the underlying underwriting or syndication transactions are completed. Financial advisory fees are recognized when the related services are performed or upon completion of the underlying transaction. *Revenue—Asset management and portfolio service fees* are accrued over the period that the related services are provided or when specified performance requirements are met.

Trading assets and trading liabilities—

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

Certain trading liabilities are held to economically hedge the price risk of investments in equity securities held for operating purposes. Changes in fair value of these trading liabilities are reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income.

Collateralized agreements and collateralized financing—

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

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

Repurchase agreements where the maturity of the security transferred as collateral matches the maturity of the repurchase agreement (“repurchase-to-maturity transactions”) are accounted for as secured borrowing transactions under ASC 860.

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

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

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

See Note 4 “*Collateralized transactions*” for further information.

Derivatives—

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

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

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

Exchange traded and centrally cleared OTC derivatives typically involve daily variation margin payments and receipts which reflect changes in the fair value of the related derivative. Such variation margin amounts are accounted for as either a partial settlement of the derivative or as a separate cash collateral receivable or payable depending on the legal form of the arrangement.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Trading

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

Non-trading

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

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

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

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

Loans receivable—

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

Loans receivable carried at fair value

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

Loans receivable carried at amortized cost

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Loan origination fees, net of direct origination costs, are amortized to *Revenue—Interest and dividends* as an adjustment to yield over the life of the loan. Net unamortized deferred fees and costs were immaterial as of March 31, 2016 and March 31, 2017.

See Note 7 “*Financing receivables*” for further information.

Other receivables—

Receivables from customers include amounts receivable on client securities transactions and *Receivables from other than customers* include amounts receivable for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, receivables for commissions, and net receivables arising from unsettled securities transactions. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥161,651 million and ¥82,672 million as of March 31, 2016 and March 31, 2017, respectively.

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

Loan commitments—

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

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

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

Payables and deposits—

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

Office buildings, land, equipment and facilities—

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

The following table presents a breakdown of *Office buildings, land, equipment and facilities* as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Land	¥ 80,031	¥ 78,365
Office buildings	99,400	94,626
Equipment and facilities	27,380	39,062
Software	147,235	137,537
Construction in progress	1,461	106
Total	¥355,507	¥349,696

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

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

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

Depreciation and amortization charges of both owned and capital lease assets are reported within *Non-interest expenses—Information processing and communications* in the amount of ¥59,153 million, ¥61,906 million, ¥56,186 million, and in *Non-interest expenses—Occupancy and related depreciation* in the amount of ¥19,729 million, and ¥17,488 million, and ¥14,742 million for the years ended March 31, 2015, 2016 and 2017, respectively.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

deemed the owner of the construction project and recognizes the real estate on the consolidated balance sheets until construction is completed. At the end of the construction period the real estate is either derecognized or continues to be recognized on the consolidated balance sheets in accordance with ASC 840, depending on the extent of Nomura's continued involvement with the real estate.

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

Investments in equity securities—

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

These investments, which Nomura refers to as being held for operating purposes, are carried at fair value and reported within *Other assets—Investments* in equity securities in the consolidated balance sheets, with changes in fair value reported within *Revenue—Gain (loss) on investments in equity securities* in the consolidated statements of income. These investments comprise listed and unlisted equity securities in the amounts of ¥99,203 million and ¥38,767 million, respectively, as of March 31, 2016 and ¥107,800 million and ¥38,930 million, respectively, as of March 31, 2017.

Other non-trading debt and equity securities—

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

before recovery of amortized cost. If Nomura does not intend to sell the debt security and it is not more likely than not that Nomura will be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss is reported in the consolidated statements of income and any non-credit loss component reported within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income.

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

Short-term and long-term borrowings—

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

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

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

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

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

See Note 10 “*Borrowings*” for further information.

Income taxes—

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

See Note 15 "*Income taxes*" for further information.

Stock-based and other compensation awards—

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

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

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

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

Certain deferred compensation awards granted since May 2013 include "Full Career Retirement" ("FCR") provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination or by claiming FCR during a pre-defined election window if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Earnings per share—

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

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

Cash and cash equivalents—

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

Goodwill and intangible assets—

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

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

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

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

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

Restructuring costs—

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

See Note 14 “*Restructuring initiatives*” for further information.

Employee benefit plans—

Nomura provides certain eligible employees with various benefit plans, including pensions and other post-retirement benefits. These benefit plans are classified as either defined benefit plans or defined contribution plans.

Plan assets and benefit obligations, as well as the net periodic benefit cost of a defined benefit pension or post-retirement benefit plan, are recognized based on various actuarial assumptions such as discount rates, expected return on plan assets and future compensation levels at the balance sheet date. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets and unrecognized prior service costs or credits are amortized to net periodic benefit cost on a straight-line basis over the average remaining service life of active employees expected to receive benefits. The overfunded or underfunded status of a plan is reported within *Other assets—Other* or *Other liabilities* in the consolidated balance sheets, and changes in funded status are reflected in net periodic benefit cost and *Other comprehensive income (loss)* on a net-of-tax basis in the consolidated statements of comprehensive income.

The net periodic pension and other benefit cost of defined contribution plans is recognized within *Compensation and benefits* in the consolidated statements of income when the employee renders service to Nomura, which generally coincides with when contributions to the plan are made.

See Note 12 “*Employee benefit plans*” for further information.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

New accounting pronouncements adopted during the current year—

The following table presents a summary of new accounting pronouncements relevant to Nomura which have been adopted during the year ended March 31, 2017:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-02, <i>“Amendments to the Consolidation Analysis”</i>	<ul style="list-style-type: none"> • Simplifies complex consolidation guidance in ASC 810 <i>“Consolidation”</i> by eliminating the legacy variable interest consolidation model applied to certain investment companies, money market funds, qualifying real estate funds and similar entities. • Provides a new consolidation exception for certain registered money market funds and similar entities. • Modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities under ASC 810. • Modifies how fee arrangements and related party relationships should be considered in determining whether a variable interest entity should be consolidated. • Requires new footnote disclosures regarding financial support arrangements with certain registered money market funds and similar entities to which the exception from consolidation has been applied. 	Modified retrospective adoption from April 1, 2016.	Nomura consolidated certain investment funds, which increased total assets and total equity by ¥11,330 million upon adoption as of April 1, 2016. No impact on Nomura’s results of operations.
ASU 2014-13, <i>“Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity”</i>	<ul style="list-style-type: none"> • Provides an alternative method for measuring both financial assets and liabilities of consolidated collateralized financing entity by using either the fair value of the financial assets or financial liabilities, whichever is more observable. • Requires certain new qualitative footnote disclosures where the alternative method is applied. 	Modified retrospective adoption from April 1, 2016.	No material impact.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-07, “Disclosures for investments in certain entities that calculate net asset value per share (or Its Equivalents)”	<ul style="list-style-type: none"> Removes the requirement to categorize investments for which fair value is estimated using net asset value as a practical expedient within the fair value hierarchy. Revises certain other related fair value footnote disclosure requirements. 	Full retrospective adoption from April 1, 2016.	No material impact.
ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” —Presentation of own credit adjustments	<ul style="list-style-type: none"> Requires unrealized changes in the fair value of financial liabilities elected for the fair value option attributable to instrument-specific credit risk (“own credit adjustments”) to be presented separately in other comprehensive income. 	Modified retrospective adoption from April 1, 2016.	Significant reclassification from Retained earnings to Accumulated other comprehensive income (loss) on adoption date and significant own credit adjustments recognized through other comprehensive income rather than earnings during the year ended March 31, 2017. ⁽¹⁾
ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs”	<ul style="list-style-type: none"> Requires issuance costs related to a recognized debt liability be presented as a direct deduction from the carrying amount of the related debt liability rather than a separate asset. 	Full retrospective adoption from April 1, 2016.	No material impact.
ASU 2015-15, “Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements”	<ul style="list-style-type: none"> Clarifies the SEC staff’s position on presentation and measurement of debt issuance costs associated with line-of-credit arrangements which are permitted to be presented as an asset and subsequently amortized ratably over the term of the related line-of-credit arrangements. 	Prospective adoption from April 1, 2016.	No material impact.
ASU 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period”	<ul style="list-style-type: none"> Clarifies a performance target that affects vesting and that could be achieved after the requisite service period is accounted for as a performance condition. 	Prospective adoption from April 1, 2016.	No material impact.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement”	<ul style="list-style-type: none"> Provides guidance on evaluating the accounting for fees paid in a cloud computing arrangement. 	Prospective adoption from April 1, 2016.	No material impact.
ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments”	<ul style="list-style-type: none"> Eliminates the requirement for an acquirer in a business combination to account for adjustments made to provisional amounts retrospectively. New footnote disclosure requirement for any measurement-period adjustments identified during the reporting period. 	Prospective adoption from April 1, 2016.	No material impact.

- (1) A cumulative catch up adjustment, net of taxes, of ¥19,294 million was recognized as of April 1, 2016 to reclassify cumulative unrealized gains arising from own credit adjustments from *Retained earnings* to *Accumulated other comprehensive income (loss)*. During the year, net losses, net of taxes, of ¥12,147 million were recognized through other comprehensive income rather than earnings. See Note 16 “*Other comprehensive income (loss)*” for further information regarding movements in own credit adjustments during the year.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Future accounting developments—

The following table presents a summary of new authoritative accounting pronouncements relevant to Nomura which will or may potentially be adopted during the year ending March 31, 2018:

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-05, “Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships”	<ul style="list-style-type: none"> Clarifies how a change in counterparty of a derivative designated as hedging instrument in an existing hedging relationship affects the hedging relationship under ASC 815. 	Prospective or modified retrospective adoption from April 1, 2017.	No material impact expected.
ASU 2016-07, “Simplifying the Transition Method of Equity Method of Accounting”	<ul style="list-style-type: none"> Simplifies investor’s accounting for equity method investments as a result of an increase in ownership level or degree of influence over the investee from prior period. Requires prospective application of equity method accounting from the date when an equity investment qualifies for equity method of accounting. 	Prospective adoption from April 1, 2017.	No material impact expected.
ASU 2016-09 “Improvements to Employee Share-Based Payment Accounting”	<ul style="list-style-type: none"> Allows an accounting policy election to be made to either account for forfeitures when they occur or to include estimated forfeitures in compensation expense recognized during a reporting period. Requires all associated excess tax benefits to be recognized as an income tax benefit through earnings rather than as additional paid-in capital with excess tax deficiencies recognized as income tax expense rather than as an offset of excess tax benefits, if any. Requires recognition of excess tax benefits regardless of whether the benefit reduces taxes payable in the current reporting period. 	Modified retrospective or prospective adoption from April 1, 2017 depending on the nature of the accounting change.	No material impact expected.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents a summary of new authoritative accounting pronouncements relevant to Nomura which will be adopted on or after April 1, 2018 and which may have a material impact on these financial statements:

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-01, <i>“Recognition and Measurement of Financial Assets and Financial Liabilities”</i> —Other amendments	<ul style="list-style-type: none"> • Requires all equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in earnings. • Introduces new disclosures for financial instruments including embedded derivatives. • Eliminates certain existing disclosures around the assumptions and methodology used to determine fair value of financial instruments. 	Modified retrospective adoption from April 1, 2018.	No material impact expected.
ASU 2014-09, <i>“Revenue from Contracts with Customers”</i> ⁽²⁾	<ul style="list-style-type: none"> • Replaces existing revenue recognition guidance in ASC 605 <i>“Revenue Recognition”</i> and certain industry-specific revenue recognition guidance. • Requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. • Specifies the accounting for costs to obtain or fulfill a customer contract. • Revises existing guidance for principal-versus-agency determination. • Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers. 	Modified retrospective adoption from April 1, 2018. ⁽³⁾	Expected impact on timing of recognition and presentation of certain revenues and costs in the consolidated statement of income. ⁽⁴⁾

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-02, “Leases”	<ul style="list-style-type: none"> • Replaces ASC 840 “Leases”, the current guidance on lease accounting, and revised the definition of a lease. • Requires all lessees to recognize a right of use asset and corresponding lease liability on balance sheet. • Lessor accounting is largely unchanged from current guidance. • Simplifies the accounting for sale leaseback and “build-to-suit” leases. • Requires extensive new qualitative and quantitative footnote disclosures on lease arrangements. 	Modified retrospective adoption from April 1, 2019. ⁽¹⁾	Currently evaluating the potential impact however a gross up of Nomura’s balance sheet is expected.
ASU 2016-13, “Measurement of Credit Losses on Financial Instruments”	<ul style="list-style-type: none"> • Introduces a new model for recognition and measurement of credit losses against certain financial instruments such as loans, debt securities and receivables which are not carried at fair value with changes in fair value recognized through earnings. The model also applies to off balance sheet credit exposures such as written loan commitments standby letters of credit and issued financial guarantees not accounted for as insurance, which are not carried at fair value through earnings. • The new model based on lifetime current expected credit losses (CECL) measurement, to be recognized at the time an in-scope instrument is originated, acquired or issued. • Replaces existing incurred credit losses model under current GAAP. • Requires enhanced qualitative and quantitative disclosures around credit risk, the methodology used to estimate and monitor expected credit losses and changes in estimates of expected credit losses. 	Modified retrospective adoption from April 1, 2020. ⁽¹⁾	Currently evaluating the potential impact.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pronouncement	Summary of new guidance	Expected adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-15, “Classification of Certain Cash Receipts and Cash Payments” and ASU 2016-18, “Restricted Cash”	<ul style="list-style-type: none"> • Amends the classification of certain cash receipts and cash payments in the statement of cash flows. • Requires movements in restricted cash and restricted cash equivalents to be presented as part of cash and cash equivalents in the statement of cash flows. • Requires new disclosures on the nature and amount of restricted cash and restricted cash equivalents. 	Full retrospective adoption from April 1, 2018. ⁽¹⁾	Currently evaluating the potential impact.

- (1) Unless Nomura early adopts which is considered unlikely as of the date of these consolidated financial statements.
- (2) As subsequently amended by ASU 2015-14 “Revenue from Contracts with Customers—Deferral of the Effective Date”, ASU 2016-08 “Revenue from Contracts with Customers—Principal versus Agent Considerations”, ASU 2016-10 “Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing”, ASU 2016-12 “Revenue from Contracts with Customers—Narrow-Scope Improvements and Practical Expedients”, ASU 2016-20 “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers” and ASU 2017-05 “Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets”.
- (3) Nomura currently expects to adopt ASU 2014-09 and related guidance on April 1, 2018 through modified retrospective adoption.
- (4) Based on the current status of Nomura’s evaluation of ASU 2014-09 and related guidance, Nomura currently expects the new guidance to have the following impacts on these consolidated financial statements:
- A delay in the timing of when certain financial advisory fees are recognized as revenue but earlier recognition of certain asset management distribution fees;
 - A change in the timing of when certain costs to obtain and fulfill a contract in scope of the ASU are expensed, because of new guidance requiring such costs to be capitalized;
 - A change in the presentation of certain trade execution revenues and associated costs from a gross to a net basis in the consolidated statement of income as a result of revised principal-versus-agency guidance;
 - A change in the presentation of certain investment banking revenues and associated costs from a net to a gross basis in the consolidated statement of income as a result of revised principal-versus-agency guidance; and;
 - A significant increase in qualitative disclosures included within the footnotes to the financial statements which will discuss the accounting policies applied by Nomura in recognition of revenue from services and the treatment of associated costs.

Nomura continues to assess and evaluate the impact of the new guidance and as a result, additional impacts may be identified through to adoption date on April 1, 2018. Whilst Nomura’s evaluation is not complete, changes to the timing of when revenues or costs are recognized are not expected to have a material impact on these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. Fair value measurements:

The fair value of financial instruments

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

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

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

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

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

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

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

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

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

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

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Fair value hierarchy

All financial instruments measured at fair value, including those carried at fair value using the fair value option, have been categorized into a three-level hierarchy (“fair value hierarchy”) based on the transparency of valuation inputs used by Nomura to estimate fair value. A financial instrument is classified in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the financial instrument. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the most transparent inputs and Level 3 representing the least transparent inputs:

Level 1:

Observable valuation inputs that reflect quoted prices (unadjusted) for identical financial instruments traded in active markets at the measurement date.

Level 2:

Valuation inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the financial instrument.

Level 3:

Unobservable valuation inputs which reflect Nomura assumptions and specific data.

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

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the amounts of Nomura's financial instruments measured at fair value on a recurring basis as of March 31, 2016 and 2017 within the fair value hierarchy.

	Billions of yen				
	March 31, 2016				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2016
Assets:					
Trading assets and private equity investments ⁽²⁾					
Equities ⁽³⁾	¥1,032	¥ 742	¥ 34	¥ —	¥ 1,808
Private equity investments ⁽³⁾	—	—	20	—	20
Japanese government securities	2,973	—	—	—	2,973
Japanese agency and municipal securities	—	215	—	—	215
Foreign government, agency and municipal securities	3,673	1,383	4	—	5,060
Bank and corporate debt securities and loans for trading purposes	—	1,061	107	—	1,168
Commercial mortgage-backed securities ("CMBS")	—	44	17	—	61
Residential mortgage-backed securities ("RMBS")	—	3,065	9	—	3,074
Real estate-backed securities	—	—	38	—	38
Collateralized debt obligations ("CDOs") and other ⁽⁴⁾	—	80	10	—	90
Investment trust funds and other	356	95	2	—	453
Total trading assets and private equity investments	8,034	6,685	241	—	14,960
Derivative assets ⁽⁵⁾					
Equity contracts	5	1,229	51	—	1,285
Interest rate contracts	11	28,688	126	—	28,825
Credit contracts	1	649	29	—	679
Foreign exchange contracts	0	6,886	21	—	6,907
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(36,325)	(36,325)
Total derivative assets	18	37,452	227	(36,325)	1,372
Subtotal	¥8,052	¥44,137	¥468	¥(36,325)	¥ 16,332
Loans and receivables ⁽⁶⁾	—	277	26	—	303
Collateralized agreements ⁽⁷⁾	—	1,099	—	—	1,099
Other assets					
Non-trading debt securities	337	534	0	—	871
Other ⁽²⁾⁽³⁾	426	122	57	—	605
Total	¥8,815	¥46,169	¥551	¥(36,325)	¥ 19,210
Liabilities:					
Trading liabilities					
Equities	¥1,108	¥ 29	¥ 0	¥ —	¥ 1,137
Japanese government securities	1,746	—	—	—	1,746
Japanese agency and municipal securities	—	9	—	—	9
Foreign government, agency and municipal securities	2,203	747	—	—	2,950
Bank and corporate debt securities	—	519	3	—	522
Commercial mortgage-backed securities ("CMBS")	—	0	—	—	0
Residential mortgage-backed securities ("RMBS")	—	3	—	—	3
Collateralized debt obligations ("CDOs") and other ⁽⁴⁾	—	2	—	—	2
Investment trust funds and other	78	2	0	—	80
Total trading liabilities	5,135	1,311	3	—	6,449
Derivative liabilities ⁽⁵⁾					
Equity contracts	5	1,491	45	—	1,541
Interest rate contracts	8	28,380	109	—	28,497
Credit contracts	1	776	29	—	806
Foreign exchange contracts	0	6,624	30	—	6,654
Commodity contracts	8	0	—	—	8
Netting	—	—	—	(36,456)	(36,456)
Total derivative liabilities	22	37,271	213	(36,456)	1,050
Subtotal	¥5,157	¥38,582	¥216	¥(36,456)	¥ 7,499
Short-term borrowings ⁽⁸⁾	¥ 1	¥ 309	¥ 21	¥ —	¥ 331
Payables and deposits ⁽⁹⁾	—	0	0	—	0
Collateralized financing ⁽⁷⁾	—	571	—	—	571
Long-term borrowings ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	105	2,265	331	—	2,701
Other liabilities ⁽¹²⁾	150	111	2	—	263
Total	¥5,413	¥41,838	¥570	¥(36,456)	¥ 11,365

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Billions of yen					
March 31, 2017					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2017
Assets:					
Trading assets and private equity investments ⁽²⁾					
Equities ⁽³⁾	¥1,199	¥ 984	¥ 34	¥ —	¥ 2,217
Private equity investments ⁽³⁾	—	—	13	—	13
Japanese government securities	2,319	—	—	—	2,319
Japanese agency and municipal securities	—	174	1	—	175
Foreign government, agency and municipal securities	2,704	1,134	3	—	3,841
Bank and corporate debt securities and loans for trading purposes	—	1,178	108	—	1,286
Commercial mortgage-backed securities (“CMBS”)	—	10	1	—	11
Residential mortgage-backed securities (“RMBS”)	—	3,787	0	—	3,787
Real estate-backed securities	—	—	41	—	41
Collateralized debt obligations (“CDOs”) and other ⁽⁴⁾	—	64	27	—	91
Investment trust funds and other	256	56	0	—	312
Total trading assets and private equity investments	6,478	7,387	228	—	14,093
Derivative assets ⁽⁵⁾					
Equity contracts	6	986	40	—	1,032
Interest rate contracts	10	15,293	88	—	15,391
Credit contracts	1	485	11	—	497
Foreign exchange contracts	0	6,399	39	—	6,438
Commodity contracts	1	0	—	—	1
Netting	—	—	—	(22,322)	(22,322)
Total derivative assets	18	23,163	178	(22,322)	1,037
Subtotal	¥6,496	¥30,550	¥406	¥(22,322)	¥ 15,130
Loans and receivables ⁽⁶⁾	0	473	66	—	539
Collateralized agreements ⁽⁷⁾	—	1,084	5	—	1,089
Other assets					
Non-trading debt securities	212	563	—	—	775
Other ⁽²⁾⁽³⁾	571	109	163	—	843
Total	¥7,279	¥32,779	¥640	¥(22,322)	¥ 18,376
Liabilities:					
Trading liabilities					
Equities	¥1,000	¥ 273	¥ 1	¥ —	¥ 1,274
Japanese government securities	2,182	—	—	—	2,182
Japanese agency and municipal securities	—	4	—	—	4
Foreign government, agency and municipal securities	2,634	627	—	—	3,261
Bank and corporate debt securities	—	503	—	—	503
Residential mortgage-backed securities (“RMBS”)	—	0	—	—	0
Collateralized debt obligations (“CDOs”) and other ⁽⁴⁾	—	2	1	—	3
Investment trust funds and other	42	3	—	—	45
Total trading liabilities	5,858	1,412	2	—	7,272
Derivative liabilities ⁽⁵⁾					
Equity contracts	5	1,199	46	—	1,250
Interest rate contracts	5	15,084	110	—	15,199
Credit contracts	1	619	21	—	641
Foreign exchange contracts	0	6,080	16	—	6,096
Commodity contracts	4	0	—	—	4
Netting	—	—	—	(22,270)	(22,270)
Total derivative liabilities	15	22,982	193	(22,270)	920
Subtotal	¥5,873	¥24,394	¥195	¥(22,270)	¥ 8,192
Short-term borrowings ⁽⁸⁾	¥ —	¥ 331	¥ 70	¥ —	¥ 401
Payables and deposits ⁽⁹⁾	—	0	0	—	0
Collateralized financing ⁽⁷⁾	—	537	3	—	540
Long-term borrowings ⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	109	2,036	410	—	2,555
Other liabilities ⁽¹²⁾	351	105	1	—	457
Total	¥6,333	¥27,403	¥679	¥(22,270)	¥ 12,145

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.

(2) In accordance with ASU 2015-07 “Disclosures for investments in certain entities that calculate net asset value per share (or Its Equivalents)” (“ASU2015-07”), certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. Certain reclassifications of previously reported amounts have been made to

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conform to the current year presentation. As of March 31, 2016 and March 31, 2017, the fair values of these investments which are included in “*Trading assets and private equity investments*” were ¥78 billion and ¥62 billion, respectively. As of March 31, 2016 and March 31, 2017, the fair values of these investments which are included in “*Other assets— Others*” were ¥4 billion and ¥8 billion, respectively.

- (3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- (4) Includes collateralized loan obligations (“CLOs”) and asset-backed securities (“ABS”) such as those secured on credit card loans, auto loans and student loans.
- (5) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (6) Includes loans for which the fair value option has been elected.
- (7) Includes collateralized agreements or collateralized financing for which the fair value option has been elected.
- (8) Includes structured notes for which the fair value option has been elected.
- (9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
- (10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
- (11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
- (12) Includes loan commitments for which the fair value option has been elected.

Valuation techniques by major class of financial instrument

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

Equities and equity securities reported within *Other assets*—Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. The fair value of listed equity securities is determined using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid prices or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are also generally valued using the exchange price and are classified in Level 2. Whilst rare in practice, Nomura may apply a discount or liquidity adjustment to the exchange price of a listed equity security traded in an inactive market if the exchange price is not considered to be an appropriate representation of fair value. These adjustments are determined by individual security and are not determined or influenced by the size of holding. The amount of such adjustments made to listed equity securities traded in inactive markets was ¥nil as of March 31, 2016 and 2017. The fair value of unlisted equity securities is determined using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable. As a practical expedient, fund investments which do not have a readily determinable fair value are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily NAV per share are classified in Level 1. Fund investments where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified in Level 2. Fund investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified in Level 3. The Direct Capitalization Method (“DCM”) is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified in Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Private equity investments—The determination of fair value of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (“DCF”) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital (“WACC”). Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization (“EV/EBITDA”) ratios, Price/Earnings (“PE”) ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the investee or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

Government, agency and municipal securities—The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

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

Commercial mortgage-backed securities (“CMBS”) and Residential mortgage-backed securities (“RMBS”)—The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using broker or dealer quotations and recent market transactions of identical or similar securities, if available. Consideration is given to the nature of the broker and dealer quotations, namely whether these are indicative or executable, the number of available quotations and how these quotations compare to any available recent market activity or alternative pricing sources. The significant valuation inputs include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS securities are generally classified in Level 2

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because these valuation inputs are observable or market-corroborated. Certain CMBS and RMBS positions will be classified in Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them in Level 2, or one or more of the significant valuation inputs used in DCF valuations are unobservable.

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

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

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

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

Derivatives—Interest rate contracts—Nomura enters into both exchange-traded and OTC interest rate derivative transactions such as interest rate swaps, currency swaps, interest rate options, forward rate agreements,

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

Derivatives—Credit contracts—The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads reflects the different risk of default present within the portfolio. At the low end of the range, underlying reference names have a very limited risk of default whereas at the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong.

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

Nomura includes valuation adjustments in its estimation of fair value of certain OTC derivatives relating to funding costs associated with these transactions to be consistent with how market participants in the principal market for these derivatives would determine fair value.

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

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

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

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

The fair value of structured notes is determined using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, or an internal model which combines DCF valuation techniques and option pricing models, depending on the nature of the embedded features within the structured note. Where an internal model is used, Nomura estimates the fair value of both the underlying debt instrument and the embedded derivative components. The significant valuation inputs used to estimate the fair value of the debt instrument component include yield curves, prepayment rates, default probabilities and loss severities. The significant valuation inputs used to estimate the fair value of the embedded derivative component are the same as those used for the relevant type of freestanding OTC derivative discussed above. A valuation adjustment is also made to the entire structured note in order to reflect Nomura’s own creditworthiness. As of March 31, 2016 and March 31, 2017, the fair value of structured notes includes debit adjustments of ¥23 billion and ¥10 billion, respectively, to reflect Nomura’s own creditworthiness. The valuation methodology used to determine this adjustment was refined during the year ended March 31, 2016 by incorporating certain additional term features in Nomura’s credit spreads, which are a key valuation input used to determine the amount of the adjustment. This adjustment is determined based on recent observable secondary market transactions and executable broker quotes involving Nomura debt instruments and is therefore typically treated as a Level 2 valuation input. Structured notes are generally classified in Level 2 of the fair value hierarchy as all significant valuation inputs and adjustments are observable. Where any unobservable inputs are significant, such as yields, prepayment rates, default probabilities, loss severities, volatilities and correlations used to estimate the fair value of the embedded derivative component, structured notes are classified in Level 3.

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

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Valuation processes

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

- The Product Control Valuations Group (“PCVG”) within Nomura’s Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument in accordance with U.S. GAAP. While it is the responsibility of market makers and investment professionals in our trading businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within these consolidated financial statements is made by senior managers independent of the trading businesses. This group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer (“CFO”);
- The Accounting Policy Group within Nomura’s Finance Department defines the group’s accounting policies and procedures in accordance with U.S. GAAP, including those associated with determination of fair value under ASC 820 and other relevant U.S. GAAP pronouncements. This group reports to the Global Head of Accounting Policy and ultimately to the CFO; and
- The MVG within Nomura’s Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. This group reports to the Chief Risk Officer.

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

Independent price verification processes

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

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

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

Where there is a lack of observable market information around the inputs used in a fair value measurement, then the PCVG and the MVG will assess the inputs used for reasonableness considering available information

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including comparable products, surfaces, curves and past trades. Additional valuation adjustments may be taken for the uncertainty in the inputs used, such as correlation and where appropriate trading desks may be asked to execute trades to evidence market levels.

Model review and validation

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

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

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

Revenue substantiation

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

Level 3 financial instruments

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Quantitative and qualitative information regarding significant unobservable inputs

The following tables present quantitative and qualitative information about the significant unobservable valuation inputs used by Nomura to measure the fair value of financial instruments classified in Level 3 as of March 31, 2016 and 2017. These financial instruments will also typically include observable valuation inputs (i.e. Level 1 or Level 2 valuation inputs) which are not included in the table and are also often hedged using financial instruments which are classified in Level 1 or Level 2 of the fair value hierarchy. Changes in each of these significant unobservable valuation inputs used by Nomura will impact upon the fair value measurement of the financial instrument. The following tables also therefore qualitatively summarize the sensitivity of the fair value measurement for each type of financial instrument as a result of an increase in each unobservable valuation input and summarize the interrelationship between significant unobservable valuation inputs where more than one is used to measure fair value.

March 31, 2016							
Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾	Impact of increases in significant unobservable valuation inputs ⁽³⁾⁽⁴⁾	Interrelationships between valuation inputs ⁽⁵⁾
Assets:							
Trading assets and private equity investments							
Equities	¥ 34	DCF	Liquidity discounts	30.0 – 45.0%	41.7%	Lower fair value	Not applicable
Private equity investments	20	Market multiples	EV/EBITDA ratios Price/Book ratios Liquidity discounts	7.8 x 1.1 x 0.0 – 30.0%	7.8 x 1.1 x 22.9%	Higher fair value Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Foreign government, agency and municipal securities							
	4	DCF	Credit spreads	0.0 – 5.9%	1.3%	Lower fair value	Not applicable
Bank and corporate debt securities and loans for trading purposes							
	107	DCF	Credit spreads Recovery rates	0.0 – 40.7% 0.0 – 97.0%	5.3% 68.6%	Lower fair value Higher fair value	No predictable interrelationship
Commercial mortgage-backed securities (“CMBS”)							
	17	DCF	Yields Loss severities	0.0 – 183.1% 0.0 – 20.0%	7.7% 10.0%	Lower fair value Lower fair value	No predictable interrelationship
Residential mortgage-backed securities (“RMBS”)							
	9	DCF	Yields Prepayment rates Loss severities	0.0 – 17.4% 2.7 – 12.0% 4.5 – 60.6%	4.1% 9.0% 30.1%	Lower fair value Lower fair value Lower fair value	No predictable interrelationship
Real estate-backed securities							
	38	DCF	Yields Loss severities	4.0 – 165.1% 0.0 – 100.0%	25.3% 21.4%	Lower fair value Lower fair value	No predictable interrelationship

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March 31, 2016

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾	Impact of increases in significant unobservable valuation inputs ⁽³⁾⁽⁴⁾	Interrelationships between valuation inputs ⁽⁵⁾
Collateralized debt obligations (“CDOs”) and other	10	DCF	Yields Prepayment rates Default probabilities Loss severities	10.8 – 25.0% 4.0 – 20.0% 2.0 – 5.5% 30.0 – 88.0%	21.1% 19.6% 2.6% 31.8%	Lower fair value Lower fair value Lower fair value Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
Derivatives, net:							
Equity contracts	¥ 6	Option models	Dividend yield Volatilities Correlations	0.0 – 13.7% 0.0 – 125.2% (0.74) – 0.99	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Interest rate contracts	17	DCF/ Option models	Interest rates Volatilities Volatilities Correlations	0.1 – 3.3% 13.8 – 17.4% 31.9 – 83.0 bp (0.65) – 1.00	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Credit contracts	0	DCF/ Option models	Credit spreads Recovery rates Volatilities Correlations	0.0 – 45.9% 0.0 – 90.0% 30.0 – 58.1% 0.26 – 0.87	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Foreign exchange contracts	(9)	Option models	Volatilities	1.0 – 31.6%	—	Higher fair value	Not applicable
Loans and receivables	26	DCF	Credit spreads	0.0 – 16.8%	4.9%	Lower fair value	Not applicable
Other assets							
Other ⁽⁶⁾	57	DCF	WACC Growth rates Credit spreads Liquidity discounts	5.5% 1.0% 0.6 – 0.7% 30.0%	5.5% 1.0% 0.7% 30.0%	Lower fair value Higher fair value Lower fair value Lower fair value	No predictable interrelationship
		Market multiples	EV/EBITDA ratios PE ratios Price/Book ratios Liquidity discounts	4.0 – 13.5 x 3.7 – 31.5 x 0.0 – 5.6 x 20.0 – 30.0%	8.0 x 19.6 x 1.1 x 27.7%	Higher fair value Higher fair value Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Liabilities:							
Trading liabilities							
Bank and corporate debt securities	¥ 3	DCF	Credit spreads	0.9 – 10.3%	2.9%	Lower fair value	Not applicable
Short-term borrowings	21	DCF/ Option models	Volatilities	34.6%	—	Higher fair value	Not applicable
Long-term borrowings	331	DCF/ Option models	Volatilities Volatilities Correlations	13.8 – 34.6% 44.7 – 71.2 bp (0.57) – 0.99	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelations

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2017

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾	Impact of increases in significant unobservable valuation inputs ⁽³⁾⁽⁴⁾	Interrelationships between valuation inputs ⁽⁵⁾
Assets:							
Trading assets and private equity investments							
Equities	¥ 34	DCF	Liquidity discounts	45.0 – 65.0%	57.7%	Lower fair value	Not applicable
Private equity investments	13	Market multiples	EV/EBITDA ratios Liquidity discounts	7.4x 30.0%	7.4x 30.0%	Higher fair value Lower fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
Foreign government, agency and municipal securities							
	3	DCF	Credit spreads	0.0 – 1.3%	0.9%	Lower fair value	Not applicable
Bank and corporate debt securities and loans for trading purposes							
	108	DCF	Credit spreads Recovery rates	0.0 – 16.9% 0.0 – 97.0%	4.4% 38.0%	Lower fair value Higher fair value	No predictable interrelationship
Real estate-backed securities							
	41	DCF	Yields Loss severities	7.0 – 77.8% 0.0 – 35.2%	20.7% 15.8%	Lower fair value Lower fair value	No predictable interrelationship
Collateralized debt obligations (“CDOs”) and other							
	27	DCF	Yields Prepayment rates Default probabilities Loss severities	5.0 – 18.0% 20.0% 1.0 – 2.0% 44.0 – 100.0%	11.9% 20.0% 2.0% 90.3%	Lower fair value Lower fair value Lower fair value Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
Derivatives, net:							
Equity contracts							
	¥ (6)	Option models	Dividend yield Volatilities Correlations	0.0 – 10.0% 3.0 – 70.0% (0.80) – 0.96	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Interest rate contracts							
	(22)	DCF/ Option models	Interest rates Volatilities Volatilities Correlations	0.1 – 3.7% 12.4 – 15.7% 30.2 – 79.0 bp (0.55) – 0.99	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Credit contracts							
	(10)	DCF/ Option models	Credit spreads Recovery rates Volatilities Correlations	0.0 – 17.0% 20.0 – 90.0% 16.2 – 83.0% 0.35 – 0.93	— — — —	Higher fair value Higher fair value Higher fair value Higher fair value	No predictable interrelationship
Foreign exchange contracts							
	23	DCF/ Option models	Interest rates Volatilities Correlations	0.1 – 3.0% 1.0 – 27.5% 0.35 – 0.80	— — —	Higher fair value Higher fair value Higher fair value	No predictable interrelationship

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

March 31, 2017

Financial Instrument	Fair value in billions of yen	Valuation technique	Significant unobservable valuation input	Range of valuation inputs ⁽¹⁾	Weighted Average ⁽²⁾	Impact of increases in significant unobservable valuation inputs ⁽³⁾⁽⁴⁾	Interrelationships between valuation inputs ⁽⁵⁾
Loans and receivables	66	DCF	Credit spreads	0.0 – 20.0%	2.1%	Lower fair value	Not applicable
Collateralized agreements	5	DCF	Repo rate	3.5%	3.5%	Lower fair value	Not applicable
Other assets							
Other ⁽⁶⁾	163	DCF	WACC	5.2 – 10.5%	10.0%	Lower fair value	No predictable interrelationship
			Growth rates	1.0 – 2.5%	2.4%	Higher fair value	
			Credit spreads	0.6 – 0.7%	0.7%	Lower fair value	
			Liquidity discounts	0.0 – 30.0%	2.7%	Lower fair value	
		Market multiples	EV/EBITDA ratios	3.3 – 8.8x	7.0x	Higher fair value	Generally changes in multiples results in a
			PE ratios	6.7 – 59.2x	15.1x	Higher fair value	corresponding similar
			Price/Book ratios	0.0 – 3.8x	1.1x	Higher fair value	directional change in a
			EV/AUM	1.5x	1.5x	Higher fair value	fair value measurement,
			Liquidity discounts	12.9 – 30.0%	27.3%	Lower fair value	assuming earnings levels remain constant.
Liabilities:							
Short-term borrowings	70	DCF/ Option models	Volatilities	3.9 – 60.1%	—	Higher fair value	No predictable interrelationship
			Correlations	(0.80) – 0.96	—	Higher fair value	
Collateralized financing	3	DCF	Repo rate	2.2%	2.2%	Lower fair value	Not applicable
Long-term borrowings	410	DCF	Yields	9.2 – 13.0%	11.3%	Lower fair value	Change in default probabilities typically
			Prepayment rates	20.0%	20.0%	Lower fair value	accompanied by
			Default probabilities	2.0%	2.0%	Lower fair value	directionally similar
			Loss severities	30.0%	30.0%	Lower fair value	change in loss severities and
							opposite change in prepayment rates
		DCF/ Option models	Volatilities	3.9 – 60.1%	—	Higher fair value	No predictable interrelationship
			Volatilities	38.4 – 61.6 bp	—	Higher fair value	
			Correlations	(0.80) – 0.99	—	Higher fair value	

- (1) Range information is provided in percentages, coefficients and multiples and represents the highest and lowest level significant unobservable valuation input used to value that type of financial instrument. A wide dispersion in the range does not necessarily reflect increased uncertainty or subjectivity in the valuation input and is typically just a consequence of the different characteristics of the financial instruments themselves.
- (2) Weighted average information for non-derivative instruments is calculated by weighting each valuation input by the fair value of the financial instrument.
- (3) The above table only considers the impact of an increase in each significant unobservable valuation input on the fair value measurement of the financial instrument. However, a decrease in the significant unobservable valuation input would have the opposite effect on the fair value measurement of the financial instrument. For example, if an increase in a significant unobservable valuation input would result in a lower fair value measurement, a decrease in the significant unobservable valuation input would result in a higher fair value measurement.
- (4) The impact of an increase in the significant unobservable input on the fair value measurement for a derivative assumes Nomura is long risk to the input e.g., long volatility. Where Nomura is short such risk, the impact of an increase would have a converse effect on the fair value measurement of the derivative.
- (5) Consideration of the interrelationships between significant unobservable inputs is only relevant where more than one unobservable valuation input is used to determine the fair value measurement of the financial instrument.
- (6) Valuation technique(s) and unobservable valuation inputs in respect of equity securities reported within *Other assets* in the consolidated balance sheets.
- (7) Certain changes to the presentation of previously reported amounts have been made to conform to the current year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Qualitative discussion of the ranges of significant unobservable inputs

The following comments present qualitative discussion about the significant unobservable valuation inputs used by Nomura for financial instruments classified in Level 3.

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

Derivatives—Interest rate contracts—The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is wide as volatilities can be higher when interest rates are at extremely low levels, and also because volatilities of shorter-dated interest rate derivatives are typically higher than those of longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range. All significant unobservable inputs are spread across the ranges.

Derivatives—Credit contracts—The significant unobservable inputs are credit spreads, recovery rates, volatilities and correlations. The range of credit spreads reflects the different risk of default present within the portfolio. At the low end of the range, underlying reference names have a very limited risk of default whereas at the high end of the range, underlying reference names have a much greater risk of default. The range of recovery rates varies primarily due to the seniority of the underlying exposure with senior exposures having a higher recovery than subordinated exposures. The range of volatilities is wide as the volatilities of shorter-dated credit contracts are typically higher than those of longer-dated instruments. The correlation range is positive since credit spread moves are generally in the same direction. Highly positive correlations are those for which the movement is very closely related and in the same direction, with correlation falling as the relationship becomes less strong.

Derivatives—Foreign exchange contracts—The significant unobservable inputs are interest rates, volatilities and correlations. The range of interest rates is due to interest rates in different countries/currencies being at different levels with some countries having extremely low levels and others being at levels that while still relatively low are less so. The range of volatilities is relatively narrow with the lower end of the range arising from currencies that trade in narrow ranges versus the U.S. Dollar. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

Short-term borrowings and Long-term borrowings—The significant unobservable inputs are yields, prepayment rates, default probabilities, loss severities, volatilities and correlations. The range of volatilities is

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wide as the volatilities of shorter-dated instruments are typically higher than those in longer-dated instruments. The range of correlations moves from positive to negative because the movement of some pairs is very closely related and in the same direction causing highly positive correlations while others generally move in opposite directions causing highly negative correlations with pairs that have differing relationships through the range.

Movements in Level 3 financial instruments

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified in Level 3 for the years ended March 31, 2016 and 2017. Financial instruments classified in Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable valuation inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable valuation inputs.

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For the years ended March 31, 2016 and 2017, gains and losses related to Level 3 assets and liabilities did not have a material impact on Nomura's liquidity and capital resources management.

Billions of yen										
Year ended March 31, 2016										
	Balance as of April 1, 2015	Total gains (losses) recognized in net revenue ⁽¹⁾	Total gains (losses) recognized in other comprehensive income	Purchases / issues ⁽²⁾	Sales / redemptions ⁽²⁾	Settlements	Foreign exchange movements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Balance as of March 31, 2016
Assets:										
Trading assets and private equity investments										
Equities	¥ 25	¥—	¥—	¥ 17	¥ (7)	¥—	¥ (1)	¥ 2	¥ (2)	¥ 34
Private equity investments	39	14	—	—	(25)	—	(2)	—	(6)	20
Japanese agency and municipal securities	—	0	—	11	(11)	—	—	—	0	—
Foreign government, agency and municipal securities	3	0	—	21	(22)	—	0	3	(1)	4
Bank and corporate debt securities and loans for trading purposes	167	(9)	—	164	(243)	—	(9)	60	(23)	107
Commercial mortgage-backed securities ("CMBS")	2	2	—	15	(3)	—	0	1	—	17
Residential mortgage-backed securities ("RMBS")	1	0	—	1	(1)	—	0	8	—	9
Real estate-backed securities	13	0	—	35	(20)	—	(3)	13	—	38
Collateralized debt obligations ("CDOs") and other	15	(8)	—	9	(14)	—	(1)	16	(7)	10
Investment trust funds and other	4	0	—	2	(1)	—	0	0	(3)	2
Total trading assets and private equity investments	269	(1)	—	275	(347)	—	(16)	103	(42)	241
Derivatives, net ⁽⁴⁾										
Equity contracts	(6)	11	—	—	—	(4)	0	1	4	6
Interest rate contracts	(22)	(17)	—	—	—	61	(3)	(1)	(1)	17
Credit contracts	4	(1)	—	—	—	(4)	0	(6)	7	0
Foreign exchange contracts	(5)	(14)	—	—	—	18	1	(3)	(6)	(9)
Commodity contracts	0	0	—	—	—	0	0	—	—	—
Total derivatives, net	(29)	(21)	—	—	—	71	(2)	(9)	4	14
Subtotal	¥240	¥(22)	¥—	¥275	¥(347)	¥ 71	¥(18)	¥ 94	¥ (38)	¥255
Loans and receivables	¥ 15	¥ (1)	¥—	¥ 7	¥ (1)	¥—	¥ (2)	¥ 8	¥—	¥ 26
Other assets										
Non-trading debt securities	0	—	—	—	—	—	0	—	—	0
Other	53	6	0	3	(4)	—	(1)	0	0	57
Total	¥308	¥(17)	¥ 0	¥285	¥(352)	¥ 71	¥(21)	¥102	¥ (38)	¥338
Liabilities:										
Trading liabilities										
Equities	¥ 3	¥ (1)	¥—	¥ 1	¥ (4)	¥—	¥ 0	¥ 1	¥ (2)	¥ 0
Bank and corporate debt securities	0	(2)	—	1	0	—	0	1	(1)	3
Investment trust funds and other	—	0	—	—	—	—	0	0	—	0
Total trading liabilities	¥ 3	¥ (3)	¥—	¥ 2	¥ (4)	¥—	¥ 0	¥ 2	¥ (3)	¥ 3
Short-term borrowings	1	(2)	—	27	(1)	—	0	9	(17)	21
Payables and deposits	0	0	—	0	0	—	0	—	—	0
Long-term borrowings	525	30	—	232	(412)	—	(7)	114	(91)	331
Other liabilities	—	(2)	—	0	0	—	0	0	0	2
Total	¥529	¥ 23	¥—	¥261	¥(417)	¥—	¥ (7)	¥125	¥(111)	¥357

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Billions of yen										
Year ended March 31, 2017										
	Balance as of April 1, 2016	Total gains (losses) recognized in net revenue ⁽¹⁾	Total gains (losses) recognized in other comprehensive income	Purchases / issues ⁽²⁾	Sales / redemptions ⁽²⁾	Settlements	Foreign exchange movements	Transfers into Level 3 ⁽³⁾	Transfers out of Level 3 ⁽³⁾	Balance as of March 31, 2017
Assets:										
Trading assets and private equity investments										
Equities	¥ 34	¥ (2)	¥—	¥ 11	¥ (10)	¥—	¥ (1)	¥ 9	¥ (7)	¥ 34
Private equity investments	20	1	—	0	(5)	—	(2)	—	(1)	13
Japanese agency and municipal securities	—	0	—	1	0	—	—	0	—	1
Foreign government, agency and municipal securities	4	0	—	5	(7)	—	0	5	(4)	3
Bank and corporate debt securities and loans for trading purposes	107	2	—	97	(131)	—	(2)	62	(27)	108
Commercial mortgage-backed securities ("CMBS")	17	0	—	—	(16)	—	0	0	0	1
Residential mortgage-backed securities ("RMBS")	9	0	—	14	(20)	—	(2)	0	(1)	0
Real estate-backed securities	38	(4)	—	41	(34)	—	0	—	—	41
Collateralized debt obligations ("CDOs") and other	10	(11)	—	76	(58)	—	1	16	(7)	27
Investment trust funds and other	2	1	—	0	(3)	—	0	0	0	0
Total trading assets and private equity investments	241	(13)	—	245	(284)	—	(6)	92	(47)	228
Derivatives, net ⁽⁴⁾										
Equity contracts	6	(16)	—	—	—	(7)	0	22	(11)	(6)
Interest rate contracts	17	24	—	—	—	(39)	0	(15)	(9)	(22)
Credit contracts	0	0	—	—	—	(5)	(1)	(4)	0	(10)
Foreign exchange contracts	(9)	9	—	—	—	14	1	4	4	23
Commodity contracts	—	0	—	—	—	0	0	—	—	—
Total derivatives, net	14	17	—	—	—	(37)	0	7	(16)	(15)
Subtotal	¥255	¥ 4	¥—	¥245	¥(284)	¥(37)	¥ (6)	¥ 99	¥ (63)	¥213
Loans and receivables	¥ 26	¥ (1)	¥—	¥ 47	¥ (16)	¥—	¥ 1	¥ 14	¥ (5)	¥ 66
Collateralized agreements	—	0	—	—	—	—	0	5	—	5
Other assets										
Non-trading debt securities	0	0	—	—	0	—	0	—	—	—
Other	57	(5)	0	108	(4)	—	10	7	(10)	163
Total	¥338	¥ (2)	¥ 0	¥400	¥(304)	¥(37)	¥ 5	¥125	¥ (78)	¥447
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ 0	¥—	¥ 4	¥ (3)	¥—	¥ 0	¥ 3	¥ (3)	¥ 1
Bank and corporate debt securities	3	0	—	0	(1)	—	0	0	(2)	0
Collateralized debt obligations ("CDOs") and other	—	0	—	4	(3)	—	0	—	0	1
Investment trust funds and other	0	0	—	0	0	—	0	—	0	0
Total trading liabilities	¥ 3	¥ 0	¥—	¥ 8	¥ (7)	¥ 0	¥ 0	¥ 3	¥ (5)	¥ 2
Short-term borrowings	21	0	0	87	(38)	—	(3)	7	(4)	70
Payables and deposits	0	0	—	0	0	—	—	—	0	0
Collateralized financing	—	—	—	3	—	—	—	—	—	3
Long-term borrowings	331	9	(4)	190	(113)	—	0	132	(125)	410
Other liabilities	2	0	—	1	(1)	(2)	0	1	0	1
Total	¥357	¥ 9	¥ (4)	¥289	¥(159)	¥ (2)	¥ (3)	¥143	¥(134)	¥486

(1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain on private equity investments*, and also within *Gain on investments in equity securities*, *Revenue—Other* and *Non-interest expenses—Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (2) Amounts reported in *Purchases / issues* include increases in trading liabilities while *Sales / redemptions* include decreases in trading liabilities.
- (3) If financial instruments move from Level 3 to another Level or move from another Level to Level 3, the amount reported in *Transfers into Level 3 and Transfers out of Level 3* is the fair value as of the beginning of the quarter during which the movement occurs. Therefore if financial instruments move from another Level to Level 3, all gains/ (losses) during the quarter are included in the table and if financial instruments move from Level 3 to another Level, all gains/ (losses) during the year are excluded from the table.
- (4) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (5) In accordance with ASU 2015-07, certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Unrealized gains and losses recognized for Level 3 financial instruments

The following table presents the amounts of unrealized gains (losses) for the years ended March 31, 2016 and 2017, relating to those financial instruments which Nomura classified in Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date.

	Billions of yen	
	March 31	
	2016	2017
	Unrealized gains / (losses) ⁽¹⁾	
Assets:		
Trading assets and private equity investments		
Equities	¥ 0	¥ (1)
Private equity investments	6	1
Japanese agency and municipal securities	0	0
Foreign government, agency and municipal securities	0	0
Bank and corporate debt securities and loans for trading purposes	(8)	0
Commercial mortgage-backed securities (“CMBS”)	4	0
Residential mortgage-backed securities (“RMBS”)	0	0
Real estate-backed securities	0	(1)
Collateralized debt obligations (“CDOs”) and other	(4)	(3)
Investment trust funds and other	0	0
Total trading assets and private equity investments	<u>(2)</u>	<u>(4)</u>
Derivatives, net ⁽²⁾		
Equity contracts	4	(8)
Interest rate contracts	14	(12)
Credit contracts	(4)	0
Foreign exchange contracts	(9)	6
Commodity contracts	—	0
Total derivatives, net	<u>5</u>	<u>(14)</u>
Subtotal	<u>¥ 3</u>	<u>¥ (18)</u>
Loans and receivables	(1)	1
Collateralized agreements	—	0
Other assets		
Non-trading debt securities	0	0
Other	4	(4)
Total	<u>¥ 6</u>	<u>¥ (21)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Billions of yen	
	March 31	
	2016	2017
	Unrealized gains / (losses) ⁽¹⁾	
Liabilities:		
Trading liabilities		
Equities	¥ 0	¥ (1)
Bank and corporate debt securities	(2)	1
Collateralized debt obligations (“CDOs”) and other	—	0
Investment trust funds and other	0	—
Total trading liabilities	¥ (2)	¥ 0
Short-term borrowings	(2)	0
Payables and deposits	1	0
Long-term borrowings	33	(4)
Other liabilities	(2)	0
Total	¥ 28	¥ (4)

- (1) Includes gains and losses reported within *Net gain on trading*, *Gain on private equity investments*, and also within *Gain on investments in equity securities*, *Revenue—Other* and *Non-interest expenses—Other*, *Interest and dividends* and *Interest expense* in the consolidated statements of income.
- (2) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government debt securities.
- (3) In accordance with ASU 2015-07, certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Transfers between levels of the fair value hierarchy

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

Transfers between Level 1 and Level 2

During the year ended March 31, 2016, a total of ¥85 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥65 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became less active. This also comprised ¥20 billion of *Investment trust funds and other*, which were transferred because the observable markets in which these instruments were traded became less active. During the same period, a total of ¥28 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥27 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became less active.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the year ended March 31, 2017, a total of ¥464 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥423 billion of equities reported within *Trading assets and private equity investments—Equities*, which were transferred because the observable markets in which these instruments were traded became less active. This also comprised ¥40 billion of *Investment trust funds and other*, which were transferred because the observable markets in which these instruments were traded became less active. During the same period, a total of ¥466 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥452 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became less active. This also comprised ¥14 billion of short sales of *Investment trust funds and other*, which were transferred because the observable markets in which these instruments were traded became less active.

During the year ended March 31, 2016, a total of ¥87 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥60 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became more active. This also comprised ¥21 billion of *Investment trust funds and other* which were transferred because the observable markets in which these instruments were traded became more active. During the same period, a total of ¥25 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥24 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became more active.

During the year ended March 31, 2017, a total of ¥550 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥387 billion of equities reported within *Trading assets and private equity investments—Equities* which were transferred because the observable markets in which these instruments were traded became more active. This also comprised ¥143 billion of *Other assets Other* and ¥13 billion of *Investment trust funds and other* which were transferred because the observable markets in which these instruments were traded became more active. During the same period, a total of ¥483 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥341 billion of short sales of equities reported within *Trading liabilities* which were transferred because the observable markets in which these instruments were traded became more active. This also comprised ¥141 billion of *Other liabilities* which were transferred because the observable markets in which these instruments were traded became more active.

Transfers out of Level 3

During the year ended March 31, 2016, a total of ¥42 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥23 billion of *Bank and corporate debt securities and loans for trading purposes* which were transferred because certain credit spreads and recovery rates became observable. During the same period, a total of ¥111 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥17 billion of *Short-term borrowings*, and ¥91 billion of *Long-term borrowings*, which were transferred because certain volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2016, a total amount of net derivative liabilities which were transferred out of Level 3 was not significant.

During the year ended March 31, 2017, a total of ¥62 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥27 billion of *Bank and corporate debt securities and*

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loans for trading purposes, which were transferred because certain credit spreads and recovery rates became observable or less significant. During the same period, a total of ¥134 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥125 billion of *Long term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2017, the total amount of ¥16 billion of net derivative assets were transferred out of Level 3. This comprised primarily ¥11 billion of net equity derivative liabilities which were transferred because certain dividend yield, volatility and correlation valuation inputs became observable or less significant.

Transfers into Level 3

During the year ended March 31, 2016, a total of ¥111 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥60 billion of *Bank and corporate debt securities and loans for trading purposes*, which were transferred because certain credit spread and recovery rate valuation inputs became unobservable, ¥13 billion of *Real estate-backed securities* which were transferred because certain yield and loss severity valuation inputs became unobservable and ¥16 billion of *Collateralized debt obligations (“CDOs”) and other*, which were transferred because certain yield, prepayment rate, default probability and loss severity valuation inputs became unobservable. The amount of gains and losses on these transfer reported in *Bank and corporate debt securities and loans for trading purposes*, *Real estate-backed securities* and *Collateralized debt obligations (“CDOs”) and other* which were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥125 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥114 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable or more significant. The amount of gains and losses on these transfers reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2016, a total amount of net derivative liabilities which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the quarter when the transfer into Level 3 occurred was also not significant.

During the year ended March 31, 2017, a total of ¥118 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥62 billion of *Bank and corporate debt securities and loans for trading purposes* which were transferred because certain credit spread and recovery rate valuation inputs became unobservable or more significant, ¥16 billion of *Collateralized debt obligations (“CDOs”) and other* which were transferred because certain yields, prepayment rates, default probabilities and loss severities became unobservable or more significant and ¥14 billion of *Loans and receivables* which were transferred because certain credit Spreads became unobservable or more significant. The amount of gains and losses on these transfers reported in *Bank and corporate debt securities and loans for trading purposes*, *Collateralized debt obligations (“CDOs”) and other* and *Loans and receivables* were recognized in the quarter when the transfer into Level 3 occurred were not significant. During the same period, a total of ¥143 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥132 billion of *Long-term borrowings*, principally structured notes, which were transferred because certain volatility and correlation valuation inputs became unobservable or more significant. The amount of gains and losses on these transfers reported in *Long-term borrowings* which were recognized in the quarter when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2017, a total amount of net derivative liabilities which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the quarter when the transfer into Level 3 occurred was also not significant.

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Investments in investment funds that calculate NAV per share

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

The following tables present information on these investments where NAV per share is calculated or disclosed as of March 31, 2016 and 2017. Investments are presented by major category relevant to the nature of Nomura's business and risks.

Billions of yen				
March 31, 2016				
Fair value	Unfunded commitments ⁽¹⁾	Redemption frequency (if currently eligible) ⁽²⁾	Redemption notice ⁽³⁾	
Hedge funds	¥ 56	¥ 0	Monthly	Same day-90 days
Venture capital funds	2	1	—	—
Private equity funds	23	18	—	—
Real estate funds	1	—	—	—
Total	<u>¥ 82</u>	<u>¥ 19</u>		

Billions of yen				
March 31, 2017				
Fair value	Unfunded commitments ⁽¹⁾	Redemption frequency (if currently eligible) ⁽²⁾	Redemption notice ⁽³⁾	
Hedge funds	¥ 37	¥ 0	Monthly	Same day-90 days
Venture capital funds	3	1	—	—
Private equity funds	26	14	—	—
Real estate funds	4	—	—	—
Total	<u>¥ 70</u>	<u>¥ 15</u>		

- (1) The contractual amount of any unfunded commitments Nomura is required to make to the entities in which the investment is held.
- (2) The range in frequency with which Nomura can redeem investments.
- (3) The range in notice period required to be provided before redemption is possible.
- (4) In accordance with ASU 2015-07, certain investments that are measured at fair value using net asset value per share as a practical expedient have not been classified in the fair value hierarchy. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Hedge funds:

These investments include funds of funds that invest in multiple asset classes. The fair values of these investments are determined using NAV per share. Although most of these funds can be redeemed within six months, certain funds cannot be redeemed within six months due to contractual, liquidity or gating issues. The redemption period cannot be estimated for certain suspended or liquidating funds. Some of these investments contain restrictions against transfers of the investments to third parties.

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Venture capital funds:

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

Private equity funds:

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

Real estate funds:

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

Fair value option for financial assets and financial liabilities

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

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

- Equity method investments reported within *Trading assets and private equity investments* and *Other assets* held for capital appreciation or current income purposes which Nomura generally has an intention to exit rather than hold indefinitely. Nomura elects the fair value option to more appropriately represent the purpose of these investments in these consolidated financial statements.
- Loans reported within *Loans and receivables* which are risk managed on a fair value basis and loan commitments related to loans receivable for which the fair value option will be elected upon funding. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between loans and the derivatives used to risk manage those instruments.
- Reverse repurchase and repurchase agreements reported within *Collateralized agreements* and *Collateralized financing* which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility through earnings caused by the difference in measurement basis that otherwise would arise between the reverse repurchase and repurchase agreements and the derivatives used to risk manage those instruments.
- All structured notes issued on or after April 1, 2008 reported within *Short-term borrowings* and *Long-term borrowings*. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility through earnings caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions. Nomura also elects the fair value option for certain notes issued by consolidated VIEs for the same purpose and for certain structured notes issued prior to April 1, 2008.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

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

The following table presents gains (losses) due to changes in fair value for financial instruments measured at fair value using the fair value option for the years ended March 31, 2015, 2016 and 2017.

	Billions of yen		
	Year ended March 31		
	2015	2016	2017
	Gains/(Losses) ⁽¹⁾		
Assets:			
Trading assets and private equity investments ⁽²⁾			
Trading assets	¥ 0	¥ 1	¥ 1
Private equity investments	1	1	0
Loans and receivables	4	5	1
Collateralized agreements ⁽³⁾	4	2	6
Other assets ⁽²⁾	6	(22)	10
Total	<u>¥15</u>	<u>¥(13)</u>	<u>¥ 18</u>
Liabilities:			
Short-term borrowings ⁽⁴⁾	¥11	¥ 14	¥(42)
Collateralized financing ⁽³⁾	(2)	6	(1)
Long-term borrowings ⁽⁴⁾⁽⁵⁾	(7)	79	7
Other liabilities ⁽⁶⁾	0	(2)	0
Total	<u>¥ 2</u>	<u>¥ 97</u>	<u>¥(36)</u>

- Includes gains and losses reported primarily within *Net gain on trading*, *Gain on private equity investments* and *Revenue—Other* in the consolidated statements of income.
- Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
- Includes reverse repurchase and repurchase agreements.
- Includes structured notes and other financial liabilities.
- Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.
- Includes unfunded written loan commitments.

Nomura carried its investment in the common stock of Ashikaga Holdings Co., Ltd. (“Ashikaga Holdings”) at fair value through election of the fair value option. Nomura held 37.1% of the common stock as of March 31, 2015, 36.9% as of March 31, 2016. This investment was reported within *Other assets—Other* in the consolidated balance sheets.

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On October 1, 2016, Ashikaga Holdings merged with Joyo Bank, Ltd. through a share exchange and created Mebuki Financial Group, Inc. As a result, Nomura does not have significant influence over Mebuki Financial Group, Inc. Nomura's investment in the common stock of Mebuki Financial Group, Inc. continues to be carried at fair value after the share exchange.

In May 2016, Nomura completed the purchase of a non-controlling stake in the common stock of American Century Companies, Inc. ("American Century"). As of March 31, 2017, Nomura held an economic interest of 39.70% in American Century. The investment is carried at fair value on a recurring basis through election of the fair value option and is reported within *Other assets—Other* in the consolidated balance sheets.

See Note 19 "*Affiliated companies and other equity-method investees*" for further information regarding significant affiliated companies of Nomura, including those elected for the fair value option.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected by DCF valuation techniques using a rate which incorporates observable changes in its credit spread.

Changes in the fair value of financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were decrease of ¥2 billion for the year ended March 31, 2015, mainly due to the widening of Nomura's credit spread. Changes in the fair value of financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were decrease of ¥23 billion for the year ended March 31, 2016, mainly due to the widening of Nomura's credit spread. Changes in the fair value of financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness were increase of ¥15 billion for the year ended March 31, 2017, mainly due to the tightening of Nomura's credit spread. These changes in the fair value are reported in other comprehensive income from the year ended March 31, 2017.

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

As of March 31, 2016, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *loans and receivables* for which the fair value option was elected was ¥1 billion more than the principal balance of such *loans and receivables*. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *long-term borrowings* for which the fair value option was elected was ¥2 billion less than the principal balance of such *long-term borrowings*. There were no *loans and receivables* for which the fair value option was elected that were 90 days or more past due.

As of March 31, 2017, the fair value of the aggregate unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥0 billion more than the principal balance of such *loans and receivables*. The fair value of the aggregate unpaid principal balance (which is contractually principally protected) of *long-term borrowings* for which the fair value option was elected was ¥41 billion less than the principal balance of such *long-term borrowings*. There were no *loans and receivables* for which the fair value option was elected that were 90 days or more past due.

Concentrations of credit risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura has credit risk concentrations on bonds issued by the Japanese Government, U.S. Government, Governments within the European Union ("EU"), their states and municipalities, and their agencies. These concentrations generally arise

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from taking trading positions and are reported within *Trading assets* in the consolidated balance sheets. Government, agency and municipal securities, including *Securities pledged as collateral*, represented 20% of total assets as of March 31, 2016 and 15% as of March 31, 2017.

The following tables present geographic allocations of Nomura’s trading assets related to government, agency and municipal securities as of March 31, 2016 and 2017. See Note 3 “*Derivative instruments and hedging activities*” for further information regarding the concentration of credit risk for derivatives.

	Billions of yen				
	March 31, 2016				
	Japan	U.S.	EU	Other	Total ⁽¹⁾
Government, agency and municipal securities	¥3,188	¥2,445	¥2,197	¥418	¥8,248

	Billions of yen				
	March 31, 2017				
	Japan	U.S.	EU	Other	Total ⁽¹⁾
Government, agency and municipal securities	¥2,494	¥2,047	¥1,315	¥479	¥6,335

(1) Other than above, there were ¥577 billion and ¥544 billion of government, agency and municipal securities reported within *Other assets—Non-trading debt securities* in the consolidated balance sheets as of March 31, 2016 and 2017, respectively. These securities are primarily Japanese government, agency and municipal securities.

Estimated fair value of financial instruments not carried at fair value

Certain financial instruments are not carried at fair value on a recurring basis in the consolidated balance sheets since they are neither held for trading purposes nor are elected for the fair value option. These are typically carried at contractual amounts due or amortized cost.

The carrying value of the majority of the financial instruments detailed below will approximate fair value since they are short-term in nature and contain minimal credit risk. These financial instruments include financial assets reported within *Cash and cash equivalents, Time deposits, Deposits with stock exchanges and other segregated cash, Receivables from customers, Receivables from other than customers, Securities purchased under agreements to resell* and *Securities borrowed* and financial liabilities reported within *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned* and *Other secured borrowings* in the consolidated balance sheets. These would be generally classified in either Level 1 or Level 2 within the fair value hierarchy.

The estimated fair values of other financial instruments which are longer-term in nature or may contain more than minimal credit risk may be different to their carrying value. Financial assets of this type primarily include certain loans which are reported within *Loans receivable* while financial liabilities primarily include long-term borrowings which are reported within *Long-term borrowings*. The estimated fair value of loans receivable which are not elected for the fair value option is generally estimated in the same way as other loans carried at fair value on a recurring basis . Where quoted market prices are available, such market prices are utilized to estimate fair value. The fair value of long-term borrowings which are not elected for the fair value option is generally estimated in the same way as other borrowings carried at fair value on a recurring basis using quoted market prices where available or by DCF valuation techniques. All of these financial assets and financial liabilities would be generally classified in Level 2 or Level 3 within the fair value hierarchy using the same methodology as is applied to these instruments when they are elected for the fair value option.

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The following tables present carrying values, fair values and classification within the fair value hierarchy for certain classes of financial instrument of which a portion of the ending balance was carried at fair value as of March 31, 2016 and 2017.

	Billions of yen				
	March 31, 2016 ⁽¹⁾				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
Assets:					
Cash and cash equivalents	¥ 3,476	¥ 3,476	¥3,476	¥ —	¥—
Time deposits	197	197	—	197	—
Deposits with stock exchanges and other segregated cash	226	226	—	226	—
Loans receivable ⁽²⁾	1,605	1,605	—	1,180	425
Securities purchased under agreements to resell	9,205	9,205	—	9,205	—
Securities borrowed	5,872	5,872	—	5,872	—
Total	¥20,581	¥20,581	¥3,476	¥16,680	¥425
Liabilities:					
Short-term borrowings	¥ 663	¥ 663	¥ 1	¥ 641	¥ 21
Deposits received at banks	2,223	2,223	—	2,223	0
Securities sold under agreements to repurchase	14,192	14,192	—	14,192	—
Securities loaned	1,937	1,936	—	1,936	—
Long-term borrowings	8,130	8,128	104	7,692	332
Total	¥27,145	¥27,142	¥ 105	¥26,684	¥353
	Billions of yen				
	March 31, 2017 ⁽¹⁾				
	Carrying value	Fair value	Fair value by level		
Level 1			Level 2	Level 3	
Assets:					
Cash and cash equivalents	¥ 2,537	¥ 2,537	¥2,537	¥ —	¥—
Time deposits	208	208	—	208	—
Deposits with stock exchanges and other segregated cash	227	227	—	227	—
Loans receivable ⁽²⁾	1,874	1,875	—	1,405	470
Securities purchased under agreements to resell	11,457	11,457	—	11,452	5
Securities borrowed	7,273	7,272	—	7,272	—
Total	¥23,576	¥23,576	¥2,537	¥20,564	¥475
Liabilities:					
Short-term borrowings	¥ 543	¥ 543	¥ —	¥ 473	¥ 70
Deposits received at banks	1,133	1,133	—	1,132	1
Securities sold under agreements to repurchase	17,096	17,096	—	17,093	3
Securities loaned	1,627	1,626	—	1,626	—
Long-term borrowings	7,195	7,218	109	6,697	412
Total	¥27,594	¥27,616	¥ 109	¥27,021	¥486

(1) Includes financial instruments which are carried at fair value on a recurring basis.

(2) Carrying values are shown after deducting relevant allowances for credit losses.

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For the estimated fair value of liabilities relating to investment contracts underwritten by Nomura's insurance subsidiary, see Note 9 "*Other assets—Other / Other liabilities*" in our consolidated financial statements included in this annual report.

Assets and liabilities measured at fair value on a nonrecurring basis

In addition to financial instruments carried at fair value on a recurring basis, Nomura also measures other financial and non-financial assets and liabilities at fair value on a nonrecurring basis, where the primary measurement basis is not fair value. Fair value is only used in specific circumstances after initial recognition such as to measure impairment.

As of March 31, 2015, there were no significant amount of assets and liabilities which were measured at fair value on a nonrecurring basis.

During the year ended March 31, 2016, Nomura recognized other-than-temporary impairment losses of ¥2 billion within *Non-interest expenses—Other* in the consolidated statements of operations against certain listed equity method investees. The carrying amount of these investments, which is reported within *Other assets—Investments in and advances to affiliated companies* in the consolidated balance sheets, was written down to their fair value of ¥3 billion. Fair value was determined in accordance with ASC 820 using unadjusted quoted market prices. Consequently, these nonrecurring fair value measurements have been determined using valuation inputs which would be classified as Level 1 in the fair value hierarchy.

As of March 31, 2017, there were no significant amount of assets and liabilities which were measured at fair value on a nonrecurring basis.

3. Derivative instruments and hedging activities:

Nomura uses a variety of derivative financial instruments, including futures, forwards, options and swaps, for both trading and non-trading purposes.

Derivatives used for trading purposes

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet client needs, for trading purposes, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are client oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging clients' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives to assist its clients in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide clients with securities and other capital market products at competitive prices.

Futures and forward contracts are commitments to either purchase or sell securities, foreign currency or other capital market instruments at a specific future date for a specified price and may be settled in cash or

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through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are executed through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency exposures. Entering into swap agreements may involve the risk of credit losses in the event of counterparty default.

To the extent these derivative financial instruments are economically hedging financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments.

Derivatives used for non-trading purposes

Nomura's principal objectives in using derivatives for non-trading purposes are to manage interest rate risk, to modify the interest rate characteristics of certain financial liabilities, to manage foreign exchange risk of certain foreign currency denominated debt securities, to manage net investment exposure to fluctuations in foreign exchange rates arising from certain foreign operations and to mitigate equity price risk arising from certain stock-based compensation awards given to employees.

Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Concentrations of credit risk for derivatives

The following tables present Nomura's significant concentration of exposures to credit risk in OTC derivatives with financial institutions including transactions cleared through central counterparties as of March 31, 2016 and 2017. The gross fair value of derivative assets represents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

Billions of yen				
March 31, 2016				
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥35,166	¥(33,104)	¥(1,560)	¥502
Billions of yen				
March 31, 2017				
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥21,829	¥(19,905)	¥(1,590)	¥334

Derivative activities

The following tables quantify the volume of Nomura's derivative activity as of March 31, 2016 and 2017 through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

Billions of yen			
March 31, 2016			
	Total Notional ⁽¹⁾	Derivative assets Fair value	Derivative liabilities Fair value ⁽¹⁾
Derivatives used for trading and non-trading purposes ⁽²⁾⁽³⁾ :			
Equity contracts	¥ 34,479	¥ 1,285	¥ 1,541
Interest rate contracts	2,256,401	28,765	28,494
Credit contracts	47,262	679	806
Foreign exchange contracts	343,565	6,900	6,650
Commodity contracts	10,421	1	8
Total	¥2,692,128	¥37,630	¥37,499
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,506	¥ 60	¥ —
Foreign exchange contracts	393	7	4
Total	¥ 1,899	¥ 67	¥ 4
Total derivatives	¥2,694,027	¥37,697	¥37,503

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	Total Notional ⁽¹⁾	Billions of yen	
		March 31, 2017	
		Derivative assets	Derivative liabilities
		Fair value	Fair value ⁽¹⁾
Derivatives used for trading and non-trading purposes ⁽²⁾⁽³⁾ :			
Equity contracts	¥ 35,732	¥ 1,032	¥ 1,250
Interest rate contracts	2,656,681	15,355	15,193
Credit contracts	38,735	497	641
Foreign exchange contracts	369,421	6,437	6,093
Commodity contracts	2,229	1	4
Total	<u>¥3,102,798</u>	<u>¥23,322</u>	<u>¥23,181</u>
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,338	¥ 36	¥ —
Foreign exchange contracts	417	1	3
Total	<u>¥ 1,755</u>	<u>¥ 37</u>	<u>¥ 3</u>
Total derivatives	<u>¥3,104,553</u>	<u>¥23,359</u>	<u>¥23,184</u>

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.

(2) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

(3) As of March 31, 2016 and 2017, the amounts reported include derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. These amounts have not been separately presented since such amounts were not significant.

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

Offsetting of derivatives

Counterparty credit risk associated with derivative financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce the risk of loss, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. In certain cases, Nomura may agree for such collateral to be posted to a third-party custodian under a control agreement that enables Nomura to take control of such collateral in the event of counterparty default. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, OTC derivative transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain OTC centrally-cleared and exchange-traded derivatives, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing party or exchange. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparties and in certain jurisdictions, Nomura may enter into derivative transactions which are not documented under a master netting agreement. Similarly, even when derivatives are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

evidence to determine with sufficient certainty that close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include derivative transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, exchanges and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

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

The following table presents information about offsetting of derivatives and related collateral amounts in the consolidated balance sheets as of March 31, 2016 and 2017 by type of derivative contract, together with the extent to which master netting agreements entered into with counterparties, central clearing counterparties or exchanges permit additional offsetting of derivatives and collateral in the event of counterparty default. Derivative transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	<u>Billions of yen</u>		<u>Billions of yen</u>	
	<u>March 31, 2016</u>		<u>March 31, 2017⁽⁶⁾</u>	
	<u>Derivative assets</u>	<u>Derivative liabilities⁽¹⁾</u>	<u>Derivative assets</u>	<u>Derivative liabilities⁽¹⁾</u>
Equity contracts				
OTC settled bilaterally	¥ 945	¥ 1,126	¥ 808	¥ 916
Exchange-traded	340	415	224	334
Interest rate contracts				
OTC settled bilaterally	11,372	11,102	7,777	7,381
OTC centrally-cleared	17,442	17,387	7,603	7,807
Exchange-traded	11	5	11	5
Credit contracts				
OTC settled bilaterally	577	709	376	512
OTC centrally-cleared	101	96	120	128
Exchange-traded	1	1	1	1
Foreign exchange contracts				
OTC settled bilaterally	6,888	6,639	6,354	5,992
OTC centrally-cleared	19	15	84	104
Exchange-traded	—	—	—	—
Commodity contracts				
OTC settled bilaterally	—	6	—	3
Exchange-traded	1	2	1	1
Total gross derivative balances ⁽²⁾	<u>¥ 37,697</u>	<u>¥ 37,503</u>	<u>¥ 23,359</u>	<u>¥ 23,184</u>

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	Billions of yen		Billions of yen	
	March 31, 2016		March 31, 2017 ⁽⁶⁾	
	Derivative assets	Derivative liabilities ⁽¹⁾	Derivative assets	Derivative liabilities ⁽¹⁾
Less: Amounts offset in the consolidated balance sheets ⁽³⁾	(36,325)	(36,456)	(22,322)	(22,270)
Total net amounts reported on the face of the consolidated balance sheets ⁽⁴⁾	¥ 1,372	¥ 1,047	¥ 1,037	¥ 914
Less: Additional amounts not offset in the consolidated balance sheets ⁽⁵⁾				
Financial instruments and non-cash collateral	¥ (457)	¥ (59)	¥ (187)	¥ (110)
Cash collateral	—	(7)	—	—
Net amount	¥ 915	¥ 981	¥ 850	¥ 804

- (1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.
- (2) Includes all gross derivative asset and liability balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. As of March 31, 2016, the gross balance of derivative assets and derivative liabilities which are not documented under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥203 billion and ¥326 billion, respectively. As of March 31, 2017, the gross balance of such derivative assets and derivative liabilities was ¥136 billion and ¥267 billion, respectively.
- (3) Represents amounts offset through counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 815. As of March 31, 2016, Nomura offset a total of ¥1,885 billion of cash collateral receivables against net derivative liabilities and ¥1,754 billion of cash collateral payables against net derivative assets. As of March 31, 2017, Nomura offset a total of ¥1,642 billion of cash collateral receivables against net derivative liabilities and ¥1,694 billion of cash collateral payables against net derivative assets.
- (4) Net derivative assets and net derivative liabilities are generally reported within *Trading assets and private equity investments—Trading assets* and *Trading liabilities*, respectively in the consolidated balance sheet. Bifurcated embedded derivatives are reported within *Short-term borrowings* or *Long-term borrowings* depending on the maturity of the underlying host contract.
- (5) Represents amounts which are not permitted to be offset on the face of the consolidated balance sheets in accordance with ASC 210-20 and ASC 815 but which provide Nomura with a legally enforceable right of offset in the event of counterparty default. Amounts relating to derivative and collateral agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded. As of March 31, 2016, a total of ¥298 billion of cash collateral receivables and ¥466 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives. As of March 31, 2017, a total of ¥197 billion of cash collateral receivables and ¥484 billion of cash collateral payables, including amounts reported in the table, have not been offset against net derivatives.
- (6) During the year ended March 31, 2017, the rules of a specific central clearing house were amended such that daily variation margin payments and receipts against specific types of derivative now legally represent partial settlement of the derivative rather than margin. These payments and receipts are accounted for as partial settlement of the derivative rather than cash collateral. While there was no impact on the amounts reported in the consolidated balance sheet as of March 31, 2017, lower gross derivative balances and equivalent lower amounts offset in the consolidated balance sheets are included in the above table at such date as a result of this change.

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Derivatives used for trading purposes

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

The following table presents amounts recognized in the consolidated statements of income for the years ended March 31, 2015, 2016, 2017 related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen		
	Year ended March 31		
	2015	2016	2017
Derivatives used for trading and non-trading purposes ⁽¹⁾⁽²⁾ :			
Equity contracts	¥ (9)	¥ 372	¥ 65
Interest rate contracts	(105)	(142)	180
Credit contracts	11	92	(45)
Foreign exchange contracts	(17)	134	(284)
Commodity contracts	(2)	(73)	36
Total	<u>¥(122)</u>	<u>¥ 383</u>	<u>¥ (48)</u>

(1) Each derivative classification includes derivatives with multiple risk underlyings. For example, interest rates contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

(2) Includes net gains (losses) on derivatives used for non-trading purposes which are not designated as fair value or net investment hedges. For the years ended March 31, 2015, 2016 and 2017, these amounts have not been separately presented as net gains (losses) for these non-trading derivatives were not significant.

Fair value hedges

Nomura issues Japanese Yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to a floating rate and applies fair value hedge accounting to these instruments.

Also, Nomura's insurance subsidiary holds foreign currency denominated non-trading debt securities. The insurance subsidiary generally enters into swap agreements to convert foreign currency denominated principal amounts of these debt securities into its functional currency and applies fair value hedge accounting to these instruments.

Derivative financial instruments designated as fair value hedges are carried at fair value. Changes in fair value of the hedging derivatives are recognized together with those of the hedged liabilities and hedged debt securities in the consolidated statements of income within *Interest expense* and *Revenue—Other*, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents amounts recognized in the consolidated statements of income for the years ended March 31, 2015, 2016 and 2017 related to derivatives designated as fair value hedges by type of underlying derivative contract and the nature of the hedged item.

	Billions of yen					
	Year ended March 31					
	2015		2016		2017	
Derivatives designated as hedging instruments:						
Interest rate contracts	¥	29	¥	26	¥	(8)
Foreign exchange contracts		(1)		8		2
Total	¥	28	¥	34	¥	(6)
Hedged items:						
Long-term borrowings	¥	(29)	¥	(26)	¥	8
Non-trading debt securities		1		(8)		(2)
Total	¥	(28)	¥	(34)	¥	6

Net investment hedges

Nomura designates foreign currency forwards as hedges of certain subsidiaries with significant foreign exchange risks and applies hedge accounting to the instrument. Accordingly, the effective hedging portion of the foreign exchange gains (losses) arising from the derivative contracts and non-derivative financial products designated as hedges is recognized through the consolidated statements of comprehensive income within *Other comprehensive income (loss)—Change in cumulative translation adjustments, net of tax*. This is offset by the foreign exchange adjustments arising from consolidation of the relevant foreign subsidiaries.

The following table presents gains (losses) from derivatives and non-derivatives designated as net investment hedges recognized in the consolidated statements of comprehensive income for the years ended March 31, 2015, 2016 and 2017.

	Billions of yen					
	Year ended March 31					
	2015		2016		2017	
Hedging instruments:						
Foreign exchange contracts	¥	7	¥	7	¥	6
Total	¥	7	¥	7	¥	6

- (1) The portion of gains (losses) representing the amount of hedge ineffectiveness and the amount excluded from the assessment of hedge effectiveness are recognized within *Revenue—Other* in the consolidated statements of income. The amount of gains (losses) was not significant during the years ended March 31, 2015, 2016 and 2017.

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Derivatives containing credit risk related contingent features

Nomura enters into certain OTC derivatives and other agreements containing credit-risk-related contingent features. These features would require Nomura to post additional collateral or settle the instrument upon occurrence of a credit event, the most common of which would be a downgrade in the Company's long-term credit rating.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2016, was ¥719 billion with related collateral pledged of ¥587 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2016, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥15 billion.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2017, was ¥474 billion with related collateral pledged of ¥387 billion. In the event of a one-notch downgrade to Nomura's long-term credit rating in effect as of March 31, 2017, the aggregate fair value of assets that would have been required to be posted as additional collateral or that would have been needed to settle the instruments immediately was ¥7 billion.

Credit derivatives

Credit derivatives are derivative instruments in which one or more of their underlyings are related to the credit risk of a specified entity (or group of entities) or an index based on the credit risk of a group of entities that expose the seller of credit protection to potential loss from credit risk related events specified in the contract.

Written credit derivatives are instruments or embedded features where Nomura assumes third party credit risk, either as guarantor in a guarantee-type contract, or as the party that provides credit protection in an option-type contract, credit default swap, or any other credit derivative contract.

Nomura enters into credit derivatives as part of its normal trading activities as both purchaser and seller of protection for credit risk mitigation, proprietary trading positions and for client transactions.

The most significant type of credit derivatives used by Nomura are single-name credit default swaps where settlement of the derivative is based on the credit risk of a single third party. Nomura also writes credit derivatives linked to the performance of credit default indices and issues other credit risk related portfolio products.

Nomura would have to perform under a credit derivative contract if a credit event as defined in the respective contract occurs. Typical credit events include bankruptcy, failure to pay and restructuring of obligations of the reference asset.

Credit derivative contracts written by Nomura are either cash or physically settled. In cash-settled instruments, once payment is made upon an event of a default, the contract usually terminates with no further payments due. Nomura generally has no right to assume the reference assets of the counterparty in exchange for payment, nor does Nomura usually have any direct recourse to the actual issuers of the reference assets to recover the amount paid. In physically settled contracts, upon a default event, Nomura takes delivery of the reference asset in return for payment of the full notional amount of the contract.

Nomura actively monitors and manages its credit derivative exposures. Where protection is sold, risks may be mitigated by purchasing credit protection from other third parties either on identical underlying reference assets or on underlying reference assets with the same issuer which would be expected to behave in a correlated

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fashion. The most common form of recourse provision to enable Nomura to recover from third parties any amounts paid under a written credit derivative is therefore not through the derivative itself but rather through the separate purchase of credit derivatives with identical or correlated underlyings.

Nomura quantifies the value of these purchased contracts in the following tables in the column titled “Purchased Credit Protection”. These amounts represent purchased credit protection with identical underlyings to the written credit derivative contracts which act as a hedge against Nomura’s exposure. To the extent Nomura is required to pay out under the written credit derivative, a similar amount would generally become due to Nomura under the purchased hedge.

Credit derivatives have a stated notional amount which represents the maximum payment Nomura may be required to make under the contract. However, this is generally not a true representation of the amount Nomura will actually pay as in addition to purchased credit protection, other risk mitigating factors reduce the likelihood and amount of any payment, including:

The probability of default: Nomura values credit derivatives taking into account the probability that the underlying reference asset will default and that Nomura will be required to make payments under the contract. Based on historical experience and Nomura’s assessment of the market, Nomura believes that the probability that all reference assets on which Nomura provides protection will default in a single period is remote. The disclosed notional amount, therefore, significantly overstates Nomura’s realistic exposure on these contracts.

The recovery value on the underlying asset: In the case of a default, Nomura’s liability on a contract is limited to the difference between the notional amount and the recovery value of the underlying reference asset. While the recovery value on a defaulted asset may be minimal, this does reduce amounts paid on these contracts.

Nomura holds assets as collateral in relation to written credit derivatives. However, these amounts do not enable Nomura to recover any amounts paid under the credit derivative but rather mitigate the risk of economic loss arising from a counterparty defaulting against amounts due to Nomura under the contract. Collateral requirements are determined on a counterparty level rather than individual contract, and also generally cover all types of derivative contracts rather than just credit derivatives.

The following tables present information about Nomura’s written credit derivatives and purchased credit protection with identical underlyings as of March 31, 2016 and 2017.

	Billions of yen						Notional Purchased credit protection
	March 31, 2016						
	Carrying value (Asset) /Liability ⁽¹⁾	Maximum potential payout/Notional					
		Total	Years to maturity				
	Less than 1 year		1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default							
swaps	¥131	¥15,609	¥3,658	¥5,292	¥5,252	¥1,407	¥12,796
Credit default indices	52	5,797	918	1,623	2,505	751	4,295
Other credit risk related							
portfolio products	12	355	71	248	24	12	209
Credit risk related options and							
swaptions	0	67	—	—	67	—	67
Total	¥195	¥21,828	¥4,647	¥7,163	¥7,848	¥2,170	¥17,367

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	Billions of yen						
	March 31, 2017						
	Carrying value (Asset) /Liability ⁽¹⁾	Maximum potential payout/Notional					Notional Purchased credit protection
		Total	Years to maturity				
	Less than 1 year		1 to 3 years	3 to 5 years	More than 5 years		
Single-name credit default swaps	¥(17)	¥12,029	¥2,908	¥4,497	¥3,414	¥1,210	¥ 9,536
Credit default indices	(26)	5,130	697	1,558	2,188	687	3,265
Other credit risk related portfolio products	5	445	166	253	19	7	312
Credit risk related options and swaptions	—	—	—	—	—	—	—
Total	¥(38)	¥17,604	¥3,771	¥6,308	¥5,621	¥1,904	¥13,113

(1) Carrying value amounts are shown on a gross basis prior to cash collateral or counterparty netting. Asset balances represent positive fair value amounts caused by tightening of credit spreads of underlyings since inception of the credit derivative contracts.

The following tables present information about Nomura’s written credit derivatives by external credit rating of the underlying asset. Ratings are based on Standard & Poor’s Financial Services LLC (“S&P”), or if not rated by S&P, based on Moody’s Investors Service, Inc. If ratings from either of these agencies are not available, the ratings are based on Fitch Ratings Ltd. or Japan Credit Rating Agency, Ltd. For credit default indices, the rating is determined by taking the weighted average of the external credit ratings given for each of the underlying reference entities comprising the portfolio or index.

	Billions of yen						
	March 31, 2016						
	Maximum potential payout/Notional						Total
	AAA	AA	A	BBB	BB	Other ⁽¹⁾	
Single-name credit default swaps	¥1,230	¥1,305	¥4,407	¥5,428	¥2,243	¥ 996	¥15,609
Credit default indices	178	15	4,249	939	224	192	5,797
Other credit risk related portfolio products . . .	19	—	1	3	1	331	355
Credit risk related options and swaptions	—	—	—	67	—	—	67
Total	¥1,427	¥1,320	¥8,657	¥6,437	¥2,468	¥1,519	¥21,828

	Billions of yen						
	March 31, 2017						
	Maximum potential payout/Notional						Total
	AAA	AA	A	BBB	BB	Other ⁽¹⁾	
Single-name credit default swaps	¥ 843	¥1,186	¥3,658	¥4,211	¥1,486	¥ 645	¥12,029
Credit default indices	171	27	3,284	1,017	474	157	5,130
Other credit risk related portfolio products . . .	19	—	1	3	119	303	445
Credit risk related options and swaptions	—	—	—	—	—	—	—
Total	¥1,033	¥1,213	¥6,943	¥5,231	¥2,079	¥1,105	¥17,604

(1) “Other” includes credit derivatives where the credit rating of the underlying reference asset is below investment grade or where a rating is unavailable.

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Derivatives entered into in contemplation of sales of financial assets

Nomura enters into transactions which involve both the transfer of financial assets to a third party counterparty and a separate agreement with the same counterparty entered into in contemplation of the initial transfer through which Nomura retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. These transactions primarily include sales of securities with bilateral OTC total return swaps or other derivative agreements which are in-substance total return swaps. These transactions are accounted for as sales of the securities with the derivative accounted for separately if the criteria for derecognition of the securities under ASC 860 are met. Where the derecognition criteria are not met, the transfer and separate derivative are accounted for as a single collateralized financing transaction which is reported within *Long-term borrowings—Trading balances of secured borrowings* in the consolidated balance sheets.

As of March 31, 2017 there were no outstanding sales with total return swap or in-substance total return swap transactions accounted for as sales rather than collateralized financing transactions.

4. Collateralized transactions:

Nomura enters into collateralized transactions, including reverse repurchase agreements, repurchase agreements, securities borrowing transactions, securities lending transactions, other secured borrowings and similar transactions mainly to meet clients' needs, finance trading inventory positions and obtain securities for settlements.

Reverse repurchase agreements, repurchase agreements, securities borrowing transactions and securities lending transactions are typically documented under industry standard master netting agreements which reduce Nomura's credit exposure to counterparties as they permit the close-out and offset of transactions and collateral amounts in the event of default of the counterparty. For certain centrally-cleared reverse repurchase and repurchase agreements, the clearing or membership agreements entered into by Nomura provide similar rights to Nomura in the event of default of the relevant central clearing counterparty. In order to support the enforceability of the close-out and offsetting rights within these agreements, Nomura generally seeks to obtain an external legal opinion.

For certain types of counterparty and in certain jurisdictions, Nomura may enter into reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions which are not documented under a master netting agreement. Similarly, even when these transactions are documented under such agreements, Nomura may not have yet sought evidence, or may not be able to obtain evidence to determine with sufficient certainty that the close-out and offsetting rights are legally enforceable. This may be the case where relevant local laws specifically prohibit such close-out and offsetting rights, or where local laws are complex, ambiguous or silent on the enforceability of such rights. This may include reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions executed with certain foreign governments, agencies, municipalities, central clearing counterparties, agent banks and pension funds.

Nomura considers the enforceability of a master netting agreement in determining how credit risk arising from transactions with a specific counterparty is hedged, how counterparty credit exposures are calculated and applied to credit limits and the extent and nature of collateral requirements from the counterparty.

In all of these transactions, Nomura either receives or provides collateral, including Japanese and non-Japanese government, agency, mortgage-backed, bank and corporate debt securities and equities. In most

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cases, Nomura is permitted to use the securities received to enter into repurchase agreements, enter into securities lending transactions or to cover short positions with counterparties. In repurchase and reverse repurchase agreements, the value of collateral typically exceeds the amount of cash transferred. Collateral is generally in the form of securities. Securities borrowing transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities lending transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities either received from or provided to the counterparty. Additional cash or securities are exchanged as necessary, to ensure that such transactions are adequately collateralized throughout the life of the transactions.

Offsetting of certain collateralized transactions

Reverse repurchase agreements and repurchase agreements, securities borrowing and lending transactions with the same counterparty documented under a master netting agreement are offset in the consolidated balance sheets where the specific criteria defined by ASC 210-20 are met. These criteria include requirements around the maturity of the transactions, the underlying systems on which the collateral is settled, associated banking arrangements and the legal enforceability of close-out and offsetting rights under the master netting agreement.

The following tables present information about offsetting of these transactions in the consolidated balance sheets as of March 31, 2016 and 2017, together with the extent to which master netting agreements entered into with counterparties and central clearing parties permit additional offsetting in the event of counterparty default. Transactions which are not documented under a master netting agreement or are documented under a master netting agreement for which Nomura does not have sufficient evidence of enforceability are not offset in the following table.

	Billions of yen			
	March 31, 2016			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance ⁽¹⁾	¥ 25,834	¥ 5,868	¥ 30,821	¥ 2,260
Less: Amounts offset in the consolidated balance sheets ⁽²⁾	(16,629)	(5)	(16,629)	(5)
Total net amounts of reported on the face of the consolidated balance sheets ⁽³⁾	¥ 9,205	¥ 5,863	¥ 14,192	¥ 2,255
Less: Additional amounts not offset in the consolidated balance sheets ⁽⁴⁾				
Financial instruments and non-cash collateral	(7,052)	(4,553)	(11,503)	(1,713)
Cash collateral	0	—	0	—
Net amount	¥ 2,153	¥ 1,310	¥ 2,689	¥ 542

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	Billions of yen			
	March 31, 2017			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance ⁽¹⁾	¥ 30,116	¥ 7,422	¥ 35,755	¥ 2,248
Less: Amounts offset in the consolidated balance sheets ⁽²⁾	(18,659)	(173)	(18,659)	(173)
Total net amounts of reported on the face of the consolidated balance sheets ⁽³⁾	¥ 11,457	¥ 7,249	¥ 17,096	¥ 2,075
Less: Additional amounts not offset in the consolidated balance sheets ⁽⁴⁾				
Financial instruments and non-cash collateral	(9,251)	(5,499)	(13,328)	(1,666)
Cash collateral	(73)	—	(18)	—
Net amount	¥ 2,133	¥ 1,750	¥ 3,750	¥ 409

- (1) Includes all recognized balances irrespective of whether they are transacted under a master netting agreement or whether Nomura has obtained sufficient evidence of enforceability of the master netting agreement. Amounts include transactions carried at fair value through election of the fair value option. As of March 31, 2016, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥940 billion and ¥2,176 billion, respectively. As of March 31, 2016, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,162 billion and ¥186 billion, respectively. As of March 31, 2017, the gross balance of reverse repurchase agreements and repurchase agreements which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥881 billion and ¥2,596 billion, respectively. As of March 31, 2017, the gross balance of securities borrowing transactions and securities lending transactions which were not transacted under master netting agreements or are documented under master netting agreements for which Nomura has not yet obtained sufficient evidence of enforceability was ¥1,494 billion and ¥205 billion, respectively.
- (2) Represents amounts offset through counterparty netting under master netting and similar agreements for which Nomura has obtained sufficient evidence of enforceability in accordance with ASC 210-20. Amounts offset include transactions carried at fair value through election of the fair value option.
- (3) Reverse repurchase agreements and securities borrowing transactions are reported within *Collateralized agreements—Securities purchased under agreements to resell* and *Collateralized agreements—Securities borrowed* in the consolidated balance sheets, respectively. Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported under securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets.
- (4) Represents amounts which are not permitted to be offset on the face of the balance sheet in accordance with ASC 210-20 but which provide Nomura with the right of offset in the event of counterparty default. Amounts relating to agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

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Maturity analysis of repurchase agreements and securities lending transactions

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by remaining contractual maturity of the agreement as of March 31, 2017. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen					Total
	March 31, 2017					
	Overnight and open ⁽¹⁾	Up to 30 days	30 - 90 days	90 days - 1 year	Greater than 1 year	
Repurchase agreements	¥15,225	¥17,257	¥1,550	¥1,228	¥495	¥35,755
Securities lending transactions	1,399	463	206	168	12	2,248
Total gross recognized liabilities ⁽²⁾	¥16,624	¥17,720	¥1,756	¥1,396	¥507	¥38,003

- (1) Open transactions do not have an explicit contractual maturity date and are terminable on demand by Nomura or the counterparty.
- (2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

Securities transferred in repurchase agreements and securities lending transactions

The following table presents an analysis of the total carrying value of liabilities recognized in the consolidated balance sheets for repurchase agreements and securities lending transactions by class of securities transferred by Nomura to counterparties as of March 31, 2017. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen		
	March 31, 2017		
	Repurchase agreements	Securities lending transactions	Total
Equities and convertible securities	¥ 108	¥1,935	¥ 2,043
Japanese government, agency and municipal securities	987	173	1,160
Foreign government, agency and municipal securities	28,197	54	28,251
Bank and corporate debt securities	1,717	16	1,733
Commercial mortgage-backed securities (“CMBS”)	1	—	1
Residential mortgage-backed securities (“RMBS”) ⁽¹⁾	4,666	—	4,666
Collateralized debt obligations (“CDOs”) and other	70	—	70
Investment trust funds and other	9	70	79
Total gross recognized liabilities ⁽²⁾	¥35,755	¥2,248	¥38,003

- (1) Includes ¥4,548 billion of U.S. government sponsored agency mortgage pass-through securities and collateralized mortgage obligations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- (2) Repurchase agreements and securities lending transactions are reported within *Collateralized financing—Securities sold under agreements to repurchase* and *Collateralized financing—Securities loaned* in the consolidated balance sheets, respectively. Amounts reported for securities lending transactions also include transactions where Nomura lends securities and receives securities that can be sold or pledged as collateral. Nomura recognizes the securities received at fair value and a liability for the same amount, representing the obligation to return those securities. The liability is reported within *Other liabilities* in the consolidated balance sheets. The total gross recognized liabilities reported for repurchase agreements and securities lending transactions are consistent with the total gross balances reported in the offsetting disclosures above.

Collateral received by Nomura

The following table presents the fair value of securities received as collateral, securities borrowed with collateral and securities borrowed without collateral, which Nomura is permitted to sell or repledge, and the portion that has been sold or repledged as of March 31, 2016 and 2017.

	Billions of yen	
	March 31	
	2016	2017
The fair value of securities received as collateral, securities borrowed as collateral and securities borrowed without collateral where Nomura is permitted by contract or custom to sell or repledge the securities	¥40,714	¥45,821
The portion of the above that has been sold (reported within <i>Trading liabilities</i> in the consolidated balance sheets) or repledged	34,172	39,119

Collateral pledged by Nomura

Nomura pledges firm-owned securities to collateralize repurchase transactions, other secured financings and derivative transactions. Pledged securities that can be sold or repledged by the transferee, including Gensaki Repo transactions, are reported in parentheses as *Securities pledged as collateral* within *Trading assets* in the consolidated balance sheets.

The following table presents the carrying amounts of financial assets recognized in the consolidated balance sheets which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them by type of asset as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Trading assets:		
Equities and convertible securities	¥ 104,642	¥ 206,640
Government and government agency securities	731,430	1,062,008
Bank and corporate debt securities	68,029	137,328
Commercial mortgage-backed securities (“CMBS”)	6,031	—
Residential mortgage-backed securities (“RMBS”)	2,684,186	3,426,205
Collateralized debt obligations (“CDOs”) and other ⁽¹⁾	32,348	18,676
Investment trust funds and other	78,158	8,976
	¥3,704,824	¥4,859,833
Deposits with stock exchanges and other segregated cash	¥ 2,000	¥ —
Non-trading debt securities	24,057	23,744
Investments in and advances to affiliated companies	¥ 32,907	¥ 29,336

(1) Includes CLOs and ABS such as those secured on credit card loans, auto loans and student loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the carrying amount of financial and non-financial assets recognized in the consolidated balance sheets, other than those disclosed above, which are subject to lien as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Loans and receivables	¥ 249	¥ 4,268
Trading assets	1,755,260	1,580,765
Office buildings, land, equipment and facilities	5,355	12,635
Non-trading debt securities	191,545	222,970
Other	30	25
	<u>¥1,952,439</u>	<u>¥1,820,663</u>

Assets in the above table were primarily pledged for secured borrowings, including other secured borrowings, collateralized borrowings of consolidated VIEs, trading balances of secured borrowings, and derivative transactions. See Note 10 “*Borrowings*” for further information regarding trading balances of secured borrowings.

5. Non-trading securities:

The following tables present information regarding the cost and/or amortized cost, gross unrealized gains and losses and fair value of non-trading securities held by Nomura’s insurance subsidiary as of March 31, 2016 and 2017.

	Millions of yen			
	March 31, 2016			
	Cost and/or amortized cost	Unrealized gains and losses		Fair value
	Gross unrealized gains	Gross unrealized losses		
Japanese government, agency and municipal securities	¥ 93,982	¥ 5,708	¥ 440	¥ 99,250
Foreign government, agency and municipal securities	32,901	3,394	261	36,034
Corporate bonds	119,728	9,022	712	128,038
Equity securities	42,132	24,101	233	66,000
Total	<u>¥288,743</u>	<u>¥42,225</u>	<u>¥1,646</u>	<u>¥329,322</u>

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	Millions of yen			
	March 31, 2017			
	Cost and/or amortized cost	Unrealized gains and losses		Fair value
Gross unrealized gains		Gross unrealized losses		
Japanese government, agency and municipal securities	¥ 89,851	¥ 3,953	¥ 585	¥ 93,219
Foreign government, agency and municipal securities	¥ 25,326	¥ 2,434	¥ 198	¥ 27,562
Corporate bonds	117,140	6,942	930	123,152
Equity securities	42,947	21,826	22	64,751
Total	<u>¥275,264</u>	<u>¥35,155</u>	<u>¥1,735</u>	<u>¥308,684</u>

For the year ended March 31, 2016, non-trading securities of ¥63,752 million were disposed of resulting in ¥3,841 million of realized gains and ¥631 million of realized losses. Total proceeds received from these disposals were ¥66,962 million. For the year ended March 31, 2017, non-trading securities of ¥63,100 million were disposed of resulting in ¥4,696 million of realized gains and ¥1,304 million of realized losses. Total proceeds received from these disposals were ¥66,492 million. Related gains and losses were computed using the average method. There were no transfers of non-trading securities to trading assets for the year ended March 31, 2016 and 2017.

The following table presents an analysis of the fair value of non-trading debt securities by residual contractual maturity as of March 31, 2017. Actual maturities may differ from contractual maturities as certain securities contain features that allow redemption of the securities prior to their contractual maturity.

	Millions of yen				
	March 31, 2017				
	Total	Years to maturity			
Less than 1 year		1 to 5 years	5 to 10 years	More than 10 years	
Non-trading debt securities	¥243,933	¥43,950	¥120,059	¥59,020	¥20,904

The following tables present the fair value and gross unrealized losses of non-trading securities aggregated by the length of time that individual securities have been in a continuous unrealized loss position as of March 31, 2016 and 2017.

	Millions of yen					
	March 31, 2016					
	Less than 12 months		More than 12 months		Total	
Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	
Japanese government, agency and municipal securities	¥12,835	¥ 437	¥13,673	¥ 3	¥26,508	¥ 440
Foreign government, agency and municipal securities	6,911	261	—	—	6,911	261
Corporate bonds	20,471	712	—	—	20,471	712
Equity securities	4,113	233	—	—	4,113	233
Total	<u>¥44,330</u>	<u>¥1,643</u>	<u>¥13,673</u>	<u>¥ 3</u>	<u>¥58,003</u>	<u>¥1,646</u>

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	Millions of yen					
	March 31, 2017					
	Less than 12 months		More than 12 months		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Japanese government, agency and municipal securities	¥27,318	¥ 585	¥ 0	¥ 0	¥27,318	¥ 585
Foreign government, agency and municipal securities	3,366	198	—	—	3,366	198
Corporate bonds	28,398	930	—	—	28,398	930
Equity securities	1,394	22	—	—	1,394	22
Total	<u>¥60,476</u>	<u>¥1,735</u>	<u>¥ 0</u>	<u>¥ 0</u>	<u>¥60,476</u>	<u>¥1,735</u>

As of March 31, 2016, the total number of non-trading securities in unrealized loss positions was 52. As of March 31, 2017, the total number of non-trading securities in unrealized loss positions was 41.

For the year ended March 31, 2016, other-than-temporary impairment losses recognized for non-trading equity securities and reported within *Revenue—Other* were ¥486 million. For the year ended March 31, 2016, credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities was not significant.

For the year ended March 31, 2016, the non-credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities and reported within *Other comprehensive income (loss)* were ¥(28) million. Other gross unrealized losses of non-trading securities were considered temporary.

For the year ended March 31, 2017, other-than-temporary impairment losses recognized for non-trading equity securities and reported within *Revenue—Other* were ¥1,080 million. For the year ended March 31, 2017, credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities was ¥226 million.

For the year ended March 31, 2017, the non-credit loss component of other-than-temporary impairment losses recognized for non-trading debt securities and reported within *Other comprehensive income (loss)* were not significant. Other gross unrealized losses of non-trading securities were considered temporary.

6. Securitizations and Variable Interest Entities:

Securitizations

Nomura utilizes special purpose entities (“SPEs”) to securitize commercial and residential mortgage loans, government agency and corporate securities and other types of financial assets. Those SPEs are incorporated as stock companies, Tokumei kumiai (silent partnerships), Cayman special purpose companies (“SPCs”) or trust accounts. Nomura’s involvement with SPEs includes structuring SPEs, underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura accounts for the transfer of financial assets in accordance with ASC 860. This statement requires that Nomura accounts for the transfer of financial assets as a sale when Nomura relinquishes control over the assets. ASC 860 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is an entity whose sole purpose is to engage in securitization or asset-backed financing activities, the

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holders of its beneficial interests have the right to pledge or exchange the beneficial interests, and (c) the transferor has not maintained effective control over the transferred assets. Nomura may retain an interest in the financial assets, including residual interests in the SPEs. Any such interests are accounted for at fair value and reported within *Trading assets* in Nomura's consolidated balance sheets, with the change in fair value reported within *Revenue-Net gain on trading*. Fair value for retained interests in securitized financial assets is determined by using observable prices; or in cases where observable prices are not available for certain retained interests, Nomura estimates fair value based on the present value of expected future cash flows using its best estimates of the key assumptions, including forecasted credit losses, prepayment rates, forward yield curves and discount rates commensurate with the risks involved. Nomura may also enter into derivative transactions in relation to the assets transferred to an SPE.

As noted above, Nomura may have continuing involvement with SPEs to which Nomura transferred assets. For the years ended March 31, 2016 and 2017, Nomura received cash proceeds from SPEs in new securitizations of ¥382 billion and ¥187 billion, respectively, and the associated gain (loss) on sale was not significant. For the years ended March 31, 2016 and 2017, Nomura received debt securities issued by these SPEs with an initial fair value of ¥1,867 billion and ¥2,574 billion, respectively, and cash inflows from third parties on the sale of those debt securities of ¥1,412 billion and ¥1,833 billion, respectively. The cumulative balance of financial assets transferred to SPEs with which Nomura has continuing involvement was ¥6,533 billion and ¥5,364 billion as of March 31, 2016 and 2017, respectively. Nomura's retained interests were ¥200 billion and ¥308 billion as of March 31, 2016 and 2017, respectively. For the years ended March 31, 2016 and 2017, Nomura received cash flows of ¥51 billion and ¥94 billion, respectively, from the SPEs on the retained interests held in the SPEs. Nomura had outstanding collateral service agreements and written credit default swap agreements in the amount of ¥2 billion and ¥2 billion as of March 31, 2016 and 2017, respectively. Nomura does not provide financial support to SPEs beyond its contractual obligations.

The following tables present the fair value of retained interests which Nomura has continuing involvement in SPEs and their classification in the fair value hierarchy, categorized by the type of transferred assets as of March 31, 2016 and 2017.

	Billions of yen					
	March 31, 2016					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥—	¥197	¥—	¥197	¥197	¥—
Bank and corporate debt securities	—	—	0	0	—	0
CMBS and RMBS	—	3	0	3	0	3
Total	¥—	¥200	¥ 0	¥200	¥197	¥ 3

	Billions of yen					
	March 31, 2017					
	Level 1	Level 2	Level 3	Total	Investment grade	Other
Government, agency and municipal securities	¥—	¥308	¥—	¥308	¥308	¥—
Bank and corporate debt securities	—	—	—	—	—	—
CMBS and RMBS	—	—	0	0	—	0
Total	¥—	¥308	¥ 0	¥308	¥308	¥ 0

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The following table presents the key economic assumptions used to determine the fair value of the retained interests and the sensitivity of this fair value to immediate adverse changes of 10% and 20% in those assumptions as of March 31, 2016 and 2017.

	Billions of yen, except percentages	
	Material retained interests held ⁽¹⁾ as of March 31	
	2016	2017
Fair value of retained interests ⁽¹⁾	¥171	¥285
Weighted-average life (Years)	5.4	7.3
Constant prepayment rate	5.4%	2.8%
Impact of 10% adverse change	(1.4)	(1.5)
Impact of 20% adverse change	(2.4)	(3.0)
Discount rate	2.4%	3.4%
Impact of 10% adverse change	(0.9)	(1.7)
Impact of 20% adverse change	(1.6)	(3.3)

- (1) The sensitivity analysis covers the material retained interests held of ¥171 billion out of ¥200 billion as of March 31, 2016 and ¥285 billion out of ¥308 billion as of March 31, 2017. Nomura considers the amount or the probability of anticipated credit loss from the retained interests which Nomura continuously holds would be minimal.

Changes in fair value based on 10% or 20% adverse changes generally cannot be extrapolated since the relationship of the change in assumption to the change in fair value may not be linear. The impact of a change in a particular assumption is calculated holding all other assumptions constant. For this reason, concurrent changes in assumptions may magnify or counteract the sensitivities disclosed above. The sensitivity analyses are hypothetical and do not reflect Nomura's risk management practices that may be undertaken under those stress scenarios.

The following table presents the type and carrying value of financial assets included within *Trading assets* which have been transferred to SPEs but which do not meet the criteria for derecognition under ASC 860 as of March 31, 2016 and 2017. These transfers are accounted for as secured financing transactions and generally reported within *Long-term borrowings*. The assets are pledged as collateral of the associated liabilities and cannot be removed unilaterally by Nomura and the liabilities are non-recourse to Nomura.

	Billions of yen	
	March 31	
	2016	2017
Assets		
Trading assets		
Equities	¥ 22	¥ 6
Debt securities	24	20
CMBS and RMBS	20	7
Loans	—	3
Total	¥ 66	¥36
Liabilities		
Long-term borrowings	¥127	¥36

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Variable Interest Entities (“VIEs”)

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, and underwriter, distributor, and seller of repackaged financial instruments issued by VIEs in connection with its securitization and equity derivative activities. Nomura retains, purchases and sells variable interests in VIEs in connection with its market-making, investing and structuring activities.

If Nomura has an interest in a VIE that provides Nomura with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses that could be significant to the VIE, Nomura is the primary beneficiary of the VIE and must consolidate the entity, provided that Nomura does not meet separate tests confirming that it is acting as a fiduciary for other interest holders. Nomura’s consolidated VIEs include those that were created to market structured securities to investors by repackaging corporate convertible securities, mortgages and mortgage-backed securities. Certain VIEs used in connection with Nomura’s aircraft leasing business as well as other purposes are consolidated. Nomura also consolidates certain investment funds, which are VIEs, and for which Nomura is the primary beneficiary.

The power to make the most significant decisions may take a number of different forms in different types of VIEs. For transactions such as securitizations, investment funds, and CDOs, Nomura considers collateral management and servicing to represent the power to make the most significant decisions. Accordingly, Nomura does not consolidate such types of VIEs for which it does not act as collateral manager or servicer unless Nomura has the right to replace the collateral manager or servicer or to require liquidation of the entity.

For many transactions, such as where VIEs are used for re-securitizations of residential mortgage-backed securities, there are no significant economic decisions made on an ongoing basis and no single investor has the unilateral ability to liquidate the VIE. In these cases, Nomura focuses its analysis on decisions made prior to the initial closing of the transaction, and considers factors such as the nature of the underlying assets held by the VIE, the involvement of third party investors in the design of the VIE, the size of initial third party investment and the amount and level of any subordination of beneficial interests issued by the VIE which will be held by Nomura and third party investors. Nomura has sponsored numerous re-securitization transactions and in many cases has determined that it is not the primary beneficiary on the basis that control over the most significant decisions relating to these entities are shared with third party investors. In some cases, however, Nomura has consolidated such VIEs, for example, where it was determined that third party investors were not involved in the design of the VIEs, including where the size of third party investment was not significant at inception of the transaction.

As a result of adopting ASU 2015-02 as of April 1, 2016, certain investment funds are now consolidated and included in the balance of March 31, 2017. See Note 1 “*Summary of accounting policies*” for further information about the adoption of ASU 2015-02.

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The following table presents the classification of consolidated VIEs' assets and liabilities in these consolidated financial statements as of March 31, 2016 and 2017. Most of these assets and liabilities are related to consolidated SPEs which securitize corporate convertible securities, mortgages and mortgage-backed securities. The assets of a consolidated VIE may only be used to settle obligations of that VIE. Creditors do not typically have any recourse to Nomura beyond the assets held in the VIEs.

	<u>Billions of yen</u>	
	<u>March 31</u>	
	<u>2016</u>	<u>2017</u>
Consolidated VIE assets		
Cash and cash equivalents	¥ 3	¥ 4
Trading assets		
Equities	530	679
Debt securities	756	682
CMBS and RMBS	22	11
Investment trust funds and other	—	11
Derivatives	1	15
Private equity investments	1	2
Office buildings, land, equipment and facilities	3	15
Other	7	44
Total	<u>¥1,323</u>	<u>¥1,463</u>
Consolidated VIE liabilities		
Trading liabilities		
Derivatives	3	18
Borrowings		
Short-term borrowings	65	103
Long-term borrowings	744	851
Other	2	2
Total	<u>¥ 814</u>	<u>¥ 974</u>

Nomura continuously reassesses its initial evaluation of whether it is the primary beneficiary of a VIE based on current facts and circumstances as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by Nomura and by other parties, and the variable interests owned by Nomura and other parties.

Nomura also holds variable interests in VIEs where Nomura is not the primary beneficiary. Nomura's variable interests in such VIEs include senior and subordinated debt, residual interests, and equity interests associated with commercial and residential mortgage-backed and other asset-backed securitizations and structured financings, equity interests in VIEs which were formed primarily to acquire high yield leveraged loans and other lower investment grade debt obligations, residual interests in operating leases for aircraft held by VIEs, and loans and investments in VIEs that acquire operating businesses.

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The following tables present the carrying amount of variable interests of unconsolidated VIEs and maximum exposure to loss associated with these variable interests as of March 31, 2016 and 2017. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure. The risks associated with VIEs in which Nomura is involved are limited to the amount recorded in the consolidated balance sheets, the amount of commitments and financial guarantees and the notional amount of the derivative instruments. Nomura believes the notional amount of derivative instruments generally exceeds the amount of actual risk.

	Billions of yen		
	March 31, 2016		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 87	¥—	¥ 87
Debt securities	118	—	118
CMBS and RMBS	3,067	—	3,067
Investment trust funds and other	413	—	413
Derivatives	0	—	2
Private equity investments	14	—	14
Loans	423	—	423
Other	4	—	4
Commitments to extend credit and other guarantees	—	—	42
Total	<u>¥4,126</u>	<u>¥—</u>	<u>¥4,170</u>

	Billions of yen		
	March 31, 2017		
	Carrying amount of variable interests		Maximum exposure to loss to unconsolidated VIEs
	Assets	Liabilities	
Trading assets and liabilities			
Equities	¥ 65	¥—	¥ 65
Debt securities	109	—	109
CMBS and RMBS	3,754	—	3,754
Investment trust funds and other	146	—	146
Derivatives	0	—	2
Private equity investments	24	—	24
Loans	388	—	388
Other	10	—	10
Commitments to extend credit and other guarantees	—	—	59
Total	<u>¥4,496</u>	<u>¥—</u>	<u>¥4,557</u>

7. Financing receivables:

In the normal course of business, Nomura extends financing to clients primarily in the form of loans and collateralized agreements such as reverse repurchase agreements and securities borrowing transactions. These financing receivables are recognized as assets on Nomura's consolidated balance sheets and provide a contractual right to receive money either on demand or on future fixed or determinable dates.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Collateralized agreements

Collateralized agreements consist of reverse repurchase agreements reported as *Securities purchased under agreements to resell* and securities borrowing transactions reported as *Securities borrowed* in the consolidated balance sheets, including those executed under Gensaki Repo agreements. Reverse repurchase agreements and securities borrowing transactions principally involve the buying of government and government agency securities from customers under agreements that also require Nomura to resell these securities to those customers, or borrowing these securities with cash collateral. Nomura monitors the value of the underlying securities on a daily basis to the related receivables, including accrued interest, and requests or returns additional collateral when appropriate. Reverse repurchase agreements are generally recognized in the consolidated balance sheets at the amount for which the securities were originally acquired with applicable accrued interest. Securities borrowing transactions are generally recognized in the consolidated balance sheets at the amount of cash collateral advanced. No allowance for credit losses is generally recognized against these transactions due to the strict collateralization requirements.

Loans receivable

The key types of loans receivable recognized by Nomura are loans at banks, short-term secured margin loans, inter-bank money market loans and corporate loans.

Loans at banks include both retail and commercial secured and unsecured loans extended by licensed banking entities within Nomura such as The Nomura Trust & Banking Co., Ltd. and Nomura Bank International plc. For both retail and commercial loans secured by real estate or securities, Nomura is exposed to the risk of a decline in the value of the underlying collateral. Loans at banks also include unsecured commercial loans provided to investment banking clients for relationship purposes. Nomura is exposed to risk of default of the counterparty, although these counterparties usually have high credit ratings. Where loans are secured by guarantees, Nomura is also exposed to the risk of default by the guarantor.

Short-term secured margin loans are loans provided to clients in connection with securities brokerage business. These loans provide funding for clients in order to purchase securities. Nomura requests initial margin in the form of acceptable collateral securities or deposits against these loans and holds the purchased securities as collateral through the life of the loans. If the value of the securities declines by more than specified amounts, Nomura can make additional margin calls in order to maintain a specified ratio of loan-to-value (“LTV”) ratio. For these reasons, the risk to Nomura of providing these loans is limited.

Inter-bank money market loans are loans to financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers. The risk to Nomura of making these loans is not significant as only qualified financial institutions can participate in these markets and these loans are usually overnight or short-term in nature.

Corporate loans are primarily commercial loans provided to corporate clients extended by non-licensed banking entities within Nomura. Corporate loans include loans secured by real estate or securities, as well as unsecured commercial loans provided to investment banking clients for relationship purposes. The risk to Nomura of making these loans is similar to those risks arising from commercial loans reported in loans at banks.

In addition to the loans above, Nomura has advances to affiliated companies which are loans provided to related parties of Nomura. As these loans are generally not secured, Nomura is exposed to the risk of default of the counterparty.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present a summary of loans receivable reported within *Loans receivable* or *Investments in and advances to affiliated companies* in the consolidated balance sheets as of March 31, 2016, and 2017 by portfolio segment.

	Millions of yen		
	March 31, 2016		
	Carried at amortized cost	Carried at fair value ⁽¹⁾	Total
Loans receivable			
Loans at banks	¥ 364,976	¥ —	¥ 364,976
Short-term secured margin loans	377,437	—	377,437
Inter-bank money market loans	9,751	—	9,751
Corporate loans	551,673	301,766	853,439
Total loans receivable	¥1,303,837	¥301,766	¥1,605,603
Advances to affiliated companies	300	—	300
Total	¥1,304,137	¥301,766	¥1,605,903

	Millions of yen		
	March 31, 2017		
	Carried at amortized cost	Carried at fair value ⁽¹⁾	Total
Loans receivable			
Loans at banks	¥ 386,127	¥ —	¥ 386,127
Short-term secured margin loans	358,572	—	358,572
Inter-bank money market loans	1,040	—	1,040
Corporate loans	592,425	537,664	1,130,089
Total loans receivable	¥1,338,164	¥537,664	¥1,875,828
Advances to affiliated companies	300	—	300
Total	¥1,338,464	¥537,664	¥1,876,128

(1) Includes loans receivable and loan commitments carried at fair value through election of the fair value option.

The amount of significant purchases of corporate loans during the year ended March 31, 2016 was ¥124,161 million. There were no significant sales of corporate loans during the year ended March 31, 2016. During the same period, there were no significant reclassifications of loans receivable to *Trading assets*.

There were no significant purchases nor sales of corporate loans during the year ended March 31, 2017. During the same period, there were no significant reclassifications of loans receivable to *Trading assets*.

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Allowance for credit losses

Management establishes an allowance for credit losses against loans carried at amortized cost which reflects management's best estimate of probable losses incurred. The allowance for credit losses against loans, which is reported in the consolidated balance sheets within *Allowance for doubtful accounts*, comprises two components:

- A specific component for loans which have been individually evaluated for impairment; and
- A general component for loans which, while not individually evaluated for impairment, have been collectively evaluated for impairment based on historical loss experience.

The specific component of the allowance reflects probable losses incurred within loans which have been individually evaluated for impairment. A loan is defined as being impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include an assessment of the ability of borrowers to pay by considering various factors such as the nature of the loan, prior credit loss experience, current economic conditions, the current financial situation of the borrower and the fair value of any underlying collateral. Loans that experience insignificant payment delays or insignificant payment shortfalls are not classified as impaired. Impairment is measured on a loan by loan basis by adjusting the carrying value of the loan to either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance is for loans not individually evaluated for impairment and includes judgment about collectability based on available information at the balance sheet date and the uncertainties inherent in those underlying assumptions. The allowance is based on historical loss experience adjusted for qualitative factors such as current economic conditions.

While management has based its estimate of the allowance for credit losses against loans on the best information available, future adjustments to the allowance may be necessary as a result of changes in the economic environment or variances between actual results and original assumptions.

Loans are charged-off when Nomura determines that the loans are uncollectible. This determination is based on factors such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that the proceeds from collateral will not be sufficient to pay the loans.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present changes in the total allowance for credit losses for the years ended March 31, 2015, 2016 and 2017.

Millions of yen								
Year ended March 31, 2015								
	Allowance for credit losses against loans					Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies			
Opening balance	¥678	¥ 87	¥—	¥ 82	¥ 1	¥ 848	¥2,161	¥3,009
Provision for credit losses	61	53	—	(3)	0	111	254	365
Charge-offs	—	—	—	—	—	—	(189)	(189)
Other ⁽¹⁾	—	2	—	0	—	2	66	68
Ending balance	<u>¥739</u>	<u>¥142</u>	<u>¥—</u>	<u>¥ 79</u>	<u>¥ 1</u>	<u>¥ 961</u>	<u>¥2,292</u>	<u>¥3,253</u>
Millions of yen								
Year ended March 31, 2016								
	Allowance for credit losses against loans					Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies			
Opening balance	¥739	¥142	¥—	¥ 79	¥ 1	¥ 961	¥2,292	¥3,253
Provision for credit losses	173	(75)	7	(71)	(1)	33	287	320
Charge-offs	—	—	—	—	—	—	—	—
Other ⁽¹⁾	—	(1)	—	0	—	(1)	(95)	(96)
Ending balance	<u>¥912</u>	<u>¥ 66</u>	<u>¥ 7</u>	<u>¥ 8</u>	<u>¥ 0</u>	<u>¥ 993</u>	<u>¥2,484</u>	<u>¥3,477</u>
Millions of yen								
Year ended March 31, 2017								
	Allowance for credit losses against loans					Subtotal	Allowance for credit losses against receivables other than loans	Total allowance for doubtful accounts
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies			
Opening balance	¥912	¥ 66	¥ 7	¥ 8	¥ 0	¥ 993	¥2,484	¥3,477
Provision for credit losses	72	5	(7)	465	—	535	(12)	523
Charge-offs	(16)	(5)	—	—	0	(21)	—	(21)
Other ⁽¹⁾	—	(66)	—	0	—	(66)	(362)	(428)
Ending balance	<u>¥968</u>	<u>¥—</u>	<u>¥—</u>	<u>¥473</u>	<u>¥ 0</u>	<u>¥1,441</u>	<u>¥2,110</u>	<u>¥3,551</u>

(1) Includes the effect of foreign exchange movements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present the allowance for credit losses against loans and loans by impairment methodology and type of loans as of March 31, 2016 and 2017.

	Millions of yen					
	March 31, 2016					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ —	¥ —	¥ —	¥ 7	¥ —	¥ 7
Evaluated collectively	912	66	7	1	0	986
Total allowance for credit losses	<u>¥ 912</u>	<u>¥ 66</u>	<u>¥ 7</u>	<u>¥ 8</u>	<u>¥ 0</u>	<u>¥ 993</u>
Loans by impairment methodology						
Evaluated individually	¥ 4,513	¥139,183	¥1,371	¥543,050	¥ —	¥ 688,117
Evaluated collectively	360,463	238,254	8,380	8,623	300	616,020
Total loans	<u>¥364,976</u>	<u>¥377,437</u>	<u>¥9,751</u>	<u>¥551,673</u>	<u>¥ 300</u>	<u>¥1,304,137</u>
	Millions of yen					
	March 31, 2017					
	Loans at banks	Short-term secured margin loans	Inter-bank money market loans	Corporate loans	Advances to affiliated companies	Total
Allowance by impairment methodology						
Evaluated individually	¥ 1	¥ —	¥ —	¥ 446	¥ —	¥ 447
Evaluated collectively	967	—	—	27	0	994
Total allowance for credit losses	<u>¥ 968</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ 473</u>	<u>¥ 0</u>	<u>¥ 1,441</u>
Loans by impairment methodology						
Evaluated individually	¥ 4,722	¥164,084	¥1,040	¥579,290	¥ —	¥ 749,136
Evaluated collectively	381,405	194,488	—	13,135	300	589,328
Total loans	<u>¥386,127</u>	<u>¥358,572</u>	<u>¥1,040</u>	<u>¥592,425</u>	<u>¥ 300</u>	<u>¥1,338,464</u>

Nonaccrual and past due loans

Loans which are individually evaluated as impaired are assessed for nonaccrual status in accordance with Nomura's policy. When it is determined to suspend interest accrual as a result of an assessment, any accrued but unpaid interest is reversed. Loans are generally only returned to an accrual status if the loan is brought contractually current, i.e. all overdue principal and interest amounts are paid. In limited circumstances, a loan which has not been brought contractually current will also be returned to an accrual status if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time or there has been a sustained period of repayment performance by the borrower.

As of March 31, 2016, the amount of loans which were on a nonaccrual status was not significant. The amount of loans which were 90 days past due with accruing interests was not significant.

As of March 31, 2017, the amount of loans which were on a nonaccrual status was not significant. The amount of loans which were 90 days past due with accruing interests was not significant.

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Once a loan is impaired and placed on a nonaccrual status, interest income is subsequently recognized using the cash basis method.

Loan impairment and troubled debt restructurings

In the ordinary course of business, Nomura may choose to recognize impairment and also restructure a loan classified as held for investment either because of financial difficulties of the borrower, or simply as a result of market conditions or relationship reasons. A troubled debt restructuring (“TDR”) occurs when Nomura (as lender) for economic or legal reasons related to the borrower’s financial difficulties grants a concession to the borrower that Nomura would not otherwise consider.

Any loan being restructured under a TDR will generally already be identified as impaired with an applicable allowance for credit losses recognized. If not (for example if the loan is collectively assessed for impairment with other loans), the restructuring of the loan under a TDR will immediately result in the loan as being classified as impaired. An impairment loss for a loan restructuring under a TDR which only involves modification of the loan’s terms (rather than receipt of assets in full or partial settlement) is calculated in the same way as any other impaired loan. Assets received in full or partial satisfaction of a loan in a TDR are recognized at fair value.

As of March 31, 2016, the amount of loans which were classified as impaired but against which no allowance for credit losses had been recognized was not significant. For impaired loans with a related allowance, the amounts of recorded investment, the total unpaid principal balance and the related allowance were not significant.

As of March 31, 2017, the amount of loans which were classified as impaired but against which no allowance for credit losses had been recognized was not significant. For impaired loans with a related allowance, the amount of recorded investment, the total unpaid principal balance and the related allowance were not significant.

The amount of TDRs which occurred during the years ended March 31, 2016 and 2017 was not significant.

Credit quality indicators

Nomura is exposed to credit risks deriving from a decline in the value of loans or a default caused by deterioration of creditworthiness or bankruptcy of the obligor. Nomura’s risk management framework for such credit risks is based on a risk assessment through an internal rating process, in depth pre-financing credit analysis of each individual loan and continuous post-financing monitoring of obligor’s creditworthiness.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following tables present an analysis of each class of loans not carried at fair value using Nomura's internal ratings or equivalent credit quality indicators applied by subsidiaries as of March 31, 2016 and 2017.

	Millions of yen				
	March 31, 2016				
	AAA-BBB	BB-CCC	CC-D	Others ⁽¹⁾	Total
Secured loans at banks	¥125,371	¥ 75,853	¥ 0	¥ 39,281	¥ 240,505
Unsecured loans at banks	122,411	2,059	1	—	124,471
Short-term secured margin loans	—	—	—	377,437	377,437
Secured inter-bank money market loans	—	—	—	—	—
Unsecured inter-bank money market loans	9,751	—	—	—	9,751
Secured corporate loans	268,206	264,323	3,974	4,119	540,622
Unsecured corporate loans	2,957	1,123	—	6,971	11,051
Advances to affiliated companies	300	—	—	—	300
Total	¥528,996	¥343,358	¥3,975	¥427,808	¥1,304,137

	Millions of yen				
	March 31, 2017				
	AAA-BBB	BB-CCC	CC-D	Others ⁽¹⁾	Total
Secured loans at banks	¥124,997	¥ 89,022	¥ —	¥ 36,406	¥ 250,425
Unsecured loans at banks	134,141	1,559	1	1	135,702
Short-term secured margin loans	—	—	—	358,574	358,574
Secured inter-bank money market loans	—	—	—	—	—
Unsecured inter-bank money market loans	1,040	—	—	—	1,040
Secured corporate loans	286,384	287,469	—	5,702	579,555
Unsecured corporate loans	1,859	284	—	10,727	12,870
Advances to affiliated companies	300	—	—	—	300
Total	¥548,721	¥378,334	¥ 1	¥411,410	¥1,338,466

(1) Relate to collateralized exposures where a specified ratio of LTV is maintained.

The following table below presents a definition of each of the internal ratings used in the Nomura Group.

Rating Range	Definition
AAA	Highest credit quality. An obligor or facility has extremely strong capacity to meet its financial commitments. 'AAA' is the highest credit rating assigned by Nomura. Extremely low probability of default.
AA	Very high credit quality category. An obligor or facility has very strong capacity to meet its financial commitments. Very low probability of default but above that of 'AAA'.
A	High credit quality category. An obligor or facility has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than those in higher-rated categories. Low probability of default but higher than that of 'AA range'.

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Rating Range	Definition
BBB	Good credit quality category. An obligor or facility has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to meet its financial commitments. Medium probability of default but higher than that of ‘A range’.
BB	Speculative credit quality category. An obligor or facility is less vulnerable in the near term than other lower-ratings. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the inadequate capacity to meet its financial commitments. Medium to high probability of default but higher than that of ‘BBB range’.
B	Highly speculative credit quality category. An obligor or facility is more vulnerable than those rated ‘BB range’, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the issuer’s or obligor’s capacity or willingness to meet its financial commitments. High probability of default—more than that of ‘BB range’.
CCC	Substantial credit risk. An obligor or facility is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments. Strong probability of default—more than that of “B range”.
CC	An obligor or facility is currently highly vulnerable to nonpayment (default category).
C	An obligor or facility is currently extremely vulnerable to nonpayment (default category).
D	Failure of an obligor to make payments in full and on time of any financial obligations, markedly disadvantageous modification to a contractual term compared with the existing obligation, bankruptcy filings, administration, receivership, liquidation or other winding-up or cessation of business of an obligor or other similar situations.

Nomura reviews internal ratings at least once a year by using available credit information of obligors including financial statements and other information. Internal ratings are also reviewed more frequently for high-risk obligors or problematic exposures and any significant credit event of obligors will trigger an immediate credit review process.

8. Leases:

Nomura as lessor

Nomura leases office buildings and aircraft in Japan and overseas. These leases are classified as operating leases and the related assets are stated at cost, net of accumulated depreciation, except for land, which is stated at cost in the consolidated balance sheets and reported within *Other assets—Office buildings, land, equipment and facilities*.

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The following table presents the types of assets which Nomura leases under operating leases as of March 31, 2016 and 2017.

	Millions of yen					
	March 31					
	2016			2017		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Real estate ⁽¹⁾	¥3,093	¥(1,502)	¥1,591	¥ 3,090	¥(1,612)	¥ 1,478
Aircraft	4,655	(1,177)	3,478	15,110	(56)	15,054
Total	<u>¥7,748</u>	<u>¥(2,679)</u>	<u>¥5,069</u>	<u>¥18,200</u>	<u>¥(1,668)</u>	<u>¥16,532</u>

(1) Cost, accumulated depreciation and net carrying amounts include amounts relating to real estate space utilized by Nomura.

Nomura recognized rental income of ¥1,659 million, ¥1,229 million and ¥717 million for the years ended March 31, 2015, 2016 and 2017, respectively in the consolidated statements of income within *Revenue—Other*.

The future minimum lease payments to be received on noncancellable operating leases as of March 31, 2017 were ¥15,502 million and these future minimum lease payments to be received are scheduled as below:

	Millions of yen						
	Total	Years of receipt					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments to be received	¥15,502	¥1,483	¥1,480	¥1,480	¥1,480	¥1,480	¥8,099

Nomura as lessee

Nomura leases its office spaces, certain employees' residential facilities and other facilities in Japan and overseas primarily under cancelable operating lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities in Japan and overseas under noncancellable operating lease agreements. Rental expenses, net of sublease rental income, for the years ended March 31, 2015, 2016 and 2017 were ¥47,217 million, ¥49,000 million and ¥42,919 million, respectively.

The following table presents the future minimum lease payments under noncancellable operating leases with remaining terms exceeding one year as of March 31, 2017:

	Millions of yen
	March 31
	2017
Total minimum lease payments	¥127,818
Less: Sublease rental income	<u>(13,046)</u>
Net minimum lease payments	<u>¥114,772</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The future minimum lease payments above are scheduled as below as of March 31, 2017:

	Millions of yen						
	Total	Years of payment					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments	¥127,818	¥17,075	¥15,102	¥11,852	¥10,058	¥7,877	¥65,854

Nomura leases certain equipment and facilities in Japan and overseas under capital lease agreements. If the lease is classified as a capital lease, Nomura recognizes the real estate at the lower of its fair value or present value of minimum lease payments, which is reported within *Other Assets—Office buildings, land, equipment and facilities* in the consolidated balance sheets. The amounts of capital lease assets as of March 31, 2016 and 2017 were ¥31,030 million and ¥27,067 million, respectively and accumulated depreciations on such capital lease assets as of March 31, 2016 and 2017 were ¥6,784 million and ¥7,225 million, respectively.

The following table presents the future minimum lease payments under capital leases as of March 31, 2017:

	Millions of yen
	March 31
	2017
Total minimum lease payments	¥ 46,579
Less: Amount representing interest	(26,890)
Present value of net lease payments	<u>¥ 19,689</u>

The future minimum lease payments above are scheduled as below as of March 31, 2017:

	Millions of yen						
	Total	Years of payment					
		Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Minimum lease payments	¥ 46,579	¥ 3,666	¥ 3,502	¥ 3,583	¥ 3,638	¥3,641	¥28,549

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utilities and tax increases.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Other assets—Other / Other liabilities:

The following table presents components of *Other assets—Other* and *Other liabilities* in the consolidated balance sheets as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Other assets—Other:		
Securities received as collateral	¥ 318,112	¥ 447,272
Goodwill and other intangible assets	110,532	104,821
Deferred tax assets	36,130	21,825
Investments in equity securities for other than operating purposes ⁽¹⁾	130,357	245,600
Prepaid expenses	30,997	10,699
Other	348,383	338,589
Total	¥ 974,511	¥1,168,806
Other liabilities:		
Obligation to return securities received as collateral	¥ 318,112	¥ 447,272
Accrued income taxes	32,947	24,213
Other accrued expenses and provisions	389,338	397,605
Other ⁽²⁾	460,250	439,420
Total	¥1,200,647	¥1,308,510

(1) Includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments were comprised of listed equity securities and unlisted equity securities of ¥109,887 million and ¥20,470 million respectively, as of March 31, 2016, and ¥117,476 million and ¥128,124 million respectively, as of March 31, 2017. These securities are carried at fair value, with changes in fair value recognized within *Revenue—Other* in the consolidated statements of income.

(2) Includes liabilities relating to investment contracts underwritten by Nomura's insurance subsidiary. As of March 31, 2016 and 2017, carrying values were ¥242,496 million and ¥224,418 million, respectively, and estimated fair values were ¥244,246 million and ¥225,563 million, respectively. Fair value was estimated using DCF valuation techniques and using valuation inputs which would be generally classified in Level 3 of the fair value hierarchy.

Goodwill is recognized upon completion of a business combination as the difference between the purchase price and the fair value of the net assets acquired. Subsequent to initial recognition, goodwill is not amortized but is tested for impairment during the fourth quarter of each fiscal year, or more often if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in goodwill, which are reported in the consolidated balance sheets within *Other assets—Other* for the years ended March 31, 2016 and 2017.

	Millions of yen							
	Year ended March 31, 2016							
	Beginning of year			Changes during year		End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Impairment	Other ⁽¹⁾	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥ 97,529	¥(11,817)	¥85,712	¥ —	¥(5,419)	¥92,110	¥(11,817)	¥80,293
Other	6,612	(6,134)	478	—	(8)	470	—	470
Total	¥104,141	¥(17,951)	¥86,190	¥ —	¥(5,427)	¥92,580	¥(11,817)	¥80,763

	Millions of yen							
	Year ended March 31, 2017							
	Beginning of year			Changes during year		End of year		
	Gross carrying amount	Accumulated Impairment	Net carrying amount	Impairment	Other ⁽¹⁾	Gross carrying amount	Accumulated Impairment	Net carrying amount
Wholesale	¥ 92,110	¥(11,817)	¥80,293	¥ —	¥ (357)	¥91,753	¥(11,817)	¥79,936
Other	470	—	470	—	1	471	—	471
Total	¥ 92,580	¥(11,817)	¥80,763	¥ —	¥ (356)	¥92,224	¥(11,817)	¥80,407

(1) Includes currency translation adjustments.

The following table presents finite-lived intangible assets by type as of March 31, 2016 and 2017.

	Millions of yen					
	March 31, 2016			March 31, 2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Client relationships	¥68,239	¥(47,655)	¥20,584	¥67,942	¥(52,628)	¥15,314
Other	503	(315)	188	493	(360)	133
Total	¥68,742	¥(47,970)	¥20,772	¥68,435	¥(52,988)	¥15,447

Amortization expenses for the years ended March 31, 2015, 2016 and 2017 were ¥4,979 million, ¥5,181 million and ¥4,535 million, respectively. Estimated amortization expenses for the next five years are shown below.

Year ending March 31	Millions of yen
	Estimated amortization expense
2018	¥5,123
2019	3,518
2020	2,402
2021	2,402
2022	2,002

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amounts of indefinite-lived intangibles, which primarily includes trademarks, were ¥8,997 million and ¥8,967 million as of March 31, 2016 and 2017, respectively.

10. Borrowings:

The following table presents short-term and long-term borrowings of Nomura as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Short-term borrowings ⁽¹⁾ :		
Commercial paper	¥ 177,906	¥ 2,562
Bank borrowings	149,775	130,676
Other	335,221	409,811
Total	<u>¥ 662,902</u>	<u>¥ 543,049</u>
Long-term borrowings:		
Long-term borrowings from banks and other financial institutions ⁽²⁾	¥3,197,303	¥2,868,591
Bonds and notes issued ⁽³⁾ :		
Fixed-rate obligations:		
Japanese yen denominated	1,300,872	1,099,278
Non-Japanese yen denominated	876,088	782,315
Floating-rate obligations:		
Japanese yen denominated	726,568	825,038
Non-Japanese yen denominated	293,207	164,397
Index / Equity-linked obligations:		
Japanese yen denominated	802,849	822,746
Non-Japanese yen denominated	805,217	592,831
	<u>4,804,801</u>	<u>4,286,605</u>
Subtotal	<u>8,002,104</u>	<u>7,155,196</u>
Trading balances of secured borrowings	127,455	40,212
Total	<u>¥8,129,559</u>	<u>¥7,195,408</u>

(1) Includes secured borrowings of ¥82,861 million as of March 31, 2016 and ¥158,156 million as of March 31, 2017.

(2) Includes secured borrowings of ¥226,704 million as of March 31, 2016 and ¥120,322 million as of March 31, 2017.

(3) Includes secured borrowings of ¥744,945 million as of March 31, 2016 and ¥851,239 million as of March 31, 2017.

Trading balances of secured borrowings

These are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 and therefore the transaction is accounted for as a secured borrowing. These borrowings are part of Nomura's trading activities intended to generate profits from the distribution of financial products secured by those financial assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Long-term borrowings consisted of the following:

	Millions of yen	
	March 31	
	2016	2017
Debt issued by the Company	¥3,624,836	¥3,006,669
Debt issued by subsidiaries—guaranteed by the Company	1,973,213	1,846,119
Debt issued by subsidiaries—not guaranteed by the Company ⁽¹⁾	2,531,510	2,342,620
Total	¥8,129,559	¥7,195,408

(1) Includes trading balances of secured borrowings.

As of March 31, 2016, fixed-rate long-term borrowings mature between 2016 and 2046 at interest rates ranging from 0.00% to 14.53%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2016 and 2047 at interest rates ranging from 0.00% to 9.01%. Index / Equity-linked obligations mature between 2016 and 2046 at interest rates ranging from 0.00% to 31.00%.

As of March 31, 2017, fixed-rate long-term borrowings mature between 2017 and 2047 at interest rates ranging from 0.00% to 14.53%. Excluding perpetual subordinated debts, floating-rate obligations, which are generally based on LIBOR, mature between 2017 and 2047 at interest rates ranging from 0.00% to 4.50%. Index / Equity-linked obligations mature between 2017 and 2047 at interest rates ranging from 0.00% to 33.20%.

Certain borrowing agreements contain provisions whereby the borrowings are redeemable at the option of the borrower at specified dates prior to maturity and include various equity-linked or other index-linked instruments.

Nomura enters into swap agreements to manage its exposure to interest rates and foreign exchange rates. Principally, debt securities and notes issued are effectively converted to LIBOR-based floating rate obligations through such swap agreements. The carrying value of the long-term borrowings includes adjustments to reflect fair value hedges.

Following table presents the effective weighted-average interest rates of borrowings, including the effect of fair value hedges as of March 31, 2016 and 2017.

	March 31	
	2016	2017
Short-term borrowings	0.77%	1.20%
Long-term borrowings	0.88%	0.90%
Fixed-rate obligations	1.45%	1.03%
Floating-rate obligations	0.89%	1.26%
Index / Equity-linked obligations	0.36%	0.37%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Maturities of long-term borrowings

The following table presents the aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges and liabilities measured at fair value, as of March 31, 2017:

<u>Year ending March 31</u>	<u>Millions of yen</u>
2018	¥ 478,658
2019	1,164,050
2020	1,173,632
2021	876,145
2022	660,015
2023 and thereafter	2,802,696
Subtotal	<u>7,155,196</u>
Trading balances of secured borrowings	<u>40,212</u>
Total	<u><u>¥7,195,408</u></u>

Borrowing facilities

As of March 31, 2016 and 2017, Nomura had unutilized borrowing facilities of ¥27,458 million and ¥nil, respectively. The terms for these unutilized borrowing facilities do not significantly differ from existing borrowings. Nomura has 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. These facilities are subject to customary lending conditions and covenants.

Subordinated borrowings

As of March 31, 2016 and 2017, subordinated borrowings were ¥657,463 million and ¥484,854 million, respectively.

11. Earnings per share:

Basic and diluted earnings per share (“EPS”) are presented on the face of the consolidated statements of income. Basic EPS is calculated by dividing net income attributable to NHI shareholders by the weighted average number of the Company’s common shares outstanding during the year. The calculation of diluted EPS is similar to basic EPS, except that the weighted average number of the Company’s common shares is adjusted to reflect all dilutive instruments where the Company’s common shares are potentially deliverable during the year. In addition, net income attributable to NHI shareholders is adjusted for any change in income or loss that would result from the assumed conversion of dilutive instruments issued by subsidiaries and affiliates.

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The following table presents a reconciliation of the amounts and the numbers used in the calculation of net income attributable to NHI shareholders per share (basic and diluted) for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen except per share data presented in yen		
	Year ended March 31		
	2015	2016	2017
Basic—			
Net income attributable to NHI shareholders	¥ 224,785	¥ 131,550	¥ 239,617
Weighted average number of shares outstanding	3,645,514,878	3,600,701,499	3,560,775,652
Net income attributable to NHI shareholders per share	¥ 61.66	¥ 36.53	¥ 67.29
Diluted—			
Net income attributable to NHI shareholders	¥ 224,726	¥ 131,426	¥ 239,475
Weighted average number of shares outstanding	3,743,690,088	3,700,388,050	3,647,729,909
Net income attributable to NHI shareholders per share	¥ 60.03	¥ 35.52	¥ 65.65

Net income attributable to NHI shareholders was adjusted to reflect the decline in Nomura’s equity share of earnings of subsidiaries and affiliates for the years ended March 31, 2015, 2016 and 2017 arising from options to purchase common shares issued by subsidiaries and affiliates. The weighted average number of shares used in the calculation of diluted EPS reflects the increase in potential issuance of the Company’s common shares arising from stock-based compensation plans by the Company, which would have minimal impact on EPS for the years ended March 31, 2015, 2016 and 2017.

Antidilutive stock options to purchase 9,745,800, 10,029,500 and 7,927,900 of the Company’s common shares were not included in the computation of diluted EPS for the years ended March 31, 2015, 2016 and 2017, respectively.

Subsequent Events

On April 27, 2017, the Company adopted a resolution to set up a share buyback program. See Note 17 “Shareholders’ equity” for further information.

On April 27, 2017, the Company adopted a resolution to issue SARs pursuant to the SAR awards. See Note 13 “Deferred compensation plans” for further information.

12. Employee benefit plans:

Nomura provides various pension plans and other post-retirement benefits which cover certain eligible employees worldwide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society (“NSHIS”).

Defined benefit pension plans—

The Company and certain subsidiaries in Japan (“Japanese entities”) have contributory funded benefit pension plans for eligible employees. The benefits are paid as annuity payments subsequent to retirement or as

NOMURA HOLDINGS, INC.

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lump-sum payments at the time of retirement based on a combination of years of service, age at retirement and employee's choice. The benefits under the plans are calculated based upon position, years of service and reason for retirement. In addition to the plans described above, certain Japanese entities also have unfunded lump-sum payment plans. Under these plans, employees with at least two years of service are generally entitled to lump-sum payments upon termination of employment. The benefits under the plans are calculated based upon position, years of service and the reason for retirement. Nomura's funding policy is to contribute annually the amount necessary to satisfy local funding standards. In December 2008, certain contributory funded benefit pension plans and unfunded lump-sum payment plans were amended and "Cash balance pension plans" were introduced. Participants receive an annual benefit in their cash balance pension plan account, which is computed based on compensation of the participants, adjusted for changes in Japanese government debt securities yields.

Certain overseas subsidiaries have various local defined benefit plans covering certain employees. Nomura recognized an asset for surplus pension benefits for these plans amounting to ¥9,019 million and ¥9,338 million as of March 31, 2016 and 2017, respectively.

Net periodic benefit cost

The following table presents the components of net periodic benefit cost for defined benefit plans of Japanese entities for the years ended March 31, 2015, 2016 and 2017. Nomura's measurement date is March 31 for defined benefit plans of Japanese entities.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Service cost	¥ 7,800	¥ 8,253	¥ 8,909
Interest cost	3,090	2,092	1,444
Expected return on plan assets	(5,732)	(6,064)	(6,004)
Amortization of net actuarial losses	2,127	1,456	2,867
Amortization of prior service cost	(1,148)	(1,148)	(1,090)
Net periodic benefit cost	¥ 6,137	¥ 4,589	¥ 6,126

Prior service cost is amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the projected benefit obligation or the fair value of plan assets are amortized over the average remaining service period of active participants, which is 11 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Benefit obligations and funded status

The following table presents a reconciliation of changes in projected benefit obligation (“PBO”) and the fair value of plan assets, as well as a summary of the funded status of Japanese entities’ plans as of, and for the years ended March 31, 2016 and 2017.

	Millions of yen	
	As of or for the year ended March 31	
	2016	2017
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	¥240,858	¥253,292
Service cost	8,253	8,909
Interest cost	2,092	1,444
Actuarial gain	13,121	16,367
Benefits paid	(10,528)	(10,285)
Acquisition, divestitures and other	(504)	9
Projected benefit obligation at end of year	<u>¥253,292</u>	<u>¥269,736</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	¥233,837	¥232,027
Actual return on plan assets	2,540	6,754
Employer contributions	4,559	4,124
Benefits paid	(8,909)	(8,960)
Fair value of plan assets at end of year	<u>¥232,027</u>	<u>¥233,945</u>
Funded status at end of year	<u>(21,265)</u>	<u>(35,791)</u>
Amounts recognized in the consolidated balance sheets	<u>¥(21,265)</u>	<u>¥(35,791)</u>

The accumulated benefit obligation (“ABO”) was ¥253,292 million and ¥269,736 million as of March 31, 2016 and 2017, respectively.

The following table presents the PBO, ABO and fair value of plan assets for Japanese entities’ plans with ABO and PBO in excess of plan assets as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Plans with ABO in excess of plan assets:		
PBO	¥31,788	¥36,587
ABO	31,788	36,587
Fair value of plan assets	—	—
Plans with PBO in excess of plan assets:		
PBO	¥31,788	¥36,587
ABO	31,788	36,587
Fair value of plan assets	—	—

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The following table presents pre-tax amounts of Japanese entities' plans deferred in *Accumulated other comprehensive income (loss)* that have not yet been recognized as components of net periodic benefit cost during the year ended March 31, 2017.

	<u>Millions of yen</u> <u>For the year ended</u> <u>March 31, 2017</u>
Net actuarial loss	¥69,940
Net prior service cost	(7,710)
Total	<u>¥62,230</u>

Pre-tax amounts of Japanese entities' plans in accumulated other comprehensive income which are expected to be recognized as components of net periodic benefit cost over the next fiscal year are as follows.

	<u>Millions of yen</u> <u>For the year ending</u> <u>March 31, 2018</u>
Net actuarial loss	¥ 3,950
Net prior service cost	(1,148)
Total	<u>¥ 2,802</u>

Assumptions

The following table presents the weighted-average assumptions used to determine projected benefit obligations of Japanese entities' plans as of March 31, 2016 and 2017.

	<u>March 31</u>	
	<u>2016</u>	<u>2017</u>
Discount rate	0.6%	0.9%
Rate of increase in compensation levels	2.5%	2.5%

The following table presents the weighted-average assumptions used to determine the net periodic benefit cost of Japanese entities' plans as of March 31, 2015, 2016 and 2017.

	<u>Year ended March 31</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Discount rate	1.4%	0.9%	0.6%
Rate of increase in compensation levels	2.5%	2.5%	2.5%
Expected long-term rate of return on plan assets	2.6%	2.6%	2.6%

Nomura generally determines the discount rates for its defined benefit plans by referencing indices for long-term, high-quality debt securities and ensuring that the discount rate does not exceed the yield reported for those indices after adjustment for the duration of the plans' liabilities.

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

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Plan assets

Plan assets are managed with an objective to generate sufficient long-term value in order to enable future pension payouts. While targeting a long-term rate of return on plan assets, Nomura aims to minimize short-term volatility by managing the portfolio through diversifying risk. Based on this portfolio policy, the plan assets are invested diversely.

The plan assets of domestic plans target to invest 17% in equities (including private equity investments), 45% in debt securities, 20% in life insurance company general accounts, and 18% in other investments. Investment allocations are generally reviewed and revised at the time of the actual revaluation that takes place every five years or when there is a significant change in the portfolio assumptions.

For details of the levels of inputs used to measure the fair value of plan assets, see Note 2 “Fair value measurements”.

The following tables present information about the fair value of plan assets of Japanese entities’ plans as of March 31, 2016 and March 31, 2017 within the fair value hierarchy.

	Millions of yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Balance as of March 31, 2016
Pension plan assets:				
Equities	¥21,283	¥ —	¥ —	¥ 21,283
Private equity investments	—	—	7,510	7,510
Japanese government securities	61,803	—	—	61,803
Bank and corporate debt securities	2,380	2,163	—	4,543
Investment trust funds and other ⁽¹⁾	—	12,934	47,699	60,633
Life insurance company general accounts	—	52,109	—	52,109
Other assets	—	24,146	—	24,146
Total	<u>¥85,466</u>	<u>¥91,352</u>	<u>¥55,209</u>	<u>¥232,027</u>

	Millions of yen			
	March 31, 2017			
	Level 1	Level 2	Level 3	Balance as of March 31, 2017
Pension plan assets:				
Equities	¥24,375	¥ —	¥ —	¥ 24,375
Private equity investments	—	—	6,785	6,785
Japanese government securities	53,270	—	—	53,270
Bank and corporate debt securities	2,389	1,932	—	4,321
Investment trust funds and other ⁽¹⁾	—	9,816	50,424	60,240
Life insurance company general accounts	—	53,098	—	53,098
Other assets	—	31,856	—	31,856
Total	<u>¥80,034</u>	<u>¥96,702</u>	<u>¥57,209</u>	<u>¥233,945</u>

(1) Includes hedge funds and real estate funds.

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The fair value of plan assets of non-Japanese entities' plans as of March 31, 2016 was ¥3,954 million, ¥192 million and ¥35,610 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively. The fair value of plan assets of non-Japanese entities' plans as of March 31, 2017 was ¥3,239 million, ¥140 million and ¥37,021 million which were classified in Level 1, Level 2 and Level 3 of the fair value hierarchy, respectively.

Level 1 plan assets primarily include equity securities and government securities. Unadjusted quoted prices in active markets for identical assets that Nomura has the ability to access at the measurement date are classified as Level 1. Level 2 plan assets primarily include investment trust funds, corporate debt securities and investments in life insurance company's general accounts. Investment trust funds are valued at their net asset values as calculated by the sponsor of the funds. Investments in life insurance company's general accounts are valued at conversion value.

The following tables present information about plan assets of Japanese entities' plans for which Nomura has utilized significant Level 3 valuation inputs to estimate fair value.

	Millions of yen			
	Year ended March 31, 2016			
	Balance as of April 1, 2015	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2016
Private equity investments	¥ 6,793	¥ (2,034)	¥ 2,751	¥ 7,510
Investment trust funds and other	48,545	(2,018)	1,172	47,699
Total	¥55,338	¥ (4,052)	¥ 3,923	¥55,209

	Millions of yen			
	Year ended March 31, 2017			
	Balance as of April 1, 2016	Unrealized and realized gains / loss	Purchases / sales and other settlement	Balance as of March 31, 2017
Private equity investments	¥ 7,510	¥ 353	¥(1,078)	¥ 6,785
Investment trust funds and other	47,699	1,155	1,570	50,424
Total	¥55,209	¥ 1,508	¥ 492	¥57,209

The fair value of Level 3 plan assets of non-Japanese entities' plans, mainly consisting of annuities, was ¥35,610 million and ¥37,021 million as of March 31, 2016 and 2017, respectively. The amount of unrealized profit (loss) of Level 3 assets was ¥(8,241) million and ¥5,836 million as of March 31, 2016 and 2017, respectively. The amounts of gains and losses, purchases and sales other than above, transfers between Level 1 or Level 2 and Level 3 relating to these assets during the years ended March 31, 2016 and 2017 were not significant.

Cash Flows

Nomura expects to contribute ¥4,124 million to Japanese entities' plans in the year ending March 31, 2018. Nomura policy is to contribute annual amounts based on the relevant local funding requirements of the plans.

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The following table presents the expected benefit payments of Japanese entities' plans during the next five fiscal years and in aggregate for the five fiscal years thereafter.

<u>Year ending March 31</u>	<u>Millions of yen</u>
2018	¥12,232
2019	12,199
2020	11,806
2021	11,489
2022	11,708
2023-2027	64,993

Defined contribution pension plans—

In addition to defined benefit pension plans, the Company, NSC and other Japanese and non-Japanese subsidiaries have defined contribution pension plans.

Nomura contributed ¥3,488 million, ¥3,582 million and ¥3,636 million to defined contribution pension plans for Japanese entities' plans for the years ended March 31, 2015, 2016 and 2017, respectively.

The contributions to overseas defined contribution pension plans were ¥10,382 million, ¥10,777 million and ¥8,650 million for the years ended March 31, 2015, 2016 and 2017, respectively.

Health care benefits—

The Company and certain subsidiaries provide certain health care benefits to both active and retired employees through NSHIS. The Company and certain subsidiaries also sponsor certain health care benefits to retired employees (“Special Plan”) and who participate in the Special Plan on a pay-all basis, i.e., by requiring a retiree contribution based on the estimated per capita cost of coverage. The Special Plan is a multi-employer post-retirement plan because it is jointly administered by NSHIS and the Japanese government, and the funded status of it is not computed separately. Therefore, although the Company and certain subsidiaries contribute some portion of the cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not reserve for future costs. The health care benefit costs, which are equivalent to the required contribution, amounted to ¥7,116 million, ¥7,147 million and ¥8,138 million for the years ended March 31, 2015, 2016 and 2017, respectively.

13. Deferred compensation plans:

Nomura issues compensation awards to senior management and other employees, certain of which are linked to the price of the Company's common stock, in order to retain and motivate key staff.

These stock-based compensation awards comprise Plan A and Plan B Stock Acquisition Rights (“SARs”), Notional Stock Units (“NSUs”), and Collared Notional Stock Units (“CSUs”). SAR Plan A awards are awards of stock options while SAR Plan B awards, NSUs and CSUs are analogous to awards of restricted common stock. The Company also issues other deferred compensation awards, namely Notional Indexed Units (“NIUs”) which are linked to a world stock index quoted by Morgan Stanley Capital International.

Certain deferred compensation awards granted since May 2013 include “Full Career Retirement” (“FCR”) provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination or

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claiming FCR during a pre-defined election window if certain criteria based on corporate title and length of service within Nomura are met. The requisite service period for these awards ends on the earlier of the contractual vesting date and the date that the recipients become eligible for or claim FCR.

SAR Plan A awards

The Company issues SAR Plan A awards linked to the price of the Company's common stock pursuant to several stock option plans. These awards vest and are exercisable into the Company's common stock approximately two years after grant date, expire approximately seven years after grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is generally not less than the fair value of the Company's common stock on grant date.

The grant date fair value of SAR Plan A awards is estimated using a Black-Scholes option-pricing model and using the following assumptions:

- Expected volatilities based on historical volatility of the Company's common stock;
- Expected dividend yield based on the current dividend rate at the time of grant;
- Expected lives of the awards determined based on historical experience; and
- Expected risk-free interest rate based on Japanese Yen swap rate with a maturity equal to the expected lives of the options.

The weighted-average grant date fair value of SAR Plan A awards granted during the years ended March 31, 2015, 2016 and 2017 was ¥201, ¥176 and ¥126 per share, respectively. The weighted-average assumptions used in each of these years were as follows.

	Year ended March 31		
	2015	2016	2017
Expected volatility	45.26%	40.87%	40.95%
Expected dividends yield	2.39%	2.99%	2.30%
Expected lives (in years)	7	7	4.5
Risk-free interest rate	0.43%	0.27%	0.03%

The following table presents activity relating to SAR Plan A awards for the year ended March 31, 2017.

	Outstanding (number of Nomura shares)	Weighted-average exercise price	Weighted-average remaining life until expiry (years)
Outstanding as of March 31, 2016	14,991,100	¥640	3.6
Granted	2,561,000	593	
Exercised	(975,400)	370	
Forfeited	(55,200)	707	
Expired	<u>(2,050,500)</u>	<u>728</u>	
Outstanding as of March 31, 2017	<u>14,471,000</u>	<u>¥634</u>	4.2
Exercisable as of March 31, 2017	<u>9,340,600</u>	<u>¥599</u>	3.1

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The total intrinsic value of SAR Plan A awards exercised during the years ended March 31, 2015, 2016 and 2017 was ¥401 million, ¥435 million and ¥330 million, respectively.

The aggregate intrinsic value of SAR Plan A awards outstanding and exercisable as of March 31, 2017 was ¥1,608 million and ¥1,355 million, respectively.

As of March 31, 2017, total unrecognized compensation cost relating to SAR Plan A awards was ¥405 million which is expected to be recognized over a weighted average period of 1.3 years. The total fair value of SAR Plan A awards which vested during the years ended March 31, 2015, 2016 and 2017 was ¥1,211 million, nil and nil, respectively.

SAR Plan B awards

The Company issues SAR Plan B awards linked to the price of the Company's common stock pursuant to several stock unit plans. These awards vest and are exercisable into the Company's common stock approximately six months to five years after grant date, expire approximately five and a half years to ten years after grant date and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. The exercise price is a nominal ¥1 per share.

The grant date fair value of SAR Plan B awards is determined using the price of the Company's common stock.

The following table presents activity relating to SAR Plan B awards for the year ended March 31, 2017.

	<u>Outstanding (number of Nomura shares)</u>	<u>Weighted-average grant date fair value per share</u>	<u>Weighted-average remaining life until expiry (years)</u>
Outstanding as of March 31, 2016	91,976,200	¥545	5.1
Granted	23,870,500	375	
Exercised	(39,702,000)	554	
Forfeited	(1,794,400)	514	
Expired	(18,700)	816	
Outstanding as of March 31, 2017	<u>74,331,600</u>	<u>¥486</u>	4.8
Exercisable as of March 31, 2017	<u>20,666,000</u>	<u>¥512</u>	3.1

The weighted-average grant date fair value per share for the years ended March 31, 2015, 2016 and 2017 was ¥483, ¥759 and ¥375, respectively.

The total intrinsic value of SAR Plan B awards exercised during the years ended March 31, 2015, 2016 and 2017 was ¥23,673 million, ¥25,059 million and ¥21,014 million, respectively.

The aggregate intrinsic value of SAR Plan B awards outstanding and exercisable as of March 31, 2017 was ¥51,356 million and ¥14,278 million, respectively.

As of March 31, 2017, total unrecognized compensation cost relating to SAR Plan B awards was ¥1,873 million which is expected to be recognized over a weighted average period of 1.4 years. The total fair value of SAR Plan B awards which vested during the years ended March 31, 2015, 2016 and 2017 was ¥27,662 million, ¥20,880 million and ¥23,310 million, respectively.

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Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to SAR Plan A and SAR Plan B awards for the years ended March 31, 2015, 2016 and 2017 was ¥19,364 million, ¥16,890 million and ¥8,960 million, respectively.

Cash received from the exercise of SAR Plan A and SAR Plan B awards during the year ended March 31, 2017 was ¥400 million and the tax benefit realized from exercise of these awards was ¥857 million.

Total related tax benefits recognized in the consolidated statements of income for compensation expenses relating to SAR Plan A awards, SAR Plan B awards for the years ended March 31, 2015, 2016 and 2017 were ¥1,422 million, ¥806 million and ¥453 million, respectively. The dilutive effect of outstanding compensation plans is included in the weighted average number of shares outstanding used in diluted EPS computations.

NSU and CSU awards

NSUs and CSUs are cash-settled awards linked to the price of the Company's common stock. NSUs and CSUs generally have a graded vesting period of approximately five years from grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause. NSUs replicate the key features of SAR Plan B awards described above but are settled in cash rather than exercisable into the Company's common stock. CSUs are similar to NSUs but exposure of the employee to movements in the price of the Company's common stock is subject to a cap and floor.

The fair value of NSUs and CSUs are determined using the price of the Company's common stock.

The following table presents activity related to NSUs and CSUs for the year ended March 31, 2017.

	NSUs		CSUs	
	Outstanding (number of units)	Stock price	Outstanding (number of units)	Stock price
Outstanding as of March 31, 2016	38,582,022	¥498	29,510,658	¥586
Granted	21,048,181	463 ⁽¹⁾	19,275,538	475 ⁽¹⁾
Vested	(26,622,239)	536 ⁽²⁾	(28,894,163)	526 ⁽²⁾
Forfeited	(1,035,157)	—	(859,970)	—
Outstanding as of March 31, 2017	<u>31,972,807</u>	<u>¥679⁽³⁾</u>	<u>19,032,063</u>	<u>¥603⁽³⁾</u>

- (1) Weighted-average price of the Company's common stock used to determine number of awards granted.
- (2) Weighted-average price of the Company's common stock used to determine the final cash settlement amount of the awards.
- (3) The price of the Company's common stock used to remeasure the fair value of the remaining outstanding unvested awards as of March 31, 2017.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NSUs and CSUs for the years ended March 31, 2015, 2016 and 2017 was ¥39,366 million, ¥23,480 million and ¥23,127 million, respectively.

Total unrecognized compensation cost relating to NSUs, based on the fair value of these awards as of March 31, 2017, was ¥2,317 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.8 years.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The total fair value of NSUs which vested during the years ended March 31, 2015, 2016 and 2017 was ¥20,116 million, ¥19,860 million and ¥14,267 million, respectively.

Total unrecognized compensation cost relating to CSUs, based on the fair value of these awards as of March 31, 2017, was ¥2,009 million, which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 1.0 years.

The total fair value of CSUs which vested during the years ended March 31, 2015, 2016 and 2017 was ¥15,762 million, ¥18,366 million and ¥15,186 million, respectively.

NIU awards

In addition to the stock-based compensation awards described above, Nomura also grants NIUs to certain senior management and employees. NIUs are cash-settled awards linked to a world stock index quoted by Morgan Stanley Capital International, have graded vesting period of approximately three years from grant date, and are subject to forfeiture on voluntary termination of employment or involuntary termination for cause.

The fair value of NIUs is determined using the price of the index.

The following table presents activity relating to NIUs for the year ended March 31, 2017.

	<u>Outstanding (number of units)</u>	<u>Index price⁽¹⁾</u>
Outstanding as of March 31, 2016	22,916,989	\$4,439
Granted	11,034,113	4,583 ⁽²⁾
Vested	(20,822,917)	4,789 ⁽³⁾
Forfeited	(846,847)	
Outstanding as of March 31, 2017	<u>12,281,338</u>	<u>\$5,123⁽⁴⁾</u>

(1) The price of each unit is determined using 1/1000th of the index price.

(2) Weighted-average index price used to determine number of awards granted.

(3) Weighted-average index price used to determine the final cash settlement amount of the awards.

(4) Index price used to remeasure the total fair value of the remaining outstanding unvested awards as of March 31, 2017.

Total compensation expense recognized within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income relating to NIUs for the year ended March 31, 2015, 2016 and March 31, 2017 was ¥12,900 million, ¥9,463 million and ¥6,107 million respectively.

Total unrecognized compensation cost relating to NIUs, based on the fair value of these awards as of March 31, 2017, was ¥1,127 million which is expected to be recognized through the consolidated statements of income over a remaining weighted-average period of 0.9 years.

The total fair value of NIUs which vested during the years ended March 31, 2015, 2016 and 2017 was ¥12,966 million, ¥13,725 million and ¥10,802 million, respectively.

Total tax benefits recognized in the consolidated statements of income for compensation expense relating to NSUs, CSUs and NIUs for the years ended March 31, 2015, 2016 and 2017 were ¥1,252 million, ¥672 million and ¥720 million, respectively.

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Subsequent events

On May 12, 2017, the Company adopted a resolution to issue SAR Plan B awards to senior management and employees of the Company and its subsidiaries. The Company granted total of 178,407 SAR Plan B awards in June 9, 2017 which represents a right to acquire 17,840,700 shares of the Company. The exercise price is a nominal ¥1 per share, the vesting period of these awards ranges from approximately six months to seven years from grant date and these awards can be exercised up to five years after vesting date.

In May 2017, Nomura also granted NSUs, CSUs and NIUs to certain senior management and employees. These awards have a total grant date fair value of ¥40 billion and a vesting period of up to seven years.

14. Restructuring initiatives:

During the year ended March 31, 2016, global markets have experienced extreme volatility and a significant decline in liquidity, triggered by heightened uncertainty in the global economy. Nomura's management approved the restructuring of its Wholesale segment in EMEA and the Americas in March 2016. This restructuring will involve the closing of certain Wholesale businesses in EMEA and rationalizing existing businesses in the Americas in order to reduce costs, increase efficiencies and generate sustainable profitability within Nomura's international operations in these regions. During the year ended March 31, 2017, this restructuring initiative is almost completed.

As a result of this restructuring initiative, Nomura recognized ¥15,603 million of restructuring costs in the consolidated statements of income during the year ended March 31, 2016 which primarily relate to employee termination costs reported within *Non-interest expenses—Compensation and benefits* in the consolidated statements of income and within Nomura's Wholesale segment. As of March 31, 2016, these costs are primarily reported as liabilities within *Other liabilities* in the consolidated statements of financial position. The amount of restructuring costs recognized in the consolidated statements of income during the year ended March 31, 2017 was not significant.

15. Income taxes:

The following table presents components of *Income tax expense* reported in the consolidated statements of income for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Current:			
Domestic	¥ 80,760	¥ 72,272	¥52,004
Foreign	13,531	9,183	5,697
Subtotal	94,291	81,455	57,701
Deferred:			
Domestic	23,309	(66,176)	20,239
Foreign	3,180	7,317	2,289
Subtotal	26,489	(58,859)	22,528
Total	¥120,780	¥ 22,596	¥80,229

The income tax benefit recognized from operating losses for the years ended March 31, 2015, 2016 and 2017 was ¥3,888 million, ¥5,451 million and ¥868 million, respectively, included within deferred income tax expense above.

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The Company and its wholly-owned domestic subsidiaries have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system is permitted only for a national tax.

Due to the revisions of domestic tax laws during the fourth quarter ended March 31, 2015 and March 31, 2016, our effective statutory tax rates are 36% for the fiscal year ended March 31, 2015, 33% for the fiscal year ended at March 31, 2016 and 31% thereafter.

On November 18, 2016, the “Act to partially amend the Act for partial amendment of the Local Tax Act and Local Allocation Tax Act and for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security” (Act No.86 of 2016) was enacted. Under this Act, the timing of implementation for the tax reform which had been scheduled at the fiscal year beginning on or after April 1, 2017, was postponed to the fiscal year beginning on or after October 1, 2019. Though the domestic statutory tax rates to calculate deferred tax assets and liabilities will not change, due to reclassification between national tax and local tax, net deferred tax liabilities increased by ¥3,366 million yen and income tax expenses increased by the same amount.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income (loss) is affected by a number of items, including various tax credits, certain revenues not subject to income taxes, certain expenses not deductible for income tax purposes, changes in deferred tax valuation allowance and different enacted tax rates applicable to foreign subsidiaries.

The following table presents a reconciliation of the effective income tax rate reflected in the consolidated statements of income to Nomura’s effective statutory tax rate for the years ended March 31, 2015, 2016 and 2017.

	Year ended March 31		
	2015	2016	2017
Nomura’s effective statutory tax rate	36.0%	33.0%	31.0%
Impact of:			
Changes in deferred tax valuation allowance	5.1	36.1	(10.8)
Additional taxable revenues	0.3	0.3	0.1
Non-deductible expenses	5.9	7.8	2.9
Non-taxable revenue	(4.7)	(7.2)	(2.6)
Dividends from foreign subsidiaries	0.0	0.0	0.0
Tax effect of undistributed earnings of foreign subsidiaries	0.0	0.1	0.0
Different tax rate applicable to income (loss) of foreign subsidiaries	(1.4)	1.1	0.3
Effect of changes in domestic tax laws	(1.4)	(0.9)	1.0
Expiration of loss carryforwards	0.0	—	—
Tax benefit recognized on the devaluation of investment in subsidiaries and affiliates ⁽¹⁾	—	(54.8)	1.7
Other	(5.0)	(1.8)	1.3
Effective tax rate	34.8%	13.7%	24.9%

- (1) The tax benefit recognized on the devaluation of investment in subsidiaries and affiliates during the year ended March 31, 2016 of approximately ¥90 billion (which impacts Nomura’s effective statutory tax rate by 54.8%) arises from the recognition of deferred tax assets from the decision of Nomura management to liquidate certain wholly-owned subsidiaries within Nomura during the year. Total valuation allowances of ¥24 billion have been recognized against these deferred tax assets, the impact of which are reported in changes in deferred tax valuation allowance for the same period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents the significant components of deferred tax assets and liabilities as of March 31, 2016 and 2017, before offsetting of amounts which relate to the same tax-paying component within a particular tax jurisdiction.

	Millions of yen	
	March 31	
	2016	2017
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥ 16,862	¥ 17,988
Investments in subsidiaries and affiliates	112,030	100,100
Valuation of financial instruments	60,776	65,158
Accrued pension and severance costs	16,190	21,854
Other accrued expenses and provisions	96,202	84,268
Operating losses	435,122	406,440
Other	5,644	8,408
Gross deferred tax assets	742,826	704,216
Less—Valuation allowance	(543,489)	(519,492)
Total deferred tax assets	199,337	184,724
Deferred tax liabilities		
Investments in subsidiaries and affiliates	121,874	125,752
Valuation of financial instruments	49,873	46,684
Undistributed earnings of foreign subsidiaries	711	947
Valuation of fixed assets	19,165	18,042
Other	6,822	5,840
Total deferred tax liabilities	198,445	197,265
Net deferred tax assets (liabilities)	¥ 892	¥ (12,541)

After offsetting deferred tax assets and liabilities which relate to the same tax-paying component within a particular tax jurisdiction, net deferred tax assets reported within *Other assets—Other* in the consolidated balance sheets were ¥36,130 million and ¥21,825 million as of March 31, 2016 and 2017, respectively and net deferred tax liabilities reported within *Other liabilities* in the consolidated balance sheets were ¥35,238 million and ¥34,366 million as of March 31, 2016 and 2017, respectively.

As of March 31, 2017, no deferred tax liabilities have been recognized for undistributed earnings of foreign subsidiaries totaling ¥3,927 million which are not expected to be remitted in the foreseeable future. It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table presents changes in the total valuation allowance established against deferred tax assets for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Balance at beginning of year	¥490,603	¥565,103	¥543,489
Net change during the year	74,500 ⁽¹⁾	(21,614) ⁽²⁾	(23,997) ⁽³⁾
Balance at end of year	¥565,103	¥543,489	¥519,492

- (1) Primarily includes ¥85,403 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, offset by a reduction of ¥2,921 million of valuation allowances of certain foreign subsidiaries and a reduction of ¥7,982 million related to Japanese subsidiaries and the Company because of decrease in valuation allowances related to operating loss carryforwards due to the effect of changes in domestic tax laws. In total, ¥74,500 million of allowances increased for the year ended March 31, 2015.
- (2) Primarily includes ¥7,003 million of additional full valuation allowances established by certain foreign subsidiaries against additional operating loss carryforwards generated during the period as a result of additional taxable losses being incurred by such subsidiaries, offset by a reduction of ¥27,757 million of valuation allowances of certain foreign subsidiaries and a reduction of ¥860 million related to Japanese subsidiaries and the Company because of decrease in valuation allowances related to operating loss carryforwards due to the effect of changes in domestic tax laws. In total, ¥21,614 million of allowances decreased for the year ended March 31, 2016.
- (3) Primarily includes an increase of ¥2,040 million of valuation allowances of certain foreign subsidiaries partly because of changes in the expected realization of deferred tax assets, a reduction of ¥35,214 million of valuation allowances of certain foreign subsidiaries mainly by utilization of operating loss carryforwards, an increase of ¥5,811 million of valuation allowances related to Japanese subsidiaries and the Company by changes in the expected realization of deferred tax assets, and an increase of ¥3,366 million related to Japanese subsidiaries and the Company because of increase in valuation allowances related to operating loss carryforwards due to the effect of changes in domestic tax laws. In total, ¥23,997 million of allowances decreased for the year ended March 31, 2017.

As of March 31, 2017, total operating loss carryforwards were ¥1,985,408 million, which included ¥585,026 million relating to the Company and domestic subsidiaries, ¥717,812 million relating to foreign subsidiaries in the United Kingdom, ¥411,370 million relating to foreign subsidiaries in the United States, ¥200,857 million relating to foreign subsidiaries in Hong Kong, and ¥70,343 million relating to foreign subsidiaries in other tax jurisdictions. Of this total amount, ¥983,470 million can be carried forward indefinitely, ¥656,168 million expires by March 31, 2026 and ¥345,770 million expires in later fiscal years.

In determining the amount of valuation allowances to be established as of March 31, 2017, Nomura considered all available positive and negative evidence around the likelihood that sufficient future taxable income will be generated to realize the deferred tax assets in the relevant tax jurisdiction of the Company, its domestic subsidiaries and foreign subsidiaries.

In Japan and other tax jurisdictions where domestic and foreign subsidiaries have experienced cumulative operating losses in recent years, these losses provided the most verifiable negative evidence available and outweigh positive evidence.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

While Nomura has considered certain future tax planning strategies as a potential source of future taxable income, no such strategies have been relied upon as positive evidence resulting in the reduction of valuation allowances in any major tax jurisdiction in which Nomura operates as of March 31, 2015, 2016 and 2017. In addition, valuation allowances have not been reduced in any of these periods as a result of changing the weighting applied to positive or negative evidence in any of the major tax jurisdictions in which Nomura operates.

The total amount of unrecognized tax benefits was not significant as of March 31, 2015, 2016 and 2017. There were also no significant movements of the gross amounts in unrecognized tax benefits and the amount of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2015, 2016 and 2017. Nomura is under continuous examination by the Japanese National Tax Agency and other taxing authorities in the major jurisdictions in which Nomura operates. Nomura regularly assesses the likelihood of additional assessments in each tax jurisdiction and the impact on these consolidated financial statements. It is reasonably possible that there may be a significant increase in unrecognized tax benefits within 12 months of March 31, 2017. Quantification of an estimated range cannot be made at this time due to the uncertainty of the potential outcomes. However, Nomura does not expect that any change in the gross balance of unrecognized tax benefits would have a material effect on its financial condition.

Nomura operates in multiple tax jurisdictions, and faces audits from various taxing authorities regarding many issues including, but not limited to, transfer pricing, the deductibility of certain expenses, foreign tax credits and other matters.

The table below presents information regarding the earliest year in which Nomura remains subject to examination in the major jurisdictions in which Nomura operates as of March 31, 2017. Under Hong Kong Special Administrative Region (“Hong Kong”) tax law, the statute of limitation does not apply if an entity incurs taxable losses and is therefore not included in the table.

<u>Jurisdiction</u>	<u>Year</u>
Japan	2012 ⁽¹⁾
United Kingdom	2016
United States	2014

(1) The earliest year in which Nomura remains subject to examination for transfer pricing issues is 2011.

16. Other comprehensive income (loss):

The following tables present changes in *Accumulated other comprehensive income (loss)* for the years ended March 31, 2016 and 2017.

	<u>Millions of yen</u>				
	<u>For the year ended March 31, 2016</u>				
	<u>Balance at beginning of year</u>	<u>Other comprehensive income (loss) before reclassifications</u>	<u>Reclassifications out of accumulated other comprehensive income (loss)</u>	<u>Net change during the year</u>	<u>Balance at end of year</u>
Cumulative translation adjustments	¥133,371	¥(79,108)	¥ (845)	¥(79,953)	¥ 53,418
Pension liability adjustment	(15,404)	(18,097)	176	(17,921)	(33,325)
Net unrealized gain on non-trading securities	25,772	363	(1,248)	(885)	24,887
Total	<u>¥143,739</u>	<u>¥(96,842)</u>	<u>¥(1,917)</u>	<u>¥(98,759)</u>	<u>¥ 44,980</u>

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Millions of yen					
For the year ended March 31, 2017					
Balance at beginning of year	Cumulative effect of change in accounting principle	Other comprehensive income (loss) before reclassifications	Reclassifications out of accumulated other comprehensive income (loss)	Net change during the year	Balance at end of year
Cumulative translation adjustments	¥ 53,418	¥ —	¥ (4,005)	¥(1,646)	¥ (5,651) ¥ 47,767
Pension liability adjustment	(33,325)	—	(9,147)	1,452	(7,695) (41,020)
Net unrealized gain on non-trading securities . . .	24,887	—	(3,948)	(595)	(4,543) 20,344
Own credit adjustments	—	19,294	(12,147)	(586)	6,561 6,561
Total	<u>¥ 44,980</u>	<u>¥19,294</u>	<u>¥(29,247)</u>	<u>¥(1,375)</u>	<u>¥(11,328) ¥ 33,652</u>

As a result of early adopting ASU 2016-01 as of April 1, 2016, unrealized changes in the fair value of financial liabilities elected for the fair value option due to instrument-specific credit risk (“own credit adjustments”) are now presented through *Other comprehensive income (loss)*. See Note 1 “*Summary of accounting policies*” for further information about the early adoption of ASU 2016-01.

The following tables present significant reclassifications out of *Accumulated other comprehensive income (loss)* for the years ended March 31, 2016 and 2017.

Millions of yen			
For the year ended March 31			
	2016	2017	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income
Cumulative translation adjustments:	¥845	¥1,646	Revenue—Other
	—	—	Income tax expense
	<u>845</u>	<u>1,646</u>	Net income
	—	—	Net income attributable to noncontrolling interests
	<u>¥845</u>	<u>¥1,646</u>	Net income attributable to NHI shareholders

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

			Millions of yen		
			For the year ended March 31		
			2016	2017	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income		
Pension liability adjustment					
	¥(255)	¥(2,118)			Non-interest expenses—
	79	666			Compensation and benefits
	<u>(176)</u>	<u>(1,452)</u>			Income tax expense
					Net income
	—	—			Net income attributable to noncontrolling interests
	<u>¥(176)</u>	<u>¥(1,452)</u>			Net income attributable to NHI shareholders
			Millions of yen		
			For the year ended March 31		
			2016	2017	
	Reclassifications out of accumulated other comprehensive income (loss)	Reclassifications out of accumulated other comprehensive income (loss)	Affected line items in consolidated statements of income		
Net unrealized gain on non- trading securities:					
	¥ 2,724	¥ 2,086			Revenue—Other
	<u>(1,081)</u>	<u>(1,306)</u>			Income tax expense
	1,643	780			Net income
	<u>(395)</u>	<u>(185)</u>			Net income attributable to noncontrolling interests
	<u>¥ 1,248</u>	<u>¥ 595</u>			Net income attributable to NHI shareholders

See Note 5 “Non-trading Securities” for further information.

17. Shareholders’ equity:

The following table presents changes in shares of the Company’s common stock outstanding for the years ended March 31, 2015, 2016 and 2017.

				Number of Shares		
				Year ended March 31		
				2015	2016	2017
Common stock outstanding at beginning of year				3,717,630,462	3,598,865,213	3,608,391,999
Common stock held in treasury:						
Repurchases of common stock		(155,232,995)		(24,364,753)	(121,010,524)	
Sales of common stock		5,251		686	468	
Common stock issued to employees		36,461,000		33,879,000	40,677,400	
Other net change in treasury stock		1,495		11,853	370,108	
Common stock outstanding at end of year				<u>3,598,865,213</u>	<u>3,608,391,999</u>	<u>3,528,429,451</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The amount available for dividends and acquisition of treasury stock is subject to restrictions imposed by the Companies Act. Additional paid-in capital and retained earnings include amounts which the Companies Act prohibits for the use of dividends and acquisition of treasury stock. As of March 31, 2015, 2016 and 2017, the amounts available for distributions were ¥735,394 million, ¥1,069,296 million and ¥1,193,497 million, respectively. These amounts are based on the amounts recorded in the Company's unconsolidated financial statements maintained in accordance with accounting principles and practices prevailing in Japan. U.S. GAAP adjustments incorporated in these consolidated financial statements but not recorded in the Company's unconsolidated financial statements have no effect on the determination of the amounts available for distributions under the Companies Act.

Dividends on the Company's common stock per share were ¥19.0 for the year ended March 31, 2015, ¥13.0 for the year ended March 31, 2016 and ¥20.0 for the year ended March 31, 2017.

The change in common stock held in treasury includes the change in common stock issued to employees under stock-based compensation plans, common stock sold to enable shareholders to hold round lots of the 100 share minimum tradable quantity (adding-to-holdings requests) or common stock acquired to create round lots or eliminate odd lots. Common stock held in treasury also includes, as of March 31, 2015, 2016 and 2017, 1,141,686 shares, or ¥2,017 million, 1,129,833 shares, or ¥2,024 million, and 759,725 shares, or ¥758 million, respectively, held by affiliated companies.

Subsequent Events

On April 27, 2017, the board of directors approved a resolution to set up a share buyback program, pursuant to the Company's articles of incorporation set out in accordance with Article 459-1 of the Companies Act as follows: (a) total number of shares authorized for repurchase is up to 100,000,000 shares, (b) total value of shares authorized for repurchase is up to ¥80 billion and (c) the share buyback program will run from May 17, 2017, to March 30, 2018 (excluding the ten business days following the announcement of quarterly operating results).

18. Regulatory requirements:

In April 2011, the Company has been assigned as Final Designated Parent Company who must calculate a consolidated capital adequacy ratio and since then, our consolidated capital adequacy ratio has been calculated based on Capital Adequacy Notice on Final Designated Parent Company. The Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and Basel III and Nomura has calculated a Basel III-based consolidated capital adequacy ratio since March 2013.

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, Nomura's consolidated capital adequacy ratio is calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital, total capital, credit risk-weighted assets, market risk and operational risk. As of March 31, 2016 and March 31, 2017, the Company was in compliance with common equity Tier 1 capital ratio, Tier 1 capital ratio and consolidated capital adequacy ratio requirements set out in the Capital Adequacy Notice on Final Designated Parent Company, etc. The required level (including applicable minimum consolidated capital buffer) as of March 31, 2017 was 6.00% for the common equity Tier 1 capital ratio, 7.50% for the Tier 1 capital ratio and 9.50% for the consolidated capital adequacy ratio.

Under the Financial Instruments and Exchange Act ("FIEA"), NSC and NFPS are subject to the capital adequacy rules of the FSA. These rules requires the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders' equity, net unrealized gains and losses on securities held,

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

reserves and subordinated debt) less illiquid assets. Business risks are divided into three categories: (1) market risks, (2) counterparty risks, and (3) basic risks. Under these rules, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. As of March 31, 2016 and 2017, the capital adequacy ratio of NSC exceeded 120%. Also, as of March 31, 2016 and 2017, the capital adequacy ratio of NFPS also exceeded 120%.

In connection with providing brokerage, clearing, asset management and wealth management services to clients, Nomura maintains segregated accounts to hold financial assets such as cash and securities on behalf of its clients. These accounts are typically governed by stringent statutory or regulatory rules in the relevant jurisdiction where the accounts are maintained in order to protect the clients from loss.

As of March 31, 2016 and 2017, the total amount of segregated client cash recognized as an asset in *Deposits with stock exchanges and other segregated cash* in the consolidated balance sheets was ¥96,887 million and ¥94,483 million, respectively. As of March 31, 2016 and 2017, the total amount of segregated securities recognized as assets in *Trading assets* and *Collateralized agreements* in the consolidated balance sheets was ¥526,979 million and ¥768,616 million, respectively.

In the U.S., Nomura Securities International, Inc. (“NSI”) is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commission merchant with the Commodity Futures Trading Commission (“CFTC”). NSI is also regulated by self-regulatory organizations, such as the Financial Industry Regulatory Authority (“FINRA”) and the Chicago Mercantile Exchange Group. NSI is subject to the SEC’s Uniform Net Capital Rule (“Rule 15c3-1”) and other related rules, which require net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from client transactions. NSI is also subject to CFTC Regulation 1.17 which requires the maintenance of net capital of 8% of the total risk margin requirement, as defined, for all positions carried in client accounts and nonclient accounts or \$1,000,000, whichever is greater. NSI is required to maintain net capital in accordance with the SEC, CFTC, or other various exchange requirements, whichever is greater. Another U.S. subsidiary, Nomura Global Financial Products Inc. (“NGFP”) is registered as an OTC Derivatives Dealer under the Securities Exchange Act of 1934. NGFP is subject to Rule 15c3-1 and applies Appendix F. NGFP is required to maintain net capital of \$20,000,000 in accordance with the SEC. Another U.S. subsidiary, Instinet, LLC (“ILLC”) is a broker-dealer registered with the SEC and is a member of FINRA. Further, ILLC is an introducing broker registered with the CFTC and a member of the National Futures Association and various other exchanges. ILLC is subject to Rule 15c3-1 which requires the maintenance of minimum net capital, as defined under the alternative method, equal to the greater of \$1,000,000, 2% of aggregate debit items arising from client transactions, or the CFTC minimum requirement. Under CFTC rules, ILLC is subject to the greater of the following when determining its minimum net capital requirement: \$45,000 minimum net capital required as a CFTC introducing broker; the amount of adjusted net capital required by a futures association of which it is a member; and the amount of net capital required by Rule 15c3-1(a). As of March 31, 2016 and 2017, NSI, NGFP and ILLC were in compliance with relevant regulatory capital related requirements.

In Europe, Nomura Europe Holdings plc (“NEHS”) is subject to consolidated regulatory supervision by the Prudential Regulation Authority (“U.K. PRA”). The regulatory consolidation is produced in accordance with the requirements established under the Capital Requirements Directive and the Capital Requirements Regulation which came into effect on January 1, 2014. Nomura International plc (“NIP”), the most significant of NEHS’ subsidiaries, acts as a securities brokerage and dealing business. NIP is regulated by the U.K. PRA and has minimum capital adequacy requirements imposed on it on a standalone basis. In addition, Nomura Bank International plc (“NBI”), another subsidiary of NEHS, is also regulated by the U.K. PRA on a standalone basis. As of March 31, 2016 and 2017, NEHS, NIP and NBI were in compliance with relevant regulatory capital related requirements.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In Asia, Nomura International (Hong Kong) Limited (“NIHK”) and Nomura Singapore Ltd (“NSL”) are regulated by their local respective regulatory authorities. NIHK is licensed by the Securities and Futures Commission in Hong Kong to carry out regulated activities including dealing and clearing in securities and futures contracts, advising on securities, futures contracts and corporate finance and wealth finance management. Activities of NIHK, including its branch in Taiwan, are subject to the Securities and Futures (Financial Resources) Rules which require it, at all times, to maintain liquid capital at a level not less than its required liquid capital. Liquid capital is the amount by which liquid assets exceed ranking liabilities. Required liquid capital is calculated in accordance with provisions laid down in the Securities and Futures (Financial Resources) Rules. NSL is a merchant bank with an Asian Currency Unit (“ACU”) license governed by the Monetary Authority of Singapore (“MAS”). NSL carries out its ACU regulated activities including, among others, securities brokerage and dealing business. NSL is regulated and has minimum capital adequacy requirements imposed on it on a standalone basis by the MAS in Singapore. As of March 31, 2016 and 2017, NIHK and NSL were in compliance with relevant regulatory capital related requirements.

19. Affiliated companies and other equity-method investees:

Nomura’s significant affiliated companies and other equity-method investees include JAFCO Co., Ltd. (“JAFCO”), Nomura Research Institute, Ltd. (“NRI”) and Nomura Real Estate Holdings, Inc. (“NREH”).

JAFCO

JAFCO, which is a listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies.

As of March 31, 2017, Nomura’s ownership of JAFCO was 19.5% and there was no remaining equity method goodwill included in the carrying amount of the investment. Nomura accounts for JAFCO using the equity method because Nomura still has the ability to exercise significant influence over operating and financial decisions of JAFCO.

NRI

NRI develops and manages computer systems and provides research services and management consulting services. One of the major clients of NRI is Nomura.

As of March 31, 2017, Nomura’s ownership of NRI was 37.2% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥57,115 million.

NREH

NREH is the holding company of the Nomura Real Estate Group which is primarily involved in the residential property development, leasing, investment management as well as other real estate-related activities.

As of March 31, 2017, Nomura’s ownership of NREH was 34.1% and the remaining balance of equity method goodwill included in the carrying value of the investment was ¥11,012 million.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Summary financial information—

The following tables present summarized financial information for significant affiliated companies of Nomura (including those elected for the fair value option) as of March 31, 2016 and 2017, and for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen	
	March 31	
	2016 ⁽¹⁾	2017
Total assets	¥8,484,222	¥2,609,327
Total liabilities	7,143,940	1,449,961

	Millions of yen		
	Year ended March 31		
	2015 ⁽¹⁾	2016 ⁽¹⁾	2017
Net revenues	¥872,967	¥831,774	¥873,423
Non-interest expenses	681,556	673,014	694,089
Net income attributable to the companies	136,914	114,770	122,123

(1) Certain changes to the presentation of previously reported amounts have been made to conform to the current year.

The following tables present a summary of balances and transactions with affiliated companies and other equity-method investees as of March 31, 2016 and 2017, and for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Investments in affiliated companies	¥394,984	¥419,816
Advances to affiliated companies	300	300
Other receivables from affiliated companies	1,372	1,577
Other payables to affiliated companies	7,606	12,284

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Revenues	¥ 688	¥ 1,124	¥ 1,205
Non-interest expenses	48,176	42,852	38,271
Purchase of software, securities and tangible assets	26,772	20,679	23,285

The following table presents the aggregate carrying amount and fair value of investments in affiliated companies and other equity-method investees for which a quoted market price is available as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Carrying amount	¥387,825	¥414,563
Fair value	487,656	533,213

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Equity in earnings of equity-method investees, including those above, was income of ¥43,028 million, income of ¥33,917 million and income of ¥33,000 million for the years ended March 31, 2015, 2016 and 2017, respectively. Equity in earnings of equity-method investees is reported within *Revenue—Other* in the consolidated statements of income. Dividends from equity-method investees for the years ended March 31, 2015, 2016 and 2017 were ¥8,256 million, ¥11,031 million and ¥11,941 million, respectively.

20. Commitments, contingencies and guarantees:

Commitments—

Credit and investment commitments

In connection with its banking and financing activities, Nomura provides commitments to extend credit which generally have fixed expiration dates. In connection with its investment banking activities, Nomura enters into agreements with clients under which Nomura commits to underwrite securities that may be issued by the clients. The outstanding commitments under these agreements are included below in commitments to extend credit.

Nomura has commitments to invest in various partnerships and other entities and also has commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in commitments to invest.

The following table presents a summary of the key types of outstanding commitments provided by Nomura as of March 31, 2016 and 2017.

	Millions of yen	
	March 31	
	2016	2017
Commitments to extend credit	¥782,525	¥1,010,257
Commitments to invest ⁽¹⁾	136,204	15,194

(1) Commitments to invest as of March 31, 2016 primarily includes Nomura's commitment to purchase a non-controlling interest in American Century Companies, Inc. Nomura has subsequently completed the purchase on May 19, 2016.

As of March 31, 2017, these commitments had the following maturities:

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	¥1,010,257	¥388,275	¥123,303	¥157,510	¥341,169
Commitments to invest	15,194	465	—	383	14,346

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other commitments

Purchase obligations for goods or services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements amounted to ¥33,230 million as of March 31, 2016 and ¥27,313 million as of March 31, 2017.

Nomura has commitments under resale and repurchase agreements including amounts in connection with collateralized agreements and collateralized financing. These commitments amounted to ¥1,813 billion for resale agreements and ¥535 billion for repurchase agreements as of March 31, 2016 and ¥1,830 billion for resale agreements and ¥968 billion for repurchase agreements as of March 31, 2017.

In Japan, there is a market in which participants lend and borrow debt and equity securities without collateral to and from financial institutions. Under these arrangements, Nomura had obligations to return debt and equity securities borrowed without collateral of ¥486 billion and ¥477 billion as of March 31, 2016 and 2017, respectively.

As a member of various securities clearing houses and exchanges, Nomura may be required to assume a certain share of the financial obligations of another member who may default on its obligations to the clearing house or the exchange. These guarantees are generally required under the membership agreements. To mitigate these risks, exchanges and clearing houses often require members to post collateral. The potential for Nomura to make payments under such guarantees is deemed remote.

Contingencies

Investigations, lawsuits and other legal proceedings

In the normal course of business as a global financial services entity, Nomura is involved in investigations, lawsuits and other legal proceedings and, as a result, may suffer loss from any fines, penalties or damages awarded against Nomura, any settlements Nomura chooses to make to resolve a matter, and legal and other advisory costs incurred to support and formulate a defense.

The ability to predict the outcome of these actions and proceedings is inherently difficult, particularly where claimants are seeking substantial or indeterminate damages, where investigations and legal proceedings are at an early stage, where the matters present novel legal theories or involve a large number of parties, or which take place in foreign jurisdictions with complex or unclear laws.

The Company regularly evaluates each legal proceeding and claim on a case-by-case basis in consultation with external legal counsel to assess whether an estimate of possible loss or range of loss can be made, if recognition of a liability is not appropriate. In accordance with ASC 450 “*Contingencies*” (“ASC 450”), the Company recognizes a liability for this risk of loss arising on each individual matter when a loss is probable and the amount of such loss or range of loss can be reasonably estimated. The amount recognized as a liability is reviewed at least quarterly and is revised when further information becomes available. If these criteria are not met for an individual matter, such as if an estimated loss is only reasonably possible rather than probable, no liability is recognized. However, where a material loss is reasonably possible, the Company will disclose details of the legal proceeding or claim below. Under ASC 450 an event is defined as reasonably possible if the chance of the loss to the Company is more than remote but less than probable.

The most significant actions and proceedings against Nomura are summarized below. The Company believes that, based on current information available as of the date of these consolidated financial statements, the ultimate resolution of these actions and proceedings will not be material to the Company’s financial condition. However, an adverse outcome in certain of these matters could have a material adverse effect on the consolidated statements of income or cash flows in a particular quarter or annual period.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For certain of the significant actions and proceedings described below, the Company is currently able to estimate the amount of reasonably possible loss, or range of reasonably possible losses, in excess of amounts recognized as a liability (if any) against such cases. These estimates are based on current information available as of the date of these consolidated financial statements and include, but are not limited to, the specific amount of damages or claims against Nomura in each case. As of June 26, 2017, for those cases where an estimate of the range of reasonably possible losses can be made, the Company estimates that the total aggregate reasonably possible maximum loss in excess of amounts recognized as a liability (if any) against these cases is approximately ¥47 billion.

For certain other significant actions and proceedings, the Company is unable to provide an estimate of the reasonably possible loss or range of reasonably possible losses because, among other reasons, (i) the proceedings are at such an early stage there is not enough information available to assess whether the stated grounds for the claim are viable; (ii) damages have not been identified by the claimant; (iii) damages are unsupported and/or exaggerated; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant legal issues to be resolved that may be dispositive, such as the applicability of statutes of limitations; and/or (vi) there are novel or unsettled legal theories underlying the claims.

In January 2008, Nomura International plc (“NIP”) was served with a tax notice issued by the tax authorities in Pescara, Italy alleging breaches by NIP of the U.K.-Italy Double Taxation Treaty of 1998 (“Tax Notice”). The alleged breaches relate to payments to NIP of tax credits on dividends on Italian shares. The Tax Notice not only denies certain payments to which NIP claims to be entitled but also seeks reimbursement of approximately EUR 33.8 million, plus interest, already refunded. NIP continues vigorously to challenge the Pescara Tax Court’s decisions in favor of the local tax authorities.

In October 2010 and June 2012, two actions were brought against NIP, seeking recovery of payments allegedly made to NIP by Fairfield Sentry Ltd. and Fairfield Sigma Ltd. (collectively, “Fairfield Funds”), which are now in liquidation and were feeder funds to Bernard L. Madoff Investment Securities LLC (in liquidation pursuant to the Securities Investor Protection Act in the U.S. since December 2008) (“BLMIS”). The first suit was brought by the liquidators of the Fairfield Funds. It was filed on October 5, 2010 in the Supreme Court of the State of New York, but was subsequently removed to the United States Bankruptcy Court, where it is presently pending. The second suit was brought by the Trustee for the liquidation of BLMIS (“Madoff Trustee”). NIP was added as a defendant in June 2012 when the Madoff Trustee filed an amended complaint in the United States Bankruptcy Court. In November 2016, the United States Bankruptcy Court granted a motion to dismiss the Madoff Trustee’s claim. The Madoff Trustee has appealed the decision to the United States Court of Appeals for the Second Circuit. Both actions seek to recover approximately \$35 million.

In April 2011, the Federal Home Loan Bank of Boston (“FHLB-Boston”) commenced proceedings in the Superior Court of Massachusetts against numerous issuers, sponsors and underwriters of residential mortgage-backed securities (“RMBS”), and their controlling persons, including Nomura Asset Acceptance Corporation (“NAAC”), Nomura Credit & Capital, Inc. (“NCCI”), Nomura Securities International, Inc. (“NSI”) and Nomura Holding America Inc. (“NHA”). The action alleges that FHLB-Boston purchased RMBS issued by NAAC for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHLB-Boston seeks rescission of its purchases or compensatory damages pursuant to state law. FHLB-Boston alleges that it purchased certificates in four offerings issued by NAAC in the original principal amount of approximately \$406 million. The case is currently in the discovery phase.

In July 2011, the National Credit Union Administration Board (“NCUA”) commenced proceedings in the United States District Court for the Central District of California as liquidating agent of Western Corporate

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Federal Credit Union (“WesCorp”) against various issuers, sponsors and underwriters of RMBS purchased by WesCorp. The complaint alleged that WesCorp purchased RMBS issued by NAAC and Nomura Home Equity Loan Inc. (“NHEL”), among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleged that WesCorp purchased certificates in two offerings in the original principal amount of approximately \$83 million and sought rescission of its purchases or compensatory damages. On October 28, 2016, the parties entered into a confidential settlement and the action has been dismissed with prejudice.

In September 2011, the Federal Housing Finance Agency (“FHFA”), as conservator for the government sponsored enterprises, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (“GSEs”), commenced proceedings in the United States District Court for the Southern District of New York against numerous issuers, sponsors and underwriters of RMBS, and their controlling persons, including NAAC, NHEL, NCCI, NSI and NHA (the Company’s U.S. subsidiaries). The action alleged that the GSEs purchased RMBS issued by NAAC and NHEL for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders and the characteristics of the loans underlying the securities. FHFA alleged that the GSEs purchased certificates in seven offerings in the original principal amount of approximately \$2,046 million and sought rescission of its purchases. The case was tried before the Court beginning March 16, 2015 and closing arguments were completed on April 9, 2015. On May 15, 2015, the Court issued a judgment and ordered the defendants to pay \$806 million to GSEs upon GSEs’ delivery of the certificates at issue to the defendants. The Company’s U.S. subsidiaries have appealed the decision to the United States Court of Appeals for the Second Circuit. Subject to the outcome of the appeal, the defendants agreed to a consent judgment for costs and attorneys’ fees recoverable under the blue sky statutes at issue in the maximum amount of \$33 million.

In October 2011, the NCUA commenced proceedings in the United States District Court for the District of Kansas as liquidating agent of U.S. Central Federal Credit Union (“U.S. Central”) against various issuers, sponsors and underwriters of RMBS purchased by U.S. Central, including NHEL. The complaint alleged that U.S. Central purchased RMBS issued by NHEL, among others, for which the offering materials contained untrue statements or omitted material facts concerning the underwriting standards used by the original lenders. The complaint alleged that U.S. Central purchased a certificate in one offering in the original principal amount of approximately \$50 million and sought rescission of its purchase or compensatory damages. On October 28, 2016, the parties entered into a confidential settlement and the action has been dismissed with prejudice.

In November 2011, NIP was served with a claim filed by the Madoff Trustee appointed for the liquidation of BLMIS in the United States Bankruptcy Court Southern District of New York. This is a clawback action similar to claims filed by the Madoff Trustee against numerous other institutions. The Madoff Trustee alleges that NIP received redemptions from the BLMIS feeder fund, Harley International (Cayman) Limited in the six years prior to December 11, 2008 (the date proceedings were commenced against BLMIS) and that these are avoidable and recoverable under the U.S. Bankruptcy Code and New York law. In November 2016, the United States Bankruptcy Court granted a motion to dismiss the Madoff Trustee’s claim. The Madoff Trustee has appealed the decision to the United States Court of Appeals for the Second Circuit. The amount that the Madoff Trustee is currently seeking to recover from NIP is approximately \$21 million.

In March 2013, Banca Monte dei Paschi di Siena SpA (“MPS”) issued a claim in the Italian Courts against (1) two former directors of MPS and (2) NIP. MPS alleged that the former directors improperly caused MPS to enter into certain structured financial transactions with NIP in 2009 (“Transactions”) and that NIP acted fraudulently and was jointly liable for the unlawful conduct of MPS’s former directors. MPS claimed damages of not less than EUR 1.142 billion.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In March 2013, NIP commenced a claim against MPS in the English Courts. The claim was for declaratory relief confirming that the Transactions remained valid and contractually binding. MPS filed and served its defence and counterclaim to these proceedings in March 2014. MPS alleged in its counterclaim that NIP was liable to make restitution of a net amount of approximately EUR 1.5 billion, and sought declarations regarding the illegality and invalidity of the Transactions.

On September 23, 2015, NIP entered into a settlement agreement with MPS to terminate the Transactions. NIP believes that the Transactions were conducted legally and appropriately, and does not accept the allegations made against it or admit any wrongdoing. Taking into account the views of relevant European financial authorities and the advice provided by external experts, NIP considered it to be in its best interests to reach a settlement in relation to this matter. As part of the agreement, the Transactions were unwound at a discount of EUR 440 million in favour of MPS and the civil proceedings between MPS and NIP in Italy and England, respectively, will no longer be pursued. Pursuant to the settlement agreement MPS and NIP applied to the Italian Courts to discontinue the proceedings brought by MPS against NIP. In December 2015, the Italian Courts ordered the discontinuance of all claims against NIP except a claim brought by a former director of MPS. The financial impact of the settlement on the Company's consolidated results for the fiscal year ended March 31, 2016 was a loss of approximately ¥34.0 billion and was included in *Net gain on trading* in the consolidated statement of income for the fiscal year ended March 31, 2016.

In July 2013, a claim was also issued against the same former directors of MPS, and NIP, by the shareholder group Fondazione Monte dei Paschi di Siena ("FMPS"). The grounds of the FMPS claim are similar to those on which the MPS claim was founded. The level of damages sought by FMPS is not less than EUR 315.2 million. NIP filed and served defences to both the MPS and the FMPS claims.

In April 2013, an investigation was commenced by the Public Prosecutor's office in Siena, Italy, into various allegations against MPS and certain of its former directors, including in relation to the Transactions. The investigation was subsequently transferred to the Public Prosecutor of Milan. On April 3, 2015, the Public Prosecutor's office in Milan issued a notice concluding its preliminary investigation. The Public Prosecutor was seeking to indict MPS, three individuals from MPS's former management, NIP and two NIP individuals for, among others, the offences of false accounting and market manipulation in relation to MPS's previous accounts. The preliminary hearing at which the court considered whether or not to grant the indictment concluded on October 1, 2016, the Judge ordering the trial of all individuals and banks involved except for MPS (which entered into a plea bargaining agreement with the Public Prosecutor).

The trial commenced in December 2016 and is currently ongoing.

Additionally, NIP was served by the Commissione Nazionale per le Società e la Borsa (the Italian financial regulatory authority) with a notice commencing administrative sanction proceedings for market manipulation in connection with the Transactions. In relation to the Transactions, the notice names MPS, three individuals from MPS's former management and two former NIP employees as defendants, whereas NIP is named only in its capacity as vicariously and jointly liable to pay any fines imposed on the former NIP employees. NIP has filed a defence in the proceedings.

NIP will continue to vigorously defend its position in the ongoing proceedings.

In January 2016, the Municipality of Civitavecchia in Italy ("Municipality") commenced civil proceedings against NIP in the local courts in Civitavecchia. The Municipality's claim relates to derivatives transactions entered into by the Municipality between 2003 and 2005. The Municipality alleges that NIP failed to comply with its duties under an advisory agreement and seeks to recover approximately EUR 35 million in damages. NIP intends to vigorously contest the proceedings.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In June 2016, Nomura International (Hong Kong) Limited (“NIHK”) was served with a complaint filed in the Taipei District Court by Cathay United Bank, Co., Ltd., Taiwan Cooperative Bank Ltd., Chang Hwa Commercial Bank Ltd., Taiwan Business Bank Ltd., KGI Bank and Hwatai Bank Ltd. (collectively, “Syndicate Banks”) against NIHK and its affiliated entity. The Syndicate Banks’ complaint relates to a \$60 million syndicated term loan to a subsidiary of Ultrasonic AG that was arranged by NIHK. The Syndicate Banks’ allegations in the complaint include allegations that NIHK failed to comply with its fiduciary duties to the lenders as the arranger of the loan and the Syndicate Banks seek to recover approximately \$48 million in damages. NIHK intends to vigorously contest the proceedings.

In March 2017, certain subsidiaries of American International Group, Inc. (“AIG”) commenced proceedings in the District Court of Harris County, Texas against certain entities and individuals, including NSI, in connection with a 2012 offering of \$750 million of certain project finance notes, of which \$92 million allegedly were purchased by AIG. AIG alleges violations of the Texas Securities Act based on material misrepresentations and omissions in connection with the marketing, offering, issuance and sale of the notes and seeks rescission of the purchases or compensatory damages. The case is in the earliest stages.

Various authorities continue to conduct investigations concerning the activities of NIP, other entities in the Nomura Group and other parties in respect of government, supranational, sub-sovereign and agency bonds. NIP and other entities in the Nomura Group are also defendants to several class action complaints filed in the United States District Court for the Southern District of New York alleging violations of U.S. antitrust law and common law related to the alleged manipulation of the secondary trading market for supranational, sub-sovereign and agency bonds.

Nomura Securities Co., Ltd. (“NSC”) is the leading securities firm in Japan with approximately 5.36 million client accounts. Accordingly, with a significant number of client transactions, NSC is from time to time party to various Japanese civil litigation and other dispute resolution proceedings with clients relating to investment losses. These include an action commenced in April 2013 by a corporate client seeking ¥10,247 million in damages for losses on currency derivative transactions and the pre-maturity cash out or redemption of 11 series of equity-linked structured notes purchased from NSC between 2005 and 2011, and an action commenced in October 2014 by a corporate client seeking ¥2,143 million in damages for losses on currency derivative transactions conducted between 2006 and 2012. Although the allegations of the clients involved in such actions include the allegation that NSC’s explanation was insufficient at the time the contracts were entered into, NSC believes these allegations are without merit.

The Company supports the position of its subsidiaries in each of these claims.

The United States Department of Justice (“DOJ”), led by the United States Attorney’s Office for the Eastern District of New York, informed NHA; NAAC; NCCI; NHEL; NSI; Nomura America Mortgage Finance, LLC; and Nomura Asset Capital Corporation; (the Company’s U.S. subsidiaries) that it was investigating possible civil claims against the Company’s U.S. subsidiaries under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 related to RMBS the Company’s U.S. subsidiaries sponsored, issued, underwrote, managed, or offered during 2006 and 2007. The Company’s U.S. subsidiaries are cooperating fully in response to the investigation.

The United States Securities and Exchange Commission (“SEC”) and the DOJ have been investigating past activities of several former employees of NSI in respect of the commercial and residential mortgage-backed securities transactions. NSI has been cooperating fully in those investigations. NSI considers it probable that the SEC eventually will institute proceedings focusing on the NSI’s supervision of certain former employees and that NSI, in connection with such proceedings, will agree to disgorgement and/or restitution relating to some of the transactions in issue.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Other mortgage-related contingencies in the U.S.

Certain of the Company's subsidiaries in the U.S. securitized residential mortgage loans in the form of RMBS. These subsidiaries did not generally originate mortgage loans, but purchased mortgage loans from third-party loan originators ("originators"). In connection with such purchases, these subsidiaries received loan level representations from the originators. In connection with the securitizations, the relevant subsidiaries provided loan level representations and warranties of the type generally described below, which mirror the representations the subsidiaries received from the originators.

The loan level representations made in connection with the securitization of mortgage loans were generally detailed representations applicable to each loan and addressed characteristics of the borrowers and properties. The representations included, but were not limited to, information concerning the borrower's credit status, the loan-to-value ratio, the owner occupancy status of the property, the lien position, the fact that the loan was originated in accordance with the originator's guidelines, and the fact that the loan was originated in compliance with applicable laws. Certain of the RMBS issued by the subsidiaries were structured with credit protection provided to specified classes of certificates by monoline insurers.

The relevant subsidiaries have received claims demanding the repurchase of certain loans from trustees of various securitization trusts, made at the instance of one or more investors, or from certificate insurers. The total original principal amount of loans for which repurchase claims were received by the relevant subsidiaries within six years of each securitization is \$3,203 million. The relevant subsidiaries summarily rejected any demand for repurchase received after the expiration of the statute of limitations applicable to breach of representation claims. For those claims received within six years, the relevant subsidiaries reviewed each claim received, and rejected those claims believed to be without merit or agreed to repurchase certain loans for those claims that the relevant subsidiaries determined to have merit. In several instances, following the rejection of repurchase demands, investors instituted actions through the trustee alleging breach of contract. The breach of contract claims that were brought within the six-year statute of limitations for breach of contract actions have survived motions to dismiss and are in the discovery phase. These claims involve substantial legal, as well as factual, uncertainty and the Company cannot provide an estimate of reasonably possible loss at this time, in excess of the existing reserve.

Guarantees—

In the normal course of business, Nomura enters into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the accounting definition of a guarantee, namely derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security held by a guaranteed party. Since Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed below information about derivative contracts that could meet the accounting definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura believes the notional amounts generally overstate its risk exposure. Since the derivative contracts are accounted for at fair value, carrying value is considered the best indication of payment and performance risk for individual contracts.

The following table presents information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees.

	Millions of yen			
	March 31			
	2016		2017	
	Carrying value	Maximum potential payout / Notional total	Carrying value	Maximum potential payout / Notional total
Derivative contracts ⁽¹⁾⁽²⁾	¥5,710,433	¥204,781,587	¥4,501,962	¥209,982,338
Standby letters of credit and other guarantees ⁽³⁾	242	8,422	900	8,604

- (1) Credit derivatives are disclosed in Note 3 “*Derivative instruments and hedging activities*” and are excluded from derivative contracts.
- (2) Derivative contracts primarily consist of equity, interest rate and foreign exchange contracts.
- (3) Collateral held in connection with standby letters of credit and other guarantees as of March 31, 2016 and March 31, 2017 was ¥6,115 million and ¥5,656 million, respectively.

The following table presents maturity information on Nomura's derivative contracts that could meet the accounting definition of a guarantee and standby letters of credit and other guarantees as of March 31, 2017.

	Millions of yen					
	Carrying value	Total	Maximum potential payout/Notional			
			Years to Maturity			
			Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Derivative contracts . . .	¥4,501,962	¥209,982,338	¥68,194,141	¥55,660,060	¥25,428,588	¥60,699,549
Standby letters of credit and other guarantees	900	8,604	15	3	688	7,898

21. Segment and geographic information:

Operating segments—

Nomura's operating management and management reporting are prepared based on the Retail, the Asset Management, and the Wholesale segments. Nomura structures its business segments based upon the nature of its main products and services, its client base and its management structure.

The accounting policies for segment information follow U.S. GAAP, except for the impact of unrealized gains/losses on investments in equity securities held for operating purposes, which under U.S. GAAP are included in *Income (loss) before income taxes*, but excluded from segment information.

Revenues and expenses directly associated with each business segment are included in the operating results of each respective segment. Revenues and expenses that are not directly attributable to a particular segment are allocated to each respective business segment or included in “*Other*”, based upon Nomura's allocation methodologies as used by management to assess each segment's performance.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Business segments' results are shown in the following tables. *Net interest revenue* is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments' information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				
	Retail	Asset Management	Wholesale	Other (Incl. elimination)	Total
Year ended March 31, 2015					
Non-interest revenue	¥471,565	¥88,802	¥626,228	¥282,542	¥1,469,137
Net interest revenue	4,940	3,552	163,639	(61,777)	110,354
Net revenue	476,505	92,354	789,867	220,765	1,579,491
Non-interest expenses	314,675	60,256	707,671	174,815	1,257,417
Income before income taxes	¥161,830	¥32,098	¥ 82,196	¥ 45,950	¥ 322,074
Year ended March 31, 2016					
Non-interest revenue	¥429,948	¥91,014	¥571,322	¥211,453	¥1,303,737
Net interest revenue	5,686	4,395	148,955	(46,401)	112,635
Net revenue	435,634	95,409	720,277	165,052	1,416,372
Non-interest expenses	308,003	58,743	704,872	158,905	1,230,523
Income before income taxes	¥127,631	¥36,666	¥ 15,405	¥ 6,147	¥ 185,849
Year ended March 31, 2017					
Non-interest revenue	¥369,503	¥90,025	¥564,877	¥243,459	¥1,267,864
Net interest revenue	4,931	9,402	174,379	(59,995)	128,717
Net revenue	374,434	99,427	739,256	183,464	1,396,581
Non-interest expenses	299,642	57,094	577,809	145,857	1,080,402
Income before income taxes	¥ 74,792	¥42,333	¥161,447	¥ 37,607	¥ 316,179

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in "Other".

The following table presents the major components of *Income (loss) before income taxes* in "Other" for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Net gain (loss) related to economic hedging transactions	¥ 15,120	¥ 6,370	¥ (7,279)
Realized gain on investments in equity securities held for operating purposes	4,725	187	1,092
Equity in earnings of affiliates	42,235	32,727	32,342
Corporate items	(20,119)	(52,314)	(6,439)
Other ⁽¹⁾	3,989	19,177	17,891
Total	¥ 45,950	¥ 6,147	¥ 37,607

(1) Includes the impact of Nomura's own creditworthiness.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The table below presents reconciliations of the combined business segments' results included in the preceding table to Nomura's reported *Net revenue*, *Non-interest expenses* and *Income before income taxes* in the consolidated statements of income for the years ended March 31, 2015, 2016 and 2017.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Net revenue	¥ 1,579,491	¥ 1,416,372	¥ 1,396,581
Unrealized gain (loss) on investments in equity securities held for operating purposes	24,685	(20,691)	6,616
Consolidated net revenue	¥ 1,604,176	¥ 1,395,681	¥ 1,403,197
Non-interest expenses	¥1,257,417	¥1,230,523	¥1,080,402
Unrealized gain (loss) on investments in equity securities held for operating purposes	—	—	—
Consolidated non-interest expenses	¥ 1,257,417	¥ 1,230,523	¥ 1,080,402
Income before income taxes	¥ 322,074	¥ 185,849	¥ 316,179
Unrealized gain (loss) on investments in equity securities held for operating purposes	24,685	(20,691)	6,616
Consolidated income before income taxes	¥ 346,759	¥ 165,158	¥ 322,795

Geographic information—

Nomura's identifiable assets, revenues and expenses are generally allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding global nature of Nomura's activities and services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The tables below present a geographic allocation of *Net revenue* and *Income (loss) before income taxes* from operations by geographic areas for the years ended March 31, 2015, 2016 and 2017 and Long-lived assets associated with Nomura’s operations as of March 31, 2015, 2016 and 2017. *Net revenue* in “Americas” and “Europe” substantially represents Nomura’s operations in the U.S. and the U.K., respectively. *Net revenue* and Long-lived assets have been allocated based on transactions with external customers while *Income (loss) before income taxes* has been allocated based on the inclusion of intersegment transactions.

	Millions of yen		
	Year ended March 31		
	2015	2016	2017
Net revenue⁽¹⁾:			
Americas	¥ 207,859	¥ 219,857	¥ 263,587
Europe	201,278	145,808	159,474
Asia and Oceania	86,746	78,700	67,278
Subtotal	495,883	444,365	490,339
Japan	1,108,293	951,316	912,858
Consolidated	<u>¥1,604,176</u>	<u>¥1,395,681</u>	<u>¥1,403,197</u>
Income (loss) before income taxes:			
Americas	¥ (27,575)	¥ (32,042)	¥ 49,962
Europe	(23,455)	(67,384)	14,401
Asia and Oceania	34,594	19,806	23,746
Subtotal	(16,436)	(79,620)	88,109
Japan	363,195	244,778	234,686
Consolidated	<u>¥ 346,759</u>	<u>¥ 165,158</u>	<u>¥ 322,795</u>
	March 31		
	2015	2016	2017
Long-lived assets:			
Americas	¥ 146,758	¥ 129,308	¥ 125,222
Europe	88,928	76,589	66,167
Asia and Oceania	14,891	13,485	13,043
Subtotal	250,577	219,382	204,432
Japan	274,202	247,425	251,242
Consolidated	<u>¥ 524,779</u>	<u>¥ 466,807</u>	<u>¥ 455,674</u>

(1) There is no revenue derived from transactions with a single major external customer.

22. Supplementary subsidiary guarantee information required under SEC rules:

The Company provides several guarantees of debt of its subsidiaries. The Company has fully and unconditionally guaranteed the securities issued by Nomura America Finance LLC, which is an indirect, wholly owned finance subsidiary of the Company.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NOMURA HOLDINGS, INC.

By: /s/ KOJI NAGAI

Name: Koji Nagai

Title: Representative Executive Officer,
President and Group Chief Executive
Officer

Date: June 26, 2017

INDEX OF EXHIBITS

Exhibit Number	Description
1.1	Articles of Incorporation of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.2	Share Handling Regulations of Nomura Holdings, Inc. (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.3	Regulations of the Board of Directors of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.4	Regulations of the Nomination Committee of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.5	Regulations of the Audit Committee of Nomura Holdings, Inc. (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
1.6	Regulations of the Compensation Committee of Nomura Holdings, Inc. (English translation) (filed on June 27, 2012 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
2.1	Form of Deposit Agreement among Nomura Holdings, Inc., The Bank of New York Mellon as depository and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (filed on April 28, 2010 as an exhibit to the Registration Statement on Form F-6 (File No. 333-166346) and incorporated herein by reference)
4.1	Limitation of Liability Agreement (English translation) (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽¹⁾
4.2	Limitation of Liability Agreement (filed on June 30, 2011 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽²⁾
4.3	Limitation of Liability Agreement (English translation) (filed on June 25, 2015 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference) ⁽³⁾
8.1	Subsidiaries of Nomura Holdings, Inc.—See Item 4.C. “ <i>Organizational Structure</i> ” in this annual report.
11.1	Code of Ethics of Nomura Group (English translation) (filed on June 23, 2016 as an exhibit to the Annual Report on Form 20-F (File No. 001-15270) and incorporated herein by reference)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

- (1) The Company and each of Takao Kusakari and Toshinori Kanemoto entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
- (2) The Company and Michael Lim Choo San entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
- (3) The Company and each of Hiroshi Kimura, Noriaki Shimazaki, Hisato Miyashita and Mari Sono entered into a Limitation of Liability Agreement substantially in the form of this exhibit.

The Company has not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% or our total assets. We will furnish a copy of any such instrument to the SEC upon request.

Certification

I, Koji Nagai, certify that:

1. I have reviewed this annual report on Form 20-F of Nomura Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2017

/s/ KOJI NAGAI

Koji Nagai
Representative Executive Officer,
President and Group Chief Executive Officer

Certification

I, Takumi Kitamura, certify that:

1. I have reviewed this annual report on Form 20-F of Nomura Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 26, 2017

/s/ TAKUMI KITAMURA

Takumi Kitamura
Chief Financial Officer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Nomura Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 26, 2017

/s/ KOJI NAGAI

Koji Nagai
Representative Executive Officer,
President and Group Chief Executive Officer

Certification

Pursuant to 18 U.S.C. §1350, the undersigned officer of Nomura Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that the Company’s annual report on Form 20-F for the year ended March 31, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 26, 2017

/s/ TAKUMI KITAMURA

Takumi Kitamura
Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form F-3 No. 333-209596 and Form S-8 No. 333-180506, No. 333-187585, No. 333-195004, No. 333-203049, No. 333-210471 and No. 333-214267) and related Prospectus of Nomura Holdings, Inc. of our reports dated June 26, 2017, with respect to the consolidated financial statements of Nomura Holdings, Inc., and the effectiveness of internal control over financial reporting of Nomura Holdings, Inc., included in this Annual Report (Form 20-F) for the year ended March 31, 2017.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan
June 26, 2017