NOMURA HOLDINGS INC
Form 20-F
June 25, 2018
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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, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant s name into English)

	9-1, Nihonbashi 1-chome
	Chuo-ku, Tokyo 103-8645
Japan	**Japan**
(Jurisdiction of incorporation or organization)	**(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, 2018, 3,392,937,486 shares of Common Stock were outstanding, including 29,187,772 shares represented by 29,187,772 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, 2014, 2015, 2016, 2017 and 2018 which is derived from our consolidated financial statements. The consolidated balance sheets for the years ended March 31, 2017 and 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended March 31, 2016, 2017 and 2018, 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.

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

	Millions of yen, except per share data and percentages				
	Year ended March 31				
	2014	**2015**	**2016**	**2017**	**2018**
Statement of income data:					
Revenue	¥ 1,831,844	¥ 1,930,588	¥ 1,723,096	¥ 1,715,516	¥ 1,972,158
Interest expense	274,774	326,412	327,415	312,319	475,189
Net revenue	1,557,070	1,604,176	1,395,681	1,403,197	1,496,969
Non-interest expenses	1,195,456	1,257,417	1,230,523	1,080,402	1,168,811
Income before income taxes	361,614	346,759	165,158	322,795	328,158
Income tax expense	145,165	120,780	22,596	80,229	103,866
Net income	¥ 216,449	¥ 225,979	¥ 142,562	¥ 242,566	¥ 224,292
Less: Net income (loss) attributable to noncontrolling interests	2,858	1,194	11,012	2,949	4,949
Net income attributable to Nomura Holdings, Inc. (NHI) shareholders	¥ 213,591	¥ 224,785	¥ 131,550	¥ 239,617	¥ 219,343
Balance sheet data (period end):					
Total assets	¥43,520,314	¥41,783,236	¥41,090,167	¥42,852,078	¥40,591,329
Total NHI shareholders equity	2,513,680	2,707,774	2,700,239	2,789,916	2,749,320
Total equity	2,553,213	2,744,946	2,743,015	2,843,791	2,799,824
Common stock	594,493	594,493	594,493	594,493	594,493
Per share data:					
Net income attributable to NHI shareholders basic	¥ 57.57	¥ 61.66	¥ 36.53	¥ 67.29	¥ 63.13
Net income attributable to NHI shareholders diluted	55.81	60.03	35.52	65.65	61.88
Total NHI shareholders equity[1]	676.15	752.40	748.32	790.70	810.31
Cash dividends[1]	17.00	19.00	13.00	20.00	20.00
Cash dividends in USD[2]	$ 0.17	$ 0.16	$ 0.12	$ 0.18	$ 0.19
Weighted average number of shares outstanding (in thousands)[3]	3,709,831	3,645,515	3,600,701	3,560,776	3,474,593
Return on equity[4]:	8.9%	8.6%	4.9%	8.7%	7.9%

(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.

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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.

Year ended March 31	High	Low	Average[(1)]	Year end
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
2018	114.25	104.83	110.70	106.20

Calendar year 2018	High	Low
January	¥ 113.18	¥ 108.38
February	110.40	106.10
March	106.91	104.83
April	109.33	105.99
May	111.08	108.62
June (through June 15)	110.58	109.45

(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 15, 2018 was $1.00 = ¥110.58

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

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D. Risk Factors.

Risk Factors

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

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

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. Furthermore, unfavorable demographic trends, such as the long-term trends of population aging and population decline faced by Japan, are expected to continue to put downward pressure on demand in the businesses in which we operate, including, in particular, our retail business. 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, since our London office is a regional hub for EMEA, once the United Kingdom leaves the European Union, our business may be affected and a potential review of our business structure may result in additional costs. In addition, in recent years, the Bank of Japan and central banks in many major economies other than the United States, which has terminated quantitative easing and has been raising interest rates, have been pursuing an expansionary monetary policy, including in some cases the introduction of negative interest rates. Accordingly, any changes of the monetary policy in one or more countries, which could potentially be followed by volatility of interest rates or yields 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. Also, any changes in our clients investment preference on their asset portfolios, including shifting investment assets to stable assets such as deposits and/or passive funds, which bring relatively low commission rates, may reduce our revenue as well.

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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.

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 not kept assets and sold them, or have short positions, an upturn in prices of the assets could expose us to potentially significant losses. Although we continue to mitigate these position risks with a variety of hedging techniques, we may also incur losses if the value of these assets are fluctuated or 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, 2018, 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 ¥4.8 billion and ¥30.6 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.

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,

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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 Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year, the terrorist attacks in Paris in November 2015, and the increasing tensions on Korean Peninsula following North Korean nuclear tests in 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.

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Credit risk may also arise from:

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

Instruments and Exchange Act of Japan (FIEA) since September 30, 2007), effective from December 1, 2004, banks and certain other financial institutions became able to enter into the securities brokerage business. In addition, in accordance with the amendments to the FIEA effective from June 1, 2009, firewalls between commercial banks and securities firms were deregulated, and our competitors will be able to cooperate more closely with their affiliated commercial banks. As a result, securities subsidiaries of commercial banks and non-Japanese firms with increased competitiveness 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. 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

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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.

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) and the finalized Basel III reforms published in December 2017. 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 with 3-year transitional arrangement. In addition, the FSB published the final standard requiring G-SIBs to maintain a certain level of total loss-absorbing capacity (TLAC) upon their failure in November 2015. In response to this publication, in April

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2016, the FSA published its policy to develop the TLAC framework in Japan applicable to Japanese G-SIBs and, in April 2018, revised such policy to apply the TLAC requirements in Japan not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. According to the revised policy, Nomura will be subject to the TLAC requirements in Japan from March 31, 2021 though Nomura is not identified as a G-SIB as of the date of this annual report. These changes in regulations may increase our funding costs or require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could adversely affect our operating or financing activities or the interests of our shareholders.

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 administrative fines in case there is any violation of applicable personal data protection laws, rules and regulations or 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, the information leakage and the cost of maintaining sufficient cybersecurity 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. For example, one of our foreign subsidiaries recently experienced a cyber incident that resulted in the unauthorized access to certain of its systems, requiring us to immediately launch an internal investigation to assess and remediate the incident and inform the appropriate authorities of its occurrence. The investigation is still ongoing and the extent and potential magnitude of this incident, including whether any client information has been impacted, have yet to be determined. As a result of this incident, we may suffer financial loss through reputational damage, legal liability and enforcement actions and through the cost of additional resources not only to remediate this incident but also to enhance and strengthen the cyber security of other Nomura group companies, all of which could negatively affect our financial conditions and results of operations.

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.

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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 , pla similar words. These statements discuss future expectations, identify strategies, contain projections of our results of operations or financial condition, or state other forward-looking information.

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

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Item 4. Information on the Company

A. History and Development of the Company.

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

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

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

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

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 Retail, Asset Management, Wholesale and newly established Merchant Banking 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-adding 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 our Retail Division, 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 156 as of the end of March 2018. We offer investment consultation services to meet the medium and 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, 2018. 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-adding products and services tailored to their needs. In April 2018, we also established our Client Financing and Solutions (CFS) business, in which we have brought together key Global Markets and Investment Banking functions under a unified structure in order to better meet the strong and growing demand from our clients for a broad range of financing, capital and hedging solutions.

Global Markets

Global Markets provides research, sales, trading, agency execution, 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 primary dealers in the Japanese government securities market as well as in the Asian, European and U.S. markets. In addition to these product offerings, our global structuring and quants functions collaborate with sales and trading to provide tailored trading/investment 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 establish and develop strong 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, Wholesale and Merchant Banking 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.

Merchant Banking

We established Merchant Banking Division in January 2018, as a new solution for clients. We have embarked on principal business to primarily provide equity to transactions such as business reorganization and revitalization, business succession as well as management buyout. We will, under proper management of risk, focus on support for improving the enterprise value of portfolio companies, and will contribute to expansion of the private equity market.

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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 maintain and enhance our solid technology platform to ensure that the Nomura Group is able to fulfill and exceed the various needs of our clients. Accordingly, we will continue to invest, enhance and adapt our technology platform to ensure it remains suitable for each division proactively seek and implement innovative financial technology to improve the operations of our business.

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 platforms 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.

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

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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.

Regulatory Changes. In April 2016, the FSA published its policy to develop the TLAC framework in Japan applicable to Japanese G-SIBs and, in April 2018, revised such policy to apply the TLAC requirements in Japan not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. According to the revised policy, although Nomura is not identified as a G-SIB as of the date of this annual report, Nomura will be subject to the TLAC requirements in Japan and will be required to meet a minimum TLAC requirement of holding TLAC in an amount at least 16% of our consolidated risk-weighted assets as from March 31, 2021 and at least 18% as from March 31, 2024 as well as at least 6% of the applicable Basel III leverage ratio denominator from March 31, 2021 and at least 6.75% from March 31, 2024.

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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 U.S. 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. The SEC adopted Rule 613 to create a consolidated audit trail (CAT) intended to allow regulators to track all activity throughout the U.S. markets in National Markets Systems (NMS) securities. Self-regulatory organizations must jointly submit a NMS plan to create and implement the CAT, which will replace existing reporting systems OATS, TRACE and EBS. Nomura is expected to begin reporting by November 15, 2018. However, as of June 1, 2018, the outside vendor chosen by the self-regulatory organization has not completed the necessary work that would enable market participants to come into compliance with the rule. On June 15, 2016 the SEC approved amendments to FINRA Rule 4210, which require FINRA member broker-dealers to set risk limits on each counterparty transacting in specified forward-settling agency mortgage-backed securities (covered agency transactions) as of December 15, 2016, and to collect variation margin and/or maintenance margin from certain counterparties transacting in covered agency transactions as of June 25, 2018. A failure to collect required margin in a timely manner (T+1) results in an obligation for the FINRA member broker-dealer to take a capital charge, and ultimately (T+5) to liquidate the customer s position in order to satisfy the margin deficiency. On April 20, 2018, FINRA filed a rule change with the SEC extending the effective date of the 4210 Margin requirements to March 25, 2019, citing the need to consider potential revisions to 4210 in consultation with market participants and other regulators.

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 Treasury Department divided its review of the financial system into a series of reports. The reports cover the following subjects: (1) the depository system, covering banks, savings associations, and credit unions of all sizes, types and regulatory charters: (2) capital markets: covering debt, equity, commodities and derivatives markets, central clearing and other operational functions; (3) the asset management and insurance industries, and retail and institutional investment products and vehicles; and (4) non-bank financial institutions, financial technology and financial innovation. The first three reports were issued in June and October 2017. In addition, President Trump issued two Presidential Memoranda to the Secretary of the Treasury. One calls for a review of the Orderly Liquidation Authority (OLA) established under Title II of the Dodd-Frank Act, which the Treasury Department released in February 2018, recommending reforms to the OLA and amendments to the U.S. Bankruptcy Code to make a bankruptcy proceeding a more effective solution method for large financial institutions. The other calls for Treasury to review the process by which the Financial Stability Oversight Council determines that a nonbank financial company could pose a threat to the financial stability of the U.S., subjecting such an entity to supervision by the Federal Reserve and enhanced prudential standards and capital requirements.

On October 26, 2017, the Division of Investment Management and the Division of Trading and Markets of the SEC issued three related no-action letters to address certain issues raised by cross-border implementation of the European Union s Markets in Financial Instruments Directive (MiFID II), which will take effect on January 3, 2018. MiFID II will require the unbundling of execution and research payments made by investment managers to broker-dealers. Under the relief a broker-dealer may, without becoming subject to the Advisers Act, provide research services to an investment manager that is required, either directly or by contractual obligation, to pay for such research services with MiFID II-compliant research payments. The temporary relief will expire on July 3, 2020, 30 months from MiFID II s implementation date.

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 is subject to certain reporting requirements consistent with a mutual agreement between Japanese governmental authorities and the U.S. Treasury Department.

In addition, the U.S. Treasury Department proposed new debt-equity rules in April 2016 that will give the Internal Revenue Service the authority to reclassify certain debt issued by a domestic corporation to related parties as equity for U.S. federal income tax purposes. This could reclassify deductible interest paid on debt from Nomura Holding America Inc. to NHI to non-deductible dividends.

On December 22, 2017, President Donald Trump signed the Tax Cuts and Jobs Act into law. Among other things, the legislation includes the Base Erosion and Anti-Abuse Tax (BEAT), effectively a minimum tax on large corporations applied by adding back to taxable income certain deductible payments made to related foreign persons. These tax law changes are complex and raise significant interpretive issues and therefore we anticipate future guidance on these rules to address the areas of uncertainty which could also have an adverse impact on the tax liabilities of our U.S. entities.

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 RRPs. The consultation paper covered a requirement for banks and large investment firms in the U.K. (including G-SIFIs) to prepare and maintain RRPs. 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 RRPs 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) and liquidity coverage ratio (LCR). 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.

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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. In July 2017, the U.K. FCA published the second policy statement, setting out the final rules on conduct issues, including research, inducements, client categorization, best execution, the appropriateness test, taping, client assets and perimeter guidance.

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). In February 2017, the U.K. FCA made a statement that it expected all firms to be in compliance with the variation margin requirements under EMIR for all in-scope transactions entered into from March 1, 2017.

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.

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

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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. The Regulation took effect across the EU member states on 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.

The U.K. is due to formally leave the European Union at the end of March 2019 following the Brexit referendum held in June 2016 and triggering of Article 50 of the Treaty on the Functioning of the European Union to start the formal exit process on March 29, 2017. In the meantime, the U.K. remains a full member of the

EU, although its influence over rule-making is significantly reduced. The U.K. and EU are currently in a negotiating process on the terms of exit and future relationship agreement. In December 2017, political agreement was reached on Phase 1 issues covering the exit bill, the rights of citizens and the Irish border, although some details still need to be finalized. Subsequently, in March 2018 a status quo transition period was agreed meaning the U.K. will continue to be an EU member on current terms, without input into the rule-making process, until December 2020. Both the Phase 1 issues and agreement on transition are provisional and will need to be formally signed off by both sides, which is expected in late 2018. Separately, the U.K. Government has proposed domestic legislation, the EU (Withdrawal) Bill, to repeal the European Communities Act 1972 that gives primacy to aspects of EU law and transposes current EU-derived law into U.K. legislation to provide continuity. The U.K. financial services sector currently relies on access to the EU single market to conduct business across borders within the EU. Both sides have emphasized the need for continued good access, but the terms of the future relationship will not start to become clear until detailed talks start in late 2018. On May 25, 2018, Nomura Financial Products Europe GmbH, a Nomura subsidiary domiciled in Germany, has been granted a securities trading license by the German regulator (BaFin). Nomura s plans are well advanced and the license represents a major step towards ensuring that all current client and counterparty relationships, and access to Nomura products and services, will continue without disruption after the U.K. leaves the EU.

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, 2017 and 2018, 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, 2017 and 2018, NEHS, NIP and NBI were in compliance with relevant regulatory capital related requirements. On May 25, 2018, Nomura Financial Products Europe GmbH, a Nomura subsidiary domiciled in Germany, has been granted a securities trading license by the German regulator (BaFin).

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 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, 2017 and 2018, 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.

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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. 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 have committed ourselves to continuing business model transformation in Japan as well as aiming to improve profitability of our overseas operations under Vision C&C slogan, so that we will be able to build a solid foundation to generate profits even under 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 digital initiatives; and make efforts to monitor the international political situation which is changing rapidly, so that we will be able to maintain a robust financial position and to use management resources effectively by improving capital efficiency.

The challenges and strategies in each division are as follows:

Retail Division

In Retail Division, under the basic philosophy of placing our clients at the heart of everything we do, we provided consulting services to further become a financial institution that is needed by many people by responding to diversifying needs and wishes. We continue to support elderly clients with their family in Japan experiencing a rapidly aging and shrinking population, and expand the client base including next-generation clients for their asset management. We also focus on providing a broad range of value-adding solutions to clients including discretionary investments not only through face-to-face consulting services, but also through seminars and online and call center channels with the aim of earning clients trust.

Asset Management Division

We aim 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-adding 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

In addition to the needs of our clients becoming increasingly more sophisticated, the Wholesale Division also faces challenges presented by the technological revolution, that may result in market changes which fundamentally affect the form of our traditional business. In order to keep step with such changes as well as to ensure our ability to provide our clients with added value, we will continue to seek the enhancement of our connectivity across Global Markets, Investment Banking and other Divisions around the globe as part of our sustained efforts to provide highly sought-after products and services to the markets.

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. Additionally, Global Markets will gear up for the digital transformation of our business.

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In Investment Banking, while we have seen a recent reemergence of geopolitical risk, our clients have continued their efforts to globalize their businesses. In order to be able to meet their needs, we have continued to enhance our cross-border M&A capabilities and supported our clients capital raising activities both in Japan and in other international regions. Going forward, we will continue to provide our clients with cutting edge services and products across M&A, capital raising and solutions.

Merchant Banking Division

The Merchant Banking Division will primarily provide equity as a new solution for business reorganizations and revitalizations, business succession as well as management buyouts. In Nomura Group, Retail Division has been making efforts to bolster its consulting services, while the group s Wholesale Division has been offering creative solutions leveraging its strengths in Investment Banking and Global Markets. In order to respond to clients growing need for a wider range of solutions, the Merchant Banking Division will, under proper management of risk, focus on support for improving the enterprise value of portfolio companies, and will contribute to expansion of the private equity market.

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. 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 cooperation across regions and among our four 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, 2018, Nomura Research Institute, Ltd. (NRI), an affiliate in which we hold, directly and indirectly, 38.5 % 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 and a governmental organization, both of which are 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. During the period covered by this report, these contracts and related activities generated gross revenues of ¥8,579,814. Due to costs of providing services, there were no profits attributable to these contracts.

Further, NRI entered into contracts 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 governmental organization. These contracts did not, on their 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 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. However, on May 8, 2018, President Trump announced his decision to cease the United States participation in the JCPOA and to re-impose the U.S. nuclear-related sanctions targeting Iran that were lifted under the JCPOA. In conjunction with this announcement, President Trump issued a National Security Presidential Memorandum (NSPM) directing the Secretary of State and the Secretary of the Treasury to prepare immediately for the re-imposition of all of the U.S. sanctions lifted or waived in connection with the JCPOA, to be accomplished as expeditiously as possible and in no case later than 180 days from the date of the NSPM. As a result, new business that is contrary to the re-imposed sanctions will be sanctionable immediately upon re-imposition, and business that pre-dates May 8, 2018 will be subject to wind-down periods of 90 days or 180 days, as applicable, following which parties will be exposed to the risk of sanctions or an enforcement action under U.S. law.

In light of the above, NRI intends to discontinue the activities described above.

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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
Nomura Financial Products & Services, Inc.	Japan	100
Nomura Institute of Estate Planning	Japan	100
N-Village Co., Ltd.	Japan	100
Nomura Capital Partners Co., Ltd.	Japan	100
Nomura Asia Pacific Holdings Co., Ltd.	Japan	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 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.	Luxemburg	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura European Investment Limited	U.K.	100
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
Nomura International Funding Pte. Ltd.	Singapore	100

D. Property, Plants and Equipment.

Our Properties

As of March 31, 2018, our principal head office is located in Tokyo, Japan and occupies 972,052 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 176,453 square feet.

As of March 31, 2018, our major offices outside Japan are the head offices of NIP located in London, which occupies 455,907 square feet, the New York head office of Nomura Securities International, Inc., which occupies 159,211 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, 2018, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 413,517 square feet.

As of March 31, 2018, the aggregate book value of the land and buildings we owned was ¥166 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥45 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, 2018 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 showed firm growth. Japan s real gross domestic product (GDP) grew by a relatively high quarter-on-quarter annualized rate of 1.9% in January-March 2017, and increased momentum thereafter, with growth of 2.4% in both April-June and July-September, before slowing to growth of 1.6% in October-December. Exports were firm, reflecting growth in the global economy, a cyclical recovery in capital expenditure particularly in the U.S.

and Europe, an increase in labor-saving demand in China, and a rise in demand for semiconductors for new smartphone models, the internet of things (IoT), and artificial intelligence. In Japan, capital expenditure grew in response to demand for labor-saving technology aimed at tackling the labor shortage, and construction demand ahead of the 2020 Tokyo Olympic Games and in response to rising numbers of overseas visitors to Japan. Public works investment included in the government s 2016 economic stimulus package also underpinned demand in the first half of fiscal 2017. While growth in employment was firm, wages growth was generally weak, and this combined with unfavorable summer weather resulted in sluggish growth in consumer spending. At the start of the year, cyclical growth in exports and capital expenditure slowed, and the impact of heavy snowfall on the transport network weighed heavily on consumer spending as did a rise in fresh food prices. Rising expectations of a shift to normalized monetary policy amid a gradual rise in global wage growth and inflation, and concerns over the U.S. administration s increasingly protectionist stance, triggered a correction in equities, also dampening corporate and household sentiment.

Corporate earnings appear to have risen for a second consecutive year owing to continued domestic and overseas economic growth, and a weaker yen versus the U.S. dollar in the fiscal year ended in March 2017 compared with the fiscal year ended in March 2016. Profits rose in most sectors, and we estimate that overall recurring profit growth at Japanese companies exceeded 10% for the first time in four years. The largest contribution to profit growth came from the electronics/precision sector, which benefited from strong demand for semiconductor production equipment (SPE), due to growing demand for flash memory and automotive semiconductors on the shift toward electrified cars and autonomous driving, and FA systems and other industrial applications. Major contributions to profit growth are also expected from the chemicals, trading companies, automobiles, and machinery sectors. The chemicals sector benefited from a rise in basic materials prices, reflecting growth in the global economy; in the trading companies sector earnings performed well in resource fields owing to stable, high resource prices, and were also solid in non-resource areas, such as transportation & construction systems and lifestyle/consumer-related businesses; in the automobiles sector sales of hybrid vehicles rose substantially owing to a shift away from diesel in Europe amid environmental concerns; and in the machinery sector, FA and robotics-related businesses performed well owing to labor shortages and increased demand for more advanced industrial technology, and construction and mining equipment demand recovered. As of April 6, 2018, we estimate that recurring profits at major Japanese companies (those in the Russell/Nomura Large Cap Index), rose by 16.2% year-on-year, thus improving sharply from the 1.4% rise recorded in the fiscal year ended March 31, 2017. Reflecting an impact from tax reforms in the U.S., return on equity (ROE) was 10.3% for the year ended March 31, 2017, which was higher than the most recent peak of 10.1% recorded in the year ended March 31, 2006.

Foreign exchange markets were strongly influenced by overseas political events. At the end of March 2017, the Japanese Yen was trading at around ¥111 versus the U.S. Dollar. At the beginning of fiscal 2017, amid concerns over the risk of an ultra-right candidate in favor of leaving the euro being elected in the French presidential elections in May, coupled with military provocation by North Korea, the Japanese Yen strengthened to ¥108.00-108.50 against the U.S. currency, as investors purchased the Japanese Yen as a last resort as the Japanese Yen interest rates are the least likely to fall. However, market concerns proved groundless, resulting in a recovery to around ¥114 in the dollar/yen exchange rate in the first 10 days of May. Thereafter, the U.S. Dollar weakened against the Japanese Yen consistently with every increase in uncertainty over the U.S. administration s policy management. Furthermore, in early September, military provocation by North Korea coincided with a major hurricane in the U.S., resulting in the dollar/yen rate hitting 107.00-107.50 at one point, its lowest level since the beginning of the year. Concerns over geopolitical risk receded thereafter, and against that backdrop the dollar/yen exchange rate gained upward momentum, to recover to the ¥114 level in the latter half of October, after which it traded in a narrow range of ¥111-114 through the end of December. In the beginning of 2018, however, the U.S. Dollar weakened substantially amid concerns over a deterioration in U.S. fiscal conditions, and in February amid global share price declines investors bought the Japanese Yen as a last resort. As of the end of March 2018, the dollar-yen rate had reached around ¥106. The euro-yen rate started fiscal 2017 at ¥118, and before the French presidential election had fallen to around ¥115. Once the election was over, investor money returned to European equities and bonds, which had previously been sold in response to political risk, and against that backdrop the euro strengthened consistently against the Japanese Yen through September, as a result of which the euro/yen exchange rate reached ¥134. However, ECB members notably started to voice concerns over the euro s rapid rise, and this limited upside in the euro/yen rate from October onwards, keeping it in a range of ¥132-136 through January. In February, sharp falls in global equities prompted position adjustments on forex markets. The euro, which had been the subject of increased net buying, fell particularly against the Japanese Yen, and by the end of March 2018, the euro/yen exchange rate was at around the ¥130 level.

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Overseas

The global economy continued to see a steady recovery in both emerging and industrialized nations alike. There has been a sustained recovery in the global economy since the sharp contraction triggered by the 2008 global financial crisis and inflation too has been largely muted. While the world s major central banks have largely maintained an accommodative financial environment, they have started to take steps to move policy gradually towards tightening. In the U.S., the FRB (Federal Reserve Board) has continued to raise interest rates since 2015 against a backdrop of a strong domestic economy and improvement in global economic sentiment. Central banks in Japan and Europe, meanwhile, have maintained their large-scale quantitative easing programs, but the ECB (European Central Bank) has been providing greater clarity about halting its asset purchase program in 2018. In emerging economies, a feared sharp slowdown in economic growth in China following the 19th National Congress of the Communist Party of China failed to materialize, and stable growth has continued. In India, the economy has returned to a high growth trajectory following a slowdown in the first half of 2017. In Brazil, Russia, and some other resource-rich/oil-producing nations, firm resource prices helped ensure growth in real GDP in 2017.

In the U.S., the FRB continued to raise interest rates at a gradual pace amid steady growth in both the domestic and overseas economies. The target range for the federal funds rate (policy interest rate) was 1.5-1.75% at the end of March 2018, up 0.75bp from 0.75-1.00% at the end of March 2017. In October 2017, the FRB also started to shrink its balance sheet by decreasing its reinvestment of principal payments received from securities. Due in part to the FRB s detailed explanation in advance of how it would shrink its balance sheet to financial market participants, there was no sharp rise in long-term interest rates through December 2017.

The U.S. Congress agreed to a large-scale expansion of fiscal spending, including passing a 10-year $1.5 trillion tax package in December 2017 and approving a two-year $300 billion increase in government spending in February 2018. While measures such as the reduction in the U.S. corporation tax was welcomed by equity market investors, long-term interest rates rose sharply from the start of 2018 and share prices fell on concerns over expansion of the U.S. s fiscal deficit and the issuance of more government debt securities.

Real GDP growth of 2.3% in 2017 marked faster growth than the 1.5% registered in 2016. Inflation rose 2.4% year-on-year in March 2018, unchanged from the 2.4% reading in March 2017. Corporate earnings based on national income statistics rose 4.4% year-on-year in 2017, a return to growth after a decline of 2.1% in 2016. U.S. share prices continued to rise through January 2018 due to the strength of the domestic and overseas economies and the cut in the corporation tax rate, but fell sharply in February following a rise in long-term interest rates, and share prices have thereafter remained highly volatile due to uncertainty over the Trump administration s trade policies. The Dow Jones Industrial Average advanced 16.6% to 24,103 at the end of March 2018, from 20,663 at the end of March 2017. The yield on 10-year U.S. Treasuries was 2.74% at the end of March 2018, up 35bp from 2.39% at the end of March 2017.

The European economy was solid in 2017. With the Chinese economy improving and the U.S. economy firm, growth in eurozone exports picked up and capital expenditure was buoyant, with real GDP growth of 2.5% marking the strongest growth since the 3.0% registered in 2007. Against the backdrop of a strong eurozone economy, the ECB said that downside risks to inflation had receded and in October 2017, it announced that it would start tapering its monetary easing program by halving its monthly asset purchases from January 2018. However, the ECB displayed a more conservative stance on raising interest rates in the near term in view of lackluster wage growth in the eurozone and a lack of underlying inflationary pressure. The yield on German 10-year government bonds rose to only around 0.5% at the end of March 2018, from 0.3-0.4% at the end of March 2017, with these low yields due in part to the ECB s cautious stance on raising interest rates in the near term. The U.K. economy also performed well in 2017 and U.K. real GDP growth of 1.8% exceeded the Bank of England s (BOE) forecasts made in the wake of the referendum on leaving the EU in June 2016. In order to counter faster-than-expected inflation in the U.K., the BOE raised its policy interest rate for the first time in around 10 years in November 2017.

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In Asia, real GDP growth came in at 6.9% year-on-year in China in 2017, which represented a modest acceleration from 6.7% growth in 2016. This growth owed to the recovery in real estate prices spreading to China s interior cities, as well as increased infrastructure investment delivered via public-private partnership. Growth in capital expenditure had been slowing but has now bottomed. In 2018, we expect further efforts to strengthen controls on local government debt and restructure debt at state-owned companies, but government support for strategic new industries and firm consumer spending should lend support to the economy. In India, the economy has recovered from temporary economic disruption stemming from the withdrawal of high-denomination banknotes in November 2016 and the introduction of a Goods and Services Tax (GST) in July 2017. The government is also making progress with structural reforms, including strengthening infrastructure investment, resolving the issue of non-performing loans at financial institutions, and easing regulations governing inward direct investment. In Indonesia, business conditions continued to improve against the backdrop of greater deregulation, and we expect government initiatives, including spending on infrastructure, to promote further investment. In the Philippines, we expect strong economic growth to continue on the back of robust domestic demand.

Executive Summary

During the fiscal year ended March 31, 2018, the global economy continued to see solid recovery, both in advanced and developing economies. In the U.S., acceleration in the real GDP growth rate continued from 2016. The U.S. Congress approved a major tax cut worth $1.5 trillion over 10 years and agreed to increase spending by $300 billion over two years, undertaking a massive fiscal expansion. Reflecting solid economic growth in the U.S. and elsewhere, the FRB has continued to raise interest rates at a moderate pace. In Europe, including the U.K., the underlying economy was favorable, buoyed by improving Chinese economic conditions and solid growth in the U.S. economy, both of which supported renewed acceleration in exports, and by firm capital expenditure. In Asia ex-Japan, growth in the Chinese economy picked up speed on a recovery in real estate prices and higher infrastructure spending by public-private partnerships. In other countries in Asia, improvement in the business environment on infrastructure spending and deregulation has supported solid economic conditions.

Meanwhile, the Japanese economy expanded at a favorable pace. Exports were steady owing to cyclical recovery in capital expenditure in the U.S. and Europe, growth in automation demand from Chinese production facilities, and global growth in demand for semiconductor-related products. In Japan, higher automation demand and construction demand contributed to an expansion in capital expenditure. While employment increased steadily, growth in wages was weak overall, and consumer spending stagnated, dampened in part by adverse weather conditions. Corporate earnings were firm and Japanese equities, along with equities on major stock markets worldwide, showed a solid performance. In the second half of the fiscal year, market volatility increased on expectations for accelerated interest rate hikes in the U.S. and on concerns about trade friction between the U.S. and China. The Tokyo Stock Price Index (TOPIX) rose from 1,512.60 at the end of March 2017 to 1,716.30 at the end of March 2018, and the Nikkei Stock Average rose from 18,909.26 at the end of March 2017 to 21,454.30 at the end of March 2018. While the Japanese Yen was trading at around ¥111-112 versus the U.S. Dollar at the end of March 2017, the dollar/yen exchange rate fluctuated sharply in both directions owing to geopolitical risks, including North Korea s military provocations. The Japanese Yen strengthened sharply after the start of 2018 on concerns about a worsening in U.S. government finances, ending up at around 106-107 at the end of March 2018. The yield on Japanese government debt securities fluctuated in a narrow range owing to the Bank of Japan s yield curve control policy. The yield on newly issued 10-year Japanese government debt securities was 0.045% at the end of March 2018.

From a regulatory perspective, in addition to the implementation of Basel III requirements relating to capital ratio, liquidity ratio, and leverage ratio, Nomura has been identified as a Domestic Systemically Important Bank. Nomura will continue to monitor closely and take necessary measures in responding to wide-ranging reforms as part of the global tightening of financial regulations. Also, as the uncertainty surrounding Brexit persists, Nomura plans and implements proper initiatives for addressing changes in the global business environment, including the enforcement of MiFID II in EMEA.

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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, and have worked on improving the profitability of our international operations. Also, with the establishment of Merchant Banking Division in January 2018, as a new solution for clients, we have embarked on principal business to primarily provide equity to transactions such as business reorganization and revitalization, business succession as well as management buyout.

As a result of these efforts, we generated net revenue of ¥1,497.0 billion for the year ended March 31, 2018, a 6.7% increase from the previous fiscal year. Non-interest expenses increased by 8.2% to ¥1,168.8 billion, income before income taxes was ¥328.2 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥219.3 billion. Return on equity (ROE) was 7.9%. Diluted EPS[(1)] for the year ended March 31, 2018 was ¥61.88, a decrease from ¥65.65 for the year ended March 31, 2017.

We have decided to pay a dividend of ¥11 per share to shareholders of record as of March 31, 2018. As a result, the total annual dividend was ¥20 per share.

In our Retail Division, net revenue for the year ended March 31, 2018 increased by 10.3% from the previous fiscal year to ¥412.9 billion. Non-interest expenses increased by 3.4% to ¥309.8 billion. As a result, income before income taxes increased by 37.9% to ¥103.1 billion. Under the basic philosophy of placing our clients at the heart of everything we do, we provided consulting services to become the most trusted partner by understanding and meeting their diversified demands and needs. This fiscal year, we made substantial organizational changes where we can provide better services and interactive solutions to clients. As a result, client assets of the investment trust and discretionary investment grew, and the number of consulting businesses such as inheritance and business succession plans increased steadily.

In our Asset Management Division, net revenue for the year ended March 31, 2018 increased by 28.1% from the previous fiscal year to ¥127.3 billion. Non-interest expenses increased by 7.1% to ¥61.2 billion. As a result, income before income taxes increased by 56.3% to ¥66.2 billion. In the investment trust business, we delivered a strong performance mainly led by ETFs and funds distributed via banks contributing to the increase in assets under management. In the investment advisory business, we saw continued asset inflow from large domestic public pensions, partially offset by outflow overseas. As a result, assets under management increased from the end of the previous fiscal year as of Mach 31, 2018. In this fiscal year, we delivered gains related to American Century Investments.

In our Wholesale Division, net revenue for the year ended March 31, 2018 decreased by 3.2% from the previous fiscal year to ¥715.3 billion. Non-interest expenses increased by 6.4% to ¥614.7 billion. As a result, income before income taxes decreased by 37.7% to ¥100.6 billion. In Global Markets, the year ended March 2018 was a challenging year for the industry, marked by low client volumes amid low volatility that prevailed for most of the year. In this environment, Global Markets delivered a robust performance but moderate decline compared with the previous fiscal year. Strong performance in Equities was led by a booming global equity market, offsetting slowdown in Fixed Income due to low clients activity. Performance within Global Markets was also adversely impacted by losses in connection with a specific margin loan. For Investment Banking, globally our core business expanded resulting in revenues increasing year on year. In Japan, our participation in multiple high-profile M&A mandates and our continued provision of cutting edge products to our underwriting clients have resulted in year on year revenue growth. Additionally, our firm has achieved 1st place M&A and ECM (the finance business, such as equity and equity-related offerings) league table rankings. In international regions, the Americas and Asia have achieved their highest recorded revenues since the year ended March 2010, supported by participation in M&A transactions and the provision of related financing and execution of numerous interest rate, FX and solutions transactions. Performance within

Investment Banking was also adversely impacted by losses in connection with a specific margin loan.

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

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Results of Operations

Overview

The following table provides selected consolidated statements of income information for the years ended March 31, 2016, 2017 and 2018.

	Millions of yen, except percentages Year ended March 31		
	2016	2017	2018
Non-interest revenues:			
Commissions	¥ 431,959	¥ 327,129	¥ 373,313
Fees from investment banking	118,333	92,580	101,663
Asset management and portfolio service fees	229,006	216,479	245,616
Net gain on trading	354,031	475,587	442,885
Gain (loss) on private equity investments	13,761	1,371	(869)
Gain (loss) on investments in equity securities	(20,504)	7,708	2,683
Other	156,460	153,626	221,192
Total Non-interest revenues	1,283,046	1,274,480	1,386,483
Net interest revenue	112,635	128,717	110,486
Net revenue	1,395,681	1,403,197	1,496,969
Non-interest expenses	1,230,523	1,080,402	1,168,811
Income before income taxes	165,158	322,795	328,158
Income tax expense	22,596	80,229	103,866
Net income	¥ 142,562	¥ 242,566	¥ 224,292
Less: Net income attributable to noncontrolling interests	11,012	2,949	4,949
Net income attributable to NHI shareholders	¥ 131,550	¥ 239,617	¥ 219,343
Return on equity	4.9%	8.7%	7.9%

Net revenue increased by 7% from ¥1,403,197 million for the year ended March 31, 2017 to ¥1,496,969 million for the year ended March 31, 2018. This increase is primarily driven by higher contribution from *Commissions* and *Asset management and portfolio service fees* in Retail and Asset Management. *Commissions* increased by 14% from ¥327,129 million for the year ended March 31, 2017 to ¥373,313 million for the year ended March 31, 2018 primarily due to an increase in commissions received from the distribution of investment trusts and brokerage commissions received from equity and equity-related products. *Fees from investment banking* increased by 10% from ¥92,580 million for the year ended March 31, 2017 to ¥101,663 million for the year ended March 31, 2018 primarily due to increase in revenue from M&A and our solution business associated with fund raising. *Asset management and portfolio service fees* increased by 13% from ¥216,479 million for the year ended March 31, 2017 to ¥245,616 million for the year ended March 31, 2018 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 7% from ¥475,587 million for the year ended March 31, 2017 to ¥442,885 million for the year ended March 31, 2018, primarily driven by slower performance in our Fixed Income business and losses recognized in connection with a specific margin loan transaction. *Net gain on trading* also included total losses of ¥0.5 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 (loss) on private equity investments* were ¥1,371 million for the year ended March 31, 2017 and ¥(869) million for the year ended March 31. *Other* increased by 44% from ¥153,626 million for the year ended March 31, 2017 to ¥221,192 million for the year ended March 31, 2018, primarily driven by gains from the liquidation of an investment in a foreign entity and gains from the sale of our controlling financial interest in Asahi Fire and Marine Insurance Co., Ltd.

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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. This 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.

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. This 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 ¥112,635 million for the year ended March 31, 2016, ¥128,717 million for the year ended March 31, 2017 and ¥110,486 million for the year ended March 31, 2018. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and

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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, 2018, interest revenue, including a dividend from our investment in American Century Investments increased by 33%, and interest expense increased by 52% from the year ended March 31, 2017. As a result, Net interest revenue for the year ended March 31, 2018 decreased by ¥18,231 million from the year ended March 31, 2017. For the year ended March 31, 2017, interest revenue, including a 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.

Gain (loss) on investments in equity securities was ¥(20,504) million for the year ended March 31, 2016, ¥7,708 million for the year ended March 31, 2017 and ¥2,683 million for the year ended March 31, 2018. 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, 2018 increased by 8% from ¥1,080,402 million for the year ended March 31, 2017 to ¥1,168,811 million primarily due to an increase in compensation and benefits in connection with deferred compensation and provisions of slightly over ¥30.0 billion in connection with legacy transactions in the Americas.

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.

Income before income taxes was ¥165,158 million for the year ended March 31, 2016, ¥322,795 million for the year ended March 31, 2017 and ¥328,158 million for the year ended March 31, 2018.

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 33% for the fiscal year ended March 31, 2016, approximately 31% for the fiscal year ended March 31, 2017 and approximately 31% for the fiscal year ended March 31, 2018. 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, 2018 was ¥103,866 million, representing an effective tax rate of 31.7%. The significant factors causing the difference between the effective tax rate of 31.7% and the effective statutory tax rate of 31% was the effect of changes in foreign tax laws which increased the effective tax rate by 23.5%, partially offset by changes in deferred tax valuation allowances, which decreased the effective tax rate by 22.8%.

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

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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 allowances which increased the effective tax rate by 36.1% but partially offset by tax benefits recognized on the devaluation of investment in subsidiaries and affiliates which decreased the effective tax rate by 54.8%.

Net income attributable to NHI shareholders was ¥131,550 million for the year ended March 31, 2016, ¥239,617 million for the year ended March 31, 2017 and ¥219,343 million for the year ended March 31, 2018. Our return on equity for the year ended March 31, 2016, 2017 and 2018 was 4.9%, 8.7% and 7.9%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Realized gain on investments in equity securities held for operating purposes, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments (including operating result of Merchant Banking Division) 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		
	2016	2017	2018
Non-interest revenues	¥ 429,948	¥ 369,503	¥ 406,295
Net interest revenue	5,686	4,931	6,613
Net revenue	435,634	374,434	412,908
Non-interest expenses	308,003	299,642	309,771
Income before income taxes	¥ 127,631	¥ 74,792	¥ 103,137

Net revenue increased by 10% from ¥374,434 million for the year ended March 31, 2017 to ¥412,908 million for the year ended March 31, 2018 as a result of an increase in retail investors transactions of stocks and investment trusts under the strong market condition.

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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.

Non-interest expenses increased by 3% from ¥299,642 million for the year ended March 31, 2017 to ¥309,771 million for the year ended March 31, 2018, primarily due to an increase in system-related expenses.

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 and information technology-related expenses.

Income before income taxes was ¥127,631 million for the year ended March 31, 2016, ¥74,792 million for the year ended March 31, 2017, and ¥103,137 million for the year ended March 31, 2018.

The following table shows the breakdown of Retail non-interest revenues for the year ended March 31, 2017 and 2018.

	Millions of yen Year ended March 31	
	2017	**2018**
Commissions	¥ 171,834	¥ 192,715
Brokerage commissions	62,796	82,210
Commissions for distribution of investment trusts	82,265	87,055
Other commissions	26,773	23,450
Net gain on trading	85,269	91,469
Fees from investment banking	27,292	25,951
Asset management fees	81,761	93,582
Others	3,347	2,578
Non-interest revenues	¥ 369,503	¥ 406,295

Com*missions* increased by 12% from ¥171,834 million for the year ended March 31, 2017 to ¥192,715 million for the year ended March 31, 2018, primarily due to an increase in sales of stocks and investment trusts. *Net gain on trading* increased by 7% from ¥85,269 million for the year ended March 31, 2017 to ¥91,469 million for the year ended March 31, 2018. *Fees from investment banking* decreased by 5% from ¥27,292 million for the year ended March 31, 2017 to ¥25,951 million for the year ended March 31, 2018, primarily due to smaller transaction of ECM. *Asset management fees* increased by 14% from ¥81,761 million for the year ended March 31, 2017 to ¥93,582 million for the year ended March 31, 2018, primarily due to an increase in client assets. *Others* decreased by 23% from ¥3,347 million for the year ended March 31, 2017 to ¥2,578 million for the year ended March 31, 2018.

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Retail Client Assets

The following table presents amounts and details regarding the composition of Retail client assets as of March 31, 2017 and 2018. 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, 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	¥ 100.6	¥ 43.9	¥ (42.3)	¥ 5.5	¥ 107.7

	Trillions of yen Year ended March 31, 2018				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Equities	¥ 66.3	¥ 13.7	¥ (11.9)	¥ 7.6	¥ 75.7
Bonds	17.6	31.5	(30.1)	(1.1)	17.9
Stock investment trusts	8.8	3.9	(3.5)	(0.1)	9.1
Bond investment trusts	7.3	0.8	(0.5)	(0.5)	7.1
Overseas mutual funds	1.3	0.1	(0.1)	(0.1)	1.2
Others	6.4	0.8	(0.6)	0.1	6.7
Total	¥ 107.7	¥ 50.8	¥ (46.7)	¥ 5.9	¥ 117.7

Retail client assets increased by ¥10.0 trillion from ¥107.7 trillion as of March 31, 2017 to ¥117.7 trillion as of March 31, 2018. The balances of our clients equity and equity-related products increased by ¥9.4 trillion from ¥66.3 trillion as of March 31, 2017 to ¥75.7 trillion as of March 31, 2018, mainly due to the turnaround of Japanese equity market and increase of net inflows. The balances of our clients investment trusts had been flat and was ¥17.4 trillion as of March 31, 2018.

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 increased by ¥0.1 trillion from ¥17.3 trillion as of

March 31, 2016 to ¥17.4 trillion as of March 31, 2017.

Asset Management

Our Asset Management Division is conducted principally through Nomura Asset Management Co., Ltd. (NAM). We earn portfolio management fees through the development and management of investment trusts, which are distributed through Nomura Securities Co., Ltd. (NSC), other brokers, banks 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.

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Operating Results of Asset Management

	Millions of yen Year ended March 31		
	2016	2017	2018
Non-interest revenues	¥91,014	¥90,025	¥118,545
Net interest revenue	4,395	9,402	8,792
Net revenue	95,409	99,427	127,337
Non-interest expenses	58,743	57,094	61,167
Income before income taxes	¥36,666	¥42,333	¥ 66,170

Net revenue increased by 28% from ¥99,427 million for the year ended March 31, 2017 to ¥127,337 million for the year ended March 31, 2018, primarily due to a large increase in assets under management and contributions from American Century Investments related gains.

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.

Non-interest expenses increased by 7% from ¥57,094 million for the year ended March 31, 2017 to ¥61,167 million for the year ended March 31, 2018, due to an increase in compensation and benefits and commissions and floor brokerage followed by a revenue increase.

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.

Income before income taxes was ¥36,666 million for the year ended March 31, 2016, ¥42,333 million for the year ended March 31, 2017 and ¥66,170 million for the year ended March 31, 2018.

The following table presents assets under management of each principal Nomura entity within the Asset Management Division as of March 31, 2017 and 2018.

	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	¥ 40,080	¥ 27,670	¥ (26,139)	¥ 2,748	¥ 44,359

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	Billions of yen Year ended March 31, 2018				
	Balance at beginning of year	Gross inflows	Gross outflows	Market appreciation / (depreciation)	Balance at end of year
Nomura Asset Management Co., Ltd.	¥ 47,425	¥ 30,778	¥ (28,788)	¥ 2,966	¥ 52,381
Nomura Funds Research and Technologies Co., Ltd.	2,839	700	(913)	139	2,765
Nomura Corporate Research and Asset Management Inc.	2,357	942	(613)	(2)	2,684
Combined total	52,621	32,420	(30,314)	3,103	57,830
Shared across group companies	(8,262)	(2,017)	2,665	(201)	(7,815)
Total	¥ 44,359	¥ 30,403	¥ (27,649)	¥ 2,902	¥ 50,015

Assets under management were ¥50.0 trillion as of March 31, 2018, a ¥9.9 trillion increase from March 31, 2016 (increased due to positive net inflows of ¥4.3 trillion and mark-to-market valuation of ¥5.6 trillion) and a ¥5.7 trillion increase from March 31, 2017 (increased due to positive net inflows of ¥2.8 trillion and mark-to-market valuation of ¥2.9 trillion). In our investment trust business, there was a continued inflow into equity funds such as ETFs.

The following table presents NAM s share, in terms of net asset value, of the Japanese asset management market as of March 31, 2016, 2017 and 2018.

	March 31		
	2016	2017	2018
Total of publicly offered investment trusts	25%	26%	27%
Stock investment trusts	21%	23%	25%
Bond investment trusts	46%	44%	44%

The investment trust assets included in assets under management by NAM were ¥34.1 trillion as of March 31, 2018, a ¥4.8 trillion, 16% increase from March 31, 2017. This increase is due to positive net inflows of net inflows of ¥3.3 trillion and market appreciation of ¥1.5 trillion. The balances of investment trusts, such as, TOPIX Exchange Traded Fund, Nikkei 225 Exchange Traded Fund and foreign stock investment trusts such as Nomura India Investment Fund increased.

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. This 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 and the Nikkei 225 ETF, were increased.

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Wholesale

Operating Results of Wholesale

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

	Millions of yen Year ended March 31		
	2016	2017	2018
Non-interest revenues	¥ 571,322	¥ 564,877	¥ 587,474
Net interest revenue	148,955	174,379	127,859
Net revenue	720,277	739,256	715,333
Non-interest expenses	704,872	577,809	614,745
Income before income taxes	¥ 15,405	¥ 161,447	¥ 100,588

Net revenue decreased by 3% from ¥739,256 million for the year ended March 31, 2017 to ¥715,333 million for the year ended March 31, 2018. Equities reported higher revenues because client activities recovered in the active market throughout the year despite losses recognized in connection with a specific margin loan and Investment Banking revenues increased due to an increase in large M&A transactions in Japan, while Fixed Income revenues decreased year on year mainly due to lower performance in rates products because of low volatility in the markets.

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.

Non-interest expenses increased by 6% from ¥577,809 million for the year ended March 31, 2017 to ¥614,745 million for the year ended March 31, 2018, primarily due to commissions and floor brokerage expenses as a result of increased transaction volumes in Equities and an increase in compensation and benefit.

Non-interest expenses decreased by 18% 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 a decrease in compensation and benefits through the restructuring of our operations within EMEA and the Americas in March 2016.

Income before income taxes was ¥15,405 million for the year ended March 31, 2016, ¥161,447 million for the year ended March 31, 2017 and ¥100,588 million for the year ended March 31, 2018.

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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		
	2016	**2017**	**2018**
Wholesale net revenue:			
Global Markets net revenue	¥600,300	¥643,148	¥613,352
Investment Banking net revenue:			
Investment Banking (gross) revenue(1)(2)	205,702	167,806	179,116
Allocation to other divisions(3)	(85,725)	(71,698)	(77,135)
Total Investment Banking net revenue	119,977	96,108	101,981
Total Wholesale net revenue	¥720,277	739,256	715,333
Wholesale non-interest expenses:	¥704,872	577,809	614,745
Wholesale income (loss) before income taxes:	¥ 15,405	¥161,447	¥100,588

(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.

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-adding 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.

Net reve*nue* decreased by 5% from ¥643,148 million for the year ended March 31, 2017 to ¥613,352 million for the year ended March 31, 2018. In our Fixed Income businesses, *Net revenue* decreased from ¥411,277 million for the year ended March 31, 2017 to ¥352,149 million for the year ended March 31, 2018 primarily due to lower performance in rates products as a result of lower client activity because of low volatility in the markets. In our Equities business, *Net revenue* increased from ¥231,871 million for the year ended March 31, 2017 to ¥261,203 million for the year ended March 31, 2018 despite losses recognized in connection with a specific margin loan. Our revenue increased year on year mainly due to clients activities recovered in the active stock market throughout the year.

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 U.K. 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.

The net revenue figures in Global Markets discussed are non-GAAP financial measures prepared on a management accounting basis that 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 above.

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.

Net revenue increased by 6% from ¥96,108 million for the year ended March 31, 2017 to ¥101,981 million for the year ended March 31, 2018, primarily due to an increase in large M&A transactions in Japan despite losses recognized in connection with a specific margin loan.

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.

The net revenue figures in Investment Banking discussed 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 above.

Other Operating Results

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

Income before income taxes in Other operating results was ¥6,147 million for the year ended March 31, 2016, ¥37,607 million for the year ended March 31, 2017 and ¥56,365 million for the year ended March 31, 2018.

Other operating results for the year ended March 31, 2018 include the positive impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥0.6 billion and gains from changes in counterparty credit spreads of ¥6.8 billion.

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.

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.

Cyber Security Incident

One of our foreign subsidiaries recently experienced a cyber incident that resulted in the unauthorized access to certain of its systems including client information. We may suffer financial loss through reputational damage, legal liability and enforcement actions against us, and expect to incur increased costs for our operations generally, resulting from and in connection with the remediation of this incident and to strengthen and enhance cyber security within other Nomura group companies.

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 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.

Level 3 financial assets as a proportion of total financial assets, carried at fair value on a recurring basis were 4% as of March 31, 2018 as listed below:

Billions of yen

	March 31, 2018				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total
Financial assets measured at fair value (Excluding derivative assets)	¥7,793	¥ 8,485	¥ 504	¥	¥16,782
Derivative assets	24	14,927	172	(14,094)	1,029
Total	¥7,817	¥23,412	¥ 676	¥ (14,094)	¥17,811

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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, 2017	
	Assets	**Liabilities**
Listed derivatives	¥ 63	¥ 156
OTC derivatives	974	765
	¥ 1,037	¥ 921

	Billions of yen March 31, 2018	
	Assets	**Liabilities**
Listed derivatives	¥ 79	¥ 156
OTC derivatives	950	588
	¥ 1,029	¥ 744

The following table presents the fair value of OTC derivative assets and liabilities as of March 31, 2018 by remaining contractual maturity.

Billions of yen
March 31, 2018
Years to Maturity

	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting[1]	Total fair value
OTC derivative assets	¥ 1,701	¥ 1,144	¥ 904	¥ 642	¥ 2,821	¥ (6,262)	¥ 950
OTC derivative liabilities	1,458	1,003	550	314	1,188	(3,925)	588

(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 the same level as or 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, 2018, 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, 2018.

	Millions of yen March 31, 2018		
	Funded	**Unfunded**	**Total**
Europe	¥ 22,957	¥ 37,270	¥ 60,227

Americas	28,144	60,115	88,259
Asia and Oceania	11,363	3,174	14,537
Total	¥62,464	¥ 100,559	¥163,023

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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, 2018.

	Millions of yen March 31, 2018
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 19,982
Investments in subsidiaries and affiliates	36,189
Valuation of financial instruments	61,249
Accrued pension and severance costs	20,967
Other accrued expenses and provisions	76,578
Operating losses	340,780
Other	5,587
Gross deferred tax assets	561,332
Less Valuation allowances	(422,280)
Total deferred tax assets	139,052
Deferred tax liabilities	
Investments in subsidiaries and affiliates	127,041
Valuation of financial instruments	43,985
Undistributed earnings of foreign subsidiaries	1,137
Valuation of fixed assets	4,524

Other		3,342
Total deferred tax liabilities		180,029
Net deferred tax assets (liabilities)	¥	(40,977)

Calculation method of deferred tax assets

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

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B. Liquidity and Capital Resources.

Funding and Liquidity Management

Overview

We define liquidity risk as the 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, 2018, our liquidity portfolio was ¥4,628.4 billion which sufficiently met liquidity requirements under the stress scenarios.

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The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2017 and 2018 and averages maintained for the years ended March 31, 2017 and 2018. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2017	March 31, 2017	Average for year ended March 31, 2018	March 31, 2018
Cash, cash equivalents and time deposits[1]	¥ 2,289.4	¥ 2,317.1	¥ 2,116.6	¥ 1,902.9
Government debt securities	3,094.3	2,507.0	2,393.8	2,354.7
Others[2]	235.7	146.2	237.1	370.8
Total liquidity portfolio	¥ 5,619.4	¥ 4,970.3	¥ 4,747.5	¥ 4,628.4

(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, 2017 and 2018 and averages maintained for the years ended March 31, 2017 and 2018. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2017	March 31, 2017	Average for year ended March 31, 2018	March 31, 2018
Japanese Yen	¥ 1,946.0	¥ 1,527.9	¥ 1,498.8	¥ 1,309.6
U.S. Dollar	2,877.5	2,632.6	2,160.4	2,103.6
Euro	358.7	382.0	629.7	690.4
British Pound	308.4	285.1	308.4	379.9
Others[1]	128.8	142.7	150.2	144.9
Total liquidity portfolio	¥ 5,619.4	¥ 4,970.3	¥ 4,747.5	¥ 4,628.4

(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, 2017 and 2018.

	Billions of yen	
	March 31, 2017	**March 31, 2018**
NHI and NSC[1]	¥ 1,250.8	¥ 901.3
Major broker-dealer subsidiaries	2,474.5	2,538.1
Bank subsidiaries[2]	776.2	719.4
Other affiliates	468.8	469.6
Total liquidity portfolio	¥ 4,970.3	¥ 4,628.4

(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 ¥2,167.9 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, 2018 was ¥6,796.3 billion, which represented *322.6%* of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2017	**March 31, 2018**
Net liquidity value of other unencumbered assets	¥ 2,048.5	¥ 2,167.9
Liquidity portfolio	4,970.3	4,628.4
Total	¥ 7,018.8	¥ 6,796.3

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 increased to 43.3% of total long-term debt outstanding as of March 31, 2018 from 38.1% as of March 31, 2017.

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, 2017 and 2018.

	Billions of yen	
	March 31, 2017	March 31, 2018
Short-term bank borrowings	¥ 206.4	¥ 143.6
Other loans	177.9	176.2
Commercial paper	2.6	179.3
Deposits at banking entities	909.0	925.8
Certificates of deposit	16.1	11.1
Debt securities maturing within one year	571.0	671.0
Total short-term unsecured debt	¥ 1,883.0	¥ 2,107.0

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, 2017 and 2018.

	Billions of yen	
	March 31, 2017	March 31, 2018
Long-term deposits at banking entities	¥ 207.8	¥ 214.5
Long-term bank borrowings	2,474.0	2,567.6
Other loans	116.8	118.6
Debt securities[(1)]	3,120.3	2,318.2

Total long-term unsecured debt	¥5,918.9	¥ 5,218.9

(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*.

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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 3.8 years as of March 31, 2018. 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 8.1 years as of March 31, 2018. The average maturity of our entire long-term debt with maturities longer than one year including plain vanilla debt securities and borrowings, was 5.8 years as of March 31, 2018.

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.

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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, 2018, 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 30 days. The Committee developed the Liquidity Coverage Ratio (LCR) to achieve this objective.

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

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

In Japan, the regulatory notice on the LCR, based on the international agreement issued by the Basel Committee with necessary national revisions, was published by Financial Services Agency (on October 31, 2014). The notices have been implemented since the end of March 2015 with phased-in minimum standards. Average of Nomura s LCRs for the three months ended March 31, 2018 was 153.6%, 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 2017, we recorded net cash inflows from operating activities and net cash outflows from investing activities. For the year ended March 2018, we recorded net cash outflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

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The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2017 and 2018.

	Billions of yen	
	Year Ended March 31	
	2017	2018
Net cash provided by (used in) operating activities	¥ 1,305.0	¥ (445.7)
Net income	242.6	224.3
Trading assets and private equity investments	1,197.1	(240.2)
Trading liabilities	708.2	231.1
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	635.6	(453.2)
Securities borrowed, net of securities loaned	(1,706.5)	763.3
Other, net	228.2	(970.9)
Net cash used in investing activities	(118.1)	(56.2)
Net cash provided by (used in) financing activities	(2,130.6)	373.2
Long-term borrowings, net	(876.7)	350.0
Decrease in deposits received at banks, net	(1,068.2)	(13.3)
Other, net	(185.7)	36.5
Effect of exchange rate changes on cash and cash equivalents	4.2	(53.5)
Net decrease in cash and cash equivalents	(939.4)	(182.2)
Cash and cash equivalents at beginning of the year	3,476.3	2,536.8
Cash and cash equivalents at end of the year	¥ 2,536.8	¥ 2,354.6

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, 2018, our cash and cash equivalents decreased by ¥182.2 billion to ¥2,354.6 billion. Net cash of ¥373.2 billion was provided by financing activities due to net cash inflows of ¥350.0 billion from *Long-term borrowings*. As part of trading activities, while there were net cash outflows of ¥9.1 billion from cash outflows due to an increase in *Trading assets and Private equity investments* and a decrease in *Trading liabilities*, they were offset by ¥310.1 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 ¥445.7 billion was used in operating activities.

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.

Balance Sheet and Financial Leverage

Total assets as of March 31, 2018, were ¥40,591.3 billion, a decrease of ¥2,260.7 billion compared with ¥42,852.1 billion as of March 31, 2017, reflecting primarily a decrease in *Securities purchased under agreements to resell*. Total liabilities as of March 31, 2018, were ¥37,791.5 billion, a decrease of ¥2,216.8 billion compared with ¥40,008.3 billion as of March 31, 2017, reflecting primarily a decrease in *Securities sold under agreements to repurchase*. NHI shareholders equity as of March 31, 2018 was ¥2,749.3 billion, a decrease of ¥40.6 billion compared with ¥2,789.9 billion as of March 31, 2017, primarily due to an decrease in *Accumulated other comprehensive income (loss)*

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

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

The following table presents NHI shareholders equity, total assets, adjusted assets and leverage ratios as of March 31, 2017 and 2018.

	Billions of yen, except ratios March 31	
	2017	2018
NHI shareholders equity	¥ 2,789.9	¥ 2,749.3
Total assets	42,852.1	40,591.3
Adjusted assets(1)	24,122.3	24,353.6
Leverage ratio(2)	15.4 x	14.8 x
Adjusted leverage ratio(3)	8.6 x	8.9 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	
	2017	2018
Total assets	¥ 42,852.1	¥ 40,591.3
Less:		
Securities purchased under agreements to resell	11,456.6	9,853.9
Securities borrowed	7,273.2	6,383.8
Adjusted assets	¥ 24,122.3	¥ 24,353.6

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

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

Total assets decreased by 5.3% reflecting primarily a decrease in *Securities purchased under agreements to resell*. Total NHI shareholders equity decreased by 1.5% reflecting primarily a decrease in *Accumulated other comprehensive income (loss)*. As a result, our leverage ratio decreased from 15.4 times as of March 31, 2017 to 14.8 times as of March 31, 2018.

Adjusted assets increased primarily due to an increase in *Loans receivable*. As a result, our adjusted leverage ratio was 8.6 times as of March 31, 2017 and 8.9 times as of March 31, 2018.

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.

Additionally we will aim for a total payout ratio, which includes dividends and share buybacks, of at least 50 percent.

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.

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, 2017 and have decided to pay a dividend of ¥11 per share to shareholders of record as of March 31, 2018. 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:

Fiscal year ended or ending March 31,	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
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
2018		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, 2018, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 16.53%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 17.63% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 18.06% 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, 2018 is 6.77% for the common equity Tier 1 capital ratio, 8.27% for the Tier 1 capital ratio and 10.27% for the consolidated capital adequacy ratio).

The following table presents the Company s consolidated capital adequacy ratios as of March 31, 2017 and March 31, 2018.

	Billions of yen, except ratios	
	March 31	
	2017	**2018**
Common equity Tier 1 capital	¥ 2,549.2	¥ 2,500.0
Tier 1 capital	2,689.8	2,666.4
Total capital	2,799.4	2,732.5
Risk-Weighted Assets		
Credit risk-weighted assets	7,762.6	7,736.3
Market risk equivalent assets	3,504.6	4,748.3
Operational risk equivalent assets	2,710.6	2,637.7
Total risk-weighted assets	¥ 13,977.9	¥ 15,122.3
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	18.2%	16.53%
Tier 1 capital ratio	19.2%	17.63%
Consolidated capital adequacy ratio	20.0%	18.06%

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

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Notice on Consolidated Leverage Ratio. Management receives and reviews this consolidated leverage ratio on a regular basis. As of March 31 2018, our consolidated leverage ratio was 4.74%.

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.

In November 2015, the FSB issued the final TLAC standard for G-SIBs. The TLAC standard has been designed so that failing G-SIBs will have sufficient loss-absorbing and recapitalization capacity available in resolution for authorities to implement an orderly resolution. In response to the FSB s publication of the TLAC standard, in April 2016, the FSA published its policy to develop the TLAC framework in Japan applicable to Japanese G-SIBs and, in April 2018, revised such policy to apply the TLAC requirements in Japan not only to Japanese G-SIBs but also to Japanese D-SIBs that are deemed (i) of particular need for a cross-border resolution arrangement and (ii) of particular systemic significance to Japanese financial system if they fail. In the revised policy, the Japanese G-SIBs and Nomura are collectively referred to as 4SIBs which will be subject to the TLAC requirements in Japan. According to the revised policy, although Nomura is not identified as a G-SIB as of the date of this annual report, the 4SIBs, including Nomura, will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, Nomura will be required to meet a minimum TLAC requirement of holding TLAC in an amount at least 16% of our consolidated risk-weighted assets as from March 31, 2021 and at least 18% as from March 31, 2024 as well as at least 6% of the applicable Basel III leverage ratio denominator from March 31, 2021 and at least 6.75% from March 31, 2024.

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Furthermore, according to the FSA s revised policy published in April 2018, which is subject to change based on future international discussions, the preferred resolution strategy for the 4SIBs is Single Point of Entry (SPE) resolution, in which resolution powers are applied to the top of a group by a single national resolution authority (i.e. the FSA), although the actual measures to be taken will be determined on a case-by-case basis considering the actual condition of the relevant the 4SIB in crisis.

To implement this SPE resolution strategy effectively, the FSA plans to require holding companies of the 4SIBs (Domestic Resolution Entities) to (i) meet the minimum external TLAC requirements and (ii) cause their material subsidiaries that are designated as systemically important by the FSA, including but not limited to certain material sub-groups as provided in the FSB s TLAC standard, to maintain a certain level of capital and debt recognized by the FSA as having loss-absorbing and recapitalization capacity, or Internal TLAC.

In addition, under the FSA s revised policy, the 4SIBs Domestic Resolution Entities will be allowed to count the amount equivalent to 2.5% of their consolidated risk-weighted assets from the implementation date of the TLAC requirements in Japan (March 31, 2021 for Nomura) and 3.5% of their consolidated risk-weighted assets from 3 years after the implementation date (March 31, 2024 for Nomura) as our external TLAC, considering the Japanese Deposit Insurance Fund Reserves.

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, 2018, 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.

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For further information about transactions with VIEs, see Note 6 *Securitizations 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, 2018.

	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	¥ 5,189	¥ 1,155	¥ 320	¥	¥ 3,714
Long-term borrowings(1)	7,355,190	655,644	2,057,783	1,382,196	3,259,567
Contractual interest payments(2)	813,852	115,270	181,568	123,421	393,593
Operating lease commitments	117,086	16,553	26,652	15,837	58,044
Capital lease commitments(3)	46,188	3,726	7,710	7,774	26,978
Purchase obligations(4)	44,192	26,386	12,573	4,917	316
Commitments to extend credit	965,942	356,439	116,478	158,314	334,711
Commitments to invest	13,273	235	77	294	12,667
Total	¥ 9,360,912	¥ 1,175,408	¥ 2,403,161	¥ 1,692,753	¥ 4,089,590

(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, 2018.

(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 ¥2,538 billion for reverse repurchase agreements and ¥889 billion for repurchase agreements as of

March 31, 2018.

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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 25, 2018.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
Nobuyuki Koga (Aug. 22, 1950)	Director Chairman of the Board of Directors Chairman of the Nomination Committee Chairman of the Compensation Committee Director of Nomura Securities Co., Ltd. Representative Director and President of Kanagawa Kaihatsu Kanko Co., Ltd.	Apr. 1974	Joined the Company
		Jun. 1995	Director of the Company
		Apr. 1999	Managing Director of the Company
		Jun. 2000	Director and Deputy President of the Company
		Oct. 2001	Director and Deputy President of the Company 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 Director and Chairman of Nomura Securities Co., Ltd.	Apr. 1981	Joined the Company
		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.
		Oct. 2008	Senior Corporate Managing Director of Nomura Securities Co., Ltd.

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Apr. 2009	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2011	Co-COO and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2012	Senior Managing Director of the Company Director and President of Nomura Securities Co., Ltd.
		Aug. 2012	Representative Executive Officer & Group CEO of the Company Director and President of Nomura Securities Co., Ltd.
		Jun. 2013	Director, Representative Executive Officer & Group CEO of the Company Director and President of Nomura Securities Co., Ltd.
		Apr. 2017	Director, Representative Executive Officer, President & Group CEO of the Company (Current) Director and Chairman of Nomura Securities Co., Ltd. (Current)
Shoichi Nagamatsu (Jul. 6, 1958)	Director, Representative Executive Officer and Deputy President 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	Representative Executive Officer and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
Apr. 2013	Executive Managing Director and Chief of Staff of the Company
	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Apr. 2016	Executive Managing Director and Chief of Staff of the Company Representative Executive Officer and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2017	Representative Executive Officer, Deputy President and Chief of Staff of the Company Director of Nomura Securities Co., Ltd.
		Apr. 2018	Representative Executive Officer and Deputy President of the Company Director of Nomura Securities Co., Ltd.
		Jun. 2018	Director, Representative Executive Officer and Deputy President of the Company (Current) Director of Nomura Securities Co., Ltd. (Current)
Hisato Miyashita (Dec. 26, 1958)	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.	Jul. 1987	Joined the Company
		Jun. 1993	Joined Union Bank of Switzerland (currently, UBS)
		Aug. 1996	Joined Bankers Trust Asia Securities Ltd.
		Apr. 1998	Joined Credit Suisse First Boston Securities (Japan) Limited
		Dec. 1999	Joined Nikko Citigroup Limited (currently, Citigroup Global Markets Japan Inc.)
		Mar. 2005	Executive Officer of Nikko Citigroup Limited, Internal Control Supervisory Manager
		Jul. 2009	Managing Director of Group Compliance Department of the Company

Apr. 2012	Senior Managing Director of the Company, Head of Wholesale Compliance
Jun. 2012	Senior Managing Director of the Company, Group Compliance Head Senior Managing Director of Nomura Securities Co., Ltd.

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Apr. 2013	Senior Managing Director of the Company, Group Compliance Head Representative Executive Officer of Nomura Securities Co., Ltd., Internal Control Supervisory Manager
		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
		Apr. 2016	Advisor of the Company
		Jun. 2016	Director of the Company (Current)
Hiroshi Kimura (Apr. 23, 1953)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Honorary Company Fellow of Japan Tobacco Inc. Outside Director of Asahi Glass Co., Ltd. Outside Director of IHI Corporation	Apr. 1976	Joined Japan Tobacco and Salt Public Corporation (currently, Japan Tobacco Inc.)
		Jun. 1999	Director of Japan Tobacco Inc.
		Jun. 2001	Resigned as Director of Japan Tobacco Inc.
		Jun. 2005	Director of Japan Tobacco Inc.
		Jun. 2006	President and CEO and Representative Director of Japan Tobacco Inc.
		Jun. 2012	Chairman of the Board of Japan Tobacco Inc.
		Jun. 2014	Special Advisor of Japan Tobacco Inc.
		Jun. 2015	Outside Director of the Company (Current)
		Jul. 2016	Advisor of Japan Tobacco Inc.
		Mar. 2018	Honorary Company Fellow of Japan Tobacco Inc. (Current)
Kazuhiko Ishimura (Sep. 18, 1954)	Outside Director Member of the Nomination Committee Member of the Compensation Committee	Apr. 1979	Joined Asahi Glass Co., Ltd.
		Jan. 2006	Executive Officer and GM of Kansai Plant of Asahi Glass Co., Ltd.
		Jan. 2007	

Director & Chairman of Asahi Glass Co., Ltd.		Senior Executive Officer and GM of Electronics & Energy General Division of Asahi Glass Co., Ltd.
Outside Director of TDK Corporation		
Outside Director of IHI Corporation	Mar. 2008	Representative Director and President & COO of Asahi Glass Co., Ltd.

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Jan. 2010	Representative Director and President & CEO of Asahi Glass Co., Ltd.
		Jan. 2015	Representative Director & Chairman of Asahi Glass Co., Ltd.
		Jan. 2018	Director & Chairman of Asahi Glass Co., Ltd. (Current)
		Jun. 2018	Outside Director of the Company (Current)
Noriaki Shimazaki	Outside Director	Apr. 1969	Joined Sumitomo Corporation
(Aug. 19, 1946)	Chairman of the Audit Committee	Jun. 1998	Director of Sumitomo Corporation
	Director of Nomura Securities Co., Ltd.	Apr. 2002	Representative Director and Managing Director of Sumitomo Corporation
	Outside Director of UKC Holdings Corporation	Jan. 2003	Member of the Business Accounting Council of the Financial Services Agency
	Outside Director of Loginet Japan Co., Ltd.	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 IASC (currently, 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)

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Mari Sono	Outside Director	Oct. 1976	Joined NISSHIN Audit Corporation (currently, Ernst & Young ShinNihon LLC)
(Feb. 20, 1952)	Member of the Audit Committee	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)
Michael Lim Choo	Outside Director	Aug. 1972	Joined Price Waterhouse, Singapore
San	Non-Executive Chairman of Fullerton Healthcare Corporation Limited	Jan. 1992	Managing Partner of Price Waterhouse, Singapore

(Sep. 10, 1946)	Non-Executive Chairman of Nomura Singapore Ltd.	Oct. 1998	Member of the Singapore Public Service Commission (Current)
		Jul. 1999	Executive Chairman of PricewaterhouseCoopers, Singapore

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Sep. 2002	Chairman of the Land Transport Authority of Singapore
		Sep. 2004	Independent Director of Olam International Limited
		Jun. 2011	Outside Director of the Company (Current)
		Nov. 2011	Chairman of the Accounting Standards Council, Singapore
		Apr. 2013	Chairman of the Singapore Accountancy Commission
		Sep. 2016	Non-Executive Chairman of Fullerton Healthcare Corporation Limited (Current)
Laura Simone Unger (Jan. 8, 1961)	Outside Director Independent Director of CIT Group Inc. Independent Director of Navient Corporation Independent Director of Nomura Securities International, Inc.	Jan. 1988	Enforcement Attorney of U.S. Securities and Exchange Commission (SEC)
		Oct. 1990	Counsel of U.S. Senate Committee on Banking, Housing, and Urban Affairs
		Nov. 1997	Commissioner of SEC
		Feb. 2001	Acting Chairperson of SEC
		Jul. 2002	Regulatory Expert of CNBC
		May 2003	Independent Consultant of JPMorgan Chase & Co.
		Aug. 2004	Independent Director of CA Inc.
		Jan. 2010	Special Advisor of Promontory Financial Group
		Dec. 2010	Independent Director of CIT Group Inc. (Current)
		Nov. 2014	Independent Director of Navient Corporation (Current)
		Jun. 2018	Outside Director of the Company (Current)

Among the Directors listed above, Hiroshi Kimura, Kazuhiko Ishimura, Noriaki Shimazaki, Mari Sono, Michael Lim Choo San and Laura Simone Unger satisfy the requirements for an Outside Director under the Companies Act.

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Executive Officers

The following table provides information about the Company s Executive Officers as of June 25, 2018.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Koji Nagai (Jan. 25, 1959)	See *Directors* under this Item 6.A.	See *Directors* under this Item 6.A.	
Shoichi Nagamatsu (Jul. 6, 1958)	See *Directors* under this Item 6.A.	See *Directors* under this Item 6.A.	
Tetsu Ozaki (Jan. 16, 1958)	Vice Chairman of the Company 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.
		Apr. 2016	Representative Executive Officer & Group COO of the Company Director and Deputy President of Nomura Securities Co., Ltd.
		Jun. 2016	Director, Representative Executive Officer & Group COO of the Company Director and Deputy President of Nomura Securities Co., Ltd.

Apr. 2017	Director, Representative Executive Officer, Deputy President & Group COO of the Company
	Director of Nomura Securities Co., Ltd.
Apr. 2018	Vice Chairman of the Company (Current)
	Director of Nomura Securities Co., Ltd. (Current)

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Toshio Morita (Apr. 17, 1961)	Executive Managing Director Group Co-COO 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.
		Apr. 2011	Senior Corporate Managing Director of the Company
		Apr. 2012	Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Aug. 2012	Executive Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2015	Executive Managing Director of the Company Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2016	Representative Executive Officer and Deputy President of Nomura Securities Co., Ltd
		Apr. 2017	Executive Managing Director of the Company Director, Representative Executive Officer and President of Nomura Securities Co., Ltd.
		Apr. 2018	Executive Managing Director and Group Co-COO of the Company (Current) Director, Representative Executive Officer and President of Nomura Securities Co., Ltd. (Current)
Kentaro Okuda (Nov. 7, 1963)	Executive Managing Director	Apr. 1987	Joined the Company
		Apr. 2010	Senior Managing Director of Nomura Securities Co., Ltd.

Group Co-COO and Head of Americas (based in New York) Director and Deputy President of Nomura Securities Co., Ltd.	Apr. 2012	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
	Aug. 2012	Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Apr. 2013	Senior Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2015	Senior Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2016	Senior Managing Director of the Company Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2017	Senior Managing Director of the Company Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2018	Executive Managing Director, and Group Co-COO and Head of Americas (based in New York) of the Company (Current) Director and Deputy President of Nomura Securities Co., Ltd. (Current)
Kunio Watanabe (Feb. 22, 1963)	Executive Managing Director Head of the Asset Management Director, President and CEO of Nomura Asset Management Co., Ltd.	Apr. 1985	Joined the Company
		Apr. 2009	Senior Managing Director of Nomura Asset Management Co., Ltd.
		Apr. 2012	Senior Corporate Managing Director of Nomura Asset Management Co., Ltd.
		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)
Takumi Kitamura (Nov. 26, 1966)	Executive Managing Director Chief Financial Officer Executive Managing Director and Financial Officer of Nomura Securities Co., Ltd.	Apr. 1990 Apr. 2016	Joined the Company Executive Managing Director and Chief Financial Officer of the Company (Current) Executive Managing Director and Financial Officer of Nomura Securities Co., Ltd. (Current)

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Yuji Nakata (Jun. 6, 1959)	Executive Managing Director Head of Group Entity Structure and Co-CRO Representative Executive Officer and Deputy President of Nomura Securities Co., Ltd.	Apr. 1983	Joined the Company
		Apr. 2007	Senior Managing Director 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 Senior Managing Director of Nomura Securities Co., Ltd.
		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, Head of Group Entity Structure and Co-CRO of the Company (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 senior management 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.

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(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 management 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 senior management and employees through fixed and variable components. The key objectives of these components are provided below, together with the specific elements of each component.

Compensation Components	Objectives	Specific Elements
Fixed Compensation	Rewards individuals for their knowledge, skills, competencies and experiences	Base salary
	Reflects local labor market standards	

	Reflects practices of local labor markets to deliver allowances as a part of fixed compensation to individuals	Housing allowances
		Overtime pay
Variable Compensation	Rewards team and individual performances, and their contribution to results as well as the Company s strategic and future value	Cash bonuses
		Deferred compensation
	Reflects appropriate internal and market-based peer comparisons	
	Reflects broad views on compensation, including individual performances, approaches to risk, compliance and cross-divisional cooperation	

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

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(4) Variable Compensation

Cash bonuses

A proportion of variable compensation is delivered in the form of a cash payment following the end of the fiscal year. Individuals with higher levels of compensation receive a lower proportion in cash. This is in line with regulatory guidance, and while the policy is global in application, specific local regulatory requirements are 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 the price of the Company s stock and imposing certain vesting conditions, 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 Japanese Financial Stability Board which recommends, among other things, a deferral period of three or more years.

All current deferred compensation awards except Plan A awards 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.

The following table summarizes the main features of the key types of deferred compensation awards currently granted by Nomura to senior management and employees. Unless otherwise stated, deferred compensation awards are generally reduced, forfeited or clawed back in the event of termination of employment, material conduct issues, material downturns in performance of the Nomura Group and/or a material failure of risk management.

Type of award	Key features
Stock Acquisition Right (SAR) Plan A awards	Exercisable into 100 of the Company s common stock. Exercise price not less than the fair value of the Company s common stock on grant date.

Cliff vesting period of two years.
Expire approximately seven years after grant date.
Not subject to clawback.
Granted in November each year in respect of various performance periods.

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Type of award	Key features
Restricted Stock Unit (RSU) awards	Settled in the Company s common stock.
	Graded vesting period generally over three years.
	Extended vesting period of up to seven years for certain senior management and employees in order to meet local regulatory requirements based on the role they perform in Nomura
	New type of award introduced in 2018 as the primary type of deferred compensation award in Nomura. Granted in May 2018 in respect of the prior fiscal year.
Notional Stock Unit (NSU) awards	Linked to the price of Company s common stock and cash-settled. Graded vesting period generally over three years. Extended vesting period of up to seven years for certain senior management and employees based on the role they perform in Nomura in order to meet local regulatory requirements. Used in countries where equity-settled RSU awards are less favorably treated from a tax or other perspective. Following the introduction of RSU awards, NSU awards are less commonly used in Nomura. Granted in May each year in respect of the prior fiscal year and also quarterly to new employees as a recruitment incentive to replace awards forfeited from prior employers.

Following the introduction of Restricted Stock Unit (RSU) awards in 2018 as the primary type of deferred compensation award to be used by Nomura, certain core deferral awards and all supplemental awards are no longer used by Nomura.

For fiscal years ended March 31, 2017 and prior fiscal years, we granted SAR Plan B awards as a type of core deferral award to certain senior management which are stock unit awards linked to price of the Company s common stock pursuant to several stock unit plans designed to replicate the structure of restricted stock awards commonly used in the United States and Europe. These awards are physically-settled upon exercise into the Company s common stock, have an exercise price of ¥1 per share and graded vesting generally over three years with certain longer vesting or holding periods where required under local regulations, and are subject to forfeiture, reduction or clawback in the same way as the above awards.

For fiscal years ended March 31, 2011 through to March 31, 2017, we granted supplemental deferral awards comprising Collared Notional Stock Unit (CSU) awards and Notional Index Unit (NIU) awards. CSU awards are linked to the price of the Company s stock subject to a cap and a floor and NIU awards are linked to a world stock index quoted by Morgan Stanley Capital International. Both types of award are cash-settled with graded vesting generally over three years with certain longer vesting periods where required by local regulations, and are subject to forfeiture, reduction or clawback in the same way as the above awards.

Following the introduction of RSU awards, no new SAR Plan B, CSU or NIU awards were granted in May 2018 in respect of the fiscal year ended March 31, 2018. However, existing unvested awards continue to vest in accordance with their original contractual terms.

(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, 2018			
		Basic Compensation(2)(3)	Bonus	Deferred Compensation(4)	Total
Directors	9	¥ 264	¥ 89	¥ 84	¥ 437
(Outside Directors included in above)	(6)	(124)	( )	( )	(124)
Executive Officers	7	522	415	511	1,448
Total	16	¥ 786	¥ 504	¥ 595	¥ 1,885

(1) The number of people includes 1 Director who retired in June 2017. There were 8 Directors and 7 Executive Officers as of March 31, 2018. Compensation to Directors who were concurrently serving as Executive Officers is included in that of Executive Officers.
(2) Basic compensation of ¥786 million includes other compensation (commuter pass allowance) of ¥1.07 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 (such as stock options) granted during and prior to the fiscal year ended March 31, 2018 is recognized as expense in the financial statements for the fiscal year ended March 31, 2018.
(5) Subsidiaries of the Company paid ¥49 million to Outside Directors as compensation, etc. for their directorship at those subsidiaries for the fiscal year ended March 31, 2018.
(6) The Company abolished retirement bonuses to Directors in 2001.

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

			Millions of yen						
			Fixed Remuneration (Basic Compensation)			Variable Compensation[1]			
Name	Company	Category	Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	Deferred Compensation (RSUs, etc.)	Total	Total
Nobuyuki Koga	Nomura	Director	¥ 88	¥	¥ 88	¥ 75	¥ 76	¥ 151	¥ 239
Koji Nagai(2)	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	143	143	286	405
Tetsu Ozaki	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	79	79	158	266
Shoichi Nagamatsu	Nomura	Representative Executive Officer	76	14	90	45	45	90	180
Toshio Morita	Nomura	Executive Officer	76	14	90	56	57	113	203
Kunio Watanabe	Nomura	Executive Officer	60	13	73	46	46	92	165
Yuji Nakata	Nomura	Executive Officer	66	13	79	25	26	51	130

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2018.

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

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Stock Acquisition Rights (SARs)

The following table presents information regarding unexercised Stock Acquisition Rights as of March 31, 2018.

		March 31, 2018			
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.38	July 28, 2010	427,300	From April 30, 2013 to April 29, 2018	¥ 1	¥ 0
Stock Acquisition Rights No.40	June 7, 2011	250,000	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	583,100	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	781,600	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	820,400	From November 16, 2013 to November 15, 2018	299	0
Stock Acquisition Rights No.44	June 5, 2012	233,800	From April 20, 2013 to April 19, 2018	1	0
Stock Acquisition Rights No.45	June 5, 2012	860,700	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.46	June 5, 2012	1,084,000	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.47	June 5, 2012	731,200	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.48	June 5, 2012	1,099,000	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	137,700	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	259,300	From October 20, 2016 to April 19, 2022	1	0
		1,214,300	From November 13, 2014	298	0

Stock Acquisition Rights No.51	November 13, 2012		to November 12, 2019		
Stock Acquisition Rights No.52	June 5, 2013	628,900	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.53	June 5, 2013	797,300	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.54	June 5, 2013	1,053,500	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	821	0
Stock Acquisition Rights No.56	June 5, 2014	950,800	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.57	June 5, 2014	1,257,700	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.58	June 5, 2014	2,260,600	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.59	June 5, 2014	488,200	From March 31, 2015 to March 30, 2020	1	0

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		March 31, 2018			
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.60	June 5, 2014	735,500	From March 31, 2016 to March 30, 2021	1	0
Stock Acquisition Rights No.61	June 5, 2014	2,519,000	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	738	0
Stock Acquisition Rights No.63	June 5, 2015	1,088,400	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.64	June 5, 2015	2,050,400	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.65	June 5, 2015	6,326,900	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.66	June 5, 2015	36,000	From November 8, 2015 to November 7, 2020	1	0
Stock Acquisition Rights No.68	November 18, 2015	2,568,800	From November 18, 2017 to November 17, 2022	802	0
Stock Acquisition Rights No.69	June 7, 2016	2,175,900	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.70	June 7, 2016	5,907,500	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.71	June 7, 2016	5,886,200	From April 20, 2019 to April 19, 2024	1	0
Stock Acquisition Rights No.72	June 7, 2016	527,600	From October 30, 2016 to October 29, 2021	1	0
Stock Acquisition Rights No.73	June 7, 2016	242,100	From April 30, 2017 to April 29, 2022	1	0
Stock Acquisition Rights No.74	November 11, 2016	2,555,400	From November 11, 2018	593	0

			to November 10, 2023		
Stock Acquisition Rights No.75	June 9, 2017	4,613,900	From April 20, 2018 to April 19, 2023	1	0
Stock Acquisition Rights No.76	June 9, 2017	4,585,700	From April 20, 2019 to April 19, 2024	1	0
Stock Acquisition Rights No.77	June 9, 2017	4,703,600	From April 20, 2020 to April 19, 2025	1	0
Stock Acquisition Rights No.78	June 9, 2017	885,200	From April 20, 2021 to April 19, 2026	1	0
Stock Acquisition Rights No.79	June 9, 2017	882,700	From April 20, 2022 to April 19, 2027	1	0
Stock Acquisition Rights No.80	June 9, 2017	141,600	From April 20, 2023 to April 19, 2028	1	0
Stock Acquisition Rights No.81	June 9, 2017	141,600	From April 20, 2024 to April 19, 2029	1	0
Stock Acquisition Rights No.82	June 9, 2017	533,700	From October 30, 2017 to October 29, 2022	1	0
Stock Acquisition Rights No.83	June 9, 2017	69,400	From April 30, 2018 to April 29, 2023	1	0
Stock Acquisition Rights No.84	November 17, 2017	2,554,500	From November 17, 2019 to November 16, 2024	684	0

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(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, 2018.

	March 31, 2018	
Series of SARs	**Number of Shares under SARs**	**Numbers of Holders Directors and Executive Officers (excluding Outside Directors)**
Stock Acquisition Rights No.44	3,200	1
Stock Acquisition Rights No.45	3,200	1
Stock Acquisition Rights No.46	4,900	2
Stock Acquisition Rights No.47	17,200	4
Stock Acquisition Rights No.48	25,600	6
Stock Acquisition Rights No.52	24,500	3
Stock Acquisition Rights No.53	24,100	3
Stock Acquisition Rights No.54	24,000	3
Stock Acquisition Rights No.56	17,300	2
Stock Acquisition Rights No.57	34,800	3
Stock Acquisition Rights No.58	91,700	6
Stock Acquisition Rights No.59	20,600	3
Stock Acquisition Rights No.60	20,600	3
Stock Acquisition Rights No.61	84,100	6
Stock Acquisition Rights No.63	39,100	4
Stock Acquisition Rights No.64	91,800	7
Stock Acquisition Rights No.65	115,100	9
Stock Acquisition Rights No.69	131,000	8
Stock Acquisition Rights No.70	160,000	9
Stock Acquisition Rights No.71	159,900	9
Stock Acquisition Rights No.75	142,100	8
Stock Acquisition Rights No.76	141,600	8
Stock Acquisition Rights No.77	141,300	8

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

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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 ten times during the fiscal year ended March 31, 2018. 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 four times during the fiscal year ended March 31, 2018. As a group, the member Directors attended all of the meetings of the Nomination Committee during the year. As of June 25, 2018, the members of the Nomination Committee are Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Hiroshi Kimura and Kazuhiko Ishimura. 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, 2018. As a group, the member Directors attended all of the meetings of the Audit Committee during the year. As of June 25, 2018, the members of the Audit Committee are Hisato Miyashita (a full-time member of the Audit Committee) and Outside Directors, Noriaki Shimazaki 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

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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, 2018. As a group, the member Directors attended all of the meetings of the Compensation Committee during the year. As of June 25, 2018, the members of the Compensation Committee are Nobuyuki Koga, a Director not concurrently serving as an Executive Officer, and Outside Directors Hiroshi Kimura and Kazuhiko Ishimura. 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, Hiroshi Kimura, Noriaki Shimazaki, Mari Sono, Michael Lim Choo San and Laura Simone Unger. 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,		
	2016	**2017**	**2018**
Japan	16,083	16,227	15,819
Europe	3,424	3,026	3,057
Americas	2,503	2,314	2,362
Asia and Oceania	6,855	6,619	6,810
Total	28,865	28,186	28,048

As of March 31, 2018, we had 15,819 employees in Japan, including 9,572 in our Retail Division, 1,590 in our Wholesale Division and 858 in our Asset Management Division. In overseas, we had 12,229 employees, of which 3,057 were located in Europe, 2,362 in the Americas, and 6,810 in Asia and Oceania.

As of March 31, 2018, 8,999 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.

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E. Share Ownership.

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2018. 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	308,577
Koji Nagai	285,000
Shoichi Nagamatsu	200,735
Hisato Miyashita	60,000
Hiroshi Kimura	
Kazuhiko Ishimura	
Noriaki Shimazaki	6,511
Mari Sono	
Michael Lim Choo San	
Laura Simone Unger	
Total	860,823

Executive Officers

Name	Number of Shareholdings
Koji Nagai	See above
Shoichi Nagamatsu	See above
Tetsu Ozaki	157,449
Toshio Morita	169,400
Kentaro Okuda	43,300
Kunio Watanabe	58,200
Takumi Kitamura	24,782
Yuji Nakata	72,140
Total	525,271

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 May 21, 2018. According to the reports, as of October 14, 2016, Harris Associates L.P. owned 168,565,900 shares, representing 4.41% 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, 2018.

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

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operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2018, there were 287 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 470,246,067 shares of the Company s common stock, representing 12.9% of Nomura s then outstanding common stock. As of March 31, 2018, there were 29,187,772 ADSs outstanding, representing 29,187,772 shares of the Company s common stock or 0.8% 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 38.5% of NRI s outstanding share capital as of March 31, 2018.

For the year ended March 31, 2018, we purchased ¥26,830 million worth of software and computer equipment and paid ¥44,460 million for other services to NRI, while received ¥526 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, 2018.

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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.

	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
Year ended March 31,	**High**	**Low**	**High**	**Low**
Annual highs and lows				
2014	¥ 980	¥ 535	$ 9.64	$ 5.76
2015	757.0	576.2	7.38	5.24
2016	909.2	442.8	7.32	3.96
2017	784.0	338.8	6.80	3.33
2018	756.5	567.7	6.83	5.28
Quarterly highs and lows				
2017				
First Quarter	¥ 553.9	¥ 338.8	$ 5.00	$ 3.33
Second Quarter	504.6	348.0	4.83	3.38
Third Quarter	784.0	450.9	6.77	4.29
Fourth Quarter	774.4	668.8	6.80	5.85
2018				
First Quarter	¥ 712.8	¥ 633.4	$ 6.52	$ 5.85
Second Quarter	681.3	567.7	6.06	5.28
Third Quarter	702.3	625.8	6.00	5.54
Fourth Quarter	756.5	589.3	6.83	5.66
Monthly highs and lows				
2018 (calendar year)				
January	¥ 756.5	¥ 674.7	$ 6.83	$ 5.86
February	728.1	636.3	6.62	5.76
March	658.2	589.3	6.12	5.66
April	650.0	601.6	5.98	5.54
May	635.3	561.8	5.68	5.13
June (through June 22)	583.3	530.9	5.29	4.82

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.

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D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Objects and Purposes in 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 3,643,562,601 shares were issued as of March 31, 2018. 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 depositary 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.

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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,

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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-subsidiary 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.

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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

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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 Item12.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 residents 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 depositary 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 the combined voting power of our voting stock or of the total value of our 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 (depositary) 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 depositary, 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

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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 will generally be passive 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 non-corporate 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.

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 preferential rates 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

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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 Depositary 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. 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.

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Risk Management Governance and Oversight

Committee Governance

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

Board of Directors (BoD)

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

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

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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, operational risk 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.

Global Portfolio Committee (GPC)

Upon delegation from the GIRMC, the GPC deliberates on or determines all matters in relation to the management of a specific portfolio, for the purpose of achieving a risk profile consistent with the risk allocation and risk appetite of Nomura. The portfolio consists of businesses and products that fall within at least one of the three following categories: event financing, term financing and asset-based financing.

Asset Liability Committee (ALCO)

Upon delegation from the EMB and 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.

Global Transaction Committee (GTC)

Upon delegation from the GRMC and the GPC, the GTC deliberates on or determines individual transactions in line with Nomura s risk appetite determined by GIRMC and thereby assures 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.

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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.

Risk Category	**Definition**
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.
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.

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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 exceeded the 99% VaR estimate at the Nomura Group level on one occasion for the twelve months ended March 31, 2018.

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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		
	March 31, 2016	March 31, 2017	March 31, 2018
Equity	¥ 0.89	¥ 0.67	¥ 1.21
Interest rate	3.80	2.66	3.10
Foreign exchange	0.80	1.67	3.20
Subtotal	5.49	4.99	7.52
Less: Diversification Benefit	(1.96)	(1.66)	(1.13)
VaR	¥ 3.53	¥ 3.34	¥ 6.38

	Billions of yen For the twelve months ended		
	March 31, 2016	March 31, 2017	March 31, 2018
Maximum daily VaR(1)	¥ 9.13	¥ 6.71	¥ 8.98
Average daily VaR(1)	5.31	4.32	4.25
Minimum daily VaR(1)	3.53	2.75	3.05

(1) Represents the maximum, average and minimum VaR based on all daily calculations for the twelve months ended March 31, 2016, March 31, 2017, and March 31, 2018.

Total VaR increased to ¥6.38 billion as of March 31, 2018 from ¥3.34 billion as of March 31, 2017. VaR relating to foreign exchange risk increased to ¥3.20 billion as of March 31, 2018, compared to ¥1.67 billion as of March 31, 2017. VaR relating to equity risk increased to ¥1.21 billion as of March 31, 2018, compared to ¥0.67 billion as of March 31, 2017. VaR relating to interest rate risk increased to ¥3.10 billion as of March 31, 2018, compared to ¥2.66 billion as of 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.

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 regularly, 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 ¥16,275 million at the end of March 2017 and ¥11,717 million at the end of March 2018. The TOPIX closed at 1,512.60 points at the end of March 2017 and at 1,716.30 points at the end of March 2018. 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.

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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.

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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, 2018 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.

	Billions of yen								
	Years to Maturity								
Credit Rating	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**5 to 7 years**	**More than 7 years**	**Cross-Maturity Netting(1)**	**Total Fair Value (a)**	**Collateral obtained (b)**	**Replacement cost(3) (a)-(b)**
AAA	¥ 39	¥ 24	¥ 27	¥ 4	¥ 86	¥ (156)	¥ 24	¥ 10	¥ 14
AA	387	245	215	81	544	(1,121)	351	69	282
A	957	569	333	291	839	(2,776)	213	39	174
BBB	191	204	147	102	594	(936)	302	49	253
BB and lower	67	53	64	28	49	(136)	125	247	0
Other(2)	60	48	118	136	710	(1,137)	(65)	11	0
Sub-total	1,701	1,143	904	642	2,822	(6,262)	950	425	723
Listed	105	174	6	1		(207)	79	185	(106)
Total	¥ 1,806	¥ 1,317	¥ 910	¥ 643	¥ 2,822	¥ (6,469)	¥ 1,029	¥ 610	¥ 617

(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.

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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:

Top 10 Country Exposures[1]	**Billions of Yen (As of March 31, 2018)**
United States	1,131
Japan	993
United Kingdom	587
France	237
Singapore	157
India	111
Norway	107
Australia	103
Netherlands	81
Germany	76

(1) The table represents the Top 10 country exposures as of March 31, 2018 based on country of origin, combining counterparty and inventory exposures, offset by credit valuation adjustment 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.

<u>The Three Lines of Defense</u>

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

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

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

3) 3rd Line of Defense: 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.

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This framework is set out below:

Infrastructure of the framework

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

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

Products and Services

- Event Reporting: This process is used to identify and report any event which resulted in or had the potential to result in a loss or gain or other impact associated with inadequate or failed internal processes, people and systems, or from external events.

- Risk and Control Self-Assessment (RCSA): This process is used to identify the inherent risks the business faces, the key controls associated with those risks and relevant actions to mitigate the residual risks. Global ORM are responsible for developing the RCSA process and supporting the business in its implementation.

- Key Risk Indicators (KRI): KRIs are metrics used to monitor the business exposure to operational risk and trigger appropriate responses as thresholds are breached.

- Scenario Analysis: The process used to assess and quantify potential high impact, low likelihood operational risk events. During the process actions may be identified to enhance the control environment which are then tracked via the Operational Risk Management Framework.

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.

<u>Regulatory Capital Calculation for Operational Risk</u>

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 Standardized 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.

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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 various risk classes as a result of the new product or business.

The new business approval process continues to seek assuring the sound and effective management to better meet the various changes observed in the market environment.

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 categorized 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:

Type of Services:	Amount of Fee (U.S. Dollars)
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, 2017 to March 31, 2018, the Bank of New York Mellon has waived a total of $157,790.16 in fees (including $27,357.47 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.

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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, 2018, 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, 2018, 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, 2018. 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, 2018. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2018 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 Mr. Noriaki Shimazaki, 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. Noriaki Shimazaki and Ms. Mari 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.

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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	
	2017	2018
Audit Fees	¥3,052	¥3,173
Audit-Related Fees	220	334
Tax Fees	151	163
All Other Fees	144	211
Total	¥3,567	¥3,881

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, 2018, we acquired 27,391 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 170,000,000 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, 2018, we had 3,393,277,486 outstanding shares of our common stock excluding 250,285,115 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, 2018.

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, 2017	1,311	¥ 670		
May 1 to 31, 2017	1,229	686		100,000,000
June 1 to 30, 2017	2,598	676		100,000,000
July 1 to 31, 2017	2,997	667		100,000,000
August 1 to 31, 2017	25,378,262	622	25,375,600(1)	74,624,400
September 1 to 30, 2017	38,853,997	605	38,852,100(1)	35,772,300
October 1 to 31, 2017	35,774,149	644	35,772,300(1)	
November 1 to 30, 2017	27,822,937	645	27,821,100(2)	42,178,900
December 1 to 31, 2017	31,332,151	669	31,328,300(2)	10,850,600
January 1 to 31, 2018	10,853,730	721	10,850,600(2)	
February 1 to 28, 2018	2,102	689		
March 1 to 31, 2018	1,928	637		
Total	170,027,391	¥ 642	170,000,000	

(1) On April 27, 2017, 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 ¥80 billion during the period from May 17, 2017 through March 30, 2018.

(2) On October 30, 2017, a resolution of the Board of Directors authorized the Company to purchase up to 70,000,000 shares of our common stock or to a maximum of ¥50 billion during the period from November 15,

2017 through March 30, 2018.

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 26, 2018, 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 16, 2018 to March 29, 2019, and we are authorized to purchase up to 100,000,000 shares of our common stock or to a maximum of ¥70 billion.

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As of May 31, 2018, 3,394,464,491 shares of common stock were outstanding, excluding 249,098,110 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.

Corporate Governance Practices Followed by NYSE-listed U.S. Companies	**Corporate Governance Practices Followed by the Company**
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 three Directors, two of whom are outside directors in compliance with the requirements under the Companies Act. All three 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.

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Corporate Governance Practices Followed by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by the Company
A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.	Under the Companies Act, Restricted Stock Unit (RSU) and Stock Acquisition Right (SAR) awards 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 RSU and SAR awards as equity compensation) and makes determinations in accordance with that compensation policy.
A NYSE-listed U.S. company must adopt and disclose corporate governance guidelines.	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.
The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.	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.
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.	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.

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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.

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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)
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 depositary 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 (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 (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) (2)
4.3	Limitation of Liability Agreement (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. *Organizational Structure* 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 Michael Lim Choo San entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
(2) The Company and each of Hiroshi Kimura, Noriaki Shimazaki, Hisato Miyashita, Mari Sono and Kazuhiko Ishimura entered into a Limitation of Liability Agreement substantially in the form of this exhibit.
(3) The Company and Laura Simone Unger 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.

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NOMURA HOLDINGS, INC.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Nomura Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2018 and 2017, 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, 2018, and the related notes listed in the Index at Item 18 (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at March 31, 2018 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, 2018, 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) (PCAOB), the Company s internal control over financial reporting as of March 31, 2018, 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 25, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the Company s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company s auditor for SEC reporting purposes since 2002, and as its Japanese statutory auditor since 1973, which includes the years we served as joint auditors.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 25, 2018

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of

Nomura Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Nomura Holdings, Inc. s internal control over financial reporting as of March 31, 2018, 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). In our opinion, Nomura Holdings, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2018 and 2017, 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, 2018, and the related notes listed in the index at Item 18 and our report dated June 25, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company 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 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 25, 2018

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NOMURA HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	Millions of yen March 31	
	2017	**2018**
ASSETS		
Cash and cash deposits:		
Cash and cash equivalents	¥ 2,536,840	¥ 2,354,639
Time deposits	207,792	315,445
Deposits with stock exchanges and other segregated cash	227,456	288,962
Total cash and cash deposits	2,972,088	2,959,046
Loans and receivables:		
Loans receivable (including ¥537,664 million and ¥554,137 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	1,875,828	2,462,503
Receivables from customers (including ¥1,281 million and ¥13 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	308,086	442,343
Receivables from other than customers	1,005,766	1,216,382
Allowance for doubtful accounts	(3,551)	(3,514)
Total loans and receivables	3,186,129	4,117,714
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥1,089,000 million and ¥1,186,096 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	11,456,591	9,853,898
Securities borrowed	7,273,234	6,383,845
Total collateralized agreements	18,729,825	16,237,743
Trading assets and private equity investments:		
Trading assets (including securities pledged as collateral of ¥5,123,444 million and ¥5,486,551 million in 2017 and 2018, respectively; including ¥7,334 million and ¥7,047 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	15,165,310	14,967,557
Private equity investments (including ¥7,451 million and ¥4,416 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	27,054	17,466
Total trading assets and private equity investments	15,192,364	14,985,023
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥445,000 million and ¥397,834 million in 2017 and 2018,	349,696	338,984

respectively)		
Non-trading debt securities	775,025	485,891
Investments in equity securities	146,730	150,760
Investments in and advances to affiliated companies	420,116	408,034
Other (including ¥177,726 million and ¥176,029 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	1,080,105	908,134
Total other assets	2,771,672	2,291,803
Total assets	¥ 42,852,078	¥ 40,591,329

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

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NOMURA HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS (Continued)

	Millions of yen March 31 2017	2018
LIABILITIES AND EQUITY		
Short-term borrowings (including ¥401,300 million and ¥372,188 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	¥ 543,049	¥ 743,497
Payables and deposits:		
Payables to customers	1,065,920	1,176,773
Payables to other than customers	1,509,672	1,476,540
Deposits received at banks	1,132,843	1,151,342
Total payables and deposits	3,708,435	3,804,655
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥390,677 million and ¥435,905 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	17,095,898	14,759,010
Securities loaned (including ¥149,377 million and ¥133,375 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	1,627,124	1,524,363
Other secured borrowings	338,069	413,621
Total collateralized financing	19,061,091	16,696,994
Trading liabilities	8,191,794	8,213,318
Other liabilities (including ¥11,202 million and ¥25,482 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	1,308,510	950,534
Long-term borrowings (including ¥2,562,962 million and ¥2,857,835 million measured at fair value by applying the fair value option in 2017 and 2018, respectively)	7,195,408	7,382,507
Total liabilities	40,008,287	37,791,505
Commitments and contingencies (Note 20)		
Equity:		
Nomura Holdings, Inc. (NHI) shareholders equity:		
Common stock		
No par value shares;	594,493	594,493
Authorized 6,000,000,000 shares in 2017 and 2018		
Issued 3,822,562,601 shares in 2017 and 3,643,562,601 shares in 2018		

Outstanding 3,528,429,451 shares in 2017 and 3,392,937,486 shares in 2018		
Additional paid-in capital	681,329	675,280
Retained earnings	1,663,234	1,696,890
Accumulated other comprehensive income	33,652	(59,356)
Total NHI shareholder s equity before treasury stock	2,972,708	2,907,307
Common stock held in treasury, at cost 294,133,150 shares in 2017 and 250,625,115 shares in 2018	(182,792)	(157,987)
Total NHI shareholders equity	2,789,916	2,749,320
Noncontrolling interests	53,875	50,504
Total equity	2,843,791	2,799,824
Total liabilities and equity	¥42,852,078	¥40,591,329

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

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

	Billions of yen March 31	
	2017	2018
Cash and cash deposits	¥ 4	¥ 23
Trading assets and private equity investments	1,400	1,186
Other assets	59	91
Total assets	¥ 1,463	¥ 1,300
Trading liabilities	¥ 18	¥ 22
Other liabilities	2	2
Borrowings	954	953
Total liabilities	¥ 974	¥ 977

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

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NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen Year ended March 31		
	2016	**2017**	**2018**
Revenue:			
Commissions	¥ 431,959	¥ 327,129	¥ 373,313
Fees from investment banking	118,333	92,580	101,663
Asset management and portfolio service fees	229,006	216,479	245,616
Net gain on trading	354,031	475,587	442,885
Gain (loss) on private equity investments	13,761	1,371	(869)
Interest and dividends	440,050	441,036	585,675
Gain (loss) on investments in equity securities	(20,504)	7,708	2,683
Other	156,460	153,626	221,192
Total revenue	1,723,096	1,715,516	1,972,158
Interest expense	327,415	312,319	475,189
Net revenue	1,395,681	1,403,197	1,496,969
Non-interest expenses:			
Compensation and benefits	574,191	496,385	530,641
Commissions and floor brokerage	123,881	94,495	99,868
Information processing and communications	189,910	175,280	184,781
Occupancy and related depreciation	78,411	69,836	67,895
Business development expenses	35,892	35,111	36,762
Other	228,238	209,295	248,864
Total non-interest expenses	1,230,523	1,080,402	1,168,811
Income before income taxes	165,158	322,795	328,158
Income tax expense	22,596	80,229	103,866
Net income	¥ 142,562	¥ 242,566	¥ 224,292
Less: Net income attributable to noncontrolling interests	11,012	2,949	4,949
Net income attributable to NHI shareholders	¥ 131,550	¥ 239,617	¥ 219,343

	Yen		
Per share of common stock:			
Basic			

Net income attributable to NHI shareholders per share	¥	36.53	¥	67.29	¥	63.13
Diluted						
Net income attributable to NHI shareholders per share	¥	35.52	¥	65.65	¥	61.88

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

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NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen Year ended March 31		
	2016	2017	2018
Net income	¥ 142,562	¥ 242,566	¥ 224,292
Other comprehensive income (loss):			
Cumulative translation adjustments:			
Cumulative translation adjustments	(68,237)	(6,764)	(77,067)
Deferred income taxes	(12,856)	1,073	14,263
Total	(81,093)	(5,691)	(62,804)
Defined benefit pension plans:			
Pension liability adjustment	(26,074)	(11,340)	(10,124)
Deferred income taxes	8,153	3,645	3,307
Total	(17,921)	(7,695)	(6,817)
Non-trading securities:			
Net unrealized gain (loss) on non-trading securities	(1,492)	(9,225)	(38,717)
Deferred income taxes	81	2,625	12,216
Total	(1,411)	(6,600)	(26,501)
Own credit adjustments:			
Own credit adjustments		(14,696)	(2,867)
Deferred income taxes		1,963	383
Total		(12,733)	(2,484)
Total other comprehensive income (loss)	(100,425)	(32,719)	(98,606)
Comprehensive income	42,137	209,847	125,686
Less: Comprehensive income attributable to noncontrolling interests	9,346	852	(649)
Comprehensive income attributable to NHI shareholders	¥ 32,791	¥ 208,995	¥ 126,335

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

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NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Millions of yen Year ended March 31		
	2016	2017	2018
Common stock			
Balance at beginning of year	¥ 594,493	¥ 594,493	¥ 594,493
Balance at end of year	594,493	594,493	594,493
Additional paid-in capital			
Balance at beginning of year	683,407	692,706	681,329
Issuance and exercise of common stock options	4,127	(11,377)	(5,465)
Changes in ownership interests in subsidiaries			(584)
Changes in an affiliated company s interests in its subsidiary	5,172		
Balance at end of year	692,706	681,329	675,280
Retained earnings			
Balance at beginning of year	1,437,940	1,516,577	1,663,234
Cumulative effect of change in accounting principle[(1)]		(19,294)	
Net income attributable to NHI shareholders	131,550	239,617	219,343
Cash dividends	(46,797)	(70,810)	(68,703)
Gain (loss) on sales of treasury stock	(6,116)	(2,856)	(5,043)
Cancellation of treasury stock			(111,941)
Balance at end of year	1,516,577	1,663,234	1,696,890
Accumulated other comprehensive income (loss)			
Cumulative translation adjustments			
Balance at beginning of year	133,371	53,418	47,767
Net change during the year	(79,953)	(5,651)	(63,363)
Balance at end of year	53,418	47,767	(15,596)
Defined benefit pension plans			
Balance at beginning of year	(15,404)	(33,325)	(41,020)
Pension liability adjustment	(17,921)	(7,695)	(6,817)
Balance at end of year	(33,325)	(41,020)	(47,837)
Non-trading securities			
Balance at beginning of year	25,772	24,887	20,344
Net unrealized gain (loss) on non-trading securities	(885)	(4,543)	(20,344)

Balance at end of year	24,887	20,344	
Own credit adjustments			
Balance at beginning of year			6,561
Cumulative effect of change in accounting principle[1]		19,294	
Own credit adjustments		(12,733)	(2,484)
Balance at end of year		6,561	4,077
Balance at end of year	44,980	33,652	(59,356)

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NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Millions of yen		
	Year ended March 31		
	2016	**2017**	**2018**
Common stock held in treasury			
Balance at beginning of year	(151,805)	(148,517)	(182,792)
Repurchases of common stock	(20,002)	(61,338)	(109,096)
Sales of common stock	1	1	0
Common stock issued to employees	23,296	25,796	21,398
Cancellation of treasury stock			111,941
Other net change in treasury stock	(7)	1,266	562
Balance at end of year	(148,517)	(182,792)	(157,987)
Total NHI shareholders equity			
Balance at end of year	2,700,239	2,789,916	2,749,320
Noncontrolling interests			
Balance at beginning of year	37,172	42,776	53,875
Cumulative effect of change in accounting principle(2)		11,330	
Cash dividends	(9,978)	(1,781)	(1,955)
Net income attributable to noncontrolling interests	11,012	2,949	4,949
Accumulated other comprehensive income (loss) attributable to noncontrolling interests			
Cumulative translation adjustments	(1,140)	(40)	559
Net unrealized gain (loss) on non-trading securities	(525)	(2,057)	(6,157)
Purchase / sale of subsidiary shares, net	500	(14)	(9,392)
Other net change in noncontrolling interests	5,735	712	8,625
Balance at end of year	42,776	53,875	50,504
Total equity			
Balance at end of year	¥ 2,743,015	¥ 2,843,791	¥ 2,799,824

(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.

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NOMURA HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen Year ended March 31		
	2016	2017	2018
Cash flows from operating activities:			
Net income	¥ 142,562	¥ 242,566	¥ 224,292
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	79,394	70,928	71,579
Stock option expenses	16,890	8,960	9,650
(Gain) loss on investments in equity securities	20,504	(7,708)	(2,683)
Gain on investments in subsidiaries and affiliates			(66,982)
Equity in earnings of affiliates, net of dividends received	(22,886)	(21,059)	(21,226)
Loss on disposal of office buildings, land, equipment and facilities	1,325	1,339	3,747
Deferred income taxes	(58,859)	22,528	60,259
Changes in operating assets and liabilities:			
Time deposits	124,922	(18,275)	(100,642)
Deposits with stock exchanges and other segregated cash	213,288	(2,854)	(72,075)
Trading assets and private equity investments	248,495	1,197,062	(240,215)
Trading liabilities	(2,279,966)	708,196	231,077
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,605,658	635,593	(453,239)
Securities borrowed, net of securities loaned	1,762,173	(1,706,545)	763,297
Other secured borrowings	(192,350)	(138,204)	79,121
Loans and receivables, net of allowance for doubtful accounts	(136,694)	(193,786)	(932,971)
Payables	(41,838)	531,516	132,960
Bonus accrual	(41,281)	4,543	(2,957)
Accrued income taxes, net	(37,126)	10,220	(5,842)
Other, net	(165,839)	(39,995)	(122,846)
Net cash provided by (used in) operating activities	1,238,372	1,305,025	(445,696)
Cash flows from investing activities:			
Payments for purchases of office buildings, land, equipment and facilities	(324,722)	(312,880)	(285,161)
Proceeds from sales of office buildings, land, equipment and facilities	282,473	239,184	224,220
Payments for purchases of investments in equity securities		(647)	(61)
Proceeds from sales of investments in equity securities	899	1,998	932
Increase in loans receivable at banks, net	(40,767)	(21,322)	(105,387)
Decrease in non-trading debt securities, net	56,814	88,099	80,634
Business combinations or disposals, net			(13,125)
Decrease in investments in affiliated companies, net	1,803	809	43,849

Other, net	(211)	(113,292)	(2,073)
Net cash used in investing activities	(23,711)	(118,051)	(56,172)
Cash flows from financing activities:			
Increase in long-term borrowings	3,018,453	1,526,334	2,314,609
Decrease in long-term borrowings	(2,922,558)	(2,403,076)	(1,964,657)
Increase (decrease) in short-term borrowings, net	(17,395)	(81,964)	215,001
Increase (decrease) in deposits received at banks, net	1,010,101	(1,068,168)	(13,254)
Proceeds from sales of common stock held in treasury	571	401	764
Payments for repurchases of common stock held in treasury	(20,002)	(61,338)	(109,096)
Payments for cash dividends	(82,783)	(42,833)	(70,199)
Net cash provided by (used in) financing activities	986,387	(2,130,644)	373,168
Effect of exchange rate changes on cash and cash equivalents	(40,195)	4,249	(53,501)
Net increase (decrease) in cash and cash equivalents	2,160,853	(939,421)	(182,201)
Cash and cash equivalents at beginning of the year	1,315,408	3,476,261	2,536,840
Cash and cash equivalents at end of the year	¥ 3,476,261	¥ 2,536,840	¥ 2,354,639
Supplemental information:			
Cash paid during the year for			
Interest	¥ 352,276	¥ 307,635	¥ 473,758
Income tax payments, net	¥ 118,580	¥ 47,482	¥ 49,449

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 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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 *Securitizations and Variable Interest Entities* and Note 10 *Borrowings* for further information regarding these transactions.

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

See Note 4 *Collateralized transactions* for further information.

Derivatives

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

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

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

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.

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*.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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, 2017 and March 31, 2018.

See Note 7 *Financing receivables* for further information.

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other receivables

Receivables from customers include amounts receivable on client securities transactions, amounts receivable from customers for securities failed to deliver and receivables for commissions. *Receivables from other than customers* include amounts receivable from brokers and dealers for securities failed to deliver, margin deposits, cash collateral receivables for derivative transactions, and net receivables arising from unsettled securities transactions. Certain changes in scope of *Receivables from customers*, *Receivables from other than customers* and *Other assets Others* have been made by revisiting the definition of customers. We have reclassified previously reported amounts of *Receivables from other than customers* to *Receivables from customers* by ¥159,708 million and from *Other assets Other* to *Receivables from other than customers* by ¥88,701 million respectively to conform to the current presentation. The net receivable arising from unsettled securities transactions reported within *Receivables from other than customers* was ¥82,672 million and ¥419,161 million as of March 31, 2017 and March 31, 2018, 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. Certain changes in scope of *Payables to customers* and *Payables to other than customers* have been made by revisiting the definition of customers. We have reclassified previously reported amounts of *Payables to other than customers* to *Payables to customers* by ¥60,250 million to conform to the current presentation.

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, 2017 and 2018.

	Millions of yen March 31	
	2017	**2018**
Land	¥ 78,365	¥ 67,103
Office buildings	94,626	98,966
Equipment and facilities	39,062	45,164
Software	137,537	127,678
Construction in progress	106	73
Total	¥ 349,696	¥ 338,984

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 ¥61,906 million, ¥56,186 million,

¥58,300 million, and in *Non-interest expenses Occupancy and related depreciation* in the amount of ¥17,488 million, and ¥14,742 million, and ¥13,279 million for the years ended March 31, 2016, 2017 and 2018, respectively.

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

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

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 ¥107,800 million and ¥38,930 million, respectively, as of March 31, 2017 and ¥111,297 million and ¥39,463 million, respectively, as of March 31,2018.

Other non-trading debt and equity securities

Certain non-trading subsidiaries within Nomura 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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

intends to sell the debt security or it is more likely than not that Nomura will be required to sell the debt security before recovery of amortized cost. If Nomura does not intend to sell the debt security and it is not more likely than not that Nomura will be required to sell the debt security, only the credit loss component of an other-than-temporary impairment loss is reported in the consolidated statements of income and any non-credit loss component reported within *Other comprehensive income (loss)* in the consolidated statements of comprehensive income.

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

Short-term and long-term borrowings

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

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.

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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 awards* for further information.

Earnings per share

The computation of basic earnings per share is based on the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities based on the

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 the same level as or 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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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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, 2018:

Pronouncement	Summary of new guidance	Actual adoption date and method of adoption	Effect on these consolidated statements
ASU 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*	Clarifies how a change in counterparty of a derivative designated as hedging instrument in an existing hedging relationship affects the hedging relationship under ASC 815.	Prospective adoption from April 1, 2017.	No material impact.
ASU 2016-07, *Simplifying the Transition Method of Equity Method of Accounting*	Simplifies investor s accounting for equity method investments as a result of an increase in ownership level or degree of influence over the investee from prior period.	Prospective adoption from April 1, 2017.	No material impact.
	Requires prospective application of equity method accounting from the date when an equity investment qualifies for equity method of accounting.		
ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*	Allows an accounting policy election to be made to either account for forfeitures when they occur or to include estimated forfeitures in compensation expense recognized during a reporting period.	Prospective adoption from April 1, 2017.	No material impact.
	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.		
ASU 2016-17 *Interests Held through Related Parties That Are under Common Control*	Changes how a single decision-maker of a VIE should consider indirect variable interests in a VIE held through related parties that are under common control when determining if the single decision-maker is the primary beneficiary and should consolidate the VIE.	Full retrospective adoption from April 1, 2017.	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
	Amends existing guidance to align treatment of such variable interests with those held by related parties not under common control by considering variable interests of the single-decision maker on a proportionate basis.		
ASU 2017-09, *Scope of Modification Accounting*	Amends ASC 718 *Compensation Stock Compensation* to clarify when modification accounting should be applied to a share-based payment award when the terms and/or conditions of an award are changed.	Nomura early adopted from April 1, 2017.	No material impact.
	Removes guidance which states that modification accounting is not required when an antidilution provision is added to a share-based payment award provided that this change is not made in anticipation of an equity restructuring.		
SEC Staff Accounting Bulletin No. 118 *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (1)	Provides guidance on application of ASC 740 to the Tax Cuts and Jobs Act (Act) enacted on December 22, 2017.	Immediately effective on issuance on December 22, 2017.	Nomura recognized a reduction in deferred tax liabilities and income tax expense of ¥2,776 million for the year ended March 31, 2018.(2)
	Permits a registrant to provisionally report reasonable estimates of the various impacts of the Act on current and deferred taxes at December 31, 2017 and subsequent reporting dates through a measurement period ending on or before December 22, 2018.		

Prohibits recognition of adjustments to current and deferred taxes if not based on reasonable estimates.

Requires adjustments made to provisional amounts through the measurement period are recognised in the reporting period in which such amounts are finalized.

Requires quantitative and qualitative footnote disclosures around the nature, impact and status of analysis of the impacts of the Act on current and deferred taxes.

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 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 2014-09, *Revenue from Contracts with Customers*[3]	Replaces existing revenue recognition guidance in ASC 605 *Revenue Recognition* and certain industry-specific revenue recognition guidance with a new prescriptive model for recognition of revenue for services provided to customers. Introduces specific guidance for the treatment of variable consideration, non-cash consideration, significant financing arrangements and amounts payable to the customer. Revises existing guidance for principal-versus-agency determination. Requires revenue recognition and measurement principles to be applied to sales of nonfinancial and in substance nonfinancial assets to noncustomers. Specifies the accounting for costs to obtain or fulfill a customer contract.	Modified retrospective adoption from April 1, 2018.[4]	¥1,564 million adjustment to *Retained earnings*, ¥517 million adjustment to *Payables to other than customers*, ¥1,750 million adjustment to *Other long-term assets*, and ¥703 million to *Deferred tax assets* due to recognition timing change on revenues from sales of certain investment funds upon adoption on April 1, 2018.[5]

Requires extensive new footnote disclosures around nature and type of revenue from services provided to customers.

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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 2016-02, *Leases*(6)	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.(7)	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*	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.	Modified retrospective adoption from April 1, 2020.(7)	Currently evaluating the potential impact but increased or decreased allowances for credit losses will be recognized against financial instruments in scope of the new model which will impact 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.

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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 2016-15, *Classification of Certain Cash Receipts and Cash Payments*	Amends the classification of certain cash receipts and cash payments in the statement of cash flows.	Full retrospective adoption from April 1, 2018.	Currently evaluating the potential impact.
and ASU 2016-18, *Restricted Cash*	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.		
ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*	Clarifies the service cost component of net periodic pension cost to be reported in the same income statement line item as compensation costs arising from other services.	Full retrospective adoption from April 1, 2018.	Certain reclassification between *Compensation and benefits* and *Other expenses* after adoption.
	Clarifies only the service cost component is eligible for capitalization as an asset when applicable.		

(1) ASC 740 subsequently amended by ASU 2018-05 *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* to confirm with SAB 118.

(2) The adjustments to deferred tax liabilities primarily arise because of the reduction in the corporate income tax rate applicable to Nomura group entities in the U.S. effective from January 1, 2018. Nomura continues to evaluate and assess the impact of the Act on these entities and may recognize further adjustments to deferred tax assets and liabilities, and therefore to income tax expense (benefit), during the quarter ending June 30, 2018 and subsequent reporting periods depending on, among other things, finalization of calculations for all impacted entities, changes in certain assumptions and interpretations made by Nomura, certain actions to be taken by Nomura in the future and whether additional guidance is released by the U.S. taxing authorities and other bodies.

(3) As subsequently amended by ASU 2015-14 *Revenue from Contracts with Customers Deferral of the Effective Date* , ASU 2016-08 *Revenue from Contracts with Customers Principal versus Agent Considerations* , ASU 2016-10 *Revenue from Contracts with Customers Identifying Performance Obligations and Licensing* and certain other Accounting Standard Updates.

(4) Nomura will adopt ASU 2014-09 and related guidance on April 1, 2018 through modified retrospective adoption.

(5) 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;

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

(6) As subsequently amended by ASU 2018-01 *Land Easement Practical Expedient for Transition to Topic 842* and certain other Accounting Standard Updates.

(7) Unless Nomura early adopts which is considered unlikely as of the date of these consolidated financial statements.

NOMURA HOLDINGS, INC.

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 *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 the principal market for the relevant financial assets or financial liabilities, or in the absence of a principal market, the most advantageous market.

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.

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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.

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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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The following tables present the amounts of Nomura s financial instruments measured at fair value on a recurring basis as of March 31, 2017 and 2018 within the fair value hierarchy.

	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

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	Billions of yen March 31, 2018				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[(1)]	Balance as of March 31, 2018
Assets:					
Trading assets and private equity investments[(2)]					
Equities[(3)]	¥ 1,741	¥ 907	¥ 21	¥	¥ 2,669
Private equity investments[(3)]		3	3		6
Japanese government securities	2,205				2,205
Japanese agency and municipal securities		188	1		189
Foreign government, agency and municipal securities	2,980	1,234	6		4,220
Bank and corporate debt securities and loans for trading purposes		1,186	139		1,325
Commercial mortgage-backed securities (CMBS)		2	2		4
Residential mortgage-backed securities (RMBS)		2,803	0		2,803
Real estate-backed securities			63		63
Collateralized debt obligations (CDOs) and other[(4)]		62	24		86
Investment trust funds and other	271	67	1		339
Total trading assets and private equity investments	7,197	6,452	260		13,909
Derivative assets[(5)]					
Equity contracts	2	973	36		1,011
Interest rate contracts	17	8,009	71		8,097
Credit contracts	0	498	17		515
Foreign exchange contracts	0	5,447	48		5,495
Commodity contracts	5	0			5
Netting				(14,094)	(14,094)
Total derivative assets	24	14,927	172	(14,094)	1,029
Subtotal	¥ 7,221	¥ 21,379	¥ 432	¥ (14,094)	¥ 14,938
Loans and receivables[(6)]		484	70		554

Collateralized agreements(7)		1,181	5		1,186
Other assets					
Non-trading debt securities	133	353			486
Other(2)(3)	463	15	169		647
Total	¥7,817	¥ 23,412	¥ 676	¥(14,094)	¥ 17,811
Liabilities:					
Trading liabilities					
Equities	¥ 1,146	¥ 191	¥ 1	¥	¥ 1,338
Japanese government securities	2,263				2,263
Japanese agency and municipal securities		1			1
Foreign government, agency and municipal securities	2,786	590			3,376
Bank and corporate debt securities		391	0		391
Residential mortgage-backed securities (RMBS)		1			1
Collateralized debt obligations (CDOs) and other(4)		3	0		3
Investment trust funds and other	71	25	0		96
Total trading liabilities	6,266	1,202	1		7,469
Derivative liabilities(5)					
Equity contracts	11	1,080	37		1,128
Interest rate contracts	9	7,427	124		7,560
Credit contracts	0	410	15		425
Foreign exchange contracts	0	5,066	21		5,087
Commodity contracts	1	0			1
Netting				(13,457)	(13,457)
Total derivative liabilities	21	13,983	197	(13,457)	744
Subtotal	¥6,287	¥ 15,185	¥ 198	¥(13,457)	¥ 8,213
Short-term borrowings(8)	¥	¥ 355	¥ 17	¥	¥ 372
Payables and deposits(9)		0	(1)		(1)
Collateralized financing(7)		566	3		569
Long-term borrowings(8)(10)(11)	18	2,403	429		2,850
Other liabilities(12)	293	33	1		327
Total	¥6,598	¥ 18,542	¥ 647	¥(13,457)	¥ 12,330

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.

(2) 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. As of March 31, 2017 and March 31, 2018, the fair values of these investments which are included in *Trading assets*

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and private equity investments were ¥62 billion and ¥47 billion, respectively. As of March 31, 2017 and March 31, 2018, the fair values of these investments which are included in *Other assets Others* were ¥8 billion and ¥2 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, 2017 and 2018, respectively. The fair value of unlisted equity securities is determined using the same methodology as private equity investments described below and are usually classified in Level 3 because significant valuation inputs such as liquidity discounts and credit spreads are unobservable. As a practical expedient, fund investments which do not have a readily determinable fair value are generally valued using NAV per share where available. 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.

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

NOMURA HOLDINGS, INC.

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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. The liquidity discount includes considerations for various uncertainties in the model and inputs to valuation. Where possible these valuations are compared with the operating cash flows and financial performance of the investee or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified in Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

Government, agency and municipal securities The fair value of Japanese and other G7 government securities is primarily determined using quoted market prices, executable broker or dealer quotations, or alternative pricing sources. These securities are traded in active markets and therefore are classified within Level 1 of the fair value hierarchy. Non-G7 government securities, agency securities and municipal securities are valued using similar pricing sources but are generally classified in Level 2 as they are traded in inactive markets. Certain non-G7 securities may be classified in Level 1 because they are traded in active markets. Certain securities may be classified in Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them in Level 2. These are valued using DCF valuation techniques which include significant unobservable inputs such as credit spreads of the issuer.

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

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

Real estate-backed securities The fair value of real estate-backed securities is determined using broker or dealer quotations, recent market transactions or by reference to a comparable market index. Consideration is

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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 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, 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

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derivatives is determined through DCF valuation techniques as well as option models such as Black-Scholes and Monte Carlo simulation. The significant valuation inputs used include interest rates, forward foreign exchange (FX) rates, volatilities and correlations. Valuation adjustments are also made to model valuations in order to reflect counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. OTC interest rate derivatives are generally classified in Level 2 because all significant valuation inputs and adjustments are observable or market-corroborated. Certain less liquid vanilla or more complex OTC interest rate derivatives are classified in Level 3 where interest rate, volatility or correlation valuation inputs are significant and unobservable.

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

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.

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

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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, 2017 and March 31, 2018, the fair value of structured notes includes debit adjustments of ¥10 billion and ¥7 billion, respectively, to reflect Nomura s own creditworthiness. 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 *Transfer and Servicing* (ASC 860) and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura s own creditworthiness.

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within these consolidated financial statements, including those classified in Level 3 within the fair value hierarchy, Nomura operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the trading businesses assuming the risk of the

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NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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.

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Model review and validation

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

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

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

Revenue substantiation

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

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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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, 2017 and 2018. 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, 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	7.4 x	7.4 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			Liquidity discounts	30.0%	30.0%	Lower fair value	
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	108	DCF	Credit spreads	0.0 16.9%	4.4%	Lower fair value	No predictable interrelationship
					38.0%		

loans for trading purposes			Recovery rates	0.0	97.0%		Higher fair value	
Real estate-backed securities	41	DCF	Yields	7.0	77.8%	20.7%	Lower fair value	No predictable interrelationship
						15.8%		
			Loss severities	0.0	35.2%		Lower fair value	
Collateralized debt obligations (CDOs) and other	27	DCF	Yields	5.0	18.0%	11.9%	Lower fair value	Change in default probabilities typically accompanied by directionally similar change in loss severities and opposite change in prepayment rates
						20.0%		
			Prepayment rates	20.0%		2.0%	Lower fair value	
						90.3%		
			Default probabilities	1.0	2.0%		Lower fair value	
			Loss severities	44.0	100.0%		Lower fair value	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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)
	March 31, 2017						
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
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 Growth rates Credit spreads Liquidity discounts	5.2 10.5% 1.0 2.5% 0.6 0.7% 0.0 30.0%	10.0% 2.4% 0.7% 2.7%	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 EV/AUM Liquidity discounts	3.3 8.8 x 6.7 59.2 x 0.0 3.8 x 1.5 x 12.9 30.0%	7.0 x 15.1 x 1.1 x 1.5 x 27.3%	Higher fair value 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:							
Short-term borrowings	70	DCF/ Option models	Volatilities Correlations	3.9 60.1% (0.80) 0.96		Higher fair value Higher fair value	No predictable interrelationship

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 accompanied by directionally similar change in loss severities and opposite change in prepayment rates
			Prepayment rates	20.0%	20.0%	Lower fair value	
			Default probabilities	2.0%	2.0%	Lower fair value	
			Loss severities	30.0%	30.0%	Lower fair value	
		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	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

			March 31, 2018				
ncial 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)	Interrelationshi between valuati inputs(5)
ts:							
ng assets and te equity tments							
ies	¥ 21	DCF	Liquidity discounts	27.5 75.0%	68.3%	Lower fair value	Not applicable
gn government, cy and municipal ities	6	DCF	Credit spreads	0.0 6.7%	0.8%	Lower fair value	Not applicable
and corporate securities and for trading oses	139	DCF	Credit spreads	0.1 19.6%	4.1%	Lower fair value	No predictable interrelationshi
			Recovery rates	0.0 98.0%	74.7%	Higher fair value	
mercial gage-backed ities (CMBS)	2	DCF	Yields	6.6 8.9%	7.7%	Lower fair value	Not applicable
estate-backed ities	63	DCF	Yields	6.2 23.9%	16.3%	Lower fair value	No predictable interrelationshi
			Loss severities	0.0 70.8%	8.1%	Lower fair value	
ateralized debt ations (CDOs) other	24	DCF	Yields	6.0 24.0%	13.1%	Lower fair value	Change in defau probabilities typic accompanied b
			Prepayment rates	20.0%	20.0%	Lower fair value	
			Default probabilities	1.0 2.0%	2.0%	Lower fair value	directionally sim
			Loss severities	40.0 100.0%	91.6%	Lower fair value	change in loss seve and opposite chang prepayment rate
vatives, net:							
y contracts	¥ (1)	Option models	Dividend yield	0.0 11.5%		Higher fair value	

			Volatilities	7.3 64.0%	Higher fair value	No predictable interrelationshi
			Correlations	(0.84) 0.95	Higher fair value	
est rate contracts	(53)	DCF/	Interest rates	0.2 3.0%	Higher fair value	No predictable interrelationshi
		Option models	Volatilities	11.2 15.7%	Higher fair value	
			Volatilities	28.0 71.2 bp	Higher fair value	
			Correlations	(0.67) 0.98	Higher fair value	
it contracts	2	DCF/	Credit spreads	0.0 122.1%	Higher fair value	No predictable interrelationshi
		Option models	Recovery rates	0.0 90.0%	Higher fair value	
			Volatilities	35.0 83.0%	Higher fair value	
			Correlations	0.34 0.82	Higher fair value	
gn exchange acts	27	DCF/	Interest rates	0.2 2.6%	Higher fair value	No predictable interrelationshi
		Option models	Volatilities	2.4 23.7%	Higher fair value	
			Volatilities	237.0 280.0 bp	Higher fair value	
			Correlations	(0.25) 0.80	Higher fair value	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

			March 31, 2018				
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	70	DCF	Credit spreads	0.0 9.5%	4.0%	Lower fair value	Not applicable
Collateralized agreements	5	DCF	Repo rate	3.5%	3.5%	Lower fair value	Not applicable
Other assets							
Other(6)	169	DCF	WACC	11.4%	11.4%	Lower fair value	No predictable interrelationship
			Growth rates	2.5%	2.5%	Higher fair value	
			Liquidity discounts	10.0%	10.0%	Lower fair value	
		Market multiples	EV/EBITDA ratios	3.3 7.8 x	5.7 x	Higher fair value	Generally changes in multiples results in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant.
			PE ratios	7.5 126.4 x	23.0 x	Higher fair value	
			Price/Book ratios	0.0 2.2 x	0.6 x	Higher fair value	
			Liquidity discounts	10.0 30.0%	29.0%	Lower fair value	
Liabilities:							
Short-term borrowings	17	DCF/ Option models	Volatilities	7.3 50.9%		Higher fair value	No predictable interrelationship
			Correlations	(0.84) 0.95			

						Higher fair value	
Collateralized financing	3	DCF	Repo rate	3.5%	3.5%	Lower fair value	Not applicable
Long-term borrowings	429	DCF/ Option models	Volatilities Volatilities Correlations	7.3 50.9% 33.5 62.3 bp (0.84) 0.98		Higher fair value Higher fair value Higher fair value	No predictable interrelationship

(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.

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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 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.

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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, 2017 and 2018. 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, 2017 and 2018, 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, 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

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	Billions of yen Year ended March 31, 2018									
	Balance as of April 1, 2017	**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, 2018**
Assets:										
Trading assets and private equity investments										
Equities	¥ 34	¥ 1	¥	¥ 22	¥ (36)	¥	¥ (1)	¥ 8	¥ (7)	¥ 21
Private equity investments	13	1		1	(9)		1	0	(4)	3
Japanese agency and municipal securities	1	0			0					1
Foreign government, agency and municipal securities	3	1		79	(84)		0	8	(1)	6
Bank and corporate debt securities and loans for trading purposes	108	13		152	(144)		(6)	33	(17)	139
Commercial mortgage-backed securities (CMBS)	1	0		5	(2)		0		(2)	2
Residential mortgage-backed securities (RMBS)	0	0		1	(1)		0			0
Real estate-backed securities	41	1		101	(78)		(2)			63
Collateralized debt obligations (CDOs) and other	27	(8)		46	(45)		(1)	11	(6)	24
Investment trust funds and other	0	0		42	(43)		0	2	0	1
Total trading assets and private equity investments	228	9		449	(442)		(9)	62	(37)	260
Derivatives, net[4]										
Equity contracts	(6)	2				(2)	0	5	0	(1)

Interest rate contracts	(22)	14				(7)	1	(5)	(34)	(53)
Credit contracts	(10)	(1)				16	1	(4)	0	2
Foreign exchange contracts	23	(3)				6	(2)	2	1	27
Total derivatives, net	(15)	12				13	0	(2)	(33)	(25)
Subtotal	¥ 213	¥ 21	¥	¥ 449	¥ (442)	¥ 13	¥ (9)	¥ 60	¥ (70)	¥ 235
Loans and receivables	¥ 66	¥ (14)	¥	¥ 33	¥ (44)	¥	¥ (4)	¥ 39	¥ (6)	¥ 70
Collateralized agreements	5	0					0			5
Other assets										
Other	163	15	0	4	(6)		(7)	0	0	169
Total	¥ 447	¥ 22	¥ 0	¥ 486	¥ (492)	¥ 13	¥ (20)	¥ 99	¥ (76)	¥ 479
Liabilities:										
Trading liabilities										
Equities	¥ 1	¥ 0	¥	¥ 3	¥ (1)	¥	¥ 0	¥ 1	¥ (3)	¥ 1
Bank and corporate debt securities	0	0		0	0		0	0	0	0
Collateralized debt obligations (CDOs) and other	1	0		1	(2)		0			0
Investment trust funds and other	0	0		0	0		0	0	0	0
Total trading liabilities	¥ 2	¥ 0	¥	¥ 4	¥ (3)	¥	¥ 0	¥ 1	¥ (3)	¥ 1
Short-term borrowings	70	0	0	89	(105)		(1)	1	(37)	17
Payables and deposits	0	0		(1)	0					(1)
Collateralized financing	3			3	(3)		0			3
Long-term borrowings	410	13	4	258	(150)		(1)	56	(127)	429
Other liabilities	1	1		1	0		0	0	0	1
Total	¥ 486	¥ 14	¥ 4	¥ 354	¥ (261)	¥	¥ (2)	¥ 58	¥ (167)	¥ 450

(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.

(2) Amounts reported in *Purchases / issues* include increases in trading liabilities while *Sales / redemptions* include decreases in trading liabilities.

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(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 quarter 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.

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, 2017 and 2018, 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	
	2017	2018
	Unrealized gains / (losses)[1]	
Assets:		
Trading assets and private equity investments		
Equities	¥ (1)	¥ 0
Private equity investments	1	1
Japanese agency and municipal securities	0	
Foreign government, agency and municipal securities	0	
Bank and corporate debt securities and loans for trading purposes	0	3
Commercial mortgage-backed securities (CMBS)	0	0
Residential mortgage-backed securities (RMBS)	0	0
Real estate-backed securities	(1)	1
Collateralized debt obligations (CDOs) and other	(3)	0
Investment trust funds and other	0	0
Total trading assets and private equity investments	(4)	5
Derivatives, net[2]		
Equity contracts	(8)	(1)
Interest rate contracts	(12)	(16)
Credit contracts	0	1
Foreign exchange contracts	6	(9)
Commodity contracts	0	

Total derivatives, net		(14)		(25)
Subtotal	¥	(18)	¥	(20)
Loans and receivables		1		0
Collateralized agreements		0		0
Other assets				
Non-trading debt securities		0		
Other		(4)		14
Total	¥	(21)	¥	(6)

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	Billions of yen March 31			
	2017		2018	
	Unrealized gains / (losses)(1)			
Liabilities:				
Trading liabilities				
Equities	¥	(1)	¥	0
Bank and corporate debt securities		1		0
Collateralized debt obligations (CDOs) and other		0		0
Investment trust funds and other				0
Total trading liabilities	¥	0	¥	0
Short-term borrowings		0		1
Payables and deposits		0		
Collateralized financing				0
Long-term borrowings		(4)		40
Other liabilities		0		0
Total	¥	(4)	¥	41

(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.

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, 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.

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During the year ended March 31, 2018, a total of ¥91 billion of financial assets (excluding derivative assets) were transferred from Level 1 to Level 2. This comprised primarily ¥77 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 ¥10 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 ¥60 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 1 to Level 2. This comprised primarily ¥59 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.

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.

During the year ended March 31, 2018, a total of ¥355 billion of financial assets (excluding derivative assets) were transferred from Level 2 to Level 1. This comprised primarily ¥336 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 ¥15 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 ¥48 billion of financial liabilities (excluding derivative liabilities) were transferred from Level 2 to Level 1. This comprised primarily ¥45 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.

Transfers out of Level 3

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 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.

During the year ended March 31, 2018, a total of ¥43 billion of financial assets (excluding derivative assets) were transferred out of Level 3. This comprised primarily ¥17 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 ¥167 billion of financial liabilities (excluding derivative liabilities) were transferred out of Level 3. This comprised primarily ¥127 billion of *Long term borrowings* and ¥37 billion of *Short term borrowings*, which were transferred because certain volatility and correlation valuation inputs became observable or less significant.

During the year ended March 31, 2018, the total amount of ¥33 billion of net derivative assets were transferred out of Level 3. This comprised primarily ¥34 billion of net interest rate derivative assets which were transferred because certain interest rate, volatility and correlation valuation inputs became observable or less significant.

Transfers into Level 3

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* which were recognized in the period 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 period when the transfer into Level 3 occurred was not significant.

During the year ended March 31, 2017, a total amount of net derivative assets which were transferred into Level 3 was not significant. The amount of gains and losses which were recognized in the period when the transfer into Level 3 occurred was also not significant.

During the year ended March 31, 2018, a total of ¥101 billion of financial assets (excluding derivative assets) were transferred into Level 3. This comprised primarily ¥39 billion of *Loans and receivables* which were transferred because certain credit spreads became unobservable or more significant. Losses on these *Loans and receivables* which were recognized in the period when the transfers into Level 3 occurred were ¥14 billion. ¥33 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 and ¥11 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. The amount of gains and losses on these transfers reported in *Bank and corporate debt securities and loans for trading purposes* and *Collateralized debt obligations (CDOs)* which were recognized in the period when the transfer into Level 3 occurred was not significant. During the same period, a total of ¥58 billion of financial liabilities (excluding derivative liabilities) were transferred into Level 3. This comprised primarily ¥56 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 period when the transfer into Level 3 occurred was not significant.

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During the year ended March 31, 2018, the 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 period when the transfer into Level 3 occurred was also not significant.

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, 2017 and 2018. Investments are presented by major category relevant to the nature of Nomura s business and risks.

	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	¥ 70	¥ 15		

	Billions of yen March 31, 2018			
	Fair value	Unfunded commitments(1)	Redemption frequency (if currently eligible)(2)	Redemption notice(3)
Hedge funds	¥ 25	¥	Monthly	Same day-90 days
Venture capital funds	1	2		
Private equity funds	22	11		
Real estate funds	1			
Total	¥ 49	¥ 13		

(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.

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. Some of 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, the U.S. 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. Some of 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 *Derivatives and Hedging* (ASC 815) and ASC 825 *Financial Instruments* (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

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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.

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, 2016, 2017 and 2018.

	Billions of yen		
	Year ended March 31		
	2016	2017	2018
	Gains/(Losses)[1]		
Assets:			
Trading assets and private equity investments[2]			
Trading assets	¥ 1	¥ 1	¥ 0
Private equity investments	1	0	(1)
Loans and receivables	5	1	(14)
Collateralized agreements[3]	2	6	1
Other assets[2]	(22)	10	11
Total	¥ (13)	¥ 18	¥ (3)
Liabilities:			
Short-term borrowings[4]	¥ 14	¥ (42)	¥ (1)
Collateralized financing[3]	6	(1)	0
Long-term borrowings[4][5]	79	7	(39)
Other liabilities[6]	(2)	0	(4)
Total	¥ 97	¥ (36)	¥ (44)

(1) 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.
(2) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
(3) Includes reverse repurchase and repurchase agreements.
(4) Includes structured notes and other financial liabilities.
(5) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for sales accounting.
(6) 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 36.9% of the common stock 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 and 2018, Nomura held an economic interest of 39.70% and 40.14% in American Century, respectively. 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 ¥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. 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 ¥4 billion for the year ended March 31, 2018, mainly due to the tightening of Nomura s credit spread. These changes in the fair value are reported in other comprehensive income.

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, 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.

As of March 31, 2018, 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 ¥58 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

NOMURA HOLDINGS, INC.

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European Union (EU), their states and municipalities, and their agencies. These concentrations generally arise 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 15% of total assets as of March 31, 2017 and 16% as of March 31, 2018.

The following tables present geographic allocations of Nomura s trading assets related to government, agency and municipal securities as of March 31, 2017 and 2018. See Note 3 *Derivative instruments and hedging activities* for further information regarding the concentration of credit risk for derivatives.

	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

	Billions of yen March 31, 2018				
	Japan	U.S.	EU	Other	Total(1)
Government, agency and municipal securities	¥ 2,394	¥ 2,168	¥ 1,512	¥ 540	¥ 6,614

(1) Other than above, there were ¥544 billion and ¥344 billion of government, agency and municipal securities reported within *Other assets Non-trading debt securities* in the consolidated balance sheets as of March 31, 2017 and 2018, 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, 2017 and 2018.

	Billions of yen March 31, 2017[1]				
			Fair value by level		
	Carrying value	Fair value	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

	Billions of yen March 31, 2018[1]				
			Fair value by level		
	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	¥ 2,355	¥ 2,355	¥ 2,355	¥	¥
Time deposits	315	315		315	
Deposits with stock exchanges and other segregated cash	289	289		289	
Loans receivable[2]	2,461	2,461		1,946	515
Securities purchased under agreements to resell	9,854	9,854		9,849	5

Securities borrowed	6,384	6,383		6,383	
Total	¥21,658	¥ 21,657	¥2,355	¥18,782	¥ 520
Liabilities:					
Short-term borrowings	¥ 743	¥ 743	¥	¥ 726	¥ 17
Deposits received at banks	1,151	1,151		1,151	
Securities sold under agreements to repurchase	14,759	14,759		14,756	3
Securities loaned	1,524	1,524		1,524	
Long-term borrowings	7,383	7,417	18	6,939	460
Total	¥25,560	¥ 25,594	¥ 18	¥25,096	¥ 480

(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.

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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 and 2018, 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 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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2017 and 2018. 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, 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

	Billions of yen March 31, 2018			
	Gross fair value of derivative assets	Impact of master netting agreements	Impact of collateral	Net exposure to credit risk
Financial institutions	¥ 13,472	¥ (11,467)	¥ (1,653)	¥ 352

Derivative activities

The following tables quantify the volume of Nomura s derivative activity as of March 31, 2017 and 2018 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, 2017	
		Derivative assets	Derivative liabilities
	Total Notional(1)	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	¥ 3,102,798	¥ 23,322	¥ 23,181
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,338	¥ 36	¥
Foreign exchange contracts	417	1	3
Total	¥ 1,755	¥ 37	¥ 3
Total derivatives	¥ 3,104,553	¥ 23,359	¥ 23,184

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Billions of yen March 31, 2018		
	Total Notional[1]	Derivative assets Fair value	Derivative liabilities Fair value[1]
Derivatives used for trading and non-trading purposes[2][3]:			
Equity contracts	¥ 39,203	¥ 1,011	¥ 1,128
Interest rate contracts	2,940,234	8,072	7,550
Credit contracts	31,624	515	425
Foreign exchange contracts	362,658	5,494	5,087
Commodity contracts	60,883	5	1
Total	¥ 3,434,602	¥ 15,097	¥ 14,191
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 1,184	¥ 24	¥ 1
Foreign exchange contracts	93	1	
Total	¥ 1,277	¥ 25	¥ 1
Total derivatives	¥ 3,435,879	¥ 15,122	¥ 14,192

(1) Includes the amount of embedded derivatives bifurcated in accordance with ASC 815.

(2) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.

(3) As of March 31, 2017 and 2018, 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 Balance Sheet Offsetting (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, 2017 and 2018 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.

	Billions of yen March 31, 2017[6]		Billions of yen March 31, 2018[6]	
	Derivative assets	Derivative liabilities[1]	Derivative assets	Derivative liabilities[1]
Equity contracts				
OTC settled bilaterally	¥ 808	¥ 916	¥ 748	¥ 769
Exchange-traded	224	334	263	359
Interest rate contracts				
OTC settled bilaterally	7,777	7,381	6,938	6,522
OTC centrally-cleared	7,603	7,807	1,142	1,020
Exchange-traded	11	5	17	9
Credit contracts				
OTC settled bilaterally	376	512	390	300
OTC centrally-cleared	120	128	125	125
Exchange-traded	1	1		
Foreign exchange contracts				

OTC settled bilaterally	6,354	5,992	5,495	5,087
OTC centrally-cleared	84	104		
Commodity contracts				
OTC settled bilaterally		3		
Exchange-traded	1	1	5	1
Total gross derivative balances[2]	¥ 23,359	¥ 23,184	¥ 15,123	¥ 14,192
Less: Amounts offset in the consolidated balance sheets[3]	(22,322)	(22,270)	(14,094)	(13,457)
Total net amounts reported on the face of the consolidated balance sheets[4]	¥ 1,037	¥ 914	¥ 1,029	¥ 735

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Billions of yen March 31, 2017(6)		Billions of yen March 31, 2018(6)	
	Derivative assets	Derivative liabilities(1)	Derivative assets	Derivative liabilities(1)
Less: Additional amounts not offset in the consolidated balance sheets(5)				
Financial instruments and non-cash collateral	¥ (187)	¥ (110)	¥ (228)	¥ (72)
Net amount	¥ 850	¥ 804	¥ 801	¥ 663

(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, 2017, 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 ¥136 billion and ¥267 billion, respectively. As of March 31, 2018, the gross balance of such derivative assets and derivative liabilities was ¥155 billion and ¥286 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, 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. As of March 31, 2018, Nomura offset a total of ¥1,201 billion of cash collateral receivables against net derivative liabilities and ¥1,838 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, 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. As of March 31, 2018, a total of ¥167 billion of cash collateral receivables and ¥391 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 and 2018, 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 and 2018, 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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 included in the consolidated statements of income for the years ended March 31, 2016, 2017, 2018 related to derivatives used for trading and non-trading purposes by type of underlying derivative contract.

	Billions of yen Year ended March 31		
	2016	2017	2018
Derivatives used for trading and non-trading purposes[1][2]:			
Equity contracts	¥ 372	¥ 65	¥ 106
Interest rate contracts	(142)	180	(257)
Credit contracts	92	(45)	129
Foreign exchange contracts	134	(284)	49
Commodity contracts	(73)	36	22
Total	¥ 383	¥ (48)	¥ 49

(1) Each derivative classification includes derivatives referencing multiple risk components. 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, 2016, 2017 and 2018, 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, prior to its disposal in March 2018, Nomura s insurance subsidiary designated currency swaps as fair value hedges of foreign currency denominated non-trading debt securities in order to convert foreign currency denominated principal amounts of these debt securities into the functional currency of the subsidiary.

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 included in the consolidated statements of income for the years ended March 31, 2016, 2017 and 2018 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		
	2016	2017	2018
Derivatives designated as hedging instruments:			
Interest rate contracts	¥ 26	¥ (8)	¥ (1)
Foreign exchange contracts	8	2	9
Total	¥ 34	¥ (6)	¥ 8
Hedged items:			
Long-term borrowings	¥ (26)	¥ 8	¥ 1
Non-trading debt securities	(8)	(2)	(9)
Total	¥ (34)	¥ 6	¥ (8)

Net investment hedges

Nomura designates foreign currency forwards, etc., as hedges of certain subsidiaries with significant foreign exchange risks and applies hedge accounting to these instruments. 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 designated as net investment hedges included in the consolidated statements of comprehensive income for the years ended March 31, 2016, 2017 and 2018.

	Billions of yen Year ended March 31		
	2016	2017	2018
Hedging instruments:			
Foreign exchange contracts	¥ 7	¥ 6	¥ (11)
Total	¥ 7	¥ 6	¥ (11)

(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, 2016, 2017 and 2018.

(2) ¥1 billion of gain on net investment hedges, which have been deferred in the preceding years and the current year, is recognized.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position as of March 31, 2018, was ¥406 billion with related collateral pledged of ¥314 billion. In the event of a one-notch downgrade to Nomura s long-term credit rating in effect as of March 31, 2018, 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 ¥3 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 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

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2017 and 2018.

	Billions of yen March 31, 2017							
		Maximum potential payout/Notional						Notional
			Years to maturity					Purchased
	Carrying value (Asset) / Liability[1]	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		credit protection
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

Total	¥(38)	¥17,604	¥3,771	¥6,308	¥5,621	¥ 1,904	¥ 13,113

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	Billions of yen March 31, 2018						
		Maximum potential payout/Notional					Notional
			Years to maturity				Purchased
	Carrying value (Asset) / Liability(1)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	credit protection
Single-name credit default swaps	¥ (123)	¥ 9,271	¥ 2,106	¥ 3,780	¥ 2,262	¥ 1,123	¥ 6,975
Credit default indices	(72)	4,842	864	1,300	2,045	633	3,052
Other credit risk related portfolio products	3	306	230	52	17	7	200
Total	¥ (192)	¥ 14,419	¥ 3,200	¥ 5,132	¥ 4,324	¥ 1,763	¥ 10,227

(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, 2017						
	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other(1)	Total
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
Total	¥ 1,033	¥ 1,213	¥ 6,943	¥ 5,231	¥ 2,079	¥ 1,105	¥ 17,604

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	Maximum potential payout/Notional						
	AAA	AA	A	BBB	BB	Other[1]	Total
Single-name credit default swaps	¥ 466	¥ 928	¥ 2,763	¥ 3,476	¥ 1,369	¥ 269	¥ 9,271
Credit default indices	135	44	1,779	1,949	736	199	4,842
Other credit risk related portfolio products	16		4	68	118	100	306
Total	¥ 617	¥ 972	¥ 4,546	¥ 5,493	¥ 2,223	¥ 568	¥ 14,419

(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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2018 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, 2017 and 2018, 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 tables.

	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

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	Billions of yen			
	March 31, 2018			
	Assets		Liabilities	
	Reverse repurchase agreements	Securities borrowing transactions	Repurchase agreements	Securities lending transactions
Total gross balance(1)	¥ 29,975	¥ 6,681	¥ 34,880	¥ 2,130
Less: Amounts offset in the consolidated balance sheets(2)	(20,121)	(305)	(20,121)	(305)
Total net amounts of reported on the face of the consolidated balance sheets(3)	¥ 9,854	¥ 6,376	¥ 14,759	¥ 1,825
Less: Additional amounts not offset in the consolidated balance sheets(4)				
Financial instruments and non-cash collateral	(8,657)	(5,247)	(11,886)	(674)
Cash collateral	(33)		3	
Net amount	¥ 1,164	¥ 1,129	¥ 2,876	¥ 1,151

(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, 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. As of March 31, 2018, 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 ¥1,039 billion and ¥2,827 billion, respectively. As of March 31, 2018, 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 ¥1,049 billion and ¥177 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.

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Amounts relating to agreements where Nomura has not yet obtained sufficient evidence of enforceability of such offsetting rights are excluded.

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, 2018. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

	Billions of yen March 31, 2018					
	Overnight and open[1]	**Up to 30 days**	**30 - 90 days**	**90 days - 1 year**	**Greater than 1 year**	**Total**
Repurchase agreements	¥ 13,237	¥ 17,789	¥ 2,099	¥ 1,415	¥ 340	¥ 34,880
Securities lending transactions	1,495	227	182	156	70	2,130
Total gross recognized liabilities[2]	¥ 14,732	¥ 18,016	¥ 2,281	¥ 1,571	¥ 410	¥ 37,010

(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, 2018. Amounts reported are shown prior to counterparty netting in accordance with ASC 210-20.

Billions of yen

	March 31, 2018		
	Repurchase agreements	**Securities lending transactions**	**Total**
Equities and convertible securities	¥ 187	¥ 1,556	¥ 1,743
Japanese government, agency and municipal securities	980	306	1,286
Foreign government, agency and municipal securities	27,818	135	27,953
Bank and corporate debt securities	2,334	34	2,368
Commercial mortgage-backed securities (CMBS)	2		2
Residential mortgage-backed securities (RMBS)[1]	3,421		3,421
Collateralized debt obligations (CDOs) and other	130		130
Investment trust funds and other	8	99	107
Total gross recognized liabilities[2]	¥ 34,880	¥ 2,130	¥ 37,010

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(1) Includes ¥3,351 billion of U.S. government sponsored agency mortgage pass through securities and collateralized mortgage obligations.