

NOMURA HOLDINGS INC
Form 20-F
June 30, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2009

OR

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

OR

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

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Jurisdiction of incorporation or organization)

Japan

(Address of principal executive offices)

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

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

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

Title of Each Class
Common Stock*

Name of Each Exchange On Which Registered
New York Stock Exchange

* Not for trading, but only in connection with the registration of the American Depositary Shares, each representing one share of Common Stock.

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

None

(Title of Class)

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

None

(Title of Class)

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

As of March 31, 2009, 2,604,779,843 shares of Common Stock were outstanding, including 42,233,578 shares represented by 42,233,578 American Depositary Shares.

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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

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

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*As used in this annual report, references to **Nomura** are to The Nomura Securities Co., Ltd. when the references relate to the period prior to, and including, September 30, 2001 and to Nomura Holdings, Inc. when the references relate to the period after, and including, October 1, 2001. See **History and Development of the Company** under Item 4.A of this annual report. Also, as used in this annual report, references to **we**, **our** and **us** are to Nomura and, except as the context otherwise requires, its subsidiaries.*

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data.

The following table shows selected financial information as of and for the years ended March 31, 2005, 2006, 2007, 2008 and 2009 and the information is derived from our consolidated financial statements. These financial statements were prepared in accordance with accounting principles generally accepted in the United States. 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.

	2005	2006	Year Ended March 31		2009	2009 ⁽⁶⁾
			2007	2008		
(in millions, except per share data)						
Income statement data:						
Revenue	¥ 1,126,237	¥ 1,792,840	¥ 2,049,101	¥ 1,593,722	¥ 664,511	\$ 6,702
Interest expense	327,047	647,190	958,000	806,465	351,884	3,549
Net revenue	799,190	1,145,650	1,091,101	787,257	312,627	3,153
Non-interest expenses	594,355	700,050	769,343	851,845	1,091,673	11,010
Income (loss) from continuing operations before income taxes	204,835	445,600	321,758	(64,588)	(779,046)	(7,857)
Income tax expense	110,103	188,972	145,930	3,259	(70,854)	(714)
Income (loss) from continuing operations	94,732	256,628	175,828	(67,847)	(708,192)	(7,143)
Gain on discontinued operations ⁽¹⁾		47,700				
Net income (loss)	¥ 94,732	¥ 304,328	¥ 175,828	¥ (67,847)	¥ (708,192)	\$ (7,143)
Balance sheet data (period end):						
Total assets ⁽²⁾	¥ 34,488,853	34,694,679	35,577,511	¥ 25,236,054	¥ 24,837,848	\$ 250,508
Shareholders' equity	1,868,429	2,063,327	2,185,919	1,988,124	1,539,396	15,526
Common stock	182,800	182,800	182,800	182,800	321,765	3,245
Per share data:						
Income (loss) from continuing operations basic	¥ 48.80	¥ 134.10	¥ 92.25	¥ (35.55)	¥ (364.69)	(3.68)
Net income (loss) basic	48.80	159.02	92.25	(35.55)	(364.69)	(3.68)
Income (loss) from continuing operations diluted	48.77	133.89	92.00	(35.57)	(366.16)	(3.69)
Net income (loss) diluted	48.77	158.78	92.00	(35.57)	(366.16)	(3.69)
Shareholders' equity ⁽³⁾	962.48	1,083.19	1,146.23	1,042.60	590.99	5.96
Cash dividends ⁽³⁾	20.00	48.00	44.00	34.00	25.50	0.26
Weighted average number of shares outstanding (in thousands) ⁽⁴⁾	1,941,401	1,913,759	1,906,012	1,908,399	1,941,907	
Return on equity⁽⁵⁾:	5.2%	15.5%	8.3%	(3.3)%	(40.2)%	

Notes:

- (1) In accordance with Statement of Financial Accounting Standard No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, income from discontinued operations is separately reported.
- (2) On April 1, 2008, we adopted Financial Accounting Standard Board's Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39* (FSP FIN 39-1). See Note 1 *Summary of Accounting Policies* in our consolidated financial statements included in this annual report. FSP FIN 39-1 was retrospectively applied to our consolidated balance sheet as of March 31, 2008. In the above table, the total assets amounts as of March 31, 2006, 2007 and 2008 reflect such retrospective application, while the total assets amount as of March 31, 2005 does not reflect such retrospective application.
- (3) Calculated using the number of shares outstanding at year end.
- (4) The number shown is used to calculate basic earnings per common share.
- (5) Calculated as net income (loss) divided by average Shareholders' equity.

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- (6) Calculated using the yen-dollar exchange rate of \$1.00 = ¥99.15, 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 on March 31, 2009.

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Fluctuations in exchange rates between the Japanese yen and U.S. dollar will affect the U.S. dollar equivalent of the yen price of our shares and ADSs and the U.S. dollar amounts received on conversion of cash dividends. We have translated certain Japanese yen amounts presented in this annual report into U.S. dollars solely for your convenience. The rate we used for the translations was ¥99.15 equal to \$1.00, which was 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 on March 31, 2009. These translations do not imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

Year ended March 31,	High	Low	Average*	Year end
2005	114.30	102.26	107.28	107.22
2006	120.93	104.41	113.67	117.48
2007	121.81	110.07	116.55	117.56
2008	124.09	96.88	113.61	99.85
2009	110.48	87.80	100.85	99.15

Calendar year 2009	High	Low
January	94.20	87.80
February	98.55	89.09
March	99.34	93.85
April	100.71	96.49
May	99.24	94.45
June (through June 26)	98.56	95.19

* Average rate represents the average of rates available on the last business day of each month during the period. The noon buying rate for Japanese yen on June 26, 2009 was \$1.00 = ¥95.19

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.**Risk Factors**

You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occurs, our business, financial condition, results of operations or cashflow 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.

Recent financial and credit crises and recessionary economies around the world have had and may continue to have adverse effects on our businesses, financial condition and results of operations

During 2008, particularly the second half of the year, and thereafter, the business environment has been extremely adverse.

Starting in mid-2007 in the United States and Europe, and particularly during the second half of 2008, the financial services industry and the securities markets generally were materially and adversely affected by

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significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in the values of subprime mortgages in the U.S. market, but spread to all mortgage and real estate asset classes, to leveraged bank loans and to nearly all asset classes, including equities.

Market conditions have also led to the failure or merger of a number of prominent financial institutions, including monoline insurers, primarily in the United States. Financial institution failures or problems have resulted in further losses as a consequence of defaults on securities issued by them and defaults under bilateral derivatives and other contracts entered into with such entities as counterparties. The geographic reach of such consequences has extended globally.

In addition, as of March 31, 2009, the United States, large parts of Europe and Japan are all now in a recession in their economies as a whole. Business activity across a wide range of industries and regions is greatly reduced and many companies are in serious difficulty due to the lack of demand for their products or services primarily due to significantly reduced consumer spending as well as the lack of liquidity in the credit markets. Unemployment rates in these jurisdictions have increased significantly.

In response to the current harsh business environment, we are seeking to implement several strategic initiatives, including expanding customer base, focusing on client-driven flow businesses to expand market share, continuing to review and reduce asset size through selective disposition of assets not suited to our business focus, and implementing cost reduction through selective downsizing with concentration on core businesses in the short-term, as well as reengineering of our business processes in the longer-term. As to the latter, we hope to see our service-related firms in India effectively assist our operations to bring about cost reduction and productivity increases group-wide. There can be no assurance, however, that we will be able to carry out any of these strategic initiatives or that, even if they are carried out, they will have the intended effect or will be effective in addressing the difficulties we have or we may have under the then current business environment.

Overall, during 2008 and thereafter, the business environment has been extremely adverse for many of our businesses, and we expect that these conditions will not improve for some time in the future.

We may have difficulty integrating the recently acquired former Lehman Brothers operations into our business or achieving the synergy effect or other benefits from the integrated businesses, which may have a material adverse effect on our business, results of operations and financial condition

In October 2008, we acquired Lehman's operations by way of transfer of the majority of employments in the Asia-Pacific region, as well as the majority of employments in its equities and investment banking businesses in Europe and the Middle East, certain of its fixed income personnel in Europe and its specialized service companies in India, to expand and enhance our wholesale operations. The transactions did not include any trading assets or trading liabilities of Lehman.

We believe that the successful integration of these former Lehman operations into our businesses, and accomplishing the synergy and other benefits from the integrated businesses, will be fundamental to our strategy and our financial success over the coming years. The integration is a complex, time-consuming and costly process. Successful integration of the former Lehman operations and achieving the synergy effects and other benefits from the integrated businesses in a timely manner will involve a number of challenges, risks and uncertainties, including:

loss of key former Lehman employees, which risk may be heightened after the payment of retention guarantee bonuses that we have agreed to pay to a number of such employees contingent upon their continued services with us for approximately up to eighteen months from the respective dates of employment;

failure, delays or other difficulties in integrating the former Lehman employees with our original employees to form and operate efficiently as a single team, including challenges in reconciling cultural differences and attitudes of our respective employees;

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temporary or extended disruption of, or deterioration in quality of, our services caused during the integration process;

failure to implement effectively our operating standards, controls, policies and procedures; and

loss or impairment of relationships with strategic or other business partners.

If we do not successfully integrate the former Lehman operations into our business or achieve the synergy effects and other benefits from the integrated businesses in a timely manner, and as a result, fail to quickly offset the temporary high-cost structure after the Lehman acquisition, our business, results of operations and financial condition may materially suffer.

To the extent that we may be unable to achieve, or experience a delay in achieving, higher earnings to offset those expenses, our results of operations and financial condition may materially suffer in future periods.

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

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

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

Market fluctuations could harm our businesses

Our businesses are materially affected by conditions in the financial markets and economic conditions in Japan and elsewhere around the world. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, act of terrorism, natural disasters or other similar events. A sustained market downturn can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market downturn, we may incur substantial losses due to market volatility.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

Unfavorable financial or economic conditions would likely reduce 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 is a sustained market downturn.

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in the fixed income, equity and other markets, both for our own account and for the purpose of facilitating our customers' trades. Our positions consist of various types

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of assets, including financial derivatives transactions in interest rate, credit, equity, currency, commodity, real estate and other markets, loans and real estate. Fluctuations in the markets where the foregoing assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets we do not own, or have short positions, an upturn in the prices of the assets could expose us to potentially unlimited losses. This could result in losses due to the decline in value of the assets we own, although we have worked to mitigate these position risks with a variety of hedging techniques. We can incur losses if the markets move in a way we have not anticipated, as a result of specific events such as the Russian economic crisis in 1998, the terrorist attacks in the U.S. on September 11, 2001, the current global financial and credit crisis originating from U.S. subprime issues since 2007, and the global financial and credit crisis since 2008. Also, we may face losses if the level of volatility of the markets where the foregoing assets are traded differs from our expectation, which may occur particularly in the emerging markets.

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

Furthermore, we commit capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. Also, we structure and possess pilot funds for developing financial investment products and invest seed money to setup and preserve 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 this can increase our costs and reduce our profitability and if we are the party receiving collateral this can also reduce our profitability by reducing the level of business done with our clients and counterparties.

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

Holding a large amount and concentrating in specific assets can enhance our risks and expose us to large losses in our businesses such as market-making, block trading, underwriting, asset securitization and acquiring newly-issued convertible bonds through third-party allotment. We have committed substantial amounts of capital to these businesses. This often requires us to take large positions in the securities of a particular issuer or issuers in a particular industry, country or region. We may incur substantial losses due to market fluctuations on asset-backed securities such as commercial mortgage-backed securities.

Extended market decline can reduce liquidity and lead to material losses

Extended market decline can reduce the level of market activity and the liquidity of the assets traded in the market. If we cannot properly close out our associated positions, particularly with respect to over-the-counter derivatives, we may incur substantial losses due to the difficulty of monitoring prices in a less liquid market.

Our hedging strategies may not prevent losses

We use a variety of instruments and strategies to hedge our exposure to various types of risk. If our hedging strategies are not effective, we may incur losses. We base many of our hedging strategies on historical trading patterns and correlations. For example, if we hold an asset, we may hedge this position by taking another asset which has, historically, moved in a direction that would offset a change in value of the former asset. However, historical trading patterns and correlations may not continue, as seen in the case of the global financial and credit crisis in Autumn of 2008, 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.

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

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

Market risk may increase other risks that we face

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

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

Furthermore, if there is a market downturn, our customers 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.

Our liquidity risk and credit risk are described below.

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

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

We may be unable to access the debt capital markets

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

we incur large trading losses,

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

regulatory authorities take significant action against us.

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

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

We depend primarily on the issuance of commercial paper and short-term bank loans as a principal source of unsecured short-term funding of our operations. Our liquidity depends largely on our ability to refinance these borrowings on a continuous basis. Investors who hold our outstanding commercial paper and other short-term debt instruments have no obligation to provide refinancing when the outstanding instruments mature. We may be unable to obtain short-term financing from banks to make up any shortfall. For example, the term commercial paper market in the United States was effectively closed after the failure of Lehman Brothers in September 2008. In Japan, we also experienced tightening of the commercial paper market toward the year-end of calendar year 2008.

We may be unable to sell assets

If we are unable to borrow in the debt capital markets or if our cash balances decline significantly, we will need to liquidate our assets or take other actions in order to meet our maturing liabilities. In volatile or uncertain market environments, overall market liquidity may decline. In a time of reduced market liquidity, we may be unable to sell some of our assets, which may adversely affect the liquidity of such assets, or we may have to sell assets at depressed prices, which could adversely affect our results of operations and financial condition. Our ability to sell our assets may be impaired by other market participants seeking to sell similar assets into the market at the same time. For example, after the Russian economic crisis in 1998, the liquidity of some of our assets, including Russian bonds and other assets, such as commercial mortgage-backed securities, was significantly reduced by simultaneous attempts by us and other market participants to sell similar assets.

Lowering of our credit ratings could increase our borrowing costs

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

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

Event risk refers to potential losses in value we may suffer through unpredictable events that cause large unexpected market price movements. These include not only the events such as the Russian economic crisis in 1998, the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, and the global financial and credit crisis in Autumn of 2008, in each case resulting in losses to our business, but also more generally the following types of events that could cause losses on our trading and investment assets:

sudden and significant changes in credit ratings with regard to our trading and investment assets by rating agencies that have significant presence and influence on the market,

sudden changes in trading, tax, accounting, laws and other related rules which may make our trading strategy obsolete or less competitive, or

the failure of corporate actions, bankruptcy, deliberate acts of fraud, and criminal prosecution with respect to the issuers of our trading and investment assets.

Losses caused by financial or other problems of third parties may expose us to credit risk

Our counterparties are from time to time indebted to us as a result of transactions or contracts, including loans, commitments to lend, other contingent liabilities, and derivatives transactions such as swaps and options.

We may incur material losses when our counterparties default on their obligations to us due to bankruptcy, deterioration in their creditworthiness, lack of liquidity, operational failure, an economic or political event, or other reasons. This risk may arise from:

decline of prices of securities issued by third parties, or

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

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

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

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

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 customers 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 fraud. We may also fail to receive full information with respect to the risks of a counterparty. In addition, in cases where we have extended credit against collateral, we may fall into a deficiency in value in the collateral. For example, if sudden declines in market values reduce the value of our collateral, we may become undersecured.

Our customers 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 is intensely competitive and rapidly consolidating

Our businesses are intensely competitive, and we expect them to remain so. We compete on the basis of a number of factors, including transaction execution, our products and services, innovation, reputation and price. In recent years, we have experienced intense price competition, particularly in brokerage, underwriting and other businesses. There has also been increased competition in terms of delivery of value-added services to customers, such as corporate advisory services.

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

Since the late 1990s, the financial services sector in Japan has been undergoing deregulation. Banks and other types of financial institutions can compete with us to a greater degree than they could before deregulation in the areas of financing and investment trusts. Among others, securities subsidiaries of commercial banks and non-Japanese firms have been affecting our market shares in the underwriting business, corporate advisory services in connection with M&A, and retail business.

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

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and overseas. Particularly in Japan, the number of business alliances of securities companies with commercial banks have been increasing and non-Japanese commercial banks are setting up major securities subsidiaries by acquiring their company's stocks. Consolidations of those financial institutions with a view to becoming a conglomerate are also reported as possible. Through such business alliances and consolidations, these other securities companies and commercial banks have, or would have, the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group. This diversity of services offered is enhancing, or would enhance, their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking, insurance and other financial services revenues in an effort to gain market share. Our policy to remain independent from commercial banks may result in the loss of market share as these large, consolidated firms expand their business.

Our ability to expand internationally will depend on our ability to compete successfully with financial institutions in international markets

We believe that significant opportunities and challenges will arise for us outside of Japan. In order to take advantage of these opportunities, we will have to compete successfully with financial institutions based in important non-Japanese markets, including the United States, Europe and Asia. Some of these financial institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets. As a means to bolster our international operations, we acquired the Lehman's operations by way of transfer of part of employments in Europe and the Middle East and majority of employments in Asia, and by acquisition of specialized service companies in India in 2008. There can be no assurance, however, that we may successfully integrate the acquired former Lehman operations into our business or achieve the synergy effects or other benefits from the integrated businesses as contemplated.

Operational risk may disrupt our businesses, result in regulatory action against us or limit our growth

We face, for example, the following types of operational risk which could result in financial losses, disruption in our business, litigation from relevant parties, intervention in our business by the regulatory authorities, or damage to our reputation:

Failure to settle securities transactions,

Failure by officers or employees to perform proper administrative activities prescribed in regular procedures, such as orders to the securities exchanges,

Suspension or malfunction of systems, many of which are developed and maintained by our affiliate, Nomura Research Institute, Ltd.,

The destruction of our facilities or systems due to large-scale disasters or acts of terrorism, which are beyond anticipation and could not be covered by our contingency plan, or,

The disruption in part or all of our business due to pandemic diseases or illnesses, such as avian influenza.

Our business is subject to substantial legal and regulatory risk, to regulatory changes and reputation risk

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

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Our exposure to legal liability is significant

We face significant legal risks in our businesses. These risks include liability under securities or other laws, such as the Financial Instruments and Exchange Act of Japan, for materially false or misleading statements made in connection with securities underwriting and offering transactions, potential liability for advice we provide in corporate transactions, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for transactions with us and legal claims concerning our merchant banking business. During a prolonged market downturn, 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 social criticism according to the particulars or situations of such transactions. These risks may be difficult to assess or quantify and their existence and magnitude may remain unknown for substantial periods of time.

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

The financial services industry is subject to extensive regulation. We are subject to regulation by governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate. These regulations are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. These regulations are not necessarily designed to protect our shareholders and often limit our activities, through net capital, customer protection and market conduct requirements. We face the risk that regulatory authorities may intervene in our businesses through extended investigation and surveillance activity, adoption of costly or restrictive new regulations or judicial or administrative proceedings that may result in substantial penalties. We could be fined, prohibited from engaging in some of our business activities, ordered to improve our internal governance procedures, or be subject to the temporary or long-term suspension or revocation of our legal authorization to conduct business. Our reputation could also suffer from the adverse publicity that any administrative or judicial sanction against us may create. As a result of 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 customers, especially public institutions, decide not to engage us for their financial transactions.

Material changes in regulations applicable to us or to our market could adversely affect our business

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. For example, in accordance with the amendments to the Securities and Exchange Law of Japan (which has been renamed as the Financial Instruments and Exchange Act (FIEA)), effective from December 1, 2004, banks and certain other financial institutions became able to act as agents of securities companies in the securities brokerage business. In addition, in accordance with the recent amendments to the FIEA effective from June 1, 2009, firewalls between commercial banks and securities were partially deregulated. Therefore, we may face increased competition as our competitors will be able to cooperate more closely with their affiliated commercial banks.

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

We face the risk that misconduct by an employee, director or officer, or any third party, could occur which may adversely affect our business. Misconduct by an employee, director or officer can include, for example, entering into transactions in excess of authorized limits, acceptance of risks that exceed our limits, or concealment of unauthorized or unsuccessful activities. The misconduct could also involve, for example, the improper use or disclosure of our or our clients' confidential information such as insider trading, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us. We may not always be able to detect or deter misconduct by an employee, director or officer and the precautions we take to detect and prevent misconduct may not be effective in all cases. 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 customers, especially public institutions, decide not to engage us for their financial transactions.

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Third parties may also engage in fraudulent activities, including devising a fraudulent scheme by which to induce our investment, loans, guarantee or any other form of our 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 operation, such fraud or any other misconduct may be difficult to prevent or detect. Further, we may not be able to recover the financial losses caused by such activities and our reputation may also be damaged by such activities.

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

We keep and manage personal information obtained from customers in relation to 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. We may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information in accordance with the Act on the Protection of Personal Information and rules, regulations and guidelines relating thereto.

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

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

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

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

We run our private equity business in Japan and outside of Japan. In Japan, fully owned subsidiaries, Nomura Principal Finance Co., Ltd. and Nomura Financial Partners Co., Ltd. make investments mainly in the manufacturing, restaurant industry, tourism industry and financial service sectors. In Europe and Asia, we make private equity investments through fully owned subsidiaries and other consolidated entities which have third party pooling of funds. Due to the deteriorating business performance of these investments and any deterioration in the market conditions of these sectors, our inability to dispose of our private equity investments at a level, at the time or in a way we may wish, could have a material impact on our future financial statements.

Also, we restructured our European private equity business in 2002. Following the restructuring, the investments that were formerly possessed by the old Principal Finance Group (PFG) are now managed by Terra Firma Capital Partners Ltd. (TFCPL), an independent private equity firm, which was founded by a number of ex-Nomura employees (collectively referred to as the Terra Firma Investments). Nomura is a passive investor in respect of the Terra Firma investments. The performance of the Terra Firma Investments could have a material impact on our future financial statements.

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We may not be able to dispose of our operating investments at the time or with the speed we would like

We hold substantial operating investments, which refer to investments in equity securities of companies not affiliated with us which we hold on a long-term basis in order to promote existing and potential business relationships. A substantial portion of these investments consists of equity securities of public companies in Japan. Under U.S. GAAP, depending on market conditions, we may record significant unrealized gains or losses on our operating investments, which would have a substantial impact on our consolidated statements of operations. Depending on the conditions of the Japanese equity markets, we may not be able to dispose of these equity securities when we would like to do so or as quickly as we may wish.

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

We have affiliates and investees, accounted for under the equity method in our consolidated financial statements, whose shares are publicly traded. Under U.S. GAAP, if there is a decline in the fair value, *i.e.*, the market price, of the shares we hold in such affiliates over a period of time, and we determine, based on the guidance of Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, that the decline is other-than-temporary, then we record an impairment loss for the applicable fiscal period.

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

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

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

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

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

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

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

Rights of shareholders under Japanese law may be more limited than under the laws of jurisdictions within the United States

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

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

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

It may not be possible for investors to effect service of process within the United States upon us or our Directors or Executive Officers, or to enforce against us or those persons judgments obtained in United States courts predicated upon the civil liability provisions of the federal securities laws of the United States

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

Special Note Regarding Forward-looking Statements

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

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

Item 4. Information on the Company

A. History and Development of the Company.

Nomura 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. Nomura was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York, which actively traded non-yen-denominated debt securities. In Japan, we broadened the scope of our business when we began trading in equity securities in 1938 and when we structured 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 Nomura 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 United States in 1969 as a broker dealer and Nomura International Limited, now Nomura International plc, in the United Kingdom in 1981, which acts as an underwriter and a broker. We also established various other overseas affiliates, branches and representative offices.

In recent years, we have sought to take advantage of new opportunities presented by the deregulation of the Japanese financial market and by the expansion of our investor base. To make the most of new opportunities, we aim to provide high value-added products and services that meet our customers' needs.

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

In December 2001, we were listed on the New York Stock Exchange.

We also strengthened our mergers and acquisitions and other financial advisory businesses by acquiring a majority interest in Nomura Corporate Advisors Co., Ltd., formerly Nomura Wasserstein Perrella Co., Ltd., in November 1999. Nomura Corporate Advisors became a wholly-owned subsidiary of Nomura in September 2000 and merged with Nomura Securities in April 2002.

In addition, we also enhanced our asset management business through the acquisition of a majority interest in Nomura Asset Management Co., Ltd. in March 2000. Nomura Asset Management became a wholly-owned subsidiary of Nomura in December 2001.

On June 26, 2003, we adopted a committee-based corporate governance system under which we established a Nomination Committee, an Audit Committee and a Compensation Committee. See Item 6.C of this annual report.

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

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

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

B. Business Overview.

Overview

We are one of the leading financial services groups in Japan and have worldwide operations. As of March 31, 2009, we operated offices in over 30 countries and regions including Japan, the United States, the United Kingdom, Singapore and Hong Kong through our subsidiaries.

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

Our business consists of the following five business segments:

Retail principally investment consultation services to retail customers;

Global Markets principally fixed income and equity trading and asset finance businesses;

Investment Banking principally M&A advisory and corporate financing businesses;

Merchant Banking principally private equity investments; and

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

For a discussion on revenues by category of activity and geographic market, see **Operating Results** under Item 5.A of this annual report.

Our Business Strategy

Our Corporate Goals and Principles

We are committed to a management vision of firmly establishing ourselves as a globally competitive financial services group. We have also set a management target of maintaining an average consolidated return on equity (ROE) of 10-15% over the medium to long-term.

In pursuing this vision, we put our clients first and contribute to the creation of an affluent society based on investment by listening closely to the needs of our clients and delivering world class products and services and high value-added solutions via the financial and capital markets. We aim to go beyond the boundaries of the traditional securities business to take the lead in expanding into new business areas, and thereby construct new growth models, diversify our sources of earnings, and achieve a profit structure resilient to changes in the market environment. In addition, we will promote compliance with applicable laws and regulations as well as ensure proper corporate behavior.

Management Challenges and Strategies

The deterioration of economic conditions due to the turbulence in the U.S. and European financial markets has increased the severity of the downturn since the third quarter of the fiscal year ended March 31, 2009, significantly affecting the economies of both developed and emerging

countries. The economic environment in

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Japan continues to be extremely severe. The combination of the appreciating yen and decreased foreign demand has forced Japanese companies (especially export-driven firms) to significantly adjust production, while dire employment conditions have slowed domestic demand rapidly. We expect the business environment will continue to be challenging in the mid-term.

In this environment, we plan to strategically allocate management resources to grow our client base, improve our market share, and increase profits. In addition, we will proceed with our plans to reduce costs by reengineering our business and increasing operational efficiency. In this regard, we expect our service-related firms in India to effectively contribute to cost reduction and improvement of productivity on a group-wide basis.

To achieve our strategic goals, we will implement the following segment-specific measures:

In Retail, we will continue to enhance our product and service offerings, which are provided through direct contact, online or via call centers to accommodate customer needs that have become increasingly sophisticated and diverse. Other measures include development of new revenue streams through enhanced online businesses, continuous investment in our brand recognition designed to further our market penetration, and creation of new markets via new customer segments. Through these efforts, we aim to continue being a trusted partner to our clients by providing world-class quality products and services that meet their individual needs.

Global Markets will continue to be the product supply hub for the Nomura group. In light of the changing environment in the financial markets, we will focus on delivering high value-added products and solutions to our clients by enhancing our product development expertise in key areas such as derivatives, making full use of Instinet's global trading infrastructure, and retaining and leveraging the human capital and infrastructure acquired from the former Lehman Brothers. In Global Fixed Income, we will strengthen our global marketing structure and cater to increasing client needs by focusing on flow business in foreign exchange rates, credit and commodities as a core, and structured business to attract solution-oriented clients. We will continue to leverage our increased human capital pool in Asia and Europe. In Global Equities, our goal is to become the top provider of liquidity in markets around the world, by combining our distinct trading facilities: Nomura, Instinet and Chi-X (Chi-X's global operations are owned by Instinet). With our enhanced execution tools and research coverage, we aim to become a world-class provider of equity products.

In Investment Banking, we are expanding our M&A advisory and corporate financing advisory businesses by way of providing high value-added, bespoke solutions, such as financing and provision of currency and derivative hedging instruments to address the individual needs of each client in each geographic region capitalizing on our execution and industry expertise. Through the integration of former Lehman operations in Asia and Europe, we aim to enhance our presence as a global investment bank centered through synchronizing our established Japanese client base with the global network that provides world-class services, while continuing to build our businesses in Japan. We are already seeing some tangible positive effects of our acquisition of former Lehman operations in this regard, in terms of new mandates from former Lehman's customers.

In Merchant Banking, we remain focused on increasing the enterprise value of the companies in which we invest, and achieving optimal or immediate returns on investments by continually weighing exit strategy options. With the continued instability in the global investment environment, we are taking a more cautious approach in new investments and continually reevaluating our investment and exit strategies.

In Asset Management, we aim to further increase our competitive advantage in Japan and the rest of Asia, aggressively expanding our investment management capabilities globally. In Japan, we intend to enhance our brand value by providing a diverse range of investment opportunities through various sales channels and by providing comprehensive investment services to existing and new individual and institutional investors. Outside Japan, we aim to expand our client base and increase assets under management by meeting demands of international investors who are looking for investment opportunities in Japan and Asia.

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In implementing the initiatives outlined above, we will enhance collaboration between business divisions and bring together the collective strengths of our domestic and international operations to expand and strengthen the financial and capital markets, while also increasing profitability across our group to realize our management objectives and maximize shareholder value.

In addition, we are working to further enhance our management system which supports continued growth.

We pursue a capital policy best fit for medium to long-term growth of the Nomura group. Accordingly, we will keep options for raising capital and funds necessary for our operations as wide as possible.

At the same time, we understand that it is necessary to further strengthen our global risk management system. By adopting a proactive, rather than a reactive, risk management approach, top management has been directly engaged in risk management related decision-making. We will continue to strengthen this type of system.

As our business operations become increasingly diverse, and as our operations and personnel become increasingly international, we recognize the growing importance of compliance. In addition to complying with laws and regulations, we view compliance in a wider context, and will further enhance Nomura group's overall compliance system.

Retail

In Retail, we conduct business activities mainly for individuals and corporations in Japan through a network of nationwide branches. The number of branches increased to 171 as of the end of March 2009 from 164 a year ago. We offer investment consultation services and maintenance services to meet the medium to long-term needs of our customers. The aggregate market value of our retail client assets was ¥59.3 trillion as of the end of March 2009. We discuss retail client assets in *Operating Results* under Item 5.A of this annual report.

In order to execute our business strategy described above in *Our Business Strategy*, we employ various methods to deliver our services to our clients. These include face-to-face meetings with our staff, either in our branch offices or by visiting our customers, and communications through Nomura Home Trade, an internet-based trading service, or our call center.

We capitalize on the linkages among Retail, Global Markets, Investment Banking, Merchant Banking and Asset Management to offer to our customers various financial instruments such as stocks, bonds, investment trusts and variable annuity insurance products, for the short, medium, and long term, with different risk levels. We seek to provide information that can only come from Nomura to customers through various media such as our investor reports and Nomura Home Trade.

Global Markets

Global Markets consists of three businesses: Global Fixed Income, Global Equities and Asset Finance.

Global Fixed Income handles mainly bonds, foreign currencies and commodities as well as related derivatives.

Global Equities focuses on equities and equity-linked derivatives.

Asset Finance helps clients raise capital through real estate and asset securitization, financing and other schemes. We have full-service offerings in Global Fixed Income and Global Equities, with a proven track record of selling and trading bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to institutional investors. In response to the increasingly diverse and complex needs of our customers, Global Markets is enhancing its trading and product origination capabilities to be the product supply hub for Nomura group, offering superior products not only to institutional investors but also to Retail and Asset

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Management clients. In addition, we offer execution services based on cutting-edge technologies such as algorithmic trading and transaction cost analysis (TCA), making full use of Instinet's global trading infrastructure. Our cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-added solutions for our clients. We seek to maximize the synergies and cross-selling opportunities across our recently expanded global operations.

In Asset Finance, we leverage our broad customer base to maximum advantage and offer high value-added services including financial advisory, the structuring of privately placed funds and CMBS, equity and mezzanine financing and other services through a one-stop approach. We are also branching out into real estate management operations, as well as enhancing our expertise to supply financial products that meet investors' real estate-related needs.

We have forged extensive ties with institutional investors in Japan and international markets; wealthy and affluent investors, public-sector agencies, and regional financial institutions in Japan; and government agencies, financial institutions, and corporations around the world. These strong relationships enable us to understand specific client requirements and then develop and deliver solutions that meet those needs across a broad product lineup.

Investment Banking

We offer a broad range of investment banking services to a diverse range of corporations, financial institutions, sovereigns, investment funds and others. We aim to develop and fortify solid relationships with these clients on a long term basis by providing them with our extensive resources for each bespoke solution. Our investment banking segment has two components: Underwriting and Financial Advisory Services.

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 and other major financial markets. We also arrange private placements and engage in other capital raising activities. We are one of the leading equity and fixed income securities underwriters in Japan.

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

Merchant Banking

We have an established private equity business in Japan, which we operate through wholly owned subsidiaries, including Nomura Principal Finance Co., Ltd. (NPF) and Nomura Financial Partners Co., Ltd. Our main focus has been targeting investment opportunities for capital appreciation that will offer attractive returns to us and which will also help contribute to the structural reform of the Japanese economy.

In Europe, our private equity investments are mainly managed by Terra Firma, an independent asset management group. Terra Firma was established following the reorganization in March 2002 of our United Kingdom principal finance business, and is operated by former Nomura employees. We have also established and made alternative investments in Europe through wholly owned subsidiaries and other consolidated entities some of which have third party pooling of funds. For a further description of our private equity business. See Management's Discussion and Analysis of Financial Condition and Results of Operations Private Equity Business.

We also invest in venture companies in Japan, Europe and the United States focusing mainly on biotechnology, IT technology, health care, new energy and clean technology, some of which have been already taken public through IPOs. In Asia, we set up Asia Merchant Banking in 2007 to seek investment opportunities brought about by the expansion of the regional economy.

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Asset Management

We conduct our asset management business, which consists of development and management of investment trusts and investment advisory services, primarily through Nomura Asset Management Co., Ltd. (NAMCO). NAMCO is the largest asset management company in Japan, in terms of assets under management in investment trusts as of March 31, 2009. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create many business opportunities. In order to make these opportunities available, NAMCO 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 Nomura Securities Co., Ltd. as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank. Investment trusts are also offered as instruments in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

Our Research Activities

In our Japan research, we continue to have a highly qualified team of equities and fixed income analysts, and we maintain our high profile within the industry. Our research on Asia Pacific (excluding Japan) and Europe was strengthened considerably by the addition of former Lehman Brothers professionals in the autumn of 2008, thus creating a global research platform. Research on the Americas is carried out by our quantitative research analysts, in addition to which our new global chief economist heads up a global economy research team. At the start of 2009, we initiated an array of weekly top-down global flagship reports by our global economy, strategy and foreign exchange research teams.

Our Information Technology

We believe that information technology is one of the key success factors for our overall business and intend to develop and maintain a solid technology platform to ensure that the firm is able to fulfill the various needs of our clients.

Accordingly, we will continue to build a technology platform suitable for each business segment and provide our customers with electronic access to our products and services through the platform. For example, for our retail customers, we have introduced Nomura Home Trade, at www.nomura.co.jp/hometrader, which provides on-line trading capabilities and current status reports on asset portfolios, investments and transactions and investment information, including our research reports through the internet or mobile phones.

On the wholesale side, we have taken on developers and engineers at our service entities in India, who offer their technical expertise to support our global wholesale operations. We are further developing our technology platform in India to facilitate operations to the wholesale business, which includes investment research, global markets, corporate treasury, investment banking and others.

Competition

As a leading financial services industry player, we are active in a set of intensely competitive markets, and we expect them to remain so. We compete globally with other securities firms, banks and integrated financial institutions. We also face competition on regional, product and niche bases from local and specialist firms. A number of factors determine our competitive position against other firms, including:

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

our ability to originate and develop innovative client solutions,

our ability to maintain and develop client relationships,

our ability to access and commit capital resources,

our ability to retain and attract qualified employees, and

our general reputation.

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

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

economic developments both within and between Japan, the United States, 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 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 M&A advisory) and secondary securities sales and trading.

There has also been substantial consolidation and convergence among financial institutions in recent years, both within Japan and globally. This trend accelerated further over the course of the past year as several leading market players consolidated, were found to merge, received governmental assistance, or received regulatory approval to transition to bank holding companies in the credit crisis. 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 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 shares 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. 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.

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 such commitments (such as agreements to participate in their commercial paper backstop or other loan facilities) in connection with investment banking mandates and other assignments.

Regulation

Japan

The Financial Instruments and Exchange Act (the "FIEA"), which came into effect on September 30, 2007 to amend and replace the former Securities and Exchange Law, widely regulates financial products and services in Japan under the defined terms "financial instruments" and "financial instruments trading business". The FIEA combines previously existing financial and securities related laws to comprehensively regulate financial products. It expands the scope of securities subject to regulation, extending, among others, to a previously unregulated category of products identified under the defined term "collective investment schemes". The FIEA also widely regulates "financial instruments trading business", which includes not only the securities business but also the investment advisory business, the investment trust management business and the financial futures trading business.

In addition, to enhance fairness and transparency in the financial markets and to protect investors, the FIEA provides for, among other things, stiffer penalties for misrepresentations in disclosure documents and unfair trading, stricter regulation of tender offer bids, stricter reporting obligations for large shareholders and improved corporate information disclosure systems, including quarterly report systems, submission of confirmation certificates concerning the descriptions in securities reports and internal controls over financial reporting.

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Regulation of the Securities Industry. The FIEA regulates most aspects of securities transactions and the securities industry in Japan, 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. The Prime Minister has the authority to regulate the securities industry and securities companies, which authority is delegated to the Commissioner of the Financial Services Agency under the FIEA. The Securities and Exchange Surveillance Commission, an external agency of the Financial Services Agency 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 fair trading of securities, including inspection of securities companies. Furthermore, the Commissioner of the Financial Services Agency delegates certain authority to the Director General of Local Finance Bureau to inspect local securities companies and branches. A violation of applicable laws and regulations may result in various administrative sanctions, including revocation of registration or authorization, suspension of business or an order to discharge any director or executive officer who has failed to comply with applicable laws and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory association of securities companies.

To enhance investor protection, each Japanese securities company is required to segregate customer 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 customer. The Investor Protection Fund covers claims related to securities deposited by customers with the failed securities company and certain other customer 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. Securities companies are allowed, however, to hold majority ownership in banks and other financial services institutions. Securities company subsidiaries conducting banking and financial services are also regulated by relevant laws and regulations. The Nomura Trust & Banking Co., Ltd. is such a subsidiary and engages in banking and certain financial services.

Regulatory Amendments. A bill to amend the FIEA was passed by the Diet on June 6, 2008 to strengthen the competitiveness of Japan's financial and capital markets.

A part of such amendment, which became effective on December 12, 2008, the system of administrative monetary penalties was amended in order to create fair, transparent and reliable markets. Such amendment has increased the administrative monetary penalties that may be imposed in the event of certain types of misconduct, such as insider trading, market manipulation and filing of false disclosure documents, and has expanded the scope of misconduct to which administrative monetary penalties may apply to include additional items, such as illegal market stabilization and failure to file disclosure documents.

Another part of such amendment, which became effective on June 1, 2009, revamped the firewall regulations among securities companies, banks and insurance companies and abolished the ban on concurrent holding by certain employees, including executives, of posts in such companies. To manage conflicts of interest between or among securities companies, banks and insurance companies, these financial institutions are required to implement proper information management and to develop appropriate internal control frameworks to prevent customer interests from being unfairly harmed due to trading by the financial institution itself or by other financial institutions within its group.

Overseas

Our overseas offices and subsidiaries are also subject to various laws and governmental rules and regulations applicable in the countries where they carry on their operations, including those promulgated and

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enforced by the Securities and Exchange Commission, the New York Stock Exchange and the Financial Industry Regulatory Authority (a non-governmental regulator for all securities companies which was established in July 2007 through the consolidation of the National Association of Securities Dealers, Inc. and the member regulation, enforcement and arbitration functions of the New York Stock Exchange) in the United States, and by the Financial Services Authority and the London Stock Exchange plc in the United Kingdom. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could have a material adverse effect upon us.

International Developments

In April 2008, the Financial Stability Forum, which consists of major national financial authorities, issued *Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience*, which was subsequently endorsed by the G7 and the G20 leaders, recommending, among other things, that supervisors of certain large global financial institutions around the world enhance their systematic cross-border supervisory cooperation by establishing an international college consisting of such supervisors. In line with that recommendation, and as part of its regulatory reform effort designed to prevent the recurrence of a financial crisis, Japan's Financial Services Agency has jointly established with other major overseas regulators international supervisory colleges for Japan's three largest banking institutions and us, and has been coordinating with the financial authorities of the United States, Europe and Asia in supervising those institutions and us.

Regulatory Capital Rules

Japan

The Financial Services Agency established the *Guideline for Financial Conglomerate Supervision* (hereinafter referred to as the *Financial Conglomerate Guideline*) in June 2005. Financial conglomerates, defined as the holding companies of financial institutions and its group companies, must maintain the amount of consolidated capital not less than required capital. The *Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.* (hereinafter referred to as the *Financial Instruments Business Operators Guidelines*), established in July 2007, requires international financial instruments groups to report consolidated capital adequacy ratio to the Financial Services Agency semi-annually and whenever the ratio falls below 120%.

We started monitoring the consolidated capital adequacy ratio of Nomura Holdings, Inc. according to the above guideline and principle from April 2005 and have been in compliance with these requirements until we selected to change the calculation method as described below.

We selected to calculate the consolidated capital adequacy ratio according to the *Criteria for bank holding companies to judge whether their capital adequacy status is appropriate in light of their own and their subsidiaries' asset holdings, etc.* under Article 52-25 of the Banking Act (hereinafter referred to as the *Bank Holding Companies Notice*), which is allowed under the provision in the *Financial Instruments Business Operators Guidelines* instead of the *Financial Conglomerate Guideline* from the end of March, 2009, although we continue to be monitored as a financial conglomerate governed by *Financial Conglomerate Guideline*. The *Bank Holding Companies Notice* incorporates the rules set out in *International Convergence of Capital Measurement and Capital Standards: A Revised Framework* published by the Basel Committee on Banking Supervision (Basel II).

As mentioned above, under the *Financial Conglomerate Guideline*, financial conglomerates must maintain the amount of consolidated capital not smaller than required capital. As we have started the calculation according to the *Bank Holding Companies Notice*, we convert each risk by multiplying the amount by 12.5; therefore we examine whether we abide by this requirement by confirming that the capital/risk-weighted asset ratio is higher than 8%. As of March 31, 2009, we were in compliance with this requirement, and believe that we will continue to be in compliance with all applicable capital adequacy requirements in the foreseeable future.

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Under the FIEA Nomura Securities Co., Ltd. is required to maintain adjusted capital at specified levels as compared with the quantified total of their business risks on a non-consolidated basis. Article 46-6 of the FIEA requires Financial Instruments Firms I, to which securities companies are classified, to file month-end reports regarding their capital adequacy ratio, i.e. the ratio of adjusted capital to a quantified total of business risks, to the Financial Services Agency, or the Local Finance Bureau, and to disclose their capital adequacy ratio to the public on a quarterly basis. A Financial Instruments Firm I must also file a report on a daily basis with the Financial Services Agency or the Local Finance Bureau if its capital adequacy ratio falls below 140%. Article 53 of the FIEA determines the actions which the Prime Minister, through the Financial Services Agency, may take if the ratio falls further: if the ratio falls below 120%; the Prime Minister may order the Financial Instruments Firm I to change its method of business or to deposit its property in trust, or order other measures for the public interest and investor protection if necessary. A Financial Instruments Firm I whose ratio falls below 100% may be subject to additional proceedings, including temporary suspension of its business and revocation of its registration as a Financial Instruments Firm I if there is no prospect that the ratio will recover three months after the suspension came into effect.

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

Overseas

In the United States, Nomura Securities International, Inc. (NSI) is a registered broker-dealer and registered futures commission merchant. As such, NSI is subject to the minimum net capital requirements of the United States Securities and Exchange Commission and the Commodity Futures Trading Commission. NSI is regulated by the Financial Industry Regulatory Authority as its designated self-regulatory organization. These requirements specify minimum levels of capital that U.S. broker-dealers are required to maintain and limit the amount of leverage that such broker-dealers may use in their businesses.

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

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

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

Name	Country	Ownership Interest (%)
Nomura Holdings, Inc.	Japan	
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Principal Finance Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	100
Nomura Pension Support & Service 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
JOINVEST Securities Co., Ltd.	Japan	100
Nomura Healthcare Co., Ltd.	Japan	100
Private Equity Funds Research and Investments Co., Ltd.	Japan	65
Nomura Holding America Inc.	United States	100
Nomura Securities International, Inc.	United States	100
Nomura Corporate Research and Asset Management Inc.	United States	100
Nomura Derivative Products Inc.	United States	100
Nomura America Mortgage Finance, LLC	United States	100
Nomura Financial Holding America, LLC	United States	100
Nomura Global Financial Products Inc.	United States	100
NHI Acquisition Holding Inc.	United States	100
Instinet Incorporated	United States	100
Nomura Europe Holdings plc	United Kingdom	100
Nomura International plc	United Kingdom	100
Nomura Bank International plc	United Kingdom	100
Banque Nomura France	France	100
Nomura Bank (Luxembourg) S.A.	Luxemburg	100
Nomura Bank (Deutschland) GmbH	Germany	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Italia S.I.M. p.A.	Italy	100
Nomura Investment Banking (Middle East) B.S.C. (Closed)	Bahrain	100
Nomura Funding Facility Corporation Limited	Ireland	100
Nomura Global Funding plc	United Kingdom	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Principal Investment plc	United Kingdom	100
Nomura Capital Markets plc	United Kingdom	100
Nomura Asia Holding N.V.	The Netherlands	100
Nomura International (Hong Kong) Limited	Hong Kong	100
Nomura Singapore Limited	Singapore	100
Nomura Malaysia Sdn. Bhd.	Malaysia	100
Nomura Australia Limited	Australia	100
P.T. Nomura Indonesia	Indonesia	94
Nomura Financial Advisory and Securities (India) Private Limited	India	100
Nomura Asia Investment (India Powai) Pte. Ltd.	Singapore	100

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D. Property, Plants and Equipment.

Our Properties

As of March 31, 2009, our principal head office is located in Tokyo, Japan and occupies 1,165,285 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 130,072 square feet, our Nagoya branch office, which occupies 82,918 square feet, and the head office of Nomura Asset Management Co., Ltd. in Tokyo, which occupies 166,765 square feet. We lease certain other office space in Japan. Nomura Land and Building Co., Ltd., which is accounted for under the equity method of accounting in our consolidated financial statements, is the lessor of certain leased office space in Japan, including part of our Tokyo headquarters.

As of March 31, 2009, our major offices outside Japan are offices of Nomura International plc (NIP) located in London, which occupies 886,913 square feet, the New York head office of Nomura Securities International, Inc., which occupies 113,787 square feet, and offices of Nomura International (Hong Kong) Limited located in Hong Kong, which occupies 221,844 square feet. We own the land and building for the London head office of NIP. We lease most of our other overseas office space.

As of March 31, 2009, our major office of specialized service companies in India is Nomura Services India Private Limited, which occupies 436,082 square feet.

As of March 31, 2009, the aggregate book value of the land and buildings we owned was ¥167 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥47 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, 2009 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

Corporate earnings started to weaken from around mid-2007 as the U.S. subprime loan (mortgages to individuals with low credit standing) crisis sapped business confidence and high energy and materials prices weighed down profits. The Japanese economy started to slow as a result, with the weakness centering on capital expenditure. On top of this, the September 2008 collapse of a US investment bank resulted in a global credit crunch that had a further marked impact on the world economy and exacerbated the slowdown in exports. As a

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consequence, Japan's industrial production fell 12.7% year-on-year in the fiscal year ended March 2009, marking the largest decline since the start of the current data series. The economic contraction had a dramatic impact on employment, leading in turn to a worsening in the household income environment. This caused the deterioration in domestic consumer spending to accelerate toward the end of 2008.

Corporate earnings had expanded for the six straight years spanning the fiscal year ended March 2003 to the year ended March 2008. From the start of the year ended March 2009, however, a downward trend in profits rapidly took hold. Concerns about recession in Japan and overseas combined with financial market turbulence to push down the U.S. dollar and share prices, which together with high energy and raw material prices weighed on Japanese corporate earnings. We estimate that recurring profits at the major companies (NOMURA 400 components) fell by approximately 60% year-on-year in the year ended March 2009. Processing sectors such as automobiles and electrical machinery and precision equipment were major contributors to the earnings deterioration.

The stock market had been trending downward since around mid-2007, and there were further and substantial declines during the year ended March 2009. The downward trend accelerated amid the turmoil in the U.S. and other overseas stock markets and the consequent weakening of the U.S. dollar, and as the global credit squeeze that started in September heightened concerns about recession. The Tokyo Stock Price Index, or TOPIX, which is a broad index for the Japanese equity market, fell below the previous post-bubble low of March 2003. The TOPIX had lost about 29% in the fiscal year ended March 2008, falling from 1,713.61 points at the end of March 2007 to 1,212.96 points at the end of March 2008, furthermore in the year ended March 2009 it fell by approximately 36% to finish the year at 773.66 points. This marked the largest decline in a single fiscal year since the index was first devised, despite there having been a modest rebound toward the end of the fiscal year as concerns about recession eased. The Nikkei Stock Average lost approximately 35%, falling from ¥12,525.54 at the end of March 2008 to ¥8,109.53 at the end of March 2009.

Yields on newly issued 10-year Japanese government bonds fell below 1.3% at the end of March 2008, as funds shifted to government bonds amid increasing global financial market turbulence. Share prices settled down moving toward June, and bond yields briefly rebounded to more than 1.8% on concerns about inflation triggered by rising crude oil prices. Approaching the end of the year, however, bond yields fell once again, dipping below 1.2% as the global credit crunch led to increased risk aversion and as share prices fell further. Shares started to rally again at the end of the fiscal year, and bond yields were above 1.3% at the end of March 2009.

On the foreign exchange markets, the global financial market turbulence that began in the U.S. had a major impact. At the end of March 2008, the yen was trading at the ¥99 level against the U.S. dollar and the ¥157 level against the euro. The markets calmed down for a while moving toward August, and expectations for monetary tightening in Europe saw the yen fall at one point to the ¥110 level against the U.S. dollar and the ¥169 level against the euro. However, from September the yen strengthened against all the major currencies as the global credit crunch once again came to the fore and as investors sought to avoid the risks associated with the U.S. and European economies. In December the yen was trading at the ¥87 level against the U.S. dollar, its highest level since 1995, and in January it reached the ¥112 level against the euro. As excessive concerns about the U.S. and European economies receded, the yen then corrected to finish the fiscal year at the ¥98 level against the dollar and the ¥130 level against the euro.

Overseas

Among the economies of the leading industrialized nations, the impact of the slowdown in economic growth in the United States from the second half of 2007 spread to the economies of Europe, raising the prospect of simultaneous economic contraction. International commodity prices trended upward until around mid-2008 as investors sought vehicles for their funds, but fell sharply heading toward the end of the year owing to the global credit crunch and concerns about recession. Various policies were implemented in a bid to head off a global recession, including aggressive interest rate cuts in the U.S. and Europe that were aimed at avoiding further

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financial market turmoil, the recapitalization of banks using public funds, and fiscal measures. In China, too, the authorities adopted monetary easing policies and took aggressive fiscal action to boost domestic demand.

After slowing to 2.0% in 2007, US real GDP growth declined to 1.1% in 2008. The US economy moved into recession in 2008, and there were three consecutive quarters of negative real GDP growth through the first quarter of 2009. There was a substantial drop in housing investment as house prices fell and financial institutions adopted risk-averse lending stances. In addition, the financial situation for households and companies deteriorated sharply due to the global credit shortage from September, and domestic demand was depressed as a result. Although there has been a slight upturn in sentiment on the expected benefits of monetary easing and the tax cuts and public works projects that were implemented in a bid to spur domestic demand, there have been no clear signs of an economic recovery.

The Federal Reserve Board, or FRB, implemented a string of rate cuts from the second half of 2007 in response to the financial market turmoil. The FRB cut the federal funds rate target ten times between September 2007 and December 2008, eventually lowering it to 0.25% and effectively introducing a zero interest rate policy. The FRB also commenced quantitative easing, by which it increases the supply of liquidity to financial markets through the purchase of government agency and other bonds, and in this way it intends to continue promoting financial market stability and supporting the economy. The downward trend of the U.S. stock market became more pronounced with the spread of the global credit crunch and economic recession. The Dow Jones Industrial Average stood at 12,262.89 at the end of March 2008, but by the end of March 2009 it had fallen to 7,608.92. The yield on 10-year U.S. Treasuries was at the 3.4% level in March 2008, but falling share prices and aggressive monetary easing implemented by the FRB put downward pressure on yields, which vied with upward pressure arising from concerns about the expanding fiscal deficit. The yield fell to the 2.6% level at the end of March 2009, but recovered and held above the 3% mark thereafter.

European economies also moved into recession in 2008. Real GDP growth in the Eurozone fell to 0.7% in 2008, from 2.6% in 2007. On a quarterly basis, however, growth was negative for three straight quarters, starting in the April-June quarter. The European Central Bank (ECB) lifted its policy rate in July 2008, citing concerns about accelerating inflation. Nevertheless, the increasing risk of global recession from September prompted the ECB to cut its policy rate three times between October and the end of the year and to provide ample liquidity to the financial markets. The decline in European stock markets gained momentum as global financial turmoil spread, and the benchmark German stock index (DAX) lost roughly 37% during the year ended March 2009.

While Asian economies other than Japan performed well in 2008 compared with the leading industrialized nations, the economic slowdown began to emerge more clearly in these regions also. Real GDP growth in China fell to 9.0% in 2008, from 11.9% in 2007. This marked the first dip into single-figure growth in six years and prompted the Chinese government to assemble a large-scale stimulus package worth some 13% of nominal GDP.

Executive Summary

Impacted by the turmoil in U.S. and European financial markets triggered by the U.S. subprime loan problem and the rapid spread of the ensuing economic downturn to the entire world including emerging countries, the Japanese economy suffered a dramatic slowdown, particularly in exports, adversely impacted by the appreciation of the yen and the rapid decline in overseas demand, especially in the second half of the fiscal year. This rapid economic slowdown led to deterioration in the employment situation and thus a rapid drop-off in household sector spending. The corporate sector also saw a large drop in revenues due to the rapid economic slowdown in Japan and overseas, and recurring profits among major listed companies are expected to have fallen significantly. After the Tokyo Stock Price Index (TOPIX) marked a high for the period under review in June 2008 at 1,430 points, the market started to decline, and stayed soft even after the rapid decline in September. In March 2009, the TOPIX corrected all the way down to the 700 point level, the lowest point since December 1983. As the global financial crisis continued, the amount of equity financing by listed companies in Japan fell to a 10-year low. Meanwhile, in the bond market, the yield on newly issued 10-year Japanese government bonds rose to the 1.8% range in June 2008, but then dropped to the 1.1% range by the end of 2008, as investors became

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safety-oriented in response to the global financial market turmoil. The yield subsequently rose to the 1.3% range in March 2009. Amid this environment, we posted significant losses due to a number of factors, including trading losses due to one-off factors, write-downs related to Merchant Banking and illiquid assets such as real estate, expenses related to the acquisition of Lehman Brothers (Lehman) operations, and impairment losses of affiliated companies. As a result, net revenue decreased 60% year-on-year to ¥312.6 billion, non-interest expenses increased 28% year-on-year to ¥1,091.7 billion, loss before income taxes was ¥779.0 billion, and net loss was ¥708.2 billion. Consequently, ROE for the full year was negative 40.2%.

In Retail, net revenue for the year ended March 31, 2009 was ¥291.9 billion, down 27% from the previous year, and income before income taxes was ¥18.2 billion, down 85% from the previous year. The overall market slump triggered by the turmoil in the global financial markets led to a decline in brokerage commissions and commissions for distribution of investment trusts. Sales of structured bonds declined as a result of the rapid strengthening of the yen, leading to lower sales credit. Retail client assets have declined to ¥59.3 trillion as of March 31, 2009, due primarily to a decrease in the balance of equity securities as a result of the stock market decline.

In Global Markets, net revenue for the year ended March 31, 2009 was negative ¥157.3 billion and loss before income taxes was ¥574.6 billion. In Global Fixed Income, net revenue was negative ¥217.2 billion due to trading losses in conjunction with the market drop-off as well as the one-off losses in association with the turmoil in global financial markets. In Global Equities, the deterioration in the trading environment due to the market turmoil resulted in a 52% year-on-year decline in net revenue to ¥98.9 billion. Following the acquisition of certain operations of former Lehman Brothers in October 2008, we restructured our organization and business lines, and mostly completed system and other infrastructure integration projects by the end of the fiscal year. In conjunction with such business base expansion, we are starting to see positive results, such as an increase in equities market share and currency trading. Meanwhile, expenses increased due primarily to the acquisition of certain operations of former Lehman Brothers.

In Investment Banking, net revenue for the year ended March 31, 2009 was ¥63.5 billion, down 24% from the previous year, and loss before income taxes was ¥57.4 billion. Net revenue decreased due to the decline in transaction volume in the equity finance reflecting instability across the global stock markets. Meanwhile, expenses increased due primarily to the acquisition of certain operations of former Lehman Brothers.

In Merchant Banking, net revenue for the year ended March 31, 2009 was negative ¥69.9 billion due primarily to unrealized losses of certain investee companies. As a result, loss before income taxes was ¥85.3 billion.

In Asset Management, net revenue for the year ended March 31, 2009 was ¥59.8 billion, down 33% from the previous year, and income before income taxes was ¥7.4 billion, down 78% from the previous year. Net revenue decreased compared to the prior year, due primarily to the reduction in assets under management mainly driven by plunge in the stock market and appreciation of the yen, as well as unrealized losses on pilot funds and seed money for new product development. Deteriorating market conditions due to the slump in stock prices and appreciation of the yen led to a decrease in the outstanding balance of assets under management to ¥20.2 trillion.

Table of Contents**Results of Operations***Overview*

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

	2007	Year Ended March 31 2008		2009
		(in millions)		
Non-interest revenues:				
Commissions	¥ 337,458	¥ 404,659	¥ 306,803	\$ 3,094
Fees from investment banking	99,276	85,096	54,953	554
Asset management and portfolio service fees	145,977	189,712	140,166	1,414
Net (loss) gain on trading	290,008	61,720	(128,339)	(1,294)
(Loss) gain on private equity investments	47,590	76,505	(54,791)	(553)
Loss on investments in equity securities	(20,103)	(48,695)	(25,500)	(257)
Private equity entities product sales	100,126			
Other	67,425	28,185	39,863	402
Total Non-interest revenues	1,067,757	797,182	333,155	3,360
Net interest revenue	23,344	(9,925)	(20,528)	(207)
Net revenue	1,091,101	787,257	312,627	3,153
Non-interest expenses	769,343	851,845	1,091,673	11,010
Income (loss) before income taxes	321,758	(64,588)	(779,046)	(7,857)
Income tax expense	145,930	3,259	(70,854)	(714)
Net income (loss)	¥ 175,828	¥ (67,847)	¥ (708,192)	\$ (7,143)
Return on equity	8.3%	(3.3)%	(40.2)%	

Net revenue decreased by 60% from ¥787,257 million for the year ended March 31, 2008 to ¥312,627 million for the year ended March 31, 2009. Commissions decreased by 24%, due primarily to a decline in commissions for distribution of investment trusts, reflecting the overall market slump triggered by the recent turmoil in the global financial markets. Asset management and portfolio service fees also decreased by 26%, due primarily to a decrease in assets under management driven by the plunge in the stock market and the appreciation of the yen. While net gain on trading was ¥61,720 million for the year ended March 31, 2008, we suffered a net loss of ¥128,339 million on trading for the year ended March 31, 2009, due primarily to the recent turmoil in the global financial markets. While we gained ¥76,505 million on private equity investments for the year ended March 31, 2008, we lost ¥54,791 million on such investments for the year ended March 31, 2009 due primarily to unrealized losses of certain investee companies.

Net revenue decreased by 28% from ¥1,091,101 million for the year ended March 31, 2007 to ¥787,257 million for the year ended March 31, 2008. Commissions increased by 20%, due to an increase in stock brokerage commissions resulting from the consolidation of Instinet. Asset management and portfolio service fees also increased by 30%, due primarily to firm sales of newly-launched funds and existing balanced funds. Net gain on trading decreased by 79%, driven primarily by losses from Global Markets. Gain on private equity investments increased by 61% from the previous financial year, due to realized and unrealized gains resulting from the sale and valuation at fair value of investee companies. We recorded losses on our investments in equity securities due to the stagnation of the stock market.

Net interest revenue was ¥23,344 million for the year ended March 31, 2007, negative ¥9,925 million for the year ended March 31, 2008 and negative ¥20,528 million for the year ended March 31, 2009. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest

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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. Net interest revenue for the year ended March 31, 2009 declined by ¥10,603 million from the year ended March 31, 2008. Short-term interest rates declined during the year in major currencies including U.S. dollar and Japanese yen by March 2009, but until the third quarter short-term interest rates in Japanese yen stayed at relatively high level in comparison to the U.S. dollar, which decreased significantly. Together with the continuous decline in demand for structured notes from investors, this has pushed up our financial costs, failing to offset the decline in the gross interest revenue which is due to the general decline in the interest rate level across the globe. However, the rate at which the net interest revenue has deteriorated in the last three quarters has been moderated, as the short-term interest rate markets turmoil has subsided. Net interest revenue for the year ended March 31, 2008 turned negative, declining by ¥33,269 million from the year ended March 31, 2007. Rising short-term interest rates and falling long-term interest rates on the yen affected net interest revenue of the company adversely, causing a general rise in the funding cost and decline in coupon received on bonds. Reorganization of the U.S. business has reduced the volume of U.S. dollar repo transactions, so even though the U.S. dollar yield curve had shifted downward while steepening during the year, the positive impact on net interest revenue was limited.

In our consolidated statements of operations, we include under Revenue loss on investments in equity securities. We recorded losses on such investments in the amount of ¥20,103 million for the year ended March 31, 2007, ¥48,695 million for the year ended March 31, 2008 and ¥25,500 million for the year ended March 31, 2009. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes. These investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships. In our consolidated financial statements, these investments are recorded at market value, with unrealized gains and losses on these investments recognized currently in income.

Non-interest expenses increased by 28% from ¥851,845 million for the year ended March 31, 2008 to ¥1,091,673 million for the year ended March 31, 2009. The increase in non-interest expenses consisted mainly of other expenses and compensation and benefits. Other expenses increased by 67% from ¥156,868 million for the year ended March 31, 2008 to ¥261,339 million for the year ended March 31, 2009, mainly due to impairment losses of affiliated companies. Compensation and benefits increased by 34% from ¥366,805 million for the year ended March 31, 2008 to ¥491,555 million for the year ended March 31, 2009, due primarily to our hiring of some former Lehman Brothers employees.

Non-interest expenses increased by 11% from ¥769,343 million for the year ended March 31, 2007 to ¥851,845 million for the year ended March 31, 2008. The increase in non-interest expenses was mainly due to other expenses and commissions and floor brokerage, offset by private equity entities cost of goods sold. Private equity entities cost of goods sold was no longer recognized for the year ended March 31, 2008 as a result of deconsolidation of private equity entities with the application of Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies. Other expenses increased by 48% from ¥106,039 million for the year ended March 31, 2007 to ¥156,868 million for the year ended March 31, 2008, mainly due to an impairment loss for an affiliated company which was included in other expenses. Commissions and floor brokerage increased by 78% from ¥50,812 million for the year ended March 31, 2007 to ¥90,192 million for the year ended March 31, 2008, due primarily to the consolidation of Instinet.

Income before income taxes was ¥321,758 million for the year ended March 31, 2007, and loss before income taxes was ¥64,588 million for the year ended March 31, 2008 and ¥ 779,046 million for the year ended March 31, 2009.

We are subject to a number of different taxes in Japan and have adopted the consolidation tax system permitted under Japanese tax law. The consolidation tax system targets only national tax. Since April 1, 2004, our domestic statutory tax rate is approximately 41%. Our foreign subsidiaries are subject to the income tax rates

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of the countries in which they operate, which are generally lower than those in Japan. Our effective tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

Income tax expense for the year ended March 31, 2009 was negative ¥70,854 million, representing an effective tax rate of 9.1% which was significantly below the statutory tax rate of 41%. The most significant factor causing the difference was an increase in the valuation allowance, mainly relating to non-recoverability of losses in certain U.S. and U.K subsidiaries and also future realizable losses in Japan as a result of the review of the future realizable value of the deferred tax assets. Although the increase in the valuation allowance generally has the effect of increasing the effective tax rate, this had the effect of decreasing the rate by approximately 27.7% due to loss from continuing operations. Other significant factors causing the difference was tax benefit recognized on the devaluation of investments in foreign subsidiaries which increased the effective tax rate by approximately 7.6% and also due to different tax rates applicable for foreign subsidiaries which decreased the effective tax rate by 9.9% for the year ended March 31, 2009.

Income tax expense for the year ended March 31, 2008 was ¥3,259 million, representing an effective tax rate of negative 5.0%. The effective tax rate was significantly below the statutory tax rate of 41%. The most significant factor causing the difference was an increase in the valuation allowance, mainly relating to the non-recoverability of losses in certain U.S. subsidiaries and future realizable losses in Japan as a result of the review of the future realizable value of the deferred tax assets. Although the increase in the valuation allowance generally has the effect of increasing the effective tax rate, it resulted in a decreasing effective tax rate for the year ended March 31, 2008 by approximately 166.3% due to loss from continuing operations. Another significant factor causing the difference was tax benefit recognized on the devaluation of investments in foreign subsidiaries. This had the effect of increasing the effective tax rate for the year ended March 31, 2008 by approximately 121.6% due to the same reason described above.

Income tax expense for the year ended March 31, 2007 was ¥145,930 million, representing an effective tax rate of 45.4%. The effective tax rate was above the statutory tax rate of 41%. The difference was mainly due to the following two factors, which had opposite effects. First, the valuation allowance has been increased to reflect several factors, mainly relating to the non-recoverability of losses in certain U.S. subsidiaries and certain Terra Firma investments in Europe as a result of the review of the future realizable value of the deferred tax assets. This had the effect of increasing the effective tax rate for the year ended March 31, 2007 by approximately 11.6%. Second, tax benefit has been recognized on the devaluation of investments in foreign subsidiaries, mainly overseas. This had the effect of decreasing the effective tax rate for the year ended March 31, 2007 by approximately 8.0%.

Net income was ¥175,828 million for the year ended March 31, 2007, and net loss was ¥67,847 million for the year ended March 31, 2008 and ¥708,192 million for the year ended March 31, 2009. Our return on equity was 8.3% for the year ended March 31, 2007, negative 3.3% for the year ended March 31, 2008, and negative 40.2% for the year ended March 31, 2009.

Results by Business Segment

As discussed in Overview under Item 4.B of this annual report, we operate five business divisions: Retail, Global Markets, Investment Banking, Merchant Banking and Asset Management. Gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as reconciling items outside of our segment information. The effects of consolidation and deconsolidation of certain investments in our private equity business were also classified as

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reconciling items outside our segment information for the year ended March 31, 2007, while there is no reconciling item for the year ended March 31, 2008 and 2009 due to AICPA Statement of Position 07-1 *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1), which resulted in all investments made by investment companies within the scope of the guide being carried at fair value with changes in fair value recognized in our consolidated financial statements. You should read the following segment information in conjunction with Item 4.B of this annual report and Note 21 to our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 21. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Retail

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

Operating Results of Retail

	2007	Year Ended March 31		2009
		2008	(in millions)	
Non-interest revenues	¥ 434,701	¥ 395,887	¥ 287,750	\$ 2,902
Net interest revenue	5,417	6,131	4,107	42
Net revenue	440,118	402,018	291,857	2,944
Non-interest expenses	279,253	279,702	273,620	2,760
Income before income taxes	¥ 160,865	¥ 122,316	¥ 18,237	\$ 184

Net revenue for the year ended March 31, 2009 was ¥291,857 million, decreasing 27% from ¥402,018 million for the year ended March 31, 2008. The overall market slump triggered by the turmoil in the global financial markets led to a decline in brokerage commissions and commissions for distribution of investment trusts. Sales of structured bonds declined as a result of the rapid strengthening of the yen, leading to lower sales credit.

Net revenue for the year ended March 31, 2008 was ¥402,018 million, decreasing 9% from ¥440,118 million for the year ended March 31, 2007. The overall market slump triggered by the turmoil in the global financial markets led to a drop-off in stock subscriptions and purchases as well as weaker sales of investment trusts during the second half of the year, resulting in a decline in brokerage commissions and commissions for distribution of investment trusts. Distribution of newly-launched investment trusts remained robust, especially for bond investment trusts. Sales of structured bonds declined as a result of the rapid strengthening of the yen, leading to lower sales credit. However, sales of foreign currency bonds were strong in the second half of the year.

Non-interest expenses for the year ended March 31, 2009 were ¥273,620 million, decreasing 2% from ¥279,702 million for the year ended March 31, 2008, due primarily to a decrease in compensation and benefits.

Non-interest expenses for the year ended March 31, 2008 were ¥279,702 million, almost at the same level as ¥279,253 million for the year ended March 31, 2007, due primarily to an increase in occupancy and related depreciation due to the expansion of branches offset by a decrease in compensation and benefits.

Income before income taxes was ¥160,865 million for the year ended March 31, 2007, ¥122,316 million for the year ended March 31, 2008, and ¥18,237 million for the year ended March 31, 2009.

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The graph below shows the revenue composition by instrument in terms of Retail non-interest revenues for the years ended March 31, 2007, 2008, and 2009.

As described above, revenue composition of investment trusts and asset management decreased from 49% for the year ended March 31, 2008 to 47% for the year ended March 31, 2009, due primarily to a decline in commissions for distribution of investment trusts. Revenue composition of equities increased from 24% for the year ended March 31, 2008 to 26% for the year ended March 31, 2009, due primarily to an overall decrease in the revenue size of total Retail non-interest revenue although revenue from equities decreased reflecting the overall market slump. Revenue composition of bonds and variable annuity insurance unchanged from the previous year.

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Retail Client Assets

The following graph shows amounts and details regarding retail client assets at March 31, 2007, 2008, and 2009. Retail client assets consist of customers' assets held in our custody, and assets relating to the variable annuity insurance products.

Retail Client Assets

Retail client assets decreased by ¥12.9 trillion from ¥72.2 trillion at March 31, 2008 to ¥59.3 trillion at March 31, 2009, due primarily to a decrease in the balance of equity securities as a result of the stock market decline. The balance of our clients' investment trusts decreased 22% from ¥13.4 trillion at March 31, 2008 to ¥10.4 trillion at March 31, 2009, reflecting net cash inflows by clients of ¥0.1 trillion and market depreciation of ¥3.1 trillion.

Retail client assets decreased by ¥13.0 trillion from ¥85.2 trillion at March 31, 2007 to ¥72.2 trillion at March 31, 2008, due primarily to a decrease in the balance of equity securities. The balance of our clients' investment trusts decreased 5% from ¥14.1 trillion at March 31, 2007 to ¥13.4 trillion at March 31, 2008, reflecting net cash inflows by clients of ¥1.5 trillion and market depreciation of ¥2.2 trillion.

Global Markets

We have a proven track record of sales and trading bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to institutional investors. In response to the increasingly diverse and

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complex needs of our customers, we are building up our trading and product origination capabilities to offer superior products not only to institutional investors but also to Retail and Asset Management. This cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-added solutions for our customers. In Asset Finance, we use our broad customer base at a maximum advantage and offer sophisticated financial solutions for raising capital through real estate and other asset securitization schemes.

We have forged extensive ties with institutional investors in Japan and international markets; wealthy and affluent investors, public-sector agencies, and regional financial institutions in Japan; and government agencies, financial institutions, and corporations around the world. These ties enable us to pinpoint what types of products investors are currently looking for and then develop and deliver a line of products that meet their needs.

Operating Results of Global Markets

	2007	Year Ended March 31		2009
		2008	(in millions)	
Non-interest revenues	¥ 285,088	¥ 145,192	¥ (146,335)	\$ (1,476)
Net interest revenue	4,940	(49,595)	(10,919)	(110)
Net revenue	290,028	95,597	(157,254)	(1,586)
Non-interest expenses	231,222	321,794	417,387	4,210
Income (loss) before income taxes	¥ 58,806	¥ (226,197)	¥ (574,641)	\$ (5,796)

Net revenue decreased from ¥95,597 million for the year ended March 31, 2008 to negative ¥157,254 million for the year ended March 31, 2009. In Global Fixed Income, net revenue was negative ¥217.2 billion due to trading losses in conjunction with the market drop-off as well as the one-off losses in association with the turmoil in global financial markets. In Global Equities, the deterioration in the trading environment due to the market turmoil resulted in a 52% year-on-year decline in net revenue to ¥98.9 billion. We also wrote down the value of real estate and other illiquid assets and reduced our exposure to illiquid assets. Following the acquisition of certain operations of former Lehman Brothers in October 2008, we restructured our organization and business lines, and mostly completed system and other infrastructure integration projects by the end of the fiscal year. In conjunction with such business base expansion, we are starting to see positive results, such as an increase in equities market share and currency trading.

Net revenue decreased by 67% from ¥290,028 million for the year ended March 31, 2007 to ¥95,597 million for the year ended March 31, 2008. In Global Fixed Income, the environment remained harsh as a global credit crunch sparked by subprime problems hit and the yen appreciated sharply. Net revenue declined due to net write-downs mainly related to increased credit valuation adjustments against monoline insurers (financial guarantors), a realized loss booked on our exit from the U.S. RMBS-related business, and realized and unrealized losses in the U.S. CMBS-related business. In Global Equities although trading revenue from MPOs and equity derivatives declined, revenue increased as Instinet, which was acquired in February 2007, contributed to revenue, order flow for non-Japanese equities expanded, and trading of listed equities contributed to revenue.

Non-interest expenses increased by 30% from ¥321,794 million for the year ended March 31, 2008 to ¥417,387 million for the year ended March 31, 2009, due primarily to the acquisition of certain operations of former Lehman Brothers.

Non-interest expenses increased by 39% from ¥231,222 million for the year ended March 31, 2007 to ¥321,794 million for the year ended March 31, 2008, due primarily to increases in commissions and floor brokerage, other expenses on transactions and compensation and benefits resulting from the consolidation of Instinet.

Income before income taxes was ¥58,806 million for the year ended March 31, 2007, loss before income taxes was ¥226,197 million for the year ended March 31, 2008 and ¥574,641 million for the year ended March 31, 2009.

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The table below shows our market share of Japanese Government bond auctions and secondary bond trading, in terms of the principal amounts of bonds purchased, for the years indicated. Secondary bond trading refers to the trading of bonds originally issued in Japan in the over-the-counter market and on exchanges in Japan, but excludes *gensaki* and inter-dealer transactions.

	Year Ended March 31		
	2007	2008	2009
Nomura's Share in Japanese Government bond auctions	11%	11%	11%
Nomura's Share in secondary bond trading	13%	12%	13%

The following table sets forth the closing level of the TOPIX and the Nikkei 225, which are both stock market indices in Japan, as of the dates indicated, and the percentage changes from the closing level at the date one year before:

Stock Market Index	March 31		
	2007	2008	2009
TOPIX	1,713.61	1,212.96	773.66
	(0.8)%	(29.2)%	(36.2)%
Nikkei 225 (Nikkei Stock Average)	17,287.65	12,525.54	8,109.53
	1.3%	(27.5)%	(35.3)%

The TOPIX had lost about 29% in the fiscal year ended March 2008, falling from 1,713.61 points at the end of March 2007 to 1,212.96 points at the end of March 2008, furthermore in the year ended March 2009 it fell by approximately 36% to finish the year at 773.66 points. This marked the largest decline in a single fiscal year since the index was first devised, despite there having been a modest rebound toward the end of the fiscal year as concerns about recession eased. The Nikkei Stock Average also lost approximately 35%, falling from ¥12,525.54 at the end of March 2008 to ¥8,109.53 at the end of March 2009. The following table shows our market share of Japanese equity trading for the years indicated.

Nomura's Share in	Year Ended March 31		
	2007	2008	2009
Total equity trading market in Japan	7%	7%	7%
Off-floor/off-exchange equity trading market in Japan	21%	21%	17%

Investment Banking

We provide a broad range of investment banking services, such as underwriting and advisory activities to a diverse range of corporations, financial institutions, sovereigns, investment funds and others. We underwrite offerings of debt, equity and other financial instruments in Asia, Europe and other major financial markets. We have been enhancing our M&A and financial advisory expertise to secure more high profile cross-regional deals as well as deals within each region. We pursue to develop and forge a solid relationship with these clients on a long term basis by offering our extensive resources in a seamless fashion for their bespoke solutions.

Operating Results of Investment Banking

	2007	Year Ended March 31		2009
		2008	(in millions)	
Non-interest revenues	¥ 97,427	¥ 81,305	¥ 62,132	\$ 627
Net interest revenue	1,760	1,804	1,367	13
Net revenue	99,187	83,109	63,499	640
Non-interest expenses	54,783	60,336	120,910	1,219
Income (loss) before income taxes	¥ 44,404	¥ 22,773	¥ (57,411)	\$ (579)

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Net revenue decreased by 24% from ¥83,109 million for the year ended March 31, 2008 to ¥63,499 million for the year ended March 31, 2009, due primarily to the decline in transaction volume in the equity finance reflecting instability across the global stock markets.

Net revenue decreased by 16% from ¥99,187 million for the year ended March 31, 2007 to ¥83,109 million for the year ended March 31, 2008, due primarily to a marked decline in overall transaction value in the equity finance market, while the M&A-related business remained strong and we maintained our high market share.

Non-interest expenses increased by 100% from ¥60,336 million for the year ended March 31, 2008 to ¥120,910 million for the year ended March 31, 2009, due primarily to the acquisition of certain operations of former Lehman Brothers.

Non-interest expenses increased by 10% from ¥54,783 million for the year ended March 31, 2007 to ¥60,336 million for the year ended March 31, 2008, due primarily to higher compensation and benefits.

Income before income taxes was ¥44,404 million for the year ended March 31, 2007, ¥22,773 million for the year ended March 31, 2008 and loss before income taxes was ¥57,411 million for the year ended March 31, 2009.

The following table shows changes in our market share (value base) in the underwriting market for bonds and equity in Japan.

	Year Ended March 31		
	2007	2008	2009
Nomura's Share in Japanese IPOs	21%	44%	57%
Nomura's Share in Japanese Public Offerings	40%	42%	24%
Nomura's Share in Japanese Straight Bonds	14%	16%	16%
Nomura's Share in Japanese Samurai Bonds	13%	10%	12%

Merchant Banking

In Japan, Nomura Principal Finance Co., Ltd. has been active in the field of buy-outs and corporate revitalization, targeting investment opportunities that offer scope for capital appreciation and attractive returns to us. Our Japanese private equity business has also been developed through investments in funds managed by the Nomura Research & Advisory Co., Ltd. Our principal finance investments in Europe have been primarily managed by Terra Firma, as explained in *Private Equity Business* below.

Operating Results of Merchant Banking

	2007	Year Ended March 31		
		2008	2009	
		(in millions)		
Non-interest revenues	¥ 77,325	¥ 74,795	¥ (62,319)	\$ (629)
Net interest revenue	(12,356)	(10,002)	(7,556)	(76)
Net revenue	64,969	64,793	(69,875)	(705)
Non-interest expenses	12,153	11,473	15,398	155
Income (loss) before income taxes	¥ 52,816	¥ 53,320	¥ (85,273)	\$ (860)

Net revenue was negative ¥69,875 million for the year ended March 31, 2009, as compared to net revenue of ¥64,793 million for the year ended March 31, 2008, due primarily to unrealized losses of certain investee companies.

In the year ended March 31, 2009, realized gains from investments in Japan were ¥42.0 billion and unrealized losses from investments in Japan were ¥78.0 billion. Realized gains from the Terra Firma Investments were ¥6.7 billion and unrealized losses from the Terra Firma Investments were ¥15.7 billion. Realized gains resulted

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from the exit of certain retail and service industry investments. Unrealized losses resulted from underperformance of investments in the media, aircraft leasing, waste management and renewable energy sectors.

Net revenue was ¥64,793 million for the year ended March 31, 2008, almost at the same level as ¥64,969 million for the year ended March 31, 2007 due to realized and unrealized gains on the sale of Deutsche Annington and valuation at fair value of Annington in the UK, both Terra Firma Investments, as well as on the sale of our stake in Nomura Principal Finance investee companies, Sliointec and Wanbishi Archives.

In the year ended March 31, 2008, realized gains from investments in Japan from which we exited were ¥16.6 billion and unrealized losses from investments in Japan were ¥21.2 billion. Realized gains from the Terra Firma Investments were ¥69.3 billion and unrealized gains from the Terra Firma Investments were ¥14.3 billion. Investments in the residential real estate sector continued to perform well, leading to a significant uplift.

In the year ended March 31, 2007, realized gains from investments in Japan from which we exited were ¥12.0 billion and unrealized gains from investments in Japan were ¥9.8 billion. Realized gains from the Terra Firma Investments were ¥84.8 billion and unrealized losses from the Terra Firma Investments were ¥28.0 billion. Investments in the residential real estate sector continued to perform well on the back of a buoyant market, leading to a significant uplift. Gains from property related investments were partially offset by the continued underperformance of retail and service industry investments, where falling market share and lower than expected demand for new products and services were the main causes of the net realizable value of these assets being reduced. Further gains were made on utilities assets through refinancing and divestiture.

Non-interest expenses increased by 34% from ¥11,473 million for the year ended March 31, 2008 to ¥15,398 million for the year ended March 31, 2009, due primarily to an increase in professional fees.

Non-interest expenses decreased by 6% from ¥12,153 million for the year ended March 31, 2007 to ¥11,473 million for the year ended March 31, 2008, due primarily to a decrease in professional fees.

Income before income taxes was ¥52,816 million for the year ended March 31, 2007, ¥53,320 million for the year ended March 31, 2008 and loss before income taxes was ¥85,273 million for the year ended March 31, 2009.

Asset Management

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

Operating Results of Asset Management

	2007	Year Ended March 31		2009
		2008	(in millions)	
Non-interest revenues	¥ 85,195	¥ 84,710	¥ 56,463	\$ 569
Net interest revenue	2,885	4,031	3,326	34
Net revenue	88,080	88,741	59,789	603
Non-interest expenses	48,702	54,790	52,409	529
Income before income taxes	¥ 39,378	¥ 33,951	¥ 7,380	\$ 74

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Note:

The defined contribution pension plan business in the Asset Management segment was integrated into the Other Segment in the second quarter of the year ended March 31, 2009. In the above table, certain reclassifications of previously reported amounts have been made to conform to the current presentation.

Net revenue decreased by 33% from ¥88,741 million for the year ended March 31, 2008 to ¥59,789 million for the year ended March 31, 2009, due primarily to the reduction in assets under management mainly driven by plunge in the stock market and appreciating yen, and unrealized losses from pilot funds and seed money for new product development.

Net revenue increased by 1% from ¥88,080 million for the year ended March 31, 2007 to ¥88,741 million for the year ended March 31, 2008, due primarily to an increase in asset management and portfolio service fees partially offset by unrealized losses from pilot funds and seed money for new product development.

Non-interest expenses decreased by 4% from ¥54,790 million for the year ended March 31, 2008 to ¥52,409 million for the year ended March 31, 2009, due primarily to a decrease in compensation and benefits.

Non-interest expenses increased by 13% from ¥48,702 million for the year ended March 31, 2007 to ¥54,790 million for the year ended March 31, 2008, due primarily to compensation and benefits associated with increased headcount and information technology expenses increased due to new investment.

Income before income taxes was ¥39,378 million for the year ended March 31, 2007, ¥33,951 million for the year ended March 31, 2008 and ¥7,380 million for the year ended March 31, 2009.

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

	2007	March 31 2008 (in billions)	2009
Nomura Asset Management Co., Ltd.	¥ 26,489	¥ 25,591	¥ 19,993
Nomura Funds Research and Technologies Co., Ltd.	2,980	2,829	1,634
Nomura Corporate Research and Asset Management Inc.	1,462	1,117	1,049
Private Equity Funds Research and Investments Co., Ltd.		104	600
Nomura Funds Research and Technologies America, Inc.	309	306	216
MAINTRUST KAG mbH.	337	320	172
Combined total	¥ 31,577	¥ 30,268	¥ 23,663
Total*	¥ 27,036	¥ 25,766	¥ 20,231

* Overlapping asset amounts among group companies are adjusted in Total.

Assets under management were ¥20.2 trillion as of March 31, 2009, a ¥6.8 trillion decrease from March 31, 2007, and a ¥5.5 trillion decrease from March 31, 2008. The greatest proportion of these assets was managed by Nomura Asset Management with assets under management of ¥20.0 trillion as of March 31, 2009.

The net assets of stock investment trusts decreased at March 31, 2009 compared to the previous year due to deteriorating market conditions and the appreciation of the yen, triggered by U.S. subprime problems. The net assets of bond investment trusts also declined. Assets from institutional clients also declined at March 31, 2009 compared to the previous year, reflecting additional mandates of new product from the

domestic pension funds offset by depreciation in assets due to deteriorating market conditions.

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Investment trust assets included in assets under management by Nomura Asset Management were ¥13.0 trillion as of March 31, 2009, down ¥4.2 trillion, or 25%, from the previous year, reflecting net cash outflows by clients of ¥0.3 trillion and market depreciation of ¥3.9 trillion. While the balance of many investment trusts decreased under the harsh environment, the sales of Exchange Traded Funds and newly-launched investment trusts in the fourth quarter remains robust. For the year ended March 31, 2008, the balance of investment trusts managed by Nomura Asset Management was ¥17.2 trillion as of March 31, 2008, down ¥1.6 trillion, or 9%, from the previous year, reflecting net cash inflows by clients of ¥1.7 trillion and market depreciation of ¥3.3 trillion.

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

Nomura Asset Management's share of the fund market in Japan

	2007	As of March 31 2008	2009
Total of publicly offered investment trusts	23%	22%	22%
Stock investment trusts	18%	17%	16%
Bond investment trusts	44%	44%	44%

Other Operating Results

Other operating results include gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments. Please refer to Note 21 to our consolidated financial statements included in this annual report.

Income before income taxes in other operating results was ¥21,020 million for the year ended March 31, 2007, loss before income taxes in other operating results was ¥20,582 million for the year ended March 31, 2008 and ¥64,201 million for the year ended March 31, 2009.

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 to 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 United States, the United Kingdom and certain other countries in which we operate.

Some of our subsidiaries are subject to various regulatory requirements that may limit cash dividends and advances to the Japanese parent company and that may establish minimum capital requirements. These subsidiaries are in compliance with all applicable regulatory capital adequacy requirements.

Translation Exposure

A significant portion of our business is conducted in currencies other than yen – most significantly, U.S. dollars, British pounds and Euros. In foreign countries where we operate, our business is conducted in the currencies of those countries. We prepare financial statements of each of our consolidated entities in its functional currency, which is the currency of the primary economic environment in which the entity operates. 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 statements of operations unless and until we dispose of, or liquidate, the relevant foreign subsidiary, which historically has not occurred, and which we do not expect to occur, frequently.

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Critical Accounting Policies and Estimates

Use of estimates

In presenting the consolidated financial statements, 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 loan losses, the realization of deferred tax assets and other matters that affect the reported amounts of assets and liabilities as well as the disclosure in the 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

We adopted Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements* (SFAS 157) for financial assets and financial liabilities on April 1, 2008. In addition to defining fair value, SFAS 157 provides guidance on fair value measurements establishes a hierarchy of inputs used in valuations and enhances the disclosure requirements for fair value instruments. It also nullifies the guidance provided by EITF Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* (EITF No. 02-3), which prohibits the recognition of day one gains or losses on financial instruments valued using significant unobservable inputs. Please see Note 1, *Summary of accounting policies: Accounting changes and new accounting pronouncements* in our consolidated financial statements in this annual report for additional information regarding our adoption SFAS 157.

We also adopted SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159) on April 1, 2008 which permits us to apply fair value to additional financial instruments which would otherwise be accounted for under an alternative method, such as amortized cost or the equity method of accounting. We elect fair value under SFAS 159 for certain loans and receivables, equity method investments, structured notes and secured financing transactions. Please see Note 1, *Summary of accounting policies: Accounting changes and new accounting pronouncements* in our consolidated financial statements in this annual report for additional information regarding our adoption SFAS 159.

The majority of our financial assets and financial liabilities are carried at fair value, with changes in fair value recognized through the consolidated statement of operations on a recurring basis. Financial assets which are carried at fair value on a recurring basis are reported in our consolidated balance sheets within *Trading assets and private equity investments, Loans and receivables and Other assets*. Financial liabilities which are carried at fair value on a recurring basis are reported within *Trading liabilities, Short-term borrowings, payables and deposits, Long-term borrowings, and Other liabilities*.

In all cases, fair value is determined in accordance with SFAS No.157, 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 our principal market, or in the absence of the principal market, the most advantageous market for the relevant financial asset or financial liability. Further information on the determination of fair value is provided in Note 1, *Summary of accounting policies* and in Note 3, *Fair value of Financial instruments* to our consolidated financial statements.

Fair value hierarchy

In accordance with SFAS 157, all financial instruments measured at fair value have been categorized into a three-level hierarchy based on the transparency of inputs used to establish fair value.

Level 1:

Quoted prices (unadjusted) in active markets for identical assets or liabilities that we has the ability to access at the measurement date are classified as Level 1.

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Level 2:

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, are classified as Level 2. If the asset or liability has a specified (contractual or redemption) term, a Level 2 input must be observable for substantially the full term (contractual life) of the asset or liability.

Level 3:

Financial assets and financial liabilities whose values are based on unobservable inputs in markets are classified as Level 3. Unobservable inputs are based on the reporting entity's own assumptions that other market participants would consider (including assumptions about risk) under the best information available in the circumstances. It is classified as Level 3, if such unobservable inputs in markets have more than insignificant impact on fair value measurement of an instrument.

Financial instruments are classified in the entirety based on the lowest level of input that is significant to the fair value measurement of the instruments. In case that a derivative is valued using a combination of Level 1, 2 and 3 inputs, it would be classified as Level 3, where the Level 3 inputs are significant in its measurement.

As explained above, the valuation of Level 3 financial assets and liabilities are dependent on certain inputs which cannot be observed or corroborated in the market. This can be the case if, for example, the specific financial instrument is traded in an inactive market. Common characteristics of an inactive market include a low number of transactions of the financial instrument; stale or non-current price quotations; price quotations that vary substantially either over time or among market makers; or little publicly released information. Common unobservable inputs include volatility skew and correlation risk for derivative instruments; refinancing periods and recovery rates for credit-related products and loans; and macroeconomic factors affecting the value of collateral in asset-backed securitizations.

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be established 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 an unobservable parameter. Other techniques for determining an appropriate value for unobservable parameters may take into account information such as consensus pricing data, historical trends, extrapolation from available market data and other information we would expect market participants to use in valuing similar instruments.

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The following table presents information about our financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2009 within the fair value hierarchy.

	Billions of yen March 31, 2009				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2009
Assets:					
Trading assets and private equity investments					
Equities (including private equity) ⁽²⁾	¥ 271	¥ 592	¥ 606	¥	¥ 1,469
Debt securities and loans	6,007	1,401	793		8,201
Investment trust funds and other	19	35	6		60
Derivatives	638	15,581	1,691	(15,967)	1,943
Loans and receivables ⁽³⁾	0	8	4		12
Other assets	285	54	50		389
Total	¥ 7,220	¥ 17,671	¥ 3,150	¥ (15,967)	¥ 12,074
Liabilities:					
Trading liabilities					
Equities	¥ 413	¥ 117	¥ 1	¥	¥ 531
Debt securities	2,355	250	0		2,605
Investment trust funds and other	1				1
Derivatives	722	15,192	1,424	(15,724)	1,614
Short-term borrowings ⁽⁴⁾⁽⁵⁾	9	28	8		45
Payables and deposits ⁽⁶⁾		0	(1)		(1)
Long-term borrowings ⁽⁴⁾⁽⁵⁾⁽⁷⁾	39	485	(81)		443
Other liabilities		1			1
Total	¥ 3,539	¥ 16,073	¥ 1,351	¥ (15,724)	¥ 5,239

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	Translation into billions of U.S. dollars March 31, 2009				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting ⁽¹⁾	Balance as of March 31, 2009
Assets:					
Trading assets and private equity investments					
Equities (including private equity) ⁽²⁾	\$ 2.74	\$ 5.97	\$ 6.11	\$	\$ 14.82
Debt securities and loans	60.58	14.13	8.00		82.71
Investment trust funds and other	0.19	0.35	0.06		0.60
Derivatives	6.44	157.15	17.05	(161.04)	19.60
Loans and receivables ⁽³⁾	0.00	0.08	0.04		0.12
Other assets	2.87	0.54	0.51		3.92
Total	\$ 72.82	\$ 178.22	\$ 31.77	\$ (161.04)	\$ 121.77
Liabilities:					
Trading liabilities					
Equities	\$ 4.17	\$ 1.18	\$ 0.01	\$	\$ 5.36
Debt securities	23.75	2.52	0.00		26.27
Investment trust funds and other	0.01				0.01
Derivatives	7.28	153.23	14.36	(158.59)	16.28
Short-term borrowings ⁽⁴⁾⁽⁵⁾	0.09	0.28	0.08		0.45
Payables and deposits ⁽⁶⁾		0.00	(0.01)		(0.01)
Long-term borrowing ⁽⁴⁾⁽⁵⁾⁽⁷⁾	0.39	4.89	(0.82)		4.46
Other liabilities		0.01			0.01
Total	\$ 35.69	\$ 162.11	\$ 13.62	\$ (158.59)	\$ 52.83

- (1) Counterparty netting of derivative assets and liabilities in accordance with FASB Interpretation (FIN) No. 39, *Offsetting of Amounts Related to Certain Contracts* (FIN 39) and cash collateral netting against net derivatives in accordance with FSP FIN 39-1.
- (2) Includes equity investments that would have been accounted for under the equity method if Nomura had not chosen to apply the fair value option under SFAS 159.
- (3) Includes loans for which Nomura elected the fair value option under SFAS 159.
- (4) Includes structured notes for which Nomura elected the fair value option under either SFAS No. 155 *Accounting for Certain Hybrid Financial Instruments an amendmend of FASB Statements No. 133 and 140* (SFAS 155) or SFAS 159.
- (5) Includes embedded derivatives bifurcated in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS133) from the structured notes issued. If unrealized gain is greater than unrealized loss, borrowings are reduced by the excess amount.
- (6) Includes embedded derivatives bifurcated in accordance with SFAS 133 from the deposits received at banks. If unrealized gain is greater than unrealized loss, deposits are reduced by the excess amount.
- (7) Includes secured financing transactions that are accounted for as financings rather than sales in accordance with Statement of Financial Accounting Standards No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (SFAS 140). We elected the fair value option under SFAS 159 for these liabilities.

Level 3 Assets and Liabilities

The Level 3 financial instruments include following instruments.

Equities comprised private equity investments in the amount of ¥322 billion (\$3.25 billion). Investments to unlisted companies were classified in level 3. *Equities* also comprised the inventory through Hedge Fund in the amount of ¥130 billion (\$1.31 billion). We have developed the business such as issuing structured notes linked to the inventory.

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Debt securities and loans comprised bank and corporate bond in the amount of ¥299 billion (\$3.02 billion), corporate loan in the amount of ¥213 billion (\$2.15 billion), mortgage backed securities and mortgage loans in the amount of ¥246 billion (\$2.48 billion). It also comprised certain notes which were illiquid and valued by pricing models. Derivative contracts are aggregated without netting of derivative assets and derivative liabilities by counterparty.

The following is a table of Level 3 financial instruments as a proportion of total financial instruments carried at fair value:

	Billions of yen	Translation into billions of U.S. dollars
	March 31, 2009	
Level 3 Financial Assets	¥ 3,150	\$ 31.77
Deduct: Level 3 Derivative, Liabilities	(1,424)	(14.36)
Net Level 3 Financial Assets (After netting derivative assets and liabilities)	¥ 1,726	\$ 17.41
Total Financial Assets measured at Fair Value	¥ 28,041	\$ 282.81
Deduct: Derivative, Liabilities	(17,338)	(174.87)
Net Total Financial Assets measured at Fair Value (After netting derivative assets and liabilities)	¥ 10,703	\$ 107.94
The proportion of the net Level 3 financial assets in the net total financial assets carried at fair value after netting of derivative assets and liabilities	16%	16%

Private equity business

As of April 1, 2007 we adopted SOP 07-1, as a result, all private equity investments made by investment company subsidiaries pursuant to the provisions of SOP 07-1 are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to adoption of SOP 07-1, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

The valuation of unlisted private equity investments at fair value requires significant management judgment because these 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 realizable value of the investment has been different from the carrying value. In reaching that determination, we primarily use either our own internal valuation models based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital or comparable market multiple valuations. Where possible these valuations are compared with the operating cash flows and financial performance of the companies or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences.

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

Derivative contracts

We use a variety of derivative financial instruments, including futures, forwards, swaps and options, for trading purposes and for non-trading purposes. All derivatives are carried at fair value, with changes in fair value recognized through earnings.

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Fair value amounts recognized for derivative instruments with which party are concerned to a master netting agreement are offset in the consolidated balance sheet in accordance with FIN 39. 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 in accordance with FSP FIN 39-1.

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

	Billions of yen		Translation into billions of U.S. dollars	
	March 31, 2009		Assets	Liabilities
Listed derivatives	¥ 633	¥ 716	\$ 7	\$ 7
OTC derivatives	1,310	898	13	9
	¥ 1,943	¥ 1,614	\$ 20	\$ 16

	Billions of yen	
	March 31, 2008 ⁽¹⁾	
	Assets	Liabilities
Listed derivatives	¥ 52	¥ 53
OTC derivatives	1,121	737
	¥ 1,173	¥ 790

(1) As FSP FIN 39-1 was retrospectively applied, the above table as of March 31, 2008 reflect such retrospective application. The fair value of OTC derivative assets and liabilities at March 31, 2008 and 2009 by remaining contractual maturity are shown below:

	Billions of yen						Cross-maturity netting ⁽¹⁾	Total fair value
	March 31, 2009							
	Years to Maturity							
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years			
OTC derivative assets	¥ 829	¥ 746	¥ 846	¥ 499	¥ 1,370	¥ (2,980)	¥ 1,310	
OTC derivative liabilities	728	643	767	447	1,249	(2,936)	898	

	Billions of yen						Cross-maturity netting ⁽¹⁾	Total fair value
	March 31, 2008							
	Years to Maturity							
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years			
OTC derivative assets	¥ 548	¥ 379	¥ 518	¥ 406	¥ 1,058	¥ (1,788)	¥ 1,121	
OTC derivative liabilities	636	414	484	362	934	(2,093)	737	

Note: (1) This column shows the amount, which represents the netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are netted within the maturity category. Cash collateral netting against net derivatives in accordance with FSP FIN 39-1 are

included.

(2) As FSP FIN 39-1 was retrospectively applied, the above table as of March 31, 2008 reflect such retrospective application.

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The fair value of derivative contracts include adjustments for credit risk, both with regards to counterparty credit risk on positions held and our own credit risk on positions issued.

We realize gain or losses relating to changes in credit risk on our derivative contracts together with the movements of our trading positions, which include derivatives, that are expected to mitigate the above mentioned impacts due to changes in credit risk. We have various such derivative contracts with credit risk including the exposure to monoline insurers (financial guarantors). See *Exposure to monoline insurers (financial guarantors)* on the next page for further information.

We calculated the impact of its own creditworthiness on derivative liabilities, which resulted in revenue of ¥50 billion (\$0.50 billion) for the year ended March 31, 2009.

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

Challenging market conditions continue to impact numerous products including securitization and leveraged finance products to which we have certain exposure. We also have exposures to monoline insurers in the normal course of business.

Securitization Products

Our exposure to securitization products mainly consists of Commercial mortgage-backed securities (CMBS), Residential mortgage-backed securities (RMBS), and commercial real estate-backed securities. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic location of the underlying collateral as of March 31, 2009.

	Japan	Asia	March 31, 2009		Total
			Europe (in millions)	America	
Commercial mortgage-backed securities ⁽²⁾	¥ 8,069	¥	¥	¥ 2,717	¥ 10,786
Residential mortgage-backed securities	35,497			35,786	71,283
Commercial real estate-backed securities	37,708				37,708
Other securitization products	38,773	2,715	7,701	5,148	54,337
Total	¥ 120,047	¥ 2,715	¥ 7,701	¥ 43,651	¥ 174,114

Notes:

(1) The balances shown exclude those for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under SFAS140, and in which we have no continuing economic exposure.

(2) We have ¥38,486 million exposure, as whole loans and commitment, to U.S. CMBS-related business as of March 31, 2009. The following table sets forth our exposure to CMBS by geographical region and external credit rating of the underlying collateral as of March 31, 2009.

	AAA	A	BBB	March 31, 2009			Total
				BB (in millions)	Not rated	GNMA/GSEs ⁽¹⁾	
Japan	¥ 4,304	¥ 97	¥ 887	¥	¥ 2,781	¥	¥ 8,069
Americas	1,509	56	35	374		743	2,717

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Total	¥ 5,813	¥ 153	¥ 922	¥ 374	¥ 2,781	¥	743	¥ 10,786
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Notes:

- (1) GNMA refers to the Government National Mortgage Association. GSEs refers to government sponsored enterprises.
 (2) Rating based on the lowest rating given by Standard & Poor's, Moody's Investors Service, Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2009.

Exposure to monoline insurers (financial guarantors)

The following table sets forth our notional amounts, gross exposure, counter party risk reserves and other adjustments, net exposure, and CDS protection to monoline insurers (financial guarantors) by credit rating in structured credit trading business of Global Markets in Europe. The table does not include the fully reserved or hedged exposures.

Monoline Insurers by Credit Rating ⁽¹⁾	Notional ⁽²⁾	Gross Exposure ⁽³⁾	March 31, 2009		CDS Protection ⁽⁴⁾
			Counterparty Risk Reserves and other Adjustments (in millions)	Net Exposure	
AAA	\$ 1,276	\$ 248	\$ 94	\$ 154	\$
AA	\$ 256	\$ 123	\$ 13	\$ 110	\$ 11
Non-investment grade	\$ 6,947	\$ 4,868	\$ 4,433	\$ 435	\$ 142
Total	\$ 8,479	\$ 5,239	\$ 4,540	\$ 699	\$ 153

Notes:

- (1) Rating based on Standard & Poor's or Moody's Investors Service as of March 31, 2009 depending on which rating is lower.
 (2) The gross notional value of the credit derivative contract. There is no exposure related to U.S. RMBS as reference assets.
 (3) Gross exposure represents the estimated fair value prior to adjustments.
 (4) Notional less estimated fair value of CDS protection acquired against the monoline insurers.

In addition to the above derivatives exposure, Nomura also had \$420 million of debt securities at March 31, 2009 guaranteed by monoline insurers, the majority of which are utility bonds. The estimated fair value of the wrap included in the carrying value of these debt securities is not significant.

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, 2009.

	March 31, 2009			Translation into millions of U.S. dollars Total
	Millions of yen		Total	
	Funded	Unfunded		
Japan	¥ 7,967	¥ 1,895	¥ 9,862	\$ 100
Europe	74,859	5,601	80,460	811

Total	¥ 82,826	¥ 7,496	¥ 90,322	\$ 911
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Accounting Developments

See Note 1, Summary of accounting policies: Accounting changes and new accounting pronouncements, in our consolidated financial statements included in this annual report.

Private Equity Business

Our private equity investments, which are made primarily through our Merchant Banking Division, continue to expand in both Japan and Europe.

As of April 1, 2007 we adopted SOP 07-1. Certain entities which we consolidate under either a voting interest or variable interest model (investment company subsidiaries) are investment companies pursuant to the provisions of SOP 07-1. Investment company accounting applied by each of these investment company subsidiaries is retained in these consolidated financial statements.

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

We also adopted SFAS 159 on April 1, 2008 as well as SOP 07-1. As a result, all private equity investments are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to the adoption of SOP 07-1, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

Private equity business in Japan

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

Since its inception in 2001, NPF has made 21 investments and exited from 15 of these investments (including partial sales) and the fair value of its investment portfolio is ¥98,998 million (\$998 million) as at March 31, 2009.

NPF is a consolidated investment company pursuant to the provisions of SOP 07-1 and therefore carries all of its investments at fair value, with changes in fair value recognized through earnings from the adoption date of SOP 07-1 on April 1, 2007, rather than applying the equity method of accounting or consolidation, which was the accounting applied to certain investments prior to that date.

We also make private equity investments through another wholly-owned subsidiary Nomura Financial Partners Co., Ltd. (NFP). NFP is not an investment company pursuant to SOP 07-1, as it invests in entities engaged in our core-business.

On April 11, 2008, NFP and our joint investors entered into a share purchase agreement among Ashikaga Holdings Co., Ltd. (Ashikaga Holdings), a newly established entity for this transaction, The Ashikaga Bank Ltd. (Ashikaga Bank) and Deposit Insurance Corporation of Japan (DICJ). Ashikaga Holdings acquired Ashikaga Bank's shares from DICJ for ¥120 billion (\$1.21 billion) and to subscribe for Ashikaga Bank's new shares for ¥160 billion (\$1.61 billion) on July 1, 2008. We elected the fair value option to account for our investment in Ashikaga Holdings common stock, in which our ownership share is 45.5%. For more information of the fair value option under SFAS 159, see *Fair value for financial instruments*.

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Private equity business in Europe

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

Terra Firma Investments

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

With effect from March 27, 2002, we ceased consolidating the Terra Firma Investments and accounted for our investment managed by Terra Firma at fair value in accordance with the AICPA Audit and Accounting Guide, *Investment Companies* until March 31, 2007, following which we adopted SOP 07-1.

The Terra Firma Investments are held by entities which are consolidated investment companies pursuant to the provisions of SOP 07-1 and therefore we continue to account for these investments at fair value, with changes in fair value recognized through earnings.

The estimated fair value of the Terra Firma Investments was ¥130,938 million and ¥89,762 million (\$905 million) at March 31, 2008 and 2009, respectively.

Other Terra Firma Funds

In addition to the Terra Firma Investments, we are a 10% investor in a ¥252 billion (\$2.54 billion) private equity fund (TFCP II) and a 2% investor in a ¥671 billion (\$6.77 billion) private equity fund (TFCP III), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥25,182 million (\$254 million) and reduced to ¥6,038 million (\$61 million) as a result of adjustments for recyclable distributions. As of March 31, 2009, ¥4,392 million (\$44 million) had been drawn down for investments.

For TFCP III, our total commitment is ¥12,984 million (\$131 million) and ¥7,037 million (\$71 million) had been drawn down for investments as at March 31, 2009.

The investments in TFCP II and TFCP III are carried at fair value, with changes in fair value recognized through earnings.

Other Investments

We also makes private equity investments in Europe through wholly owned subsidiaries and other consolidated entities which have third party pooling of funds. These entities are consolidated investment companies pursuant to the provision of SOP 07-1 and therefore all investments are carried at fair value, with changes in fair value recognized through earnings.

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B. Liquidity and Capital Resources.

Liquidity

Overviews

Liquidity is of critical importance to us and other firms in the financial services sector. We define liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from an inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Liquidity risk could be due both to Nomura-specific and market wide events. Our primary liquidity objective is to ensure continuous liquidity across market cycles and periods of stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within one year can be met without additional unsecured funding or forced liquidation of trading assets.

We have in place a number of liquidity policies to achieve our primary liquidity objective. These include (1) ensuring sufficient long term debt to meet our cash capital needs; (2) maintenance of liquidity portfolios comprising cash and highly liquid unencumbered securities that can be converted into cash to meet our immediate liquidity requirements; (3) diversification of funding sources by currency, products, investor base and maturity in order to minimize reliance on any one source; (4) contingency funding plans and committed, unsecured credit facilities.

The Executive Management Board has the authority to make decisions concerning the group liquidity management. The Chief Financial Officer (CFO) has the operational authority and responsibility over Nomura Group's liquidity management based on the decision made by the Executive Management Board. Global Treasury is responsible for monitoring and managing our liquidity in accordance with policies determined by the Executive Management Board or other decision making bodies.

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

- (i) Our ability to finance assets using secured funding, including repurchase agreements and securities lending transactions. The cash capital requirements are calculated using conservative estimates of the assets secured borrowing power in stressed scenarios.
- (ii) Goodwill and identifiable intangible assets, property, equipment and other illiquid assets.
- (iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating. In addition, other unencumbered assets held at exchanges for chaining requirements are also funded with long-term liquidity.
- (iv) Commitments to lend to external counterparties based on the probability of drawdown.
- (v) Capital or other forms of financing in our regulated subsidiaries that is in excess of their long-term cash capital requirements. Our internal model is calculated at the subsidiary level in order to take into account legal, regulatory and tax restrictions that may impact the transfer of liquidity betw