NOMURA HOLDINGS INC
Form 20-F
June 26, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2014

OR

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

OR

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

Commission file number: 1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant s name into English)

	9-1, Nihonbashi 1-chome
	Chuo-ku, Tokyo 103-8645
Japan	**Japan**
(Jurisdiction of incorporation or organization)	**(Address of principal executive offices)**

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

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

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

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock*	**New York Stock Exchange**

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

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

None

(Title of Class)

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

None

(Title of Class)

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

As of March 31, 2014, 3,717,630,462 shares of Common Stock were outstanding, including 44,659,127 shares represented by 44,659,127 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. x 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 x 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 x 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 x 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 x	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 x	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 x No

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

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

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

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table shows selected financial information as of and for the years ended March 31, 2010, 2011, 2012, 2013 and 2014 which is derived from our consolidated financial statements included in this annual report. These financial statements are prepared in accordance with accounting principles generally accepted in the U.S. (U.S. GAAP). Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

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

	Millions of yen, except per share data and percentages Year ended March 31				
	2010	**2011**	**2012**	**2013**	**2014**
Statement of income data:					
Revenue	¥ 1,356,751	¥ 1,385,492	¥ 1,851,760	¥ 2,079,943	¥ 1,831,844
Interest expense	205,929	254,794	315,901	266,312	274,774
Net revenue	1,150,822	1,130,698	1,535,859	1,813,631	1,557,070
Non-interest expenses	1,045,575	1,037,443	1,450,902	1,575,901	1,195,456
Income before income taxes	105,247	93,255	84,957	237,730	361,614
Income tax expense	37,161	61,330	58,903	132,039	145,165
Net income	¥ 68,086	¥ 31,925	¥ 26,054	¥ 105,691	¥ 216,449
Less: Net income (loss) attributable to noncontrolling interests	288	3,264	14,471	(1,543)	2,858
Net income attributable to Nomura Holdings, Inc. (NHI) shareholders	¥ 67,798	¥ 28,661	¥ 11,583	¥ 107,234	¥ 213,591
Balance sheet data (period end):					
Total assets	¥ 32,230,428	¥ 36,692,990	¥ 35,697,312	¥ 37,942,439	¥ 43,520,314
Total NHI shareholders equity	2,126,929	2,082,754	2,107,241	2,294,371	2,513,680
Total equity	2,133,014	2,091,636	2,389,137	2,318,983	2,553,213
Common stock	594,493	594,493	594,493	594,493	594,493
Per share data:					
Net income attributable to NHI shareholders basic	¥ 21.68	¥ 7.90	¥ 3.18	¥ 29.04	¥ 57.57
Net income attributable to NHI shareholders diluted	21.59	7.86	3.14	28.37	55.81
Total NHI shareholders equity(1)	579.70	578.40	575.20	618.27	676.15
Cash dividends(1)	8.00	8.00	6.00	8.00	17.00
Cash dividends in USD(2)	$ 0.09	$ 0.10	$ 0.07	$ 0.08	$ 0.17
Weighted average number of shares outstanding (in thousands)(3)	3,126,790	3,627,799	3,643,481	3,692,796	3,709,831
Return on equity(4):	3.7%	1.4%	0.6%	4.9%	8.9%

Notes:

(1) Calculated using the number of shares outstanding at year end.

(2) Calculated using the yen-dollar exchange rate of the respective fiscal year end date, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York.

(3) The number shown is used to calculate basic earnings per share.

(4) Calculated as net income attributable to NHI shareholders divided by total NHI shareholders equity.

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Foreign Exchange

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

Year ended March 31	High	Low	Average(1)	Year end
2010	¥ 100.71	¥ 86.12	¥ 92.49	¥ 93.40
2011	94.68	78.74	85.00	82.76
2012	85.26	75.72	78.86	82.41
2013	96.16	77.41	83.26	94.16
2014	105.25	92.96	100.46	102.98

Calendar year 2014	High	Low
January	¥ 104.87	¥ 102.20
February	102.71	101.11
March	103.38	101.36
April	103.94	101.43
May	102.34	101.26
June (through June 20)	102.69	101.82

(1) Average rate represents the average of rates available on the last business day of each month during the year.

The noon buying rate for Japanese yen on June 20, 2014 was $1.00 = ¥102.14

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors.

Risk Factors

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

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

The global financial crisis that originated with the collapse of Lehman Brothers Holding Inc. (Lehman Brothers) in 2008, affected not only the global securities market but also financial services firms as participants, and also affected economic activity as a whole, especially in developed countries, including Japan. Also in 2011, financial problems in the U.S. and the worsening of financial issues in the peripheral countries of the Eurozone, including Greece, adversely influenced major global financial markets. Since 2013, the prospects of global economy have remained uncertain due to various actions including monetary tightening in China and tapering in the United States.

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

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

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

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

Our electronic trading business revenues may decline

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

We may incur significant losses from our trading and investment activities

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

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

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

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

March 31, 2014, absent other changes, we estimate that the aggregate fair value of assets that we would be required to post as additional collateral in connection with our derivative contracts would have been approximately ¥33.2 billion and ¥122.8 billion, respectively.

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

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

Extended market declines can reduce liquidity and lead to material losses

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

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase other risks that we face

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

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

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

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

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

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

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

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

We may be unable to access the debt capital markets

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

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

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

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

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

We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

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

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

Event risk refers to potential losses in value we may suffer through unpredictable events that cause large unexpected market price movements. These include not only significant events such as the terrorist attacks in the U.S. on September 11, 2001, U.S. subprime issues since 2007, the global financial and credit crisis in the autumn of 2008, the Great East Japan Earthquake in March 2011, fiscal problems in the U.S. and European countries which became apparent starting the same year and the political crisis in Ukraine which began in late 2013, but also more specifically the following types of events that could cause losses in our trading and investment assets:

- sudden and significant reductions in credit ratings with regard to financial instruments held by our trading and investment businesses by major rating agencies,
- sudden changes in trading, tax, accounting, regulatory requirements laws and other related rules which may make our trading strategy obsolete, less competitive or not workable, or
- an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and administrative penalty with respect to the issuers of our trading and investment assets.

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

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

Credit risk may also arise from:

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

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

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

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

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

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

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

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

The financial services industry faces intense competition

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

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

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

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

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

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

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

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

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

Our exposure to legal liability is significant

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

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

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

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

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

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

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

Changes in regulations relating to accounting standards, regulatory capital adequacy ratios, liquidity ratios and leverage ratios applicable to us could also have a material adverse effect on our business, financial condition and results of operations. For example, in March 2012, the FSA published the revised Capital Adequacy Notice on Final Designated Parent Company in order to respond to the Basel III measures announced by the Basel Committee on Banking Supervision (Basel Committee), and beginning on March 31, 2013, the amended Notice has been gradually phased in. The full implementation of such new measures may decrease our capital adequacy ratio calculated pursuant to such new measures below the levels at the end of March 2013. In addition to the Basel III measures, implementation of new regulations or strengthening of existing regulations have been determined or are under consideration by international organizations such as the G-20, Financial Stability Board (FSB), International Organization of Securities Commissions (IOSCO) and Basel Committee, or governmental and self-regulatory organizations in Japan and in virtually all other jurisdictions in which we operate. These changes in regulations, if they are applied to us, may require us to liquidate financial instruments and other assets, raise additional capital or otherwise restrict our business activities in a manner that could increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. Furthermore, the FSB and the Basel Committee have announced that they will annually update the list of global systemically important banks (G-SIBs) identified by financial regulators and additional regulatory capital requirements imposed on those G-SIBs. Additionally, G20 Finance Ministers and Central Bank Governors requested the FSB and the Basel Committee to expand the G-SIB framework to domestic systemically important banks (D-SIBs), and in October 2012, the Basel Committee developed and published a set of principles on the assessment methodology and higher loss absorbency requirements for D-SIBs. In addition, the FSB and IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation. The costs and impact on us as described above may further increase if we are identified as a G-SIB, a D-SIB or a NBNI G-SIFI in the future.

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

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

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

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

In August 2012, Nomura Securities Co., Ltd. (NSC), the Company s subsidiary, received a business improvement order from the FSA with respect to flaws recognized in connection with the management of entity-related information for public stock offerings. In response to the order, NSC, as of December 2013, has implemented and completed a series of improvement measures and is working to enhance and strengthen its information management structure to prevent similar incidents from occurring in the future.

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

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

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

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

We are a global financial institution providing a wide range of products and services to a diverse group of clients, including individuals, corporations, other financial institutions and governmental institutions. As such, we face potential conflicts of interest in the ordinary course of our business. Conflicts of interests can occur when our services to a particular client conflict or compete, or are perceived to conflict or compete, with our own interests. In addition, where non-public information is not appropriately restricted or shared within the firm, with

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regard to the many transactions within the Nomura Group, conflicts of interest can also occur where a group company transaction and/or a transaction with another client conflicts or competes with, or is perceived to conflict or compete with, a transaction with a particular client. While we have extensive internal procedures and controls designed to identify and address conflicts of interest, a failure, or a perceived failure, to identify, disclose and appropriately address conflicts could adversely affect our reputation and the willingness of current or potential clients to do business with us. In addition, conflicts of interest could give rise to regulatory actions or litigation.

Our business is subject to various operational risks

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

- failure to execute, confirm or settle securities transactions,
- failure by our officers or employees to perform proper administrative activities prescribed in our regular procedures, such as placing erroneous orders to securities exchanges,
- the destruction of or damage to our facilities or systems, or other impairment of our ability to conduct business, arising from the impacts of disasters or acts of terrorism which are beyond our anticipation and the scope of our contingency plan,
- the disruption of our business due to pandemic diseases or illnesses or
- suspension or malfunction of internal or third party systems, or unauthorized access, misuse, computer viruses and cyber-attacks affecting such systems.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company is a limited liability, joint-stock corporation incorporated under the laws of Japan. Most of the Company s directors and executive officers reside in Japan. Many of the Company s assets and the assets of these persons are located in Japan and elsewhere outside the U.S. It may not be possible, therefore, for U.S. investors to effect service of process within the U.S. upon the Company or these persons or to enforce against the Company or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the U.S. The Company believes that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of U.S. court judgments, of liabilities predicated solely upon the federal securities laws of the U.S.

Special Note Regarding Forward-looking Statements

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

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

Item 4. Information on the Company

A. History and Development of the Company.

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

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

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

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

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

What started out as a U.S. subprime loan crisis in the summer of 2007 became a global financial crisis with effects spreading to the broader economy. This created an extraordinarily challenging business environment for the Company. In dealing with these troubled assets, the Company reassessed the parts of its business that are not fully focused on clients. The Company was quick to review, reduce, and exit non-client businesses and illiquid positions such as commercial mortgages. As a result, the Company emerged from the financial crisis with one of the cleanest balance sheets among global players. To pave the way for future growth, the Company acquired and integrated the operations of Lehman Brothers in Asia Pacific, Europe and the Middle East.

At the end of March 2013 Japan became one of the first countries to implement Basel III. Ahead of the introduction of the new regulations, the Company reallocated resources to concentrate management resources on businesses where the Company can manifest its strengths.

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

B. Business Overview.

Overview

We are one of the leading financial services groups in Japan and have global operations. We operate offices in countries and regions worldwide including Japan, the U.S., the U.K., Singapore and Hong Kong Special Administrative Region (Hong Kong) through our subsidiaries.

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

Our business consists of Retail, Asset Management and Wholesale divisions which are described in further detail below. See also Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Corporate Goals and Principles

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

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

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

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Our Business Divisions

Retail

In Retail, we deliver a wide range of financial products and high quality investment services mainly for individuals and corporations in Japan primarily through a network of nationwide branches of Nomura Securities Co., Ltd. (NSC). The total number of its head office and local branches was 159 as of the end of March 2014. We offer investment consultation services to meet the medium- to long-term needs of our clients. The aggregate market value of our retail client assets increased ¥7.9 trillion to ¥91.7 trillion as of the end of March 2014 from ¥83.8 trillion a year ago. We discuss retail client assets in Retail Client Assets under Item 5.A of this annual report.

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

Asset Management

We conduct our asset management business, which consists of the development and management of investment trusts and investment advisory services, primarily through NAM. NAM is the largest asset management company in Japan in terms of assets under management in investment trusts as of March 31, 2014. In Japan, our challenge is to shift individual financial assets from saving products into investment products to create business opportunities. In order to make these opportunities available, NAM manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through NSC as well as through financial institutions such as securities companies (including those outside our group), banks and Japan Post Bank Co., Ltd. Investment trusts are also offered in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

Wholesale

Our Wholesale Division consisted of Global Markets, Investment Banking and certain other non-Retail operations, providing our corporate and institutional clients with timely, high value-added services tailored to their needs.

Global Markets

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

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

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

Investment Banking

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

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

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

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

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

Our Research Activities

We have an extensive network of intellectual capital with key research offices in Tokyo, Hong Kong and other major markets in the Asia-Pacific region, as well as in London and New York. Nomura is recognized as a leading content provider with an integrated global approach to providing capital markets research. Our researchers collaborate closely across regions and disciplines to track changes and spot future trends in politics, economics, foreign exchange, interest rates, equities, credit and quantitative analysis. Our Japan Equity Research team continued to top the Institutional Investor research polls in 2013. Our Fixed Income Research teams topped the Nikkei Veritas rankings for the fourth straight year.

Our Information Technology

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

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

In our Wholesale Division, we have enhanced our technology platforms to provide better risk management and also to increase trading capabilities through platforms allowing direct market access and algorithmic trading. We also continue to look for opportunities to further leverage our service entities in India to support our wholesale operations.

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For the corporate area in Japan, which relates to both the Retail and Wholesale businesses, we are implementing new settlement and finance system in order to improve the efficiency by decommissioning our legacy system.

Competition

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

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

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

- the monetary and fiscal policies of national governments and international economic organizations, and
- economic developments both within and between Japan, the U.S., Europe and other major industrialized and developing countries and regions.

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

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

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

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

Regulation

Japan

Regulation of the Securities Industry and Securities Companies. Pursuant to the FIEA, the Prime Minister of Japan has the authority to supervise and regulate the securities industry and securities companies, and delegates its authority to the Commissioner of the FSA. The Company, as a holding company of a securities company, as well as its subsidiaries including NSC and Nomura Financial Products & Services, Inc. (NFPS) are subject to such supervision and regulation by the FSA. The Commissioner of the FSA delegates certain authority to the Director General of Local Finance Bureaus to inspect local securities companies and branches. Furthermore, the Securities and Exchange Surveillance Commission, an external agency of the FSA which is independent from the Agency s other bureaus, is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder the fair trading of securities, including inspection of securities companies. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory organization of the securities industry.

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

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

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

The FIEA also provides for corporate group regulations on securities companies the size of which exceeds specified parameters (*Tokubetsu Kinyu Shouhin Torihiki Gyosha,* Special Financial Instruments Firm) and on certain parent companies designated by the Prime Minister (*Shitei Oyagaisha*, Designated Parent Companies) and their subsidiaries (together, the Designated Parent Company Group). The FIEA aims to regulate and strengthen business management systems, compliance systems and risk management systems to ensure the protection of investors. The FIEA and its related guidelines also provide reporting requirements to the FSA on the Designated Parent Company Group s business and capital adequacy ratios, enhanced public disclosures as well as restrictions on compensation all of which are designed to reduce excessive risk-taking by executives and employees of a Designated Parent Company Group. We were designated as the Designated Parent Company of NSC in April 2011 and were designated as the Designated Parent Company of NFPS in December 2013. As the Designated Parent Company and the final parent company within a corporate group (*Saishu Shitei Oyagaisha,* a Final Designated Parent Company), we are subject to these requirements. A violation of the FIEA may result in various administrative sanctions, including the revocation of registration or license, the suspension of business or an order to discharge any director or executive officer who has failed to comply with the FIEA.

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

On April 16, 2013, another bill was submitted to the Diet of Japan to amend the FIEA and the Deposit Insurance Act and was passed on June 12, 2013. A part of the amendment includes establishing Orderly Resolution Regime for Financial Institutions to prevent a financial crisis that may spread across financial markets and may seriously impact the real economy. Under the Orderly Resolution Regime, the Financial Crisis Response Council, chaired by the Prime Minister, will take measures such as providing liquidity to ensure the performance of obligations for critical market transactions where it is considered necessary to prevent severe market disruption. Such measures will be funded by the financial industry, except in special cases where the government will provide financial support. The amendment became effective on March 6, 2014.

Overseas

Our overseas offices and subsidiaries are also subject to various laws, rules and regulations applicable in the countries where they conduct their operations, including, but not limited to, those promulgated and enforced by the U.S. Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the U.S. Treasury, the Financial Stability Oversight Council, the New York Stock Exchange and the Financial Industry Regulatory Authority (a private organization with quasi-governmental authority and a regulator for all securities companies doing business in the U.S.) in the U.S.; and by the Prudential Regulation Authority (U.K. PRA), the Financial Conduct Authority (U.K. FCA) and the London Stock Exchange in the U.K. We are also subject to international money laundering and related regulations in various countries. For example, the USA PATRIOT Act of 2001 contains measures to prevent, detect and prosecute terrorism and international money laundering by imposing significant compliance and due diligence obligations and creating crimes and penalties. The Foreign Account Tax Compliance Act (FATCA) which was enacted in 2010 requires foreign financial institutions (FFIs) to report to the U.S. Internal Revenue Service information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. As a result, Nomura will be subject to certain reporting requirements consistent with a mutual agreement between Japanese governmental authorities and the U.S. Treasury Department. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could materially and adversely affect us.

Regulatory Changes. In response to the financial markets crisis, governments and regulatory authorities in various jurisdictions have made and continue to make numerous proposals to reform the regulatory framework for, or impose a tax or levy upon, the financial services industry to enhance its resilience against future crises, contribute to the relevant economy generally or for other purposes. In July 2010, the U.S. enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) which is now the subject of a multi-agency rulemaking process. The rulemakings include, (i) create a tighter regulatory framework for OTC derivatives to promote transparency and impose conduct rules in that marketplace; (ii) establish a process for designating nonbank financial firms as Systemically Important Financial Institutions (SIFIs), subject to increased (and sometimes new) prudential oversight including early remediation, capital standards, resolution authority and new regulatory fees; (iii) prohibit material conflicts of interest between firms that package and sell asset-backed securities (ABS) and firms that invest in ABS; (iv) establish risk retention requirements for ABS; and (v) a number of executive compensation mandates, including rules to curtail incentive compensation that promotes excessive risk taking. The new regulatory framework for OTC derivatives includes mandates for

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clearing transactions with designated clearing organizations, exchange trading, new capital requirements, bilateral and variation margin for non-cleared derivatives, reporting and recordkeeping, and internal and external business conduct rules. Some U.S. derivatives rules may be applied extraterritorially and therefore impact some non-U.S. Nomura entities.

Other aspects of the Dodd-Frank Act and related rulemakings include provisions that (i) prohibit deposit-taking banks and their affiliates from engaging in proprietary trading and limit their ability to make investments in hedge funds and private equity funds (the so-called Volcker Rule); (ii) empower regulators to liquidate failing nonbank financial companies that are systemically important; (iii) provide for new systemic risk oversight and increased capital requirements for both bank and non-bank SIFIs; (iv) provide for a broader regulatory oversight of hedge funds; and (v) new regulations regarding the role of credit rating agencies, investment advisors and others. To facilitate the transition to the requirements of the Dodd-Frank Act, the Commodity Futures Trading Commission issued an exemptive order in July 2013 (the Exemptive Order) that granted market participants temporary conditional relief from certain provisions of the Commodity Exchange Act, as amended by the Dodd-Frank Act. As the Exemptive Order expired on December 21, 2013 some U.S. derivatives rules are now being applied extraterritorially and are now therefore impacting some non-U.S. Nomura entities. In addition, Title VII of the Dodd-Frank Act gives the SEC regulatory authority over security-based swaps which are defined under the act as swaps based on a single security or loan or a narrow-based group or index of securities. Security-based swaps are included within the definition of security under the U.S. Securities and Exchange Act of 1934 and the U.S. Securities Act of 1933. On May 1, 2013, the SEC proposed rules and interpretive guidance addressing cross-border security-based swap activities. Once final, these rules will also be applied extraterritorially and impact some non-U.S. Nomura entities. The exact details of the Dodd Frank Act implementation and ultimate impact on Nomura s operations will depend on the form and substance of the final regulations adopted by various governmental agencies and oversight boards.

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

There are a number of regulatory developments that impact capital requirements for U.K. regulated entities. Most significant of these is Basel III, as adopted into EU law through the fourth Capital Requirements Directive (CRD IV) and Capital Requirements Regulation, which came into force on January 1, 2014. The aim of CRD IV is to strengthen the resilience of the EU banking sector so it is better placed to absorb economic shocks while ensuring that banks continue to finance economic activity and growth. CRD IV sets out requirements for minimum capital requirements for banks and investment firms and also introduced new capital and liquidity buffers.

The new framework also includes the treatment of bank exposures to central counterparties. CRD IV introduces the concept of the leverage ratio. The directive introduces corporate governance requirements with a more rigorous supervision of risks by directors as well as management or supervisory boards. The rules concern the composition of boards, their functioning and their role in risk oversight and strategy in order to improve the effectiveness of risk oversight by boards. The regulation requires firms to make increased Pillar 3 disclosures about their corporate governance arrangements. CRD IV also sets out requirements in relation to remuneration policies including limitations on the basic salary to bonus ratio (can be raised to a maximum of 1:2 with the approval of shareholders) for certain staff.

On October 20, 2011, the European Commission published draft legislation for the Directive on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council. The legislation has been split into two parts: the Markets in Financial Instruments Directive (MiFID) and the Markets in Financial Instruments Regulation (MiFIR). On May 13, 2014, the Council of the European Union announced that it had adopted MiFID II and MiFIR. The new rules will come into force in January 2017. The legislation seeks to introduce wide-reaching changes to markets, including the extension of market transparency rules into non-equities and potentially reducing the size of the OTC derivative market by mandating the clearing of such transactions through central clearing counterparties and exchanges. The new framework introduces a market structure which closes loopholes and ensures that trading, wherever appropriate, takes place on regulated platforms. It introduces rules on high frequency trading and aims to improve the transparency and oversight of financial markets. The revised MiFID also aims to strengthen the protection of investors by introducing robust organisational and conduct requirements or by strengthening the role of management bodies. The new framework also increases the role and supervisory powers of regulators and establishes powers to prohibit or restrict the marketing and distribution of certain products in well-defined circumstances. A harmonised regime for granting access to EU professional markets for firms from third countries, based on an equivalence assessment of third country jurisdictions by the Commission, is introduced.

In May 2014 the European Securities and Markets Authority (ESMA) launched the consultation process for the implementation of the revised MiFID II and MiFIR by publishing a consultation paper and a discussion paper. MiFID II/MiFIR contains over 100 requirements for ESMA to draft regulatory technical standards (RTS) and implementing technical standards (ITS) and to provide technical advice to the European Commission to allow it to adopt delegated acts. The main issues covered in the papers are divided into those addressing the structure, transparency and regulation of financial markets, and those aimed at strengthening investor protection. The consultation paper requests comments on the technical advice that ESMA is required to deliver to the European Commission by December 2014 and the discussion paper will provide the basis for a further consultation paper on the draft RTS and ITS which is expected to be issued in late 2014/early 2015.

The European Market Infrastructure Regulation (EMIR) introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR was adopted on July 4, 2012 and entered into force on August 16, 2012. EMIR applies to any entity established in the European Union that is a legal counterparty to a derivative contract, even when trading with non-EU firms. When fully enforced, EMIR will require entities that enter into any form of derivative contract to: report every derivative contract that they enter to a trade repository; implement new risk management standards, including operational processes and margining, for all bilateral over-the-counter derivatives trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation. Nomura is in the process of implementing the various EMIR requirements across work streams in accordance with their respective compliance dates.

On October 20, 2011, the European Commission published draft legislation for the review of the Market Abuse Directive (MAD II). The dossier has been split into two parts: the Market Abuse Directive (criminal sanctions for market abuse) and the Market Abuse Regulation. In June 2014 the Market Abuse Regulation and Market Abuse Directive were published in the EU Official Journal. The Market Abuse Regulation shall enter into application in July 2016. Member States have two years to transpose the Market Abuse Directive on criminal sanctions for market abuse into their national law. The new rules on market abuse update and strengthen the existing framework to ensure market integrity and investor protection provided by the existing Market Abuse Directive which will now be repealed. The Market Abuse Directive requires all Member States to provide for harmonised criminal offences of insider dealing and market manipulation, and to impose maximum criminal penalties of not less than 4 and 2 years imprisonment for the most serious market abuse offences.

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

Regulatory Capital Rules

Japan

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

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

The FSA reviewed the FIEA and regulations thereunder in line with Basel 2.5 framework and the revised regulations for Basel 2.5 were implemented at the end of December 2011. Market risks increased significantly as a result of the Basel 2.5 rule implementation.

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

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

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

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

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

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

At the G-20 summit in November 2011, the Financial Stability Board (FSB) and the Basel Committee announced the list of global systemically important banks (G-SIBs) and the additional requirements to the G-SIBs including the recovery and resolution plan. The FSB also announced the group of G-SIBs will be updated annually and published by the FSB each November. We were not designated as a G-SIB in November 2012 and November 2013. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important banks (D-SIBs) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. Furthermore, the FSB and the IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation, as described in Consolidated Regulatory Requirements under Item 5.B of this annual report.

Overseas

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

In addition, in January 2014, Nomura Global Financial Products Inc. (NGFP) received approval from the U.S. Securities and Exchange Commission to become an OTC Derivatives Dealer (a special category of broker-dealer engaged in an OTC derivatives business), and is also provisionally registered with the Commodity Futures Trading Commission as a Swap Dealer in accordance with the Dodd-Frank Act. NGFP maintains minimum levels of capital as determined under Appendix F as of SEC Rule 15c3-1.

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

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

Management Challenges and Strategies

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

In order to achieve our management objectives, we are placing top priority on ensuring that profits are recorded by all business segments in all regions. This fiscal year, we further advanced selection and concentration centered on our overseas bases, and completed cost reduction measures. We will continue our efforts to strengthen the profitability of our overseas operations and boost the comprehensive competitiveness of the Group.

We will continue to take appropriate measures to comply with international financial regulations. Basel III has been being phased in from the end of March 2013, and Nomura is now subject to these regulations. The Deposit Insurance Act was revised in June 2013 aiming to implement an effective resolution management structure for financial institutions in Japan, and under those revisions, Nomura is now subject to the new crisis response measures in the same way as banks. Liquidity regulations are also starting to be introduced as part of new rules, with various debates taking place regarding the details. Furthermore, new rules for derivatives and other financial transactions are being put in place in various countries. These new regulations are now in executive stage for global financial institutions.

In Western countries, regulations limiting the scope of the banking business are scheduled for introduction, and moves toward placing additional regulations on large financial institutions are growing more active. In Europe, financial transaction tax will also be introduced. These regulatory tightening actions may directly affect the Company and the trading markets for equities, bonds and their derivative products as well as the competitive conditions among financial institutions. Therefore, Nomura will take necessary measures in carefully responding to these changes.

The challenges and strategies in each division are as follows:

Retail Division

In our Retail Division, in Japan we focus on expanding and improving our service line-up offered through our sales channels including branches, the Internet and call centers, aiming to meet and resolve the individual needs and concerns of each client. We seek to enhance our consulting-based sales and deliver top-quality services tailored to the particular life plan or life stage of each client, so that the Nomura Group can remain a trusted partner to our clients.

Asset Management Division

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

Wholesale Division

Global Markets has been focusing on delivering differentiated products and solutions to our clients by leveraging the Nomura Group s capabilities in trading, research, and global distribution. We are improving comprehensive services transcending the boundaries of Fixed Income and Equities products.

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

In our Wholesale Division, cooperation across business areas and regions is becoming more important to provide quality services which meet the needs of our clients. We will focus on Asia as a strategic region where Nomura has a competitive geographical advantage, with expectations of its medium- to long-term economic growth, aiming to manifest the Group s comprehensive strengths for future growth.

Risk Management and Compliance, etc.

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

As our business becomes increasingly international and diverse, we recognize the growing importance of compliance. We will continue to focus on improving the management structure to comply with local laws and regulations in the countries where we operate. In addition, we continuously review and improve our existing overall compliance system and rules with initiatives that promote an environment of high ethical standards among all of our executive management and employees. In this way, we will meet the expectations of society and clients toward the Nomura Group and contribute to the further development of financial and capital markets.

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

We continue to reinforce our Internal Audit system aiming to ensure the effectiveness of our highly developed risk management and the efficacy of our governance. We will continue to strengthen the efficiency of our internal governance system by reinforcing and ensuring the independence of our Internal Audit system from the execution side, and promote proper corporate activities.

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

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C. Organizational Structure.

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

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

Capital Nomura Securities PCL	Thailand	86

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D. Property, Plants and Equipment.

Our Properties

As of March 31, 2014, our principal head office is located in Tokyo, Japan and occupies 984,157 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 125,218 square feet, our Nagoya branch office, which occupies 82,918 square feet, and the head office of NAM in Tokyo, which occupies 157,231 square feet.

As of March 31, 2014, our major offices outside Japan are the head offices of Nomura International plc (NIP) located in London, which occupies 458,615 square feet, the New York head office of Nomura Securities International, Inc., which occupies 182,534 square feet, and the offices of Nomura International (Hong Kong) Limited located in Hong Kong which occupies 140,501 square feet. We lease most of our overseas office space.

As of March 31, 2014, the major office of Nomura Services India Private Limited, our specialized service company in India, occupies 476,271 square feet.

As of March 31, 2014, the aggregate book value of the land and buildings we owned, including capital leases was ¥204 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥48 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, 2014 and which remain unresolved as of the date of the filing of this annual report with the Commission.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

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

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

Business Environment

Japan

The Japanese economy recovered throughout the fiscal year ended March 31, 2014. The economy was driven by policy effects under the so-called three arrows of Abenomics : bold monetary policies, flexible fiscal policies, and growth strategies aimed at stimulating private-sector investment. In particular, yen depreciation and rising share prices supported by quantitative and qualitative monetary easing introduced in April by the Bank of Japan under its new leadership supported increased consumer spending and a marked improvement in earnings at exporters. In addition, economic stimulus in the FY12 supplementary budget led to a sharp increase in public investment, underpinning economic growth. Consumer spending also accelerated in January-March 2014 on the back of a spike in demand ahead of the increase in the consumption tax rate implemented in April 2014. As a result, Japan s real gross domestic product (GDP) in the fiscal year ended March 31, 2014, expanded by 2.3% year-on-year.

In terms of corporate earnings, recurring profits either rose or moved into the black in all industry sectors in the fiscal year ended March 31, 2014, supported by yen depreciation on the back of Abenomics, economic recovery overseas, and a spike in demand ahead of the hike in the consumption tax. Profits rose markedly particularly in the automotive, electronics and precision, and other sectors where earnings are comparatively sensitive to exchange rates, and in the financials sector, which saw substantial benefits from the reflationary environment. We estimate that recurring profits at major companies (those in the Russell/Nomura Large Cap Index) increased by 35% year-on-year in the fiscal year ended March 31, 2014, with growth expanding from the 13% in the prior fiscal year.

The stock market made large gains in response to the above-noted quantitative and qualitative monetary easing, and then fell back on such factors as the announcement of growth strategies in June 2013, but maintained an upward trend through to December supported by a sustained correction in the strong yen. From the start of 2014, however, the stock market saw weakness on concerns of economic slowing in Japan owing to the increase in the consumption tax, receding expectations of additional monetary easing by the Bank of Japan, worries over economic slowing in the U.S. triggered by the cold snap there, and growing geopolitical risk relating to Ukraine. The Tokyo Stock Price Index (the TOPIX) advanced 16.3% over the course of the fiscal year, from 1,034.71 points at the end of March 2013 to 1,202.89 points at the end of March 2014. The Nikkei Stock Average rose 19.6% over the fiscal year, from 12,397.91 at the end of March 2013 to 14.827.83 at the end of March 2014.

The yield on newly issued 10-year Japanese government bonds rose sharply at the beginning of the fiscal year but then trended downward. The yield began the fiscal year ended March 31 2013 at the mid-0.5% level, but then declined close to 0.3% as the Bank of Japan came out with much more extensive quantitative and qualitative monetary easing policies on 4 April 2013 than the market had been expecting. Subsequently, however, volatility increased amid supply-demand instability, with sustained selling of Japanese government bonds by investors in expectation of an exit to Bank of Japan easing. In tandem with the U.S. Federal Reserve Board (the FRB) tapering its third round of quantitative easing (QE3), the yield on newly issued 10-year Japanese government bonds at one point reached 1.0%. The yield started to turn down gradually through to the middle of the fiscal year as the effects of the above-noted Bank of Japan s easing measures showed through, falling to around 0.60% after the U.S. in September put off QE3 tapering. The yield rose temporarily on the announcement of the start of QE3 tapering in December, but only to the 0.7% level. From January 2014 onward, risk aversion increased globally prompted by weaker-than-expected U.S. economic indicators as the result of the cold snap and growing uncertainties over the situation in Ukraine, with the yield on newly issued 10-year Japanese government bonds ending March once again at the lower 0.6% level.

On the foreign exchange markets, the value of the yen against the U.S. dollar was influenced by trends in the U.S. economy and against the euro by debt issues in the Eurozone. The yen was trading at the ¥94 level versus the U.S. dollar and the ¥120 level versus the euro at the end of March 2013. Initially in the fiscal year ended March 31, 2014, the yen depreciated against both the U.S. dollar and euro on expectations for Abenomics and quantitative and qualitative monetary easing by the Bank of Japan. From May onward, however, market sentiment deteriorated amid expectations of a tapering in the FRB s quantitative easing and the resulting volatility in emerging markets. Expectations for Abenomics also waned. The yen remained stronger than ¥100 against the U.S. dollar from June through to mid-November owing to the emergence of U.S. debt problems, which included a partial government shutdown in September. Against the euro, the yen reached the ¥135 level at the end of October as the euro appreciated on the back of a gradual rise in short-term interest rates as the European economy emerged from its worst period and there was an easing in excess liquidity. Through to the end of the year, the yen depreciated against the U.S. dollar amid confirmation of the U.S. economy picking up steam and against the euro amid abundant fund inflows particularly into the stock market and as the European Central

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Bank adopted a softer stance on easing. From January 2014 onward, the yen trended flat against both the U.S. dollar and the euro amid a rapid slowing in the U.S. economy owing to the cold snap and heightening geopolitical risks relating to the situation in Ukraine. At the end of March 2014 the yen was trading at the ¥103 level versus the U.S. dollar and the ¥142 level versus the euro.

Overseas

The global economy saw a slowing trend. In particular, weakness in the U.S. economy owing to the country s debt problems fed through to economic slowing in industrialized nations as a whole. Meanwhile, expectations grew in the financial markets that the QE3 asset purchasing program in the U.S. might be scaled back, and there were temporary outflows of funds from some emerging economies. This had a negative impact on economic growth in those economies, as it prompted them to opt for monetary tightening. Financial markets in emerging economies gradually settled down in the second half of the fiscal year ended March 31, 2014, and economies also stabilized.

In the U.S., house prices and stock prices rose as the FRB stayed with QE3, bringing also benefits for consumer spending through the wealth effect. However, growth in 2013 was held back by increasing fiscal austerity by the federal government and by uncertainties over the fiscal debate against a backdrop of a temporary partial shutdown of the federal government in October 2013. As a result, U.S. real GDP growth slowed to 1.9% year-on-year in 2013, from 2.8% in 2012. Real GDP growth in January-March 2014 slowed to 0.1% year-on-year on an annualized basis under the adverse impact of inventory adjustments and the cold snap. The U.S. stock market saw a correction in the summer of 2013 on concerns over QE3 tapering, but then followed an uptrend through to the end of the year. From the start of 2014 the U.S. stock market fluctuated with the start of QE3 tapering. The Dow Jones Industrial Average rose from 14,578.54 at the end of March 2013 to 16,457.66 at the end of March 2014, a gain of 12.9%. The yield on 10-year U.S. Treasuries was around 1.9% at the end of March 2013, held on an uptrend from May on the emergence of expectations of QE3 tapering to reach over 3% at one point in December, but with an easing in rises in interest rates from the start of 2014 the yield fell to around 2.7% at the end of March 2014.

In Europe, Eurozone real GDP shrank a further 0.4% in 2013 after contracting 0.6% year-on-year in 2012. The economies of some countries, including Italy and France, continued to be held back by structural problems. With financial market uncertainties over liquidity abating thanks partly to the ECB s asset purchasing program, there was a clear cyclical bottoming in the economies of many Eurozone countries from around summer 2013. The benchmark German stock index (DAX) had followed a similar pattern to stock prices in Japan and the U.S., but ended up advancing by about 23% over the year ended March 31, 2014 supported by the tail wind of economic bottoming.

Asian economies as a whole entered a period of gradual slowing. Among them, China s economy saw real GDP growth in 2013 of 7.7%, a similar level to 2012. The country continued with its effort to shift from a pattern of economic growth led by investment to one led by consumer spending under the leadership of China s president Xi Jinping, who was appointed in March 2013, a stance that was also emphasized at the Third Plenum held in November. In the absence of any large-scale fiscal stimulus measures, the country s real GDP growth slowed slightly in January-March 2014 to 7.4% year-on-year owing to slowing real estate and infrastructure-related investment. Southeast Asia and India saw increasingly marked economic slowing in the second half of 2013 in response to economic slowing in the U.S. In countries including Indonesia and India, where the adverse impact from QE3 tapering in the U.S. emerged, a slowing in investment owing to the adoption of monetary tightening policies also had a negative economic impact.

Executive Summary

Looking back at the global economy during the fiscal year ended March 31, 2014, in the United States household balance sheet adjustments were largely completed and there were signs of economic recovery centered on private consumption. In Europe as well, while some countries require structural adjustments, the worst period was over. Overall, the economies of the industrialized nations were firm. On the other hand, in China the growth rate slowed due partly to stronger regulations over shadow banking, a tight labor market, and reduced public investment by regional governments. In addition, there are factors which make the future unclear especially for emerging economies with the Ukraine problem that emerged from late 2013 and other issues.

Under these conditions, in Japan with Abenomics, the foreign exchange rate trend shifted toward a depreciation of the yen, and share prices rose sharply on the consequent improvement in corporate earnings. Furthermore, the September 2013 decision to hold the 2020 Olympics and Paralympics in Tokyo, combined with other developments, had a positive effect on the real economy through improved business and consumer sentiment. As a result, the Japanese economy is on a recovery trend with improvements in private consumption and other areas. Reflecting these developments, the Tokyo Stock Price Index (TOPIX) rose from 1,000 points at the beginning of the fiscal year to 1,276 points in May. The index temporarily weakened during the summer, but recovered to 1,306 points around the end of 2013 and beginning of 2014, and ended the fiscal year at 1,202 points. In the U.S. dollar-yen exchange rate, the depreciation of the yen continued with the rate rising from the 93 yen range at the beginning of the fiscal year to the 105 yen range at the end of 2013, with the rate in the 103 yen range at the end of the fiscal year.

With respect to financial regulations, the introduction of Basel III (Capital requirement regulations for financial institutions) has begun in Japan and other widespread regulatory reforms aimed at tightening supervision of domestic and foreign financial institutions are being implemented in a phased manner. Financial regulations will continue to require a careful response.

Amid this environment and under the basic philosophy of placing our clients at the heart of everything we do, we strove to provide clients with high value-added products and services, worked to strengthen ties among regions and businesses, and made efforts to expand revenues. As a result of these efforts, we posted net revenue of ¥1,557.1 billion for the fiscal year ended March 31, 2014, a 14.1% decrease from the previous fiscal year when Nomura Real Estate Holdings, Inc. was a consolidated subsidiary. Noninterest expenses decreased 24.1% to ¥1,195.5 billion, income before income taxes was ¥361.6 billion, and net income attributable to the shareholders of Nomura Holdings, Inc. was ¥213.6 billion, the second highest level (after the record high posted for the fiscal year ended March 31, 2006) since we introduced U.S. GAAP in the fiscal year ended March 31, 2002. Return on equity (ROE) rose 4 percentage points from 4.9% in the prior fiscal year to 8.9%. EPS[1] for this fiscal year was 55.8 yen.

(Note):

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

We have decided to pay a dividend of 9 yen per share to shareholders of record as of March 31, 2014. As a result, the total annual dividend will be 17 yen per share.

In Retail, net revenue for the year ended March 31, 2014 increased by 28.6% from the previous fiscal year to ¥511.9 billion, primarily due to increased brokerage commissions. Non-interest expenses increased by 7.6% to ¥319.9 billion. As a result, income before income taxes increased by 90.8% to ¥192.0 billion. We continued consulting-oriented sales activities to accurately respond to the investment needs of individual customers toward becoming a securities company that is trusted by clients. For the Nippon Individual Savings Accounts (NISA) system introduced from 2014 which provides tax exemptions for gains on small investments, we held about 2,200 seminars prior to the system s introduction and made other efforts so that a greater number of clients will make use of NISA. As a result, total retail client assets under management increased to ¥91.7 trillion from ¥83.8 trillion at the end of the previous fiscal year to post a new record. The number of client accounts also increased by 119,000 from the end of the previous fiscal year to 5.14 million, so the business base is steadily expanding.

In Asset Management, net revenue for the year ended March 31, 2014 increased by 16.7% from the previous fiscal year to ¥80.5 billion, in part due to increased assets under management. Non-interest expenses increased by 11.7% to ¥53.4 billion. As a result, income before income taxes increased by 28.1% to ¥27.1 billion. In the investment trust business, assets under management increased with an influx of funds mostly for stock investment trusts and the improved market environment. In particular, funds focused on infrastructure-related companies and Japanese stock funds contributed to increasing assets under management. We also focused on products, seminars and web contents that promote the spread of the NISA system. In the investment advisory business, there was an increase in mandates from overseas clients, mostly for Japanese stocks and foreign bonds. As a result, assets under management as of March 31, 2014 increased by ¥2.9 trillion from the end of the previous fiscal year to ¥30.8 trillion.

In Wholesale, net revenue for the year ended March 31, 2014 increased by 18.6% from the previous year to ¥765.1 billion. The first quarter net revenue was mainly driven by Japan, where a market rally continued from the previous year. From the second quarter net revenue declined in Japan, but net revenue from our overseas businesses started to pick up, enabling the Wholesale Division to post an increase in net revenue for the full fiscal year. Non-interest expenses also increased by 14.0% to ¥653.3 billion, largely because of the depreciation of the yen, but this increase in expenses was limited by the successful cost reduction efforts to date. As a result, income before income taxes rose by 56.0% to ¥111.8 billion.

Results of Operations

Overview

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

	Millions of yen, except percentages Year ended March 31		
	2012	2013	2014
Non-interest revenues:			
Commissions	¥ 347,135	¥ 359,069	¥ 474,557
Fees from investment banking	59,638	62,353	91,301
Asset management and portfolio service fees	144,251	141,029	167,247
Net gain on trading	272,557	367,979	476,356
Gain on private equity investments	25,098	8,053	11,392
Gain on investments in equity securities	4,005	38,686	15,156
Other	563,186	708,767	179,485
Total Non-interest revenues	1,415,870	1,685,936	1,415,494
Net interest revenue	119,989	127,695	141,576
Net revenue	1,535,859	1,813,631	1,557,070
Non-interest expenses	1,450,902	1,575,901	1,195,456
Income before income taxes	84,957	237,730	361,614
Income tax expense	58,903	132,039	145,165
Net income	¥ 26,054	¥ 105,691	¥ 216,449
Less: Net income (loss) attributable to noncontrolling interests	14,471	(1,543)	2,858
Net income attributable to NHI shareholders	¥ 11,583	¥ 107,234	¥ 213,591
Return on equity	0.6%	4.9%	8.9%

Net revenue decreased by 14% from ¥1,813,631 million for the year ended March 31, 2013 to ¥1,557,070 million for the year ended March 31, 2014 primarily due to the deconsolidation of Nomura Real Estate Holdings Inc. (NREH), a subsidiary of Nomura Land and Buildings Co., Ltd (NLB) in March 2013 which was partially offset by the impact of exchange rate fluctuations, especially depreciation of the yen, on revenues generated by our overseas businesses. *Commissions* increased by 32% from ¥359,069 million for the year ended March 31, 2013 to ¥474,557 million for the year ended March 31, 2014 primarily due to an increase in brokerage commissions received from equity and equity related products, particularly in Japan. *Fees from investment banking* increased by 46% from ¥62,353 million for the year ended March 31, 2013 to ¥91,301 million for the

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year ended March 31, 2014 primarily due to an increase in commissions received from equity and equity related products as a result of increased client financing demands in a background of active stock market conditions. *Asset management and portfolio service fees* increased by 19% from ¥141,029 million for the year ended March 31, 2013 to ¥167,247 million for the year ended March 31, 2014 primarily due to an increase in assets under management driven by continuing fund inflows. *Net gain on trading* increased by 30% from ¥367,979 million for the year ended March 31, 2013 to ¥476,356 million for the year ended March 31, 2014, primarily driven by the increase in revenue from our Equities business within Global Markets. *Net gain on trading* also included total losses of ¥15.6 billion attributable to changes in Nomura s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was due primarily to the tightening of Nomura s credit spreads during the period. *Gain on private equity investments* increased by 42% from ¥8,053 million for the year ended March 31, 2013 to ¥11,392 million for the year ended March 31, 2014 primarily due to the recognition of unrealized gains from our investment in Ashikaga Holdings Co., Ltd. (Ashikaga Holdings) following its listing on the Tokyo Stock Exchange during the year ended March 31, 2014. *Other* decreased by 75% from ¥708,767 million for the year ended March 31, 2013 to ¥179,485 million for the year ended March 31, 2014, primarily due to the deconsolidation of NREH. *Other* for the year ended March 31, 2013 included ¥663,466 million of revenue from NLB and its related subsidiaries.

Net revenue increased by 18% from ¥1,535,859 million for the year ended March 31, 2012 to ¥1,813,631 million for the year ended March 31, 2013. *Commissions* increased by 3%, due primarily to an increase in commissions from the distribution of investment trust certificates. *Fees from investment banking* increased by 5%, due primarily to an increase in commissions received from equity and equity related products. *Asset management and portfolio service fees* decreased by 2%. *Net gain on trading* increased by 35% to ¥367,979 million for the year ended March 31, 2013, primarily driven by revenue from our Fixed Income business within Global Markets. *Net gain on trading* also included total losses of ¥57.8 billion attributable to changes in Nomura s own creditworthiness with respect to derivative liabilities and financial liabilities for which the fair value option has been elected. This net loss was due primarily to the tightening of Nomura s credit spreads during the period. *Gain on private equity investment* decreased by 68% due primarily to the realized gains on equity securities of certain investee companies for the year ended March 31, 2012. *Other* was ¥708,767 million for the year ended March 31, 2013, including ¥663,466 million of revenue from NLB and its related subsidiaries. This included ¥336,858 million of revenues from real estate sales generated by NREH which was a subsidiary of NLB. These revenues were recognized when sales have closed, the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the real estate and Nomura doesn t have a substantial continuing involvement in the real estate. Also, ¥50,139 million of revenues were recognized as a result of Nomura s sale of a portion of its investment in NREH in March 2013. This included ¥38,468 million of unrealized gains arising from remeasurement of Nomura s remaining investment in NREH. Following this sale, Nomura no longer maintained a controlling financial interest in NREH which was deconsolidated and prospectively accounted for as an affiliate under the equity method.

Net interest revenue was ¥119,989 million for the year ended March 31, 2012, ¥127,695 million for the year ended March 31, 2013 and ¥141,576 million for the year ended March 31, 2014. *Net interest revenue* is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. *Net interest revenue* is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view *net interest revenue* and *non-interest revenues* in aggregate. For the year ended March 31, 2014, interest revenue increased by 6%, primarily due to an increase of dividends income and interest income on reverse repurchase agreements and interest expense increased by 3%, primarily due to an increase in interest expense on repurchase agreements. As a result, *Net interest revenue* for the year ended March 31, 2014 increased by ¥13,881 million from the year ended March 31, 2013. For the year ended March 31, 2013, interest revenue decreased by 10% primarily due to a decrease of dividends income and interest income on reverse repurchase agreements in our Europe region and interest expense decreased by 16% primarily due to a decrease in interest expense on repurchase agreements and loans. As a result, *Net interest revenue* for the year ended March 31, 2013 increased by ¥7,706 million from the year ended March 31, 2012.

Gain on investments in equity securities was ¥4,005 million for the year ended March 31, 2012, ¥38,686 million for the year ended March 31, 2013 and ¥15,156 million for the year ended March 31, 2014. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes which are our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

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

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

Income before income taxes was ¥84,957 million for the year ended March 31, 2012, ¥237,730 million for the year ended March 31, 2013 and ¥361,614 million for the year ended March 31, 2014.

We are subject to a number of different taxes in Japan and have adopted the consolidated tax filing system permitted under Japanese tax law. The consolidated tax filing system only imposes a national tax. Since April 1, 2004, our effective statutory tax rate has been approximately 41%. Due to certain revisions to domestic tax laws during the third quarter ended December 31, 2011 and during the fourth quarter ended March 31, 2014, the Company s effective statutory tax rates were revised to 38% for the fiscal years ended March 31, 2013 and March 31, 2014 and will be 36% in future fiscal years. Our foreign subsidiaries are subject to the income taxes of the countries in which they operate, which are generally lower than those in Japan. The Company s effective statutory tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

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

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

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

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Net income attributable to NHI shareholders for the year ended March 31, 2012 was ¥11,583 million, ¥107,234 million for the year ended March 31, 2013 and ¥213,591 million for the year ended March 31, 2014, respectively. Our return on equity for the year ended March 31, 2012, 2013 and 2014 was 0.6%, 4.9% and 8.9%, respectively.

Results by Business Segment

Our operating management and management reporting are prepared based on our Retail, Asset Management and Wholesale Divisions and we disclose business segment information in accordance with this structure. Gain on investments in equity securities, our share of equity in the earnings (losses) of affiliates, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as a reconciling items outside of our segment information. The following segment information should be read in conjunction with Item 4.B *Business Overview* of this annual report and Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is provided in Note 24 *Segment and geographic information* in our consolidated financial statements included in this annual report.

Retail

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

Operating Results of Retail

	Millions of yen		
	Year ended March 31		
	2012	2013	2014
Non-interest revenues	¥ 347,385	¥ 394,294	¥ 505,911
Net interest revenue	2,873	3,631	6,005
Net revenue	350,258	397,925	511,916
Non-interest expenses	287,128	297,297	319,915
Income before income taxes	¥ 63,130	¥ 100,628	¥ 192,001

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

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

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

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

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Income before income taxes was ¥63,130 million for the year ended March 31, 2012, ¥100,628 million for the year ended March 31, 2013, and ¥192,001 million for the year ended March 31, 2014.

The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the years ended March 31, 2012, 2013, and 2014.

As shown above, revenue from Equities increased from 20% for the year ended March 31, 2013 to 37% for the year ended March 31, 2014. Revenue from Investment trusts and Asset Management decreased from 54% for the year ended March 31, 2013 to 44% for the year ended March 31, 2014. Revenue from Bonds decreased from 24% for the year ended March 31, 2013 to 17% for the year ended March 31, 2014. Revenue from Insurance was 2% for the year ended March 31, 2014.

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Retail Client Assets

The following graph shows amounts and details regarding the composition of retail client assets at March 31, 2012, 2013, and 2014. Retail client assets consist of clients assets held in our custody and assets relating to variable annuity insurance products.

Retail Client Assets

Retail client assets increased from ¥83.8 trillion as of March 31, 2013 to ¥91.7 trillion as of March 31, 2014, primarily due to increases in the balances of our clients equity and equity related products by 6.5 trillion from 46.7 trillion as of March 31, 2013 to 53.2 trillion as of March 13, 2014 and contribution of other products. The balance in our clients investment trusts increased by 8% from ¥15.5 trillion as of March 31, 2013 to ¥16.6 trillion as of March 31, 2014, reflecting net cash inflows from clients.

Retail client assets increased from ¥72.0 trillion as of March 31, 2012 to ¥83.8 trillion as of March 31, 2013, primarily due to an increase in the balances of our clients equity and equity related products by 9.5 trillion from 37.2 trillion as of March 31, 2012 to 46.7 trillion as of March 13, 2013 and contribution of other products. The balance in our clients investment trusts increased by 15% from ¥13.5 trillion as of March 31, 2012 to ¥15.5 trillion as of March 31, 2013, reflecting net cash inflows by clients of ¥1.0 trillion and market appreciation of ¥1.0 trillion.

Asset Management

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

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Operating Results of Asset Management

	Millions of yen Year ended March 31		
	2012	2013	2014
Non-interest revenues	¥ 63,022	¥ 66,489	¥ 77,354
Net interest revenue	2,778	2,448	3,126
Net revenue	65,800	68,937	80,480
Non-interest expenses	45,281	47,768	53,373
Income before income taxes	¥ 20,519	¥ 21,169	¥ 27,107

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

Net revenue increased by 5% from ¥65,800 million for the year ended March 31, 2012 to ¥68,937 million for the year ended March 31, 2013, primarily due to an increase in assets under management.

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

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

Income before income taxes was ¥20,519 million for the year ended March 31, 2012, ¥21,169 million for the year ended March 31, 2013 and ¥27,107 million for the year ended March 31, 2014.

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

	Billions of yen March 31		
	2012	2013	2014
Nomura Asset Management Co., Ltd[(1)].	¥ 26,994	¥ 30,685	¥ 33,843
Nomura Funds Research and Technologies Co., Ltd[(1)].	2,810	2,920	2,553
Nomura Corporate Research and Asset Management Inc.	1,504	1,821	1,629
Nomura Private Equity Capital Co., Ltd.	579	664	164
Combined total	¥ 31,887	¥ 36,090	¥ 38,189
Shared across group companies	(7,324)	(8,190)	(7,362)
Total	¥ 24,563	¥ 27,900	¥ 30,827

(1) The balances for the year ended March 31, 2012 have been reclassified following the acquisition of Nomura Asset Management Deutschland KAG mbH by Nomura Asset Management Co., Ltd in April 2012 and Nomura Funds Research and Technologies America by Nomura Funds Research and Technologies Co., Ltd in January 2013.

Assets under management were ¥30.8 trillion as of March 31, 2014, a ¥6.3 trillion increase from March 31, 2012 and a ¥2.9 trillion increase from March 31, 2013.

In our investment trust business, there was an inflow into funds representing a wide range of investment assets including Japanese equities and equities of companies in the infrastructure sector. In our investment advisory business, there was an increase in mandates from overseas clients, partially offset by cancellations from domestic clients. As a result, investment trust assets included in assets under management by NAM were ¥20.3 trillion as of March 31, 2014, up ¥2.4 trillion, or 13%, from the previous year due to the impacts of a market rally and cash inflows, reflecting net cash inflows by clients of ¥1.7 trillion and market appreciation of ¥0.7 trillion. The balances of investment trusts such as Nomura Deutsche High Dividend Infrastructure, Nomura Currency Selection Series Japan Stock Fund, Nomura Japan Brand Stock and Nomura Japan High Dividend Stock Premium increased. Investment trust assets included in assets under management by NAM were ¥17.9 trillion as of March 31, 2013, up ¥2.6 trillion, or 17%, from the previous year due to the impact of the rallied market conditions and inflows, reflecting net cash inflows by clients of ¥1.1 trillion and market appreciation of ¥1.5 trillion.

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

	March 31		
	2012	2013	2014
Total of publicly offered investment trusts	22%	22%	23%
Stock investment trusts	17%	18%	19%
Bond investment trusts	44%	43%	42%

Wholesale

Operating Results of Wholesale

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

	Millions of yen Year ended March 31		
	2012(1)	2013	2014
Non-interest revenues	¥ 428,738	¥ 491,773	¥ 637,987
Net interest revenue	126,311	153,083	127,110
Net revenue	555,049	644,856	765,097
Non-interest expenses	592,701	573,199	653,299
Income (loss) before income taxes	¥ (37,652)	¥ 71,657	¥ 111,798

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

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

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

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

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

Loss before income taxes was ¥37,652 million for the year ended March 31, 2012, *income before income taxes* was ¥71,657 million for the year ended March 31, 2013 and ¥111,798 million for the year ended March 31, 2014.

Global Markets

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

	Millions of yen Year ended March 31		
	2012(1)	**2013**	**2014**
Net revenue	¥ 455,756	¥ 560,429	¥ 649,706
Non-interest expenses	470,360	459,715	540,386
Income (loss) before income taxes	¥ (14,604)	¥ 100,714	¥ 109,320

(1) In accordance with the realignment in April 2012, the amounts in Global Markets have been reclassified to conform to the current period presentation.

Net revenue increased by 16% from ¥560,429 million for the year ended March 31, 2013 to ¥649,706 million for the year ended March 31, 2014. In Fixed Income, *Net revenue* increased from ¥387,677 million for the year ended March 31, 2013 to ¥398,243 million for the year ended March 31, 2014. Despite fluctuating market conditions throughout the year, stable client flow and high research capability drove revenue growth backed by appropriate risk management. As a result, we recorded revenue growth across products, especially Rates. In Equities, Net revenue increased from ¥172,752 million for the year ended March 31, 2013 to ¥251,463 million for the year ended March 31, 2014. Throughout the year, the domestic Japanese equity market rallied due to the effect of monetary policies, resulting in greatly increased revenues from our Japanese equity business. (In accordance with the realignment, the amounts of Fixed Income and Equities for the years ended March 31, 2012 and 2013 have been reclassified.)

Net revenue increased by 23% from ¥455,756 million for the year ended March 31, 2012 to ¥560,429 million for the year ended March 31, 2013. In Fixed Income, Net revenue increased from ¥274,524 million for the year ended March 31, 2012 to ¥387,677 million for the year ended March 31, 2013. Despite fluctuating market conditions throughout the year, stable client flow and high research capability drove revenue growth backed by appropriate risk management. As a result, we recorded significant revenue growth across products, especially, Rates and Securitized Products, and across regions. In Equities, net revenue decreased from ¥181,232 million for the year ended March 31, 2012 to ¥172,752 million for the year ended March 31, 2013. The

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first half of the fiscal year saw low earnings from client flow due to low sales volume in the markets. In the second half of the fiscal year, equity markets turned up starting from the late in 2012, due in part to the change in government in Japan and the effect of monetary policies by the Bank of Japan, resulting in greatly increased revenues from our Japanese equity business.

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

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

Loss before income taxes was ¥14,604 million for the year ended March 31, 2012, *income before income taxes* was ¥100,714 million for the year ended March 31, 2013 and ¥109,320 million for the year ended March 31, 2014.

Investment Banking

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

	Millions of yen Year ended March 31		
	2012(1)	**2013**	**2014**
Investment Banking (gross) revenue	¥ 141,678	¥ 143,001	¥ 184,288
Allocation to other divisions	(66,284)	(70,990)	(86,888)
Investment Banking (net) revenue	75,394	72,011	97,400
Other revenue	23,899	12,416	17,991
Net revenue	99,293	84,427	115,391
Non-interest expenses	122,341	113,484	112,913
Income (loss) before income taxes	¥ (23,048)	¥ (29,057)	¥ 2,478

(1) In accordance with the realignment in April 2012, the amounts in Investment Banking have been reclassified to conform to the current presentation.

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

Net revenue decreased by 15% from ¥99,293 million for the year ended March 31, 2012 to ¥84,427 million for the year ended March 31, 2013. Investment banking (net) revenue decreased from ¥75,394 million for the year ended March 31, 2012 to ¥72,011 million for the year ended March 31, 2013, year due to globally sluggish equity capital markets and M&A activity, especially in the first half of the fiscal year. Other revenue decreased from ¥23,899 million for the year ended March 31, 2012 to ¥12,416 million for the year ended March 31, 2013, primarily due to realized gains on equity securities of certain investee companies recognized during the year ended March 31, 2012. For the year ended March 31, 2013, realized gains from investments in Japan were ¥0.4 billion and unrealized losses from investments in Japan were ¥10.7 billion. Realized gains from the Terra Firma Investments were ¥18.2 billion and unrealized losses from Terra Firma Investments were ¥0.6 billion. Realized gains were primarily due to the gains on sale of Annington. Unrealized losses equated primarily comprised additional losses booked against investments in the leisure and utilities. For the year ended March 31, 2012, realized gains from investments in Japan were ¥33.7 billion and unrealized losses from investments in Japan were ¥12.3 billion. Realized gains from the Terra Firma Investments were ¥0.5 billion and unrealized gains from Terra Firma Investments were ¥4.8 billion. Realized and unrealized gains arose primarily on residential real estate and utilities sectors while unrealized losses are related to investments in the leisure and services sectors.

Non-interest expenses decreased by 0.5% from ¥113,484 million for the year ended March 31, 2013 to ¥112,913 million for the year ended March 31, 2014, primarily due to cost savings from the additional cost reduction program, and partially offset by the expense increase for overseas business due to the depreciation of the yen.

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

Loss before income taxes was ¥23,048 million for the year ended March 31, 2012, ¥29,057 million for the year ended March 31, 2013 and *Income before income taxes* was ¥2,478 million for the year ended March 31, 2014.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 24 *Segment and geographic information* in our consolidated financial statements included within this annual report. In accordance with the realignment in April 2012, certain prior period amounts of Wholesale and Other have been reclassified to conform with the current year presentation.

Income before income taxes in other operating results was ¥35,153 million for the year ended March 31, 2012, ¥6,591 million for the year ended March 31, 2013 and ¥19,980 million for the year ended March 31, 2014.

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

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

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

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Regulatory Capital Requirements

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

Translation Exposure

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

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 2% as of March 31, 2014 as listed below:

	Billions of yen, except percentage					
	March 31, 2014					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥ 10,278	¥ 8,670	¥ 386	¥	¥ 19,334	2%
Derivative assets	765	25,061	243	(23,764)	2,305	
Derivative liabilities	841	25,018	261	(24,030)	2,090	

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

Private equity business

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

The valuation of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (DCF) or market multiple valuation technique. A DCF valuation technique incorporates estimated future cash flows to be generated from the underlying investee, as adjusted for an appropriate growth rate discounted at a weighted average cost of capital. Market multiple valuation techniques include comparables such as Enterprise Value/earnings before interest, taxes, depreciation and amortization ratios, Price/Earnings ratios, Price/Book ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements of the investee and the price of comparable companies. A liquidity discount may also be applied to either a DCF or market multiple valuation to reflect the specific characteristics of the investee. Where possible these valuations are compared with the operating cash flows and financial performance of the companies or properties relative to budgets or projections, price/earnings data for similar quoted investee, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. Private equity investments are generally classified as Level 3 since the valuation inputs such as those mentioned above are usually unobservable.

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

Derivative contracts

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

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

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

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

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

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The fair value of OTC derivative assets and liabilities as of March 31, 2014 by remaining contractual maturity are shown below:

	Billions of yen March 31, 2014						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(1)	Total fair value
OTC derivative assets	¥ 864	¥ 982	¥ 1,225	¥ 950	¥ 2,474	¥ (4,648)	¥ 1,847
OTC derivative liabilities	932	883	999	1,003	2,164	(4,426)	1,555

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

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

Goodwill

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

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

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

For the year ended March 31, 2014, Nomura recognized an impairment loss on goodwill of ¥2,840 million within *Other* in Nomura s segment information. This is due to decline in the fair value of a reporting unit caused by a decrease in expected cash flows arising from the changes in the economic environment. These impairment losses were recorded within *Non-interest expense Other* in the consolidated statements of income. The fair value was determined based on DCF.

Assets and Liabilities Associated with Investment and Financial Services Business

Exposure to Certain Financial Instruments and Counterparties

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

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Securitization Products

Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of March 31, 2014.

	Millions of yen March 31, 2014				
	Japan	Europe	Americas	Asia and Oceania	Total(1)
CMBS(2)	¥ 2,938	¥ 19,963	¥ 81,568	¥	¥ 104,469
RMBS(3)	21,777	50,405	321,427		393,609
Other securitization products(4)	225,042	18,000	158,032	3,048	404,122
Total	¥ 249,757	¥ 88,368	¥ 561,027	¥ 3,048	¥ 902,200

(1) The balances shown exclude certain CMBS of ¥21,861 million for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860, *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposure because the beneficial interests in the vehicles have been sold to third parties.

(2) We have ¥9,933 million exposure, as whole loans and commitments, to U.S. CMBS and RMBS-related business as of March 31, 2014.

(3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government-guaranteed collateralized mortgage obligations (CMOs) of ¥1,830,474 million, because their credit risks are considered minimal.

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

The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of March 31, 2014. Ratings are based on the lowest ratings given by Standard & Poor s Financial Services LLC, Moody s Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2014.

	Millions of yen March 31, 2014							
	AAA	AA	A	BBB	BB	B and lower	Not rated	Total
Japan	¥	¥	¥ 732	¥	¥ 709	¥ 1,497	¥	¥ 2,938
Europe	2,675	1,378	870	4,194	3,689	5,979	1,178	19,963
Americas	17,634	728	7,918	23,366	9,020	21,476	1,426	81,568
Total	¥ 20,309	¥ 2,106	¥ 9,520	¥ 27,560	¥ 13,418	¥ 28,952	¥ 2,604	¥ 104,469

Leveraged Finance

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

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The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2014.

	Millions of yen		
	March 31, 2014		
	Funded	Unfunded	Total
Europe	¥ 32,787	¥ 15,874	¥ 48,661
Americas	51,557	90,880	142,437
Total	¥ 84,344	¥ 106,754	¥ 191,098

Special Purpose Entities (SPEs)

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

For further discussion on Nomura s involvement with variable interest entities, see Note 8 *Securitizations and Variable Interest Entities* in our consolidated financial statements included in this annual report.

Accounting Developments

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

Private Equity Business

We make private equity investments primarily in Japan and Europe.

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

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

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

Private equity business in Japan

We make private equity investments through a wholly-owned subsidiary, Nomura Financial Partners Co., Ltd. (NFP). NFP is not an investment company subsidiary as it invests in entities engaged in our core business. We elected the fair value option to account for its 37.1% investment in the common stock of Ashikaga Holdings.

On December 19, 2013, Ashikaga Holdings Co., Ltd. (Ashikaga Holdings) was listed in the First Section of the Tokyo Stock Exchange. Nomura s investment in Ashikaga Holdings has historically been primarily reported within *Trading assets and private equity investments Private equity investments*. However, following the listing, the investment is now reported within *Other assets Other* in the consolidated balance sheets. Nomura carries this investment at fair value through election of the fair value option. The majority of gains and losses associated with this investment have historically been reported within *Revenue Gain (loss) on private equity investments in the consolidated statements of income*. However, following the listing, such amounts are now reported within *Revenue Other* in the consolidated statements of income. As a result of the Ashikaga Holdings listing in the First Section of the Tokyo Stock Exchange, these changes are attributable to the shift from our Investment Banking business to a corporate-wide perspective in enhancing the corporate value of the share ownership.

Private equity business in Europe

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

Terra Firma Investments

Nomura contributed its European private equity investments to Terra Firma Capital Partners I (TFCP I), a limited partnership which is engaged in the private equity business, in exchange for a limited partnership interest. Terra Firma Investments (GP) Limited, the general partner of TFCP I, which is independent of us, assumed the management and control of these investments.

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

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

Other Terra Firma Funds

We are a 10% investor in a ¥274 billion private equity fund (TFCP II) and a 2% investor in a ¥731 billion private equity fund (TFCP III), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥27,445 million and reduced to ¥51 million as a result of adjustments for recyclable distributions. As of March 31, 2014, no amount had been drawn down for investments.

For TFCP III, our total commitment was ¥13,854 million and ¥13,536 million had been drawn down for investments as of March 31, 2014.

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

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Other Investments

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

Deferred Tax Assets

Details of deferred tax assets and liabilities

The following table presents details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities* respectively in the consolidated balance sheets as of March 31, 2014.

	Millions of yen March 31, 2014
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 12,604
Investments in subsidiaries and affiliates	54,678
Valuation of financial instruments	46,321
Accrued pension and severance costs	7,850
Other accrued expenses and provisions	102,922
Operating losses	437,899
Other	3,991
Gross deferred tax assets	666,265
Less Valuation allowance	(490,603)
Total deferred tax assets	175,662
Deferred tax liabilities	
Investments in subsidiaries and affiliates	107,020
Valuation of financial instruments	54,524
Undistributed earnings of foreign subsidiaries	736
Valuation of fixed assets	21,204
Other	4,899
Total deferred tax liabilities	188,383
Net deferred tax assets (liabilities)	¥ (12,721)

Calculation method of deferred tax assets

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

B. Liquidity and Capital Resources.

Funding and Liquidity Management

Overview

We define liquidity risk as the risk of losses arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group s creditworthiness or deterioration in market conditions. This risk could arise from Nomura-specific or market-wide events such as inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds

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between different group entities. Our liquidity risk management policy is based on liquidity risk appetite which the Group Integrated Risk Management Committee formulates upon delegation by the Executive Management Board (EMB). Nomura s liquidity risk management, under market-wide stress and in addition, under Nomura-specific stress, seeks to ensure enough continuous liquidity to meet all funding requirements and unsecured debt obligations across one year and one month periods, respectively, without raising funds through unsecured funding or through the liquidation of assets.

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

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

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

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

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

To meet any potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of March 31, 2014, our liquidity portfolio was ¥6,127.2 billion which generated a liquidity surplus taking into account stress scenarios.

The following table presents a breakdown of our liquidity portfolio by type of financial assets as of March 31, 2013 and March 31, 2014 and averages maintained for the years ended March 31, 2013 and March 31, 2014. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2013	**As of March 31, 2013**	**Average for year ended March 31, 2014**	**As of March 31, 2014**
Cash, cash equivalents and time deposits[(1)]	¥ 911.1	¥ 960.6	¥ 1,676.6	¥ 1,497.2
Government securities	4,712.3	4,512.3	4,667.3	4,483.6
Others[(2)]	480.3	410.6	214.9	146.4
Total liquidity portfolio	¥ 6,103.7	¥ 5,883.5	¥ 6,558.8	¥ 6,127.2

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

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The following table presents a breakdown of our liquidity portfolio by currency as of March 31, 2013 and March 31, 2014 and averages maintained for the years ended March 31, 2013 and March 31, 2014. Yearly averages are calculated using month-end amounts.

	Billions of yen			
	Average for year ended March 31, 2013	As of March 31, 2013	Average for year ended March 31, 2014	As of March 31, 2014
Japanese Yen	¥ 1,836.6	¥ 1,362.2	¥ 2,463.3	¥ 2,272.3
U.S. Dollar	2,445.6	2,355.1	2,171.5	2,050.4
Euro	816.1	876.5	1,015.0	1,049.0
British Pound	695.9	752.6	662.4	568.6
Others(1)	309.5	537.1	246.6	186.9
Total liquidity portfolio	¥ 6,103.7	¥ 5,883.5	¥ 6,558.8	¥ 6,127.2

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

We assess our liquidity portfolio requirements globally as well as by each major operating entity in the Nomura Group. We primarily maintain our liquidity portfolio at Nomura Holdings, Inc. (NHI) and Nomura Securities Co. Ltd (NSC), our other major broker-dealer subsidiaries, our bank subsidiaries, and other group entities. In determining the amounts and entities which hold this liquidity portfolio, we consider legal, regulatory and tax restrictions which may impact our ability to freely transfer liquidity across different entities in the Nomura Group. For more information regarding regulatory restrictions, see Note 21 *Regulatory requirements* in our consolidated financial statements included within this annual report.

The following table presents a breakdown of our liquidity portfolio by entity as of March 31, 2013 and March 31, 2014.

	Billions of yen	
	March 31, 2013	March 31, 2014
NHI and NSC(1)	¥ 1,616.9	¥ 1,900.9
Major broker-dealer subsidiaries	3,179.0	2,815.2
Bank subsidiaries(2)	775.3	1,170.5
Other group entities	312.3	240.6
Total liquidity portfolio	¥ 5,883.5	¥ 6,127.2

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

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

In addition to our liquidity portfolio, we had ¥1,720.3 billion of other unencumbered assets comprising mainly unpledged trading assets that can be used as an additional source of secured funding. The aggregate of our liquidity portfolios and other unencumbered assets as of March 31, 2014 was ¥7,847.5 billion, which represented 264.3% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2013	March 31, 2014

Net liquidity value of other unencumbered assets	¥ 1,168.4	¥ 1,720.3
Liquidity portfolio	5,883.5	6,127.2
Total	¥ 7,051.9	¥ 7,847.5

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

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

(i) Our ability to finance assets using secured funding, including repurchase agreements and securities lending transactions. The cash capital requirements are calculated using conservative estimates of the assets secured borrowing power in stressed scenarios.

(ii) Goodwill and identifiable intangible assets, property, equipment and other illiquid assets.

(iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating.

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

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

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

(v) Capital or other forms of financing in our regulated subsidiaries that is in excess of their long-term cash capital requirements.

Our internal model takes into account legal, regulatory and tax restrictions that may impact the ability to freely transfer liquidity across the entities within the Nomura Group.

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to interest rates, equities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivatives and/or the underlying assets to maintain funding consistency with our unsecured long-term debt. The proportion of our non-yen denominated long-term debt slightly increased to 32.0% of total long-term debt outstanding as of March 31, 2014 from 29.7% as of March 31, 2013.

2.1 Short-Term Unsecured Debt

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

The following table presents an analysis of our short-term unsecured debt by type of financial liability as of March 31, 2013 and March 31, 2014.

	Billions of yen	
	March 31, 2013	March 31, 2014
Short-term bank borrowings	¥ 621.3	¥ 722.5
Other loans	42.4	49.2
Commercial paper	296.7	246.9
Deposits at banking entities	781.4	757.7
Certificates of deposit	214.5	240.5
Debt securities maturing within one year	337.0	952.5
Total short-term unsecured debt	¥ 2,293.3	¥ 2,969.3

2.2 Long-Term Unsecured Debt

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

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

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

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

The following table presents an analysis of our long-term unsecured debt by type of financial liability as of March 31, 2013 and March 31, 2014.

	Billions of yen	
	March 31, 2013	March 31, 2014
Long-term deposits at banking entities	¥ 76.2	¥ 116.0
Long-term bank borrowings	2,173.7	2,057.6
Other loans	133.9	129.0
Debt securities[(1)]	4,073.5	3,916.0
Total long-term unsecured debt	¥ 6,457.3	¥ 6,218.6

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

During the year ended March 31, 2014, the Company issued ¥214.9 billion of domestic and global senior notes.

2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity for plain vanilla debt securities and borrowings with maturities longer than one year was 3.8 years as of March 31, 2014. A significant amount of our medium-term notes are structured and linked to interest rates, equities, indices, currencies or commodities. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that these may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the debt securities or borrowing is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 6.3 years as of March 31, 2014. The average maturity of our entire long-term debt portfolio, including plain vanilla debt securities and borrowings, was 4.7 years as of March 31, 2014. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

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

2.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese Gensaki Repo transactions. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We lower the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, delivering various types of securities collateral, and actively seeking long-term agreements. For more detail of secured borrowings and repurchase agreements, see Note 6 *Collateralized transactions* in our consolidated financial statements included within this annual report.

3. Management of Credit Lines to Nomura Group entities

We have committed facility agreements with financial institutions as part of our contingent financing sources. Total unused committed facilities decreased ¥13.0 billion to ¥65.0 billion as of March 31, 2014 from ¥78.0 billion as of March 31, 2013. We have structured facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw on the facilities. We occasionally test the effectiveness of our drawdown procedures.

4. Implementation of Liquidity Stress Tests

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

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

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

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

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

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

As of March 31, 2014, our liquidity portfolio exceeded net cash outflows under the stress scenarios described above.

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

- No liquidation of assets;

- No ability to issue additional unsecured funding;

- Upcoming maturities of unsecured debt (maturities less than one year);

- Potential buybacks of our outstanding debt;

Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates;

Fluctuation of funding needs under normal business circumstances;

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- Cash and collateral outflows in a stress event;
- Widening of haircuts on outstanding repo funding;
- Additional collateralization requirements of clearing banks and depositories;
- Drawdown on loan commitments;
- Loss of liquidity from market losses on inventory; and
- Legal and regulatory requirements that can restrict the flow of funds between entities in the Nomura Group.

We recognize that liquidity standards for financial institutions continues to be the subject of further discussion among relevant supervisory bodies including the Basel Committee. The existing model and simulations upon which we currently rely may need to be reviewed depending on any new development in this area.

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

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

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

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

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

5. Contingency Funding Plan

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

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Cash Flows

Nomura s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities. For the fiscal year ended March 31, 2013 and 2014, we recorded net cash inflows from operating activities and net cash outflows from investing activities as discussed in the comparative analysis below.

The following table presents the summary information on our consolidated cash flows for the years ended March 31, 2013 and 2014:

	Billions of yen Year Ended March 31	
	2013	2014
Net cash provided by operating activities	¥ 549.5	¥ 457.4
Net income	105.7	216.4
Trading assets and private equity investments	(1,448.5)	(485.7)
Trading liabilities	248.0	2,007.8
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,375.9	(183.9)
Securities borrowed, net of securities loaned	863.5	(1,604.5)
Other, net	(595.2)	507.2
Net cash used in investing activities	(160.5)	(103.2)
Net cash provided by (used in) financing activities	(701.6)	289.4
Long-term borrowings, net	(400.2)	546.2
Other, net	(301.5)	(256.8)
Effect of exchange rate changes on cash and cash equivalents	47.2	41.1
Net increase (decrease) in cash and cash equivalents	(265.4)	684.7
Cash and cash equivalents at beginning of the year	1,070.5	805.1
Cash and cash equivalents at end of the year	¥ 805.1	¥ 1,489.8

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

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

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

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Balance Sheet and Financial Leverage

Total assets as of March 31, 2014, were ¥43,520.3 billion, a increase of ¥5,577.9 billion compared with ¥37,942.4 billion as of March 31, 2013, reflecting increases in *Securities purchased under agreements to resell, Securities borrowed* and *Trading assets*. Total liabilities as of March 31, 2014, were ¥40,967.1 billion, a increase of ¥5,343.6 billion compared with ¥35,623.5 billion as of March 31, 2013, reflecting increases in *Securities sold under agreements to repurchase* and *Trading liabilities*. NHI shareholders equity as of March 31, 2014, was ¥2,513.7 billion, an increase of ¥219.3 billion compared with ¥2,294.4 billion as of March 31, 2013, due to increases in *Retained earnings* and *Accumulated other comprehensive income (loss)*.

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

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

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

	Billions of yen, except ratios March 31	
	2013	**2014**
NHI shareholders equity	¥ 2,294.4	¥ 2,513.7
Total assets	37,942.4	43,520.3
Adjusted assets(1)	23,827.1	26,173.3
Leverage ratio(2)	16.5x	17.3x
Adjusted leverage ratio(3)	10.4x	10.4x

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

	Billions of yen March 31	
	2013	**2014**
Total assets	¥ 37,942.4	¥ 43,520.3
Less:		
Securities purchased under agreements to resell	8,295.4	9,617.7
Securities borrowed	5,819.9	7,729.3
Adjusted assets	¥ 23,827.1	¥ 26,173.3

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

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

Total assets increased by 14.7% reflecting primarily an increase in *Securities purchased under agreement to resell, Securities borrowed* and *Trading assets*. Total NHI shareholders equity increased by 9.6% reflecting primarily an increase in *Retained earnings* and *Accumulated other comprehensive income (loss)*. As a result, our leverage ratio went up from 16.5 times as of March 31, 2013 to 17.3 times as of March 31, 2014.

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Adjusted assets increased primarily due to an increase in *Trading assets.* As a result, our adjusted leverage ratio was 10.4 times as of March 31, 2013 and as of March 31, 2014.

Capital Management

Capital Management Policy

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

Dividends

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

Dividend payments will be determined by taking into account a comprehensive range of factors such as the tightening of Basel regulations and other changes to the regulatory environment, as well as the consolidated operating results.

Nomura paid a dividend of ¥8.0 per share for the first half and a dividend of ¥9.0 per share for the second half in line with its dividend policy for the fiscal year ended March 31, 2014. As a result, the total annual dividend was ¥17.0 per share.

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

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

Fiscal year ended or ending March 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2009	¥ 8.50	¥ 8.50	¥ 8.50	¥	¥ 25.50
2010		4.00		4.00	8.00
2011		4.00		4.00	8.00
2012		4.00		2.00	6.00
2013		2.00		6.00	8.00
2014		8.00		9.00	17.00

Stock Repurchases

We will consider repurchase of treasury stock as an option in our financial strategy to respond quickly to changes in the business environment and to increase shareholder value. We will make announcements immediately after any decision to set up a share buyback program and conduct such programs in accordance with internal guidelines. On April 30, 2014, we announced a resolution of the Board of Directors to establish a share buyback program in accordance with Article 459-1 of the Companies Act. The period of repurchase under the program was from May 19, 2014 to July 25, 2014, and we were authorized to purchase up to 100 million shares of our common stock or to a maximum of ¥70 billion. On May 30, 2014, we announced that the aggregate number of shares repurchased through this buyback program was 100 million shares and the aggregate value of shares repurchased was ¥65,188,616,000.

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Consolidated Regulatory Capital Requirements

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

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

In accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is currently calculated based on the amounts of common equity Tier 1 capital, Tier 1 capital (sum of common equity Tier 1 capital and additional Tier 1 capital), total capital (sum of Tier 1 capital and Tier 2 capital), credit risk-weighted assets, market risk and operational risk. As of March 31 2014, our common equity Tier 1 capital ratio (common equity Tier 1 capital divided by risk-weighted assets) is 13.2%, Tier 1 capital ratio (Tier 1 capital divided by risk-weighted assets) is 13.2% and consolidated capital adequacy ratio (total capital divided by risk-weighted assets) is 15.5% and we were in compliance with the requirement for each ratio set out in the Capital Adequacy Notice on Final Designated Parent Company (required level as of March 31, 2014 is 4.0% for the common equity Tier 1 capital ratio, 5.5% for the Tier 1 capital ratio and 8% for the consolidated capital adequacy ratio).

The following table presents the Company s consolidated capital adequacy ratios as of March 31, 2013 and March 31, 2014.

	Billions of yen, except ratios	
	March 31	
	2013	**2014**
Common equity Tier 1 capital	¥ 2,092.9	¥ 2,314.2
Tier 1 capital	2,092.9	2,314.2
Total capital	2,452.1	2,715.7
Risk-Weighted Assets		
Credit risk-weighted assets	9,529.1	8,034.8
Market risk equivalent assets	5,846.1	6,999.7
Operational risk equivalent assets	2,171.4	2,391.5
Total risk-weighted assets	¥ 17,546.7	¥ 17,425.9
Consolidated Capital Adequacy Ratios		
Common equity Tier 1 capital ratio	11.9%	13.2%
Tier 1 capital ratio	11.9%	13.2%
Consolidated capital adequacy ratio	13.9%	15.5%

Common equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital are calculated by deducting regulatory adjustment item from basic capital item for each capital class, respectively. If the amount of basic item is less than the amount of adjustment item, we need to deduct deficit amount from upper capital class. Each capital item and regulatory adjustment is defined in the Capital Adequacy Notice on Final Designated Parent Company and these new definitions of capital will come into effect gradually by transitional measures.

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As of March 31, 2014, capital items for our common equity Tier 1 capital mainly consists of shareholders equity relating to our common stock and all or part of our subordinated debt which satisfies the requirements under Capital Adequacy Notice on Final Designated Parent Company (such as maturity) is included into capital items for Tier 2 capital. We have not issued any capital instruments which can be included into additional Tier 1 capital.

Regulatory adjustment for our common equity Tier 1 capital mainly consists of a part of intangible assets and expected losses. Regulatory adjustment for our Tier 2 capital includes investments in additional Tier 1 capital instruments of other financial institutions and a part of expected losses. (Note both items are transitional treatment.) Regulatory adjustment for our additional Tier 1 capital will be included into regulatory adjustment for common equity Tier 1 capital, as we don t have any outstanding additional Tier 1 capital instruments.

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

Since the end of March, 2011, we have been calculating credit risk-weighted assets and operational risk equivalent assets by using the foundation Internal Ratings-Based Approach and The Standardized Approach, respectively, with the approval of the FSA. Furthermore, since the end of December 2012, we started using the Internal Model Method for the exposure calculation of majority of derivative and repurchase agreements instead of the Current Exposure Method or the Comprehensive Method upon approval from the FSA. Since the end of March 2013, the scope of credit risk-weighted assets calculation has been widened following the implementation of Basel III (e.g., credit risk for CVA (credit value adjustment) on derivative exposures, credit risk for CCP (central counter party) exposures, etc.).

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

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

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, International framework for liquidity risk measurement, standards and monitoring and A global regulatory framework for more resilient banks and banking systems . The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment (CVA) charge for OTC derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; and introducing a series of measures to address concerns over the procyclicality of the current framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards were implemented from

2013, which includes transitional treatment, (i.e. they are phased in gradually from 2013). In addition, after two rounds of public consultation and discussions with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO), the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (CCPs) on July 25, 2012, which were intended to come into effect as of January 2013 as part of Basel III. This first version of CCPs rule came into effect from 2013 and the final version of CCPs rule was announced in April 2014 from the Basel Committee, which is not implemented. Moreover, a series of final standards on the regulatory frameworks such as Basel III leverage ratio framework and disclosure requirements, capital requirements for banks equity investments in funds, the standardized approach for measuring counterparty credit risk exposures, capital requirements for bank exposures to central counterparties and supervisory framework for measuring and controlling large exposures have been published by the Basel Committee.

At the G-20 summit in November 2011, the Financial Stability Board (FSB) and the Basel Committee announced the list of global systemically important banks (G-SIBs) and the additional requirements to the G-SIBs including the recovery and resolution plan. The FSB also announced the group of G-SIBs will be updated annually and published by the FSB each November. In November 2012 and November 2013, the FSB and the Basel Committee have updated the list of G-SIBs. We were not designated as a G-SIBs in November 2012 and November 2013. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIBs to domestic systemically important financial institutions (D-SIBs) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIBs. In addition to the above, the FSB and the IOSCO have published assessment methodologies for identifying Non-bank Non-insurer Global Systemically Important Financial Institutions (NBNI G-SIFIs), for public consultation.

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

Credit Ratings

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

On October 3, 2013, Nomura attained short-term and long-term credit ratings from Fitch Ratings for the Company and Nomura Securities Co., Ltd. as follows:

Company	Short-term Debt	Long-term Debt
Nomura Holdings, Inc	F1	A-
Nomura Securities Co., Ltd	F1	A-

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As of May 31, 2014, the credit ratings of the Company and NSC were as follows:

Nomura Holdings, Inc.	Short-term Debt	Long-term Debt
Standard & Poor s	A-2	BBB+
Moody s Investors Service		Baa3
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

Nomura Securities Co., Ltd.	Short-term Debt	Long-term Debt
Standard & Poor s	A-2	A-
Moody s Investors Service	P-2	Baa2
Fitch Ratings	F1	A-
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

Both Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. are credit rating agencies nationally recognized in Japan. We rely on, or utilize, credit ratings on our short-term and long-term debt provided by these Japanese credit rating agencies, as well as Standard & Poor s, Moody s Investors Service and Fitch Ratings, for unsecured funding and other financing purposes and also for our trading and other business activities.

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

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

Not applicable.

D. Trend Information.

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

E. Off-Balance Sheet Arrangements.

Off-balance sheet entities

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

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

- an obligation under a guarantee contract;

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

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

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

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

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

Repurchase and securities lending transactions accounted for as sales

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

We enter into repurchase-to-maturity transactions to take advantage of arbitrage opportunities between the cash security and repo markets. These transactions involve the sourcing of specific securities in the market and contemporaneously entering into repurchase agreements with different counterparties where the maturity of the agreement matches the maturity of the security transferred as collateral. There were no securities derecognized from our consolidated balance sheets under open repurchase-to-maturity transactions as of March 31, 2013 and 2014, respectively.

In June 2014, the FASB issued new guidance which changes the accounting for repurchase-to-maturity transactions. See Note 1 *Summary of accounting policies: Future accounting developments* for further information regarding this new guidance.

F. Tabular Disclosure of Contractual Obligations.

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

Standby letters of credit and other guarantees:

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

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Long-term borrowings and contractual interest payments:

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

Operating lease commitments:

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

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

Capital lease commitments:

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

Purchase obligations:

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

Commitments to extend credit:

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

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

Commitments to invest in partnerships:

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

Commitments to purchase aircraft:

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

Note 10 *Leases* in our consolidated financial statements contains further detail on our operating leases and capital leases. Note 13 *Borrowings* in our consolidated financial statements contains further detail on our short-term and long-term borrowing obligations and Note 23 *Commitments, contingencies and guarantees* in our consolidated financial statements included in this annual report contains further detail on our other commitments, contingencies and guarantees.

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

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The following table presents information regarding amounts and timing of our future contractual obligations and contingent commitments as of March 31, 2014:

	Millions of yen				
	Total contractual amount	Years to maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 11,509	¥ 334	¥ 2,668	¥ 2	¥ 8,505
Long-term borrowings(1)	8,045,501	1,435,789	2,018,293	1,862,849	2,728,570
Contractual interest payments(2)	1,104,656	155,372	227,793	164,380	557,111
Operating lease commitments	149,942	18,310	28,917	22,638	80,077
Capital lease commitments(3)	64,100	509	7,778	8,115	47,698
Purchase obligations(4)	15,901	13,825	2,076		
Commitments to extend credit	479,634	85,533	52,872	165,623	175,606
Commitments to invest in partnerships	18,460	4,305	829	318	13,008
Commitments to purchase aircraft	4,409	4,409			
Total	¥ 9,894,112	¥ 1,718,386	¥ 2,341,226	¥ 2,223,925	¥ 3,610,575

(1) The amounts disclosed within long-term borrowings exclude financial liabilities recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860. These are not borrowings issued for our own funding purposes and therefore do not represent actual contractual obligations by us to deliver cash.

(2) The amounts represent estimated future interest payments related to long-time borrowings based on the period through to their maturity and applicable interest rates as of March 31, 2014.

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

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

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

In addition to amounts presented above, we have commitments under reverse repurchase and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki Repo agreements. These commitments amount to ¥2,365 billion for reverse repurchase agreements and ¥771 billion for repurchase agreements as of March 31, 2014.

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Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management.

Directors

The following table provides information about Directors of the Company as of June 26, 2014.

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

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
		Apr. 2009	Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2011	Co-COO and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2012	Senior Managing Director of the Company Director and President of Nomura Securities Co., Ltd.
		Aug. 2012	Representative Executive Officer & Group CEO of the Company Director and President of Nomura Securities Co., Ltd.
		Jun. 2013	Director, Representative Executive Officer & Group CEO of the Company (Current) Director and President of Nomura Securities Co., Ltd. (Current)
Atsushi Yoshikawa (Apr. 7, 1954)	Director, Representative Executive Officer and Group COO Director and Representative Executive Officer of Nomura Securities Co., Ltd. Chairman of Nomura Holding America Inc.	Apr. 1978	Joined the Company
		Jun. 2000	Director of the Company
		Oct. 2001	Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2004	Senior Managing Director of the Company Executive Managing Director of Nomura Asset Management Co., Ltd.
		Apr. 2005	Senior Managing Director of the Company Executive Vice President of Nomura Asset Management Co., Ltd.
		Apr. 2006	Executive Vice President of Nomura Asset Management Co., Ltd.
		Apr. 2008	Director and President of Nomura Asset Management Co., Ltd.
		Oct. 2008	Executive Managing Director of the Company Director, President & CEO of Nomura Asset Management Co., Ltd.

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
		Jun. 2011	Executive Vice President of the Company
			CEO and President of Nomura Holding America Inc.
		Aug. 2012	Representative Executive Officer & Group COO of the Company
			Chairman of Nomura Holding America Inc.
		Jun. 2013	Director, Representative Executive Officer & Group COO of the Company
			Chairman of Nomura Holding America Inc.
		Apr. 2014	Director, Representative Executive Officer & Group COO of the Company (Current)
			Director and Representative Executive Officer of Nomura Securities Co., Ltd. (Current)
			Chairman of Nomura Holding America Inc. (Current)
Hiroyuki Suzuki (Feb. 3, 1959)	Director Member of the Audit Committee Outside Director of The Nomura Trust and Banking Co., Ltd. Outside Director of Nomura Asset Management Co., Ltd.	Apr. 1982	Joined the Company
		Apr. 2005	Senior Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Senior Managing Director of the Company
		Dec. 2008	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2009	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Jun. 2010	Senior Corporate Managing Director of the Company
			Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2011	Senior Corporate Managing Director of the Company
			Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2013	Advisor of the Company
		Jun. 2013	Director of the Company (Current)
David Benson (Feb. 9, 1951)	Director Director of Nomura Europe Holdings, plc	Feb. 1997	Joined Nomura International plc
		Jul. 1999	Head of Risk Management, Nomura International plc

Director of Nomura International plc	Mar. 2005	Chief Operating Officer (COO) of Nomura International plc

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
		Aug. 2007	Resigned from Nomura International plc
		Nov. 2008	Chief Risk Officer (CRO), Senior Managing Director of the Company
		Jan. 2011	Senior Managing Director of the Company, Vice Chairman, Risk and Regulatory Affairs
		Apr. 2011	Vice Chairman of the Company (Senior Managing Director)
		Jun. 2011	Director of the Company (Current)
Masahiro Sakane (Jan 7, 1941)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Councilor of Komatsu Ltd. Outside Director of Tokyo Electron Limited Outside Director of ASAHI GLASS Co., Ltd. Outside Director of Nomura Securities Co., Ltd.	Apr. 1963	Joined Komatsu Ltd.
		Jun. 2001	Representative Director and President of Komatsu Ltd.
		Jun. 2003	Representative Director and President & CEO of Komatsu Ltd.
		Jun. 2007	Representative Director and Chairman of Komatsu Ltd.
		Jun. 2008	Outside Director of the Company (Current)
		Jun. 2010	Director and Chairman of Komatsu Ltd.
		Apr. 2013	Director and Councilor of Komatsu Ltd.
		Jun. 2013	Councilor of Komatsu Ltd. (Current)
Takao Kusakari (Mar. 13, 1940)	Outside Director Member of the Nomination Committee Member of the Compensation Committee Corporate Advisor of NYK Line Outside Director of Nomura Securities Co., Ltd.	Apr. 1964	Joined Nippon Yusen Kabushiki Kaisha (NYK Line)
		Aug. 1999	President of NYK Line
		Apr. 2002	President, Corporate Officer of NYK Line
		Apr. 2004	Chairman, Corporate Officer of NYK Line
		Apr. 2006	Chairman, Chairman Corporate Officer of NYK Line
		Apr. 2009	Director and Corporate Advisor of NYK Line
		Jun. 2010	Corporate Advisor of NYK Line (Current)
		Jun. 2011	Outside Director of the Company (Current)
Tsuguoki Fujinuma (Nov. 21, 1944)	Outside Director Chairman of the Audit Committee Outside Statutory Auditor of Sumitomo Corporation	Apr. 1969	Joined Horie Morita Accounting Firm
		Jun. 1970	Joined Arthur & Young Accounting Firm

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
	Outside Statutory Auditor of Takeda Pharmaceutical Company Limited	Nov. 1974	Registered as a Certified Public Accountant
	Outside Director of Sumitomo Life Insurance Company	May 1991	Managing Partner of Asahi Shinwa Accounting Firm
	Outside Statutory Auditor of Seven & i Holdings Co., Ltd.	Jun. 1993	Managing Partner of Ota Showa & Co. (Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC))
	Outside Director of Nomura Securities Co., Ltd.	May 2000	President of the International Federation of Accountants
		Jul. 2004	Chairman and President of the Japanese Institute of Certified Public Accountants
		Jun. 2007	Retired from Ernst & Young ShinNihon
		Jul. 2007	Advisor of the Japanese Institute of Certified Public Accountants (Current)
		Jun. 2008	Outside Director of the Company (Current)
Toshinori Kanemoto	Outside Director	Apr. 1968	Joined National Police Agency
(Aug. 24, 1945)	Member of the Audit Committee	Apr. 1992	Kumamoto Prefecture Police Headquarters, Director-General
	Of-Counsel of City-Yuwa Partners	Aug. 1995	Director General of the International Affairs Department, National Police Agency
	Outside Statutory Auditor of JX Holdings, Inc.	Oct. 1996	President of ICPO-INTERPOL
	Outside Director of Nomura Securities Co., Ltd.	Aug. 2000	President, National Police Academy
		Apr. 2001	Director of Cabinet Intelligence, Cabinet Secretariat, Government of Japan
		Jan. 2007	Registered as Attorney-at-Law (Dai-ichi Tokyo Bar Association)
		Feb. 2007	Of-Counsel of City-Yuwa Partners (Current)
		Jun. 2011	Outside Director of the Company (Current)
Dame Clara Furse	Outside Director	Feb. 1983	Joined Phillips & Drew (currently UBS)
(Sep. 16, 1957)	Non-Executive Director of Amadeus IT Holding, S.A.	Jun. 1990	Non-Executive Director of London International Financial Futures Exchange (LIFFE)
	Non-Executive Director of U.K. Department for Work and Pensions	Jun. 1997	Deputy Chairman of LIFFE
	External Member of the Bank of England s Financial Policy Committee	May 1998	Group Chief Executive of Credit Lyonnais Rouse

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
		Jan. 2001	Chief Executive of London Stock Exchange Group
		Jun. 2010	Outside Director of the Company (Current)
		Apr. 2013	External Member of the Bank of England s Financial Policy Committee (Current)
Michael Lim Choo San (Sep. 10, 1946)	Outside Director Chairman of the Land Transport Authority of Singapore Independent Director of Olam International Limited Director of Nomura Asia Holding N.V. Non-Executive Chairman of Nomura Singapore Ltd.	Aug. 1972	Joined Price Waterhouse, Singapore
		Jan. 1992	Managing Partner of Price Waterhouse, Singapore
		Oct. 1998	Member of the Singapore Public Service Commission (Current)
		Jul. 1999	Executive Chairman of PricewaterhouseCoopers, Singapore
		Sep. 2002	Chairman of the Land Transport Authority of Singapore (Current)
		Jun. 2011	Outside Director of the Company (Current)
		Nov. 2011	Chairman of the Accounting Standards Council, Singapore (Current)
		Apr. 2013	Chairman of the Singapore Accountancy Commission (Current)

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

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Executive Officers

The following table provides information about the Company s Executive Officers as of June 26, 2014.

Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Koji Nagai (Jan. 25, 1959)	See *Directors* under this Item 6.A.	See *Directors* under this Item 6.A.	
Atsushi Yoshikawa (Apr. 7, 1954)	See *Directors* under this Item 6.A.	See *Directors* under this Item 6.A.	
Tetsu Ozaki (Jan. 16, 1958)	Executive Managing Director Wholesale CEO Deputy President of Nomura Securities Co., Ltd.	Apr. 1982	Joined the Company
		Apr. 2004	Senior Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2007	Senior Managing Director of the Company Counselor of Nomura Securities Co., Ltd.
		Apr. 2008	Executive Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Aug. 2012	Deputy President of Nomura Securities Co., Ltd.
		Apr. 2013	Director and Deputy President of Nomura Securities Co., Ltd.
		Apr. 2014	Executive Managing Director of the Company (Current) Wholesale CEO (Current) Deputy President of Nomura Securities Co., Ltd. (Current)
Toshio Morita (Apr. 17, 1961)	Executive Managing Director Retail CEO	Apr. 1985	Joined the Company
		Apr. 2008	Executive Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2010	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2011	Senior Corporate Managing Director of the Company
		Aug. 2012	Executive Managing Director of the Company (Current) Retail CEO (Current) Executive Vice President of Nomura Securities Co., Ltd. (Current)

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities		Business Experience
Kunio Watanabe (Feb. 22, 1963)	Executive Managing Director Asset Management CEO Director, President and CEO of Nomura Asset Management Co., Ltd.	Apr. 1985	Joined the Company
		Apr. 2009	Senior Managing Director of Nomura Asset Management Co., Ltd.
		Apr. 2012	Senior Corporate Managing Director of Nomura Asset Management Co., Ltd.
		Apr. 2014	Executive Managing Director of the Company (Current) Asset Management CEO (Current) Director, President and CEO of Nomura Asset Management Co., Ltd. (Current)
Shoichi Nagamatsu (Jul. 6, 1958)	Executive Managing Director Chief of Staff Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. Outside Director of The Nomura Trust and Banking Co., Ltd. Outside Director of Nomura Asset Management Co., Ltd.	Apr. 1982	Joined the Company
		Apr. 2004	Senior Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Executive Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd.
		Jun. 2010	Senior Corporate Managing Director of the Company Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2012	Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Jun. 2012	Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd.
		Apr. 2013	Executive Managing Director of the Company (Current) Chief of Staff (Current) Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. (Current)

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Name (Date of Birth)	Responsibilities and Status within Nomura/ Other Principal Business Activities	Business Experience	
Shigesuke Kashiwagi (Nov. 13, 1959)	Executive Managing Director Chief Financial Officer Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. Financial Officer of Nomura Securities Co., Ltd.	Apr. 1982	Joined the Company
		Apr. 2004	Senior Managing Director of the Company Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2006	Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2007	Senior Managing Director (Executive Officer) of the Company
		Oct. 2008	Senior Managing Director of the Company
		Apr. 2013	Executive Managing Director of the Company Chief Financial Officer of the Company Executive Managing Director and Senior Corporate Managing Director of Nomura Securities Co., Ltd. Financial Officer of Nomura Securities Co., Ltd.
		Apr. 2014	Executive Managing Director of the Company (Current) Chief Financial Officer of the Company (Current) Executive Managing Director and Executive Vice President of Nomura Securities Co., Ltd. (Current) Financial Officer of Nomura Securities Co., Ltd. (Current)

B. Compensation.

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

(1) Compensation policy

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

1. align with Nomura values and strategies;

2. reflect firm, division and individual performance;

3. establish appropriate performance measurement with a focus on risk;

4. align employee and shareholder interests;

5. establish appropriate compensation structures; and

6. ensure robust governance and control processes.

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(2) Compensation governance

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

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

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

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

(3) Nomura s compensation framework

The outline of our compensation framework is as follows:

Compensation Components	Purposes	Specific Elements
Fixed Compensation	Rewards individuals for their knowledge, skills, competencies and experiences	Base salary
	Reflects local labor market standards	
	Reflects practices of local labor markets to deliver allowances as a part of fixed compensation to individuals	Housing allowances
		Overtime pay
Variable Compensation	Rewards team and individual performances, and their contribution to results as well as strategic and future value	Cash bonuses

	Deferred compensation
Reflects appropriate internal and market-based comparisons	
Reflects broad views on compensation, including individual performances, approaches to risk, compliance and cross-divisional cooperation	

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

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(4) Outline of variable compensations

Cash bonuses

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

Deferred compensation

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

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

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

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

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

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

Also, deferred compensations for the fiscal year ended March 31, 2013 granted to senior management and employees who receive a certain level of compensations shall be reduced or forfeited in case of a material downturn in performance of Nomura and/or a material failure of risk management. Adding to that, in line with regulations regarding remunerations in financial institution in Europe, stricter terms and conditions for reduction and forfeiture were introduced to the deferred compensations for the fiscal year ended March 31, 2014 granted to employees in Europe, Middle East and Africa.

Nomura s deferred compensation plans comprise 1. Core deferral plans, 2. Supplemental deferral plans and 3. the Multi-Year Performance Deferral plan.

1. Core deferral plans

(a) Stock Acquisition Right (SAR) Plan

Nomura has issued the following two types of SARs.

SAR Plan A

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

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

(b) Notional Stock Unit (NSU) Plan

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

2. Supplemental deferral plans

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

(a) Collared Notional Stock Unit (CSU) Plan

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

(b) Notional Indexed Unit (NIU) Plan

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

3. Multi-Year Performance Deferral (MYPD) plan

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

(5) Consistency with risk management and linkage to performance

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

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

(6) Compensation for Directors and Executive Officers

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

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1 Aggregate compensation

	Number of Directors or Executive Officers[1]	Millions of yen Year ended March 31, 2014 Basic Compensation[2]	Bonus	Deferred Compensation[3]	Total
Directors	12	¥ 302	¥ 43	¥ 156	¥ 501
(Outside Directors included in above)	(7)	(145)	( )	( )	(145)
Executive Officers	6	429	222	556	1,207
Total	18	¥ 731	¥ 265	¥ 712	¥ 1,708

(1) Includes 3 Directors (including 1 Outside Director) who resigned in June 2013. There were 11 Directors and 6 Executive Officers as of March 31, 2014. Compensation to Directors who concurrently serve as Executive Officers is included in amounts reported for Executive Officers.

(2) Basic compensation includes JPY 0.4m of benefits-in-kind in the form of commuter pass allowances.

(3) Represents the portion of deferred compensation (such as stock options) granted during the year ended March 31, 2014 and prior years which has been recognized as compensation expense in our consolidated financial statements included in this annual report during the year ended March 31, 2014.

(4) Subsidiaries of the Company paid ¥58 million to Outside Directors as compensation for their directorship of those subsidiaries for the year ended March 31, 2014.

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

All new deferred awards granted since May 2013 include Full Career Retirement provisions which permit recipients of the awards to continue to vest in the awards upon voluntary termination if certain criteria based on corporate title and length of service within Nomura are met.

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

			Millions of yen						
			Fixed Remuneration (Basic Compensation)			Variable Compensation[1]			
Name	Company	Category	Base Salary	Equity Compensation (SARs)	Total	Cash Bonus	Deferred Compensation (SARs, etc.)	Total	Total
Nobuyuki Koga	Nomura	Director	¥ 83	¥	¥ 83	¥ 36	¥ 73	¥ 109	¥ 192
Koji Nagai	Nomura	Director, Representative Executive Officer (Group CEO)	102	17	119	60	119	179	298
Atsushi Yoshikawa	Nomura	Director, Representative Executive Officer (Group COO)	92	16	108	54	108	162	270
Toshio Morita	Nomura	Executive Officer	60	13	73	49	98	147	220

Toshihiro Iwasaki	Nomura	Executive Officer	60	13	73	22	45	67	140
Shoichi Nagamatsu	Nomura	Executive Officer	60	13	73	19	38	57	130
Shigesuke Kashiwagi	Nomura	Executive Officer	54	10	64	19	37	56	120

(1) Variable Compensation indicates the amount determined as remuneration based on the performance during the fiscal year ended March 31, 2014.

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Stock Acquisition Rights (SARs)

The following table presents information regarding unexercised Stock Acquisition Rights as of March 31, 2014.

		March 31, 2014			
Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.13	April 25, 2007	104,400	From April 26, 2009 to April 25, 2014	¥ 1	¥ 0
Stock Acquisition Rights No.14	June 21, 2007	150,300	From June 22, 2009 to June 21, 2014	1	0
Stock Acquisition Rights No.15	August 1, 2007	113,000	From August 2, 2009 to August 1, 2014	1,874	0
Stock Acquisition Rights No.16	August 1, 2007	1,799,000	From August 2, 2009 to August 1, 2014	1,874	0
Stock Acquisition Rights No.17	August 1, 2007	173,200	From August 2, 2009 to August 1, 2014	1	0
Stock Acquisition Rights No.18	October 19, 2007	8,500	From October 20, 2009 to October 19, 2014	1	0
Stock Acquisition Rights No.19	April 23, 2008	384,900	From April 24, 2010 to April 23, 2015	1	0
Stock Acquisition Rights No.20	June 23, 2008	31,300	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.21	June 23, 2008	164,800	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.22	August 5, 2008	110,000	From August 6, 2010 to August 5, 2015	1,292	0
Stock Acquisition Rights No.23	August 5, 2008	1,874,000	From August 6, 2010 to August 5, 2015	1,292	0
Stock Acquisition Rights No.24	August 5, 2008	3,000	From August 6, 2010 to August 5, 2015	1	0
Stock Acquisition Rights No.27	November 10, 2008	5,200	From November 11, 2010 to November 10, 2015	1	0
Stock Acquisition Rights No.28	April 30, 2009	306,400	From May 1, 2011 to April 30, 2016	1	0
Stock Acquisition Rights No.29	June 16, 2009	101,300	From June 17, 2011 to June 16, 2016	1	0
Stock Acquisition Rights No.30	June 16, 2009	325,400	From June 17, 2011 to June 16, 2016	1	0
Stock Acquisition Rights No.31	August 5, 2009	156,000	From August 6, 2011 to August 5, 2016	734	0
Stock Acquisition Rights No.32	August 5, 2009	2,205,500	From August 6, 2011 to August 5, 2016	734	0
Stock Acquisition Rights No.34	May 18, 2010	1,159,000	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.35	May 18, 2010	1,028,500	From May 19, 2012 to May 18, 2017	1	0
Stock Acquisition Rights No.36	May 18, 2010	48,500	From May 19, 2013 to May 18, 2017	1	0

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			March 31, 2014		
Series of SARs	Allotment Date	Number of Shares under SARs	Exercise Period of SARs	Exercise Price per Share under SARs	Paid-in Amount for SARs
Stock Acquisition Rights No.37	July 28, 2010	2,645,000	From April 30, 2012 to April 29, 2017	¥ 1	¥ 0
Stock Acquisition Rights No.38	July 28, 2010	993,700	From April 30, 2013 to April 29, 2018	1	0
Stock Acquisition Rights No.39	November 16, 2010	2,070,300	From November 16, 2012 to November 15, 2017	478	0
Stock Acquisition Rights No.40	June 7, 2011	1,760,700	From May 25, 2012 to May 24, 2018	1	0
Stock Acquisition Rights No.41	June 7, 2011	4,057,200	From May 25, 2013 to May 24, 2018	1	0
Stock Acquisition Rights No.42	June 7, 2011	18,462,700	From May 25, 2014 to May 24, 2018	1	0
Stock Acquisition Rights No.43	November 16, 2011	2,086,800	From November 16, 2013 to November 15, 2018	299	0
Stock Acquisition Rights No.44	June 5, 2012	2,102,100	From April 20, 2013 to April 19, 2018	1	0
Stock Acquisition Rights No.45	June 5, 2012	12,563,700	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.46	June 5, 2012	12,412,100	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.47	June 5, 2012	4,870,200	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.48	June 5, 2012	4,860,700	From April 20, 2017 to April 19, 2022	1	0
Stock Acquisition Rights No.49	June 5, 2012	1,671,000	From October 20, 2015 to April 19, 2021	1	0
Stock Acquisition Rights No.50	June 5, 2012	1,669,600	From October 20, 2016 to April 19, 2022	1	0
Stock Acquisition Rights No.51	November 13, 2012	2,835,100	From November 13, 2014 to November 12, 2019	298	0
Stock Acquisition Rights No.52	June 5, 2013	6,885,100	From April 20, 2014 to April 19, 2019	1	0
Stock Acquisition Rights No.53	June 5, 2013	6,852,300	From April 20, 2015 to April 19, 2020	1	0
Stock Acquisition Rights No.54	June 5, 2013	6,820,300	From April 20, 2016 to April 19, 2021	1	0
Stock Acquisition Rights No.55	November 19, 2013	2,709,800	From November 19, 2015 to November 18, 2020	838	0

(1) SARs (including those granted to Directors and Executive Officers of Nomura which are stated in the table below) are issued in conjunction with deferred compensation plan.

(2) The number of shares issuable under SARs is subject to adjustments under certain circumstances including stock splits.

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SARs Held by Directors and Executive Officers of Nomura

The following table presents details of Stock Acquisition Rights held by Directors and Executive Officers as of March 31, 2014.

	March 31, 2013		
		Numbers of Holders	
Series of SARs	Number of Shares under SARs	Directors and Executive Officers (excluding Outside Directors)	Outside Directors
SARs No.14	9,100	1	
SARs No.15	15,000	2	
SARs No.16	31,000	7	
SARs No.21	7,900	1	
SARs No.22	9,000	1	2
SARs No.23	45,000	7	
SARs No.24	3,000		1
SARs No.29	24,000	1	2
SARs No.30	18,000	1	
SARs No.31	29,000	3	2
SARs No.32	35,000	5	
SARs No.34	39,100	1	
SARs No.35	158,800	2	
SARs No.36	48,500	1	
SARs No.40	69,200	3	
SARs No.41	171,300	5	
SARs No.42	268,800	8	
SARs No.44	33,600	3	
SARs No.45	61,500	5	
SARs No.46	61,400	5	
SARs No.47	27,300	5	
SARs No.48	27,300	5	
SARs No.52	139,600	8	
SARs No.53	138,700	8	
SARs No.54	138,400	8	

Pension, Retirement or Similar Benefits

See Note 15 *Employee benefit plans* in our consolidated financial statements included in this annual report.

C. Board Practices.

Information Concerning Directors

The Companies Act states that a company which adopts the committee-based corporate governance system (Committee System) must establish three committees; a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company s directors, and the majority of the members of each committee must be outside directors. Under the Committee System, the board of directors is entitled to establish the basic management policy for the company, has decision-making authority over certain prescribed matters, and supervises the execution by the executive officers of their duties. Executive officers and representative executive officers appointed by a resolution adopted by the board of directors manage the business affairs of the company, based on a delegation of authority by the board of directors.

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The Company adopted the Committee System by amending the Company s Articles of Incorporation by way of a special resolution adopted at the Annual Meeting of Shareholders held on June 26, 2003. Through the Committee System, the Company aims to strengthen management oversight, increase the transparency of the Company s management and expedite the decision-making process within the Nomura Group. An outline of the Company s Board of Directors, Nomination Committee, Audit Committee and Compensation Committee is provided below.

Board of Directors

The Company s Board of Directors consists of Directors who are elected at a general meeting of shareholders and the Company s Articles of Incorporation provide that the number of Directors shall not exceed 20. The term of office of each Director expires upon the conclusion of the ordinary general meeting of shareholders with respect to the last fiscal year ending within one year after their appointment. Directors may serve any number of consecutive terms. From among its members, the Company s Board of Directors elects the Chairman. The Company s Board of Directors met 10 times during the fiscal year ended March 31, 2014. As a group, the Directors attended approximately 98% of the total number of meetings of the Board of Directors during the year. The Board of Directors has the authority to determine the Company s basic management policy and supervise the execution by the Executive Officers of their duties. Although the Board of Directors also has the authority to make decisions with regard to the Company s business, most of this authority has been delegated to the Executive Officers by a resolution adopted by the Board of Directors. There are no Directors service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Nomination Committee

The Nomination Committee, in accordance with the Company s Regulations of the Nomination Committee, determines the details of any proposals concerning the election and dismissal of Directors to be submitted to general meetings of shareholders by the Board of Directors. The Nomination Committee met three times during the fiscal year ended March 31, 2014. As a group, the member Directors attended 100% of the total number of meetings of the Nomination Committee during the year. As of June 25, 2014, the members of the Nomination Committee are Nobuyuki Koga, Masahiro Sakane and Takao Kusakari. Nobuyuki Koga is the Chairman of this committee.

Audit Committee

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

The Audit Committee met 18 times during the fiscal year ended March 31, 2014. As a group, the member Directors attended 100% of the total number of meetings of the Audit Committee during the year. As of June 25, 2014, the members of the Audit Committee are Tsuguoki Fujinuma, Toshinori Kanemoto and Hiroyuki Suzuki. Tsuguoki Fujinuma is the Chairman of this Committee.

Compensation Committee

The Compensation Committee, in accordance with the Company s Regulations of the Compensation Committee, determines the Company s policy with respect to the determination of the details of each Director and Executive Officer s compensation. The Compensation Committee also determines the details of each

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Director and Executive Officer s actual compensation. The Compensation Committee met three times during the fiscal year ended March 31, 2014. As a group, the member Directors attended 100% of the total number of meetings of the Compensation Committee during the year. As of June 25, 2014, the members of the Compensation Committee are Nobuyuki Koga, Masahiro Sakane and Takao Kusakari. Nobuyuki Koga is the Chairman of this Committee.

Limitation of Liabilities of Outside Directors

The Company has entered into agreements to limit Companies Act Article 423 Paragraph 1 liability for damages (limitation of liability agreements) with each of the following Outside Directors: Masahiro Sakane, Takao Kusakari, Tsuguoki Fujinuma, Toshinori Kanemoto, Dame Clara Furse, and Michael Lim Choo San. Liability under each such agreement is limited to either ¥20 million or the amount prescribed by laws and regulations, whichever is greater.

Information Concerning Executive Officers

Executive Officers of the Company are appointed by the Board of Directors, and the Company s Articles of Incorporation provide that the number of Executive Officers shall not exceed 45. The term of office of each Executive Officer expires upon the conclusion of the first meeting of the Board of Directors convened after the ordinary general meeting of shareholders for the last fiscal year ending within one year after each Executive Officer s assumption of office. Executive Officers may serve any number of consecutive terms. Executive Officers have the authority to determine matters delegated to them by resolutions adopted by the Board of Directors and to execute business activities.

D. Employees

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

	As of March 31,		
	2012	**2013**	**2014**
Japan	21,609	16,030	16,037
Europe	4,014	3,618	3,461
Americas	2,420	2,271	2,281
Asia and Oceania	6,352	6,037	5,891
Total	34,395	27,956	27,670

As of March 31, 2014, we had 16,037 employees in Japan, including 9,459 of Retail Division, 1,567 of Wholesale Division and 843 of Asset Management Division. In overseas, we had 11,633 employees, of which 3,461 were located in Europe, 2,281 in the Americas, and 5,891 in Asia and Oceania.

During the fiscal year ended March 31, 2013 NLB, one of NHI s affiliated companies, sold shares of Nomura Real Estate Holdings, Inc. As a result Nomura Real Estate Holdings, Inc. is no longer a consolidated subsidiary of NHI, thus the number of employees decreased significantly compared to the fiscal year ended March 31, 2012.

As of March 1, 2014, 7,863 of Nomura Securities employees in Japan were members of Nomura employees union, with which we have a labor contract. Between the company and the labor union, we had been holding constant discussions to make solutions on labor related matters.

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

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E. Share Ownership.

The following table shows the number of shares owned by our Directors and Executive Officers as of May 31, 2014. As of that date, none of them owned 1% or more of our issued and outstanding shares. None of the shares referred to below have different voting rights.

Directors

Name	Number of Shareholdings
Nobuyuki Koga	212,343
Koji Nagai	136,700
Atsushi Yoshikawa	166,684
Hiroyuki Suzuki	76,472
David Benson	
Masahiro Sakane	30,000
Takao Kusakari	
Tsuguoki Fujinuma	28,448
Toshinori Kanemoto	
Dame Clara Furse	
Michael Lim Choo San	
Total	650,647

Executive Officers

Name	Number of Shareholdings
Koji Nagai	See above
Atsushi Yoshikawa	See above
Tetsu Ozaki	54,400
Toshio Morita	108,377
Kunio Watanabe	28,262
Shoichi Nagamatsu	103,432
Shigesuke Kashiwagi	20,000
Total	314,471

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

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders.

The Company understands that there is no major shareholder who owns more than 5% of our outstanding common stock on the register of shareholders as of March 31, 2014.

To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2014, there were 255 Nomura shareholders of record with addresses in the U.S., and those U.S. holders held 394,571,362 shares of the Company s common stock, representing 10.3% of Nomura s then outstanding common stock. As of

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March 31, 2014, there were 44,659,127 ADSs outstanding, representing 44,659,127 shares of the Company s common stock or 1.2% of Nomura s then outstanding common stock. Our major shareholders above do not have different voting rights.

B. Related Party Transactions.

Nomura Research Institute, Ltd.

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

We held 38.0% of NRI s outstanding share capital as of March 31, 2014.

For the year ended March 31, 2014, we purchased ¥26,655 million worth of software and computer equipment, paid NRI ¥57,469 million for other services, and received ¥351 million as rents from NRI.

See also Note 22 *Affiliated companies and other equity-method investees* in the consolidated financial statements included in this annual report.

Directors

There were no significant transactions.

C. Interests of Experts and Counsel.

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Financial Statements

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

Legal Proceedings

For a discussion of our litigation and related matters, see Note 23 *Commitments, contingencies and guarantees* in the consolidated financial statements included in this annual report.

Dividend Policy

For our dividend policy, see *Capital Management Dividends* under Item 5.B of this annual report.

B. Significant Changes.

Except as disclosed in this annual report, there have been no significant changes since March 31, 2014.

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Item 9. The Offer and Listing

A. Offer and Listing Details.

Price History

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

Year ended March 31,	Tokyo Stock Exchange Price Per Share of Common Stock High	Low	New York Stock Exchange Price Per Share of ADS High	Low
Annual highs and lows				
2010	¥ 934	¥ 498	$ 9.50	$ 5.35
2011	717	361	7.67	4.75
2012	436	223	5.21	2.91
2013	608	241	6.30	3.05
2014	980	535	9.64	5.76
Quarterly highs and lows				
2013				
First Quarter	381	241	4.53	3.05
Second Quarter	311	245	3.91	3.13
Third Quarter	505	261	5.89	3.36
Fourth Quarter	608	463	6.30	5.24
2014				
First Quarter	¥ 980	¥ 535	$ 9.64	$ 5.76
Second Quarter	833	683	8.39	6.30
Third Quarter	831	708	8.21	7.19
Fourth Quarter	828	625	7.88	6.20
Monthly highs and lows				
2014 (calendar year)				
January	828	724	7.88	6.89
February	727	659	7.01	6.58
March	716	625	6.96	6.20
April	680	587	6.57	5.82
May	684	592	6.65	5.85
June (through June 25)	752	671	7.38	6.55

B. Plan of Distribution.

Not applicable.

C. Markets.

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

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

D. Selling Shareholders.

Not applicable.

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E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Objects and Purposes in the Company s Articles of Incorporation

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

Provisions Regarding the Company s Directors

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

As a company organized under the Committee System of corporate governance, the compensation of the Company s Directors and Executive Officers is determined by the Compensation Committee (see Item 6.C above). The Compensation Committee establishes the policy with respect to the determination of the individual compensation (including variable compensation) of each of the Company s Directors and Executive Officers and makes determinations in accordance with that compensation policy.

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

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

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

Pursuant to the Companies Act and the Company s Articles of Incorporation, the Company may, by a resolution adopted by the Company s Board of Directors, release the liabilities of any Directors or Executive Officers to the Company for damages suffered by the Company due to their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company s Articles of Incorporation. In addition, the Company may execute with outside Directors agreements that limit their liabilities to the Company for damages suffered by the Company due to their acts in good faith and without gross negligence, to the extent permitted by the Companies Act and the Company s Articles of Incorporation. See *Limitation of Liabilities of Outside Directors* under Item 6.C above.

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Holding of the Company s Shares by Foreign Investors

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

Common Stock

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

General

Under the Company s Articles of Incorporation, the Company is authorized to issue 6,000,000,000 shares, of which 3,822,562,601 shares were issued as of March 31, 2014. All issued shares are fully-paid and non-assessable.

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

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

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

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

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

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Dividends

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

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

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

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

For information as to Japanese taxes on dividends, see *Japanese Taxation* under Item 10.E of this annual report.

Restriction on Distributions of Surplus

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

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

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

In the above formula:

A	=	the total amount of other capital surplus and other retained earnings each such amount being that appearing on the Company s non-consolidated balance sheets as of the end of the last fiscal year;
B	=	(if the Company has disposed of treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;
C	=	(if the Company has reduced stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

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D = (if the Company has reduced additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

E = (if the Company has cancelled treasury stock after the end of the last fiscal year) the book value of such treasury stock;

F = (if the Company has distributed Surplus to shareholders after the end of the last fiscal year) the total book value of Surplus so distributed;

G = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced Surplus and increased stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed Surplus to shareholders after the end of the last fiscal year) the amount set aside in the Company s additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

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

(a) the book value of the Company s treasury stock;

(b) the amount of consideration for the Company s treasury stock disposed of after the end of the last fiscal year; and

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

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

If the Company has prepared non-consolidated interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a resolution adopted by the general meeting of shareholders, the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company s treasury stock disposed of, during the period in respect of which such interim financial statements have been prepared. The Company may prepare non-consolidated interim financial statements consisting of a balance sheet as of any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Interim financial statements so prepared by the Company must be approved by the Board of Directors and audited by the Company s Audit Committee and independent auditors, as required by ordinances of the Ministry of Justice.

Stock Splits

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

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

Japanese Unit Share System

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

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

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

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

Voting Rights of a Holder of Shares Constituting Less Than One Unit. A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares. A holder of shares representing one or more whole units will have one vote for each whole unit represented.

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

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

- to receive dividends,

to receive cash or other assets in case of consolidation or split of shares, exchange or transfer of shares, corporate split or merger,

to be allotted rights to subscribe for free for new shares and stock acquisition rights when such rights are granted to shareholders, and

to participate in any distribution of surplus assets upon liquidation.

Annual General Meeting of Shareholders

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

Voting Rights

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

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

a reduction of stated capital,

amendment to the Articles of Incorporation (except amendments which the Board of Directors (or under the Committee System, Executive Officers) are authorized to make under the Companies Act),

establishment of a 100% parent-subsidiary relationship by way of share exchange or share transfer requiring shareholders approval,

a dissolution, merger or consolidation requiring shareholders approval,

a corporate split requiring shareholders approval,

the transfer of the whole or an important part of the Company s business,

the taking over of the whole of the business of any other corporation requiring shareholders approval, any issuance of new shares or transfer of existing shares as treasury stock to persons other than the shareholders at a specially favorable price,

any issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under specially favorable conditions,

purchase of shares by the Company from a specific shareholder other than the Company s subsidiary, consolidation of shares, and

release of part of directors , independent auditor s or executive officers liabilities to their corporation.
The voting rights of holders of ADRs are exercised by the depositary based on instructions from those holders.

Subscription Rights

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

Stock Acquisition Rights

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

Liquidation Rights

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

Liability to Further Calls or Assessments

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

Share Registrar

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

Record Date

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

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

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

Acquisition of Own Shares

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

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

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

Preferred Stock

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

General

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

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

Preferred Dividends

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

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

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

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

Voting Rights

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

- If no resolution to pay a preferred dividend has been adopted by the Board of Directors prior to the dispatch of the convocation notice for the annual general meeting of shareholders in respect of any fiscal year, and if no proposal to pay such preferred dividend was submitted to the relevant annual general meeting of shareholders, then the shareholders of the relevant preferred stock will be entitled to vote at such meeting and all subsequent general meetings of shareholders up to the time when the Board of Directors or general meeting of shareholders adopts a resolution to pay such preferred dividend; and

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

Liquidation Rights

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

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

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

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

The Company s Right and Obligation to Acquire Preferred Stock

Upon the occurrence of such event or on such date as may be determined by a resolution adopted by the Company s Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors prior to the issuance of any of Class 1 preferred stock, Class 2 preferred stock and/or Class 4 preferred stock, the Company shall have the right to acquire all or any part of the relevant shares of preferred stock. In the event the Company exercises such right, the Company would deliver to the relevant shareholder a certain amount of cash in exchange for the shares of the preferred stock acquired by the Company from such shareholder. The initial acquisition price at which the relevant preferred stock would be acquired by the Company would be determined prior to the time of issuance thereof by a resolution adopted by the Company s Board of Directors or by Executive Officer(s) under authority delegated by a resolution adopted by the Board of Directors taking into consideration the amount of subscription moneys paid for the relevant preferred stock.

With respect to Class 3 preferred stock and Class 4 preferred stock, the Company has the obligation to acquire all shares of such preferred stock outstanding on the day immediately following the last day of the relevant conversion period. In such an event, the Company would deliver to the relevant shareholders a certain number of shares of the Company s common stock in exchange for the shares of the preferred stock acquired by the Company from them. The number of shares of the Company s common stock to be delivered to a shareholder of the relevant preferred stock would be calculated by multiplying the number of shares of the preferred stock held by such shareholder by the amount of the subscription money per share paid for such preferred stock and dividing the resulting amount by the market price of a share of the Company s common stock at the time.

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

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delivered to a shareholder of the relevant preferred stock would be determined prior to the issuance of such preferred shares by a resolution adopted by the Company s Board of Directors or by Executive Officer(s) considering the subscription price of the preferred shares, the market value of the Company s common stock and market conditions. An upper limit for the common stock to be delivered in exchange for the relevant preferred shares may also be set pursuant to such resolution or determination.

Order of Priority

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

Report of Substantial Shareholdings

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

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

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

On June 25, 2014, the closing price of the Company s shares on the Tokyo Stock Exchange was ¥732 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange. Other daily price limits would apply if the per share price of shares of the Company moved to other ranges.

Selected Daily Price Limits

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

For a history of the trading price of shares of the Company on the Tokyo Stock Exchange, see Item 9.A of this annual report.

Rights of ADR Holders

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

C. Material Contracts.

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

D. Exchange Controls.

Acquisition of Shares

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

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

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

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

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

Dividends and Proceeds of Sale

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