

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

Washington, D.C. 20549

**FORM 20-F**

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

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

OR

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

OR

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

Commission file number: 1-15270

**Nomura Horudingusu Kabushiki Kaisha**

(Exact name of registrant as specified in its charter)

## Nomura Holdings, Inc.

(Translation of registrant's name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Jurisdiction of incorporation or organization)

Japan

(Address of principal executive offices)

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

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

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

Title of Each Class  
Common Stock\*

Name of Each Exchange On Which Registered  
New York Stock Exchange

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

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

None

(Title of Class)

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

None

(Title of Class)

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

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

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

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

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

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

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

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

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

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisors**

Not applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information**

**A. Selected Financial Data.**

The following table shows selected financial information as of and for the years ended March 31, 2005, 2006, 2007, 2008 and 2009 and the information is derived from our consolidated financial statements. These financial statements were prepared in accordance with accounting principles generally accepted in the United States. Certain reclassifications of previously reported amounts have been made to conform to the current period presentation.

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

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

Notes:

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

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- (6) Calculated using the yen-dollar exchange rate of \$1.00 = ¥99.15, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2009.



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

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

  

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

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

**B. Capitalization and Indebtedness.**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds.**

Not applicable.

**D. Risk Factors.****Risk Factors**

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Market fluctuations could harm our businesses**

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

#### *Our brokerage and asset management revenues may decline*

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

#### *Our investment banking revenues may decline*

Unfavorable financial or economic conditions would likely reduce the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there is a sustained market downturn.

#### *We may incur significant losses from our trading and investment activities*

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

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

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

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

In addition, if we are the party providing collateral this can increase our costs and reduce our profitability and if we are the party receiving collateral this can also reduce our profitability by reducing the level of business done with our clients and counterparties.

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

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

*Extended market decline can reduce liquidity and lead to material losses*

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

*Our hedging strategies may not prevent losses*

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

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

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

*Market risk may increase other risks that we face*

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

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

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

Our liquidity risk and credit risk are described below.

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

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

*We may be unable to access the debt capital markets*

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

we incur large trading losses,

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

regulatory authorities take significant action against us.

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



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

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

### *We may be unable to sell assets*

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

### *Lowering of our credit ratings could increase our borrowing costs*

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

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

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

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

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

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

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

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

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



decline of prices of securities issued by third parties, or

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

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

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

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

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

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

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

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

### **The financial services industry is intensely competitive and rapidly consolidating**

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

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

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

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

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

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

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

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

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

Failure to settle securities transactions,

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

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

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

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

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

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



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### *Our exposure to legal liability is significant*

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

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

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

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

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. For example, in accordance with the amendments to the Securities and Exchange Law of Japan (which has been renamed as the Financial Instruments and Exchange Act ( FIEA )), effective from December 1, 2004, banks and certain other financial institutions became able to act as agents of securities companies in the securities brokerage business. In addition, in accordance with the recent amendments to the FIEA effective from June 1, 2009, firewalls between commercial banks and securities were partially deregulated. Therefore, we may face increased competition as our competitors will be able to cooperate more closely with their affiliated commercial banks.

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

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

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Third parties may also engage in fraudulent activities, including devising a fraudulent scheme by which to induce our investment, loans, guarantee or any other form of our financial commitment, both direct and indirect. Because of the broad range of businesses that we engage in and the large number of third parties with whom we deal in our day-to-day business operation, such fraud or any other misconduct may be difficult to prevent or detect. Further, we may not be able to recover the financial losses caused by such activities and our reputation may also be damaged by such activities.

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

We keep and manage personal information obtained from customers in relation to our business. In recent years, there have been many reported cases of personal information and records in the possession of corporations and institutions being improperly accessed or disclosed. We may have to provide compensation for economic loss and emotional distress arising out of a failure to protect such information in accordance with the Act on the Protection of Personal Information and rules, regulations and guidelines relating thereto.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Special Note Regarding Forward-looking Statements**

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



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

### **Item 4. Information on the Company**

#### **A. History and Development of the Company.**

Nomura was incorporated in Japan on December 25, 1925 under the Commercial Code of Japan when the securities division of The Osaka Nomura Bank, Ltd. became a separate entity specializing in the trading and distribution of debt securities in Japan. Nomura was the first Japanese securities company to develop its business internationally with the opening in 1927 of a representative office in New York, which actively traded non-yen-denominated debt securities. In Japan, we broadened the scope of our business when we began trading in equity securities in 1938 and when we structured the first investment trust in Japan in 1941.

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

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

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

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

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

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

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

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

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

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

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

## **B. Business Overview.**

### **Overview**

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

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

Our business consists of the following five business segments:

Retail principally investment consultation services to retail customers;

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

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

Merchant Banking principally private equity investments; and

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

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

### **Our Business Strategy**

#### *Our Corporate Goals and Principles*

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

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

#### *Management Challenges and Strategies*

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

countries. The economic environment in

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Retail**

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

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

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

## **Global Markets**

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

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

Global Equities focuses on equities and equity-linked derivatives.

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

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

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

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

### **Investment Banking**

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

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

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

### **Merchant Banking**

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

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

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

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### **Asset Management**

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

### **Our Research Activities**

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

### **Our Information Technology**

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

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

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

### **Competition**

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

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

our ability to originate and develop innovative client solutions,

our ability to maintain and develop client relationships,

our ability to access and commit capital resources,

our ability to retain and attract qualified employees, and

our general reputation.



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

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

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

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

There has also been substantial consolidation and convergence among financial institutions in recent years, both within Japan and globally. This trend accelerated further over the course of the past year as several leading market players consolidated, were found to merge, received governmental assistance, or received regulatory approval to transition to bank holding companies in the credit crisis. The growing presence and scale of financial groups which encompass commercial banking, securities brokerage, investment banking and other financial services has led to increased competition. Through their broadened offerings, these firms are able to create good client relationships and leverage their existing client base in brokerage and investment banking business as well.

In addition to the breadth of their products and services, these firms have the ability to pursue greater market shares in investment banking and securities products by reducing margins and relying on their commercial banking, asset management, insurance and other financial services activities. This has resulted in pricing pressure in our investment banking and trading businesses and could result in pricing pressure in other areas of our businesses. Moreover, the trend toward consolidation and convergence has significantly increased the capital base and geographic reach of some of our competitors, hastening the globalization of the securities and financial services markets. To accommodate this trend, we will have to compete successfully with financial institutions that are large and well-capitalized, and that may have a stronger local presence and longer operating history outside Japan.

We have also competed, and expect to compete, with other financial institutions which commit capital to businesses or transactions for market share in investment banking activities. In particular, corporate clients may seek such commitments (such as agreements to participate in their commercial paper backstop or other loan facilities) in connection with investment banking mandates and other assignments.

## **Regulation**

### *Japan*

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

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

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*Regulation of the Securities Industry.* The FIEA regulates most aspects of securities transactions and the securities industry in Japan, including public offerings, private placements and secondary trading of securities, on-going disclosure by securities issuers, tender offers for securities, organization and operation of securities exchanges and self-regulatory associations, and registration of securities companies. The Prime Minister has the authority to regulate the securities industry and securities companies, which authority is delegated to the Commissioner of the Financial Services Agency under the FIEA. The Securities and Exchange Surveillance Commission, an external agency of the Financial Services Agency which is independent from the Agency's other bureaus, is vested with authority to conduct day-to-day monitoring of the securities markets and to investigate irregular activities that hinder fair trading of securities, including inspection of securities companies. Furthermore, the Commissioner of the Financial Services Agency delegates certain authority to the Director General of Local Finance Bureau to inspect local securities companies and branches. A violation of applicable laws and regulations may result in various administrative sanctions, including revocation of registration or authorization, suspension of business or an order to discharge any director or executive officer who has failed to comply with applicable laws and regulations. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory association of securities companies.

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

*Regulation of Other Financial Services.* Securities companies are not permitted to conduct banking or other financial services directly, except for those which are registered as money lenders and engaged in money lending business under the Money Lending Business Act or which hold permission to act as bank agents and conduct banking agency activities under the Banking Law. Securities companies are allowed, however, to hold majority ownership in banks and other financial services institutions. Securities company subsidiaries conducting banking and financial services are also regulated by relevant laws and regulations. The Nomura Trust & Banking Co., Ltd. is such a subsidiary and engages in banking and certain financial services.

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

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

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

*Overseas*

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

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

### *International Developments*

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

### **Regulatory Capital Rules**

#### *Japan*

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

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

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

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

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

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

*Overseas*

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

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

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

**Table of Contents****C. Organizational Structure.**

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

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



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**D. Property, Plants and Equipment.**

**Our Properties**

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

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

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

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

**Item 4A. Unresolved Staff Comments**

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. There are no written comments which have been provided by the staff of the Securities and Exchange Commission regarding our periodic reports under that Act not less than 180 days before the end of the fiscal year ended March 31, 2009 and which remain unresolved as of the date of the filing of this annual report with the Commission.

**Item 5. Operating and Financial Review and Prospects**

**A. Operating Results.**

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

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

**Business Environment**

*Japan*

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

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

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

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

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

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

*Overseas*

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



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

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

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

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

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

**Executive Summary**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Results by Business Segment**

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

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

**Retail**

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

*Operating Results of Retail*

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

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

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

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

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

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

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

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

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### *Retail Client Assets*

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

#### **Retail Client Assets**

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

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

### **Global Markets**

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



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

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

*Operating Results of Global Markets*

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

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

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

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

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

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

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

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

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

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

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

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

**Investment Banking**

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

*Operating Results of Investment Banking*

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



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

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

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

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

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

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

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

**Merchant Banking**

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

*Operating Results of Merchant Banking*

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

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

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



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

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

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

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

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

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

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

**Asset Management**

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

*Operating Results of Asset Management*

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

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Note:

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

### **Other Operating Results**

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

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

### **Summary of Regional Contribution**

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

### **Regulatory Capital Requirements**

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

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

### **Translation Exposure**

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

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### **Critical Accounting Policies and Estimates**

#### *Use of estimates*

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

#### *Fair value for financial instruments*

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

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

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

In all cases, fair value is determined in accordance with SFAS No.157, which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in our principal market, or in the absence of the principal market, the most advantageous market for the relevant financial asset or financial liability. Further information on the determination of fair value is provided in Note 1, *Summary of accounting policies* and in Note 3, *Fair value of Financial instruments* to our consolidated financial statements.

#### *Fair value hierarchy*

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

#### Level 1:

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

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Level 2:

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

Level 3:

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

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

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

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be established using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered an unobservable parameter. Other techniques for determining an appropriate value for unobservable parameters may take into account information such as consensus pricing data, historical trends, extrapolation from available market data and other information we would expect market participants to use in valuing similar instruments.

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

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

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

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

*Level 3 Assets and Liabilities*

The Level 3 financial instruments include following instruments.

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



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

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

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

*Private equity business*

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

The valuation of unlisted private equity investments at fair value requires significant management judgment because these investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected realizable value of the investment has been different from the carrying value. In reaching that determination, we primarily use either our own internal valuation models based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital or comparable market multiple valuations. Where possible these valuations are compared with the operating cash flows and financial performance of the companies or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences.

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

*Derivative contracts*

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

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Fair value amounts recognized for derivative instruments with which party are concerned to a master netting agreement are offset in the consolidated balance sheet in accordance with FIN 39. In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively in accordance with FSP FIN 39-1.

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

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

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

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

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

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

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



included.

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

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

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

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

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

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

*Securitization Products*

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

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

## Notes:

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

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

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

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

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

*Exposure to monoline insurers (financial guarantors)*

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

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

Notes:

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

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

*Leveraged Finance*

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2009.

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

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

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

### **Private Equity Business**

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

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

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

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

#### *Private equity business in Japan*

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

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

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

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

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

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### *Private equity business in Europe*

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

### *Terra Firma Investments*

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

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

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

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

### *Other Terra Firma Funds*

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

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

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

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

### *Other Investments*

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

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### **B. Liquidity and Capital Resources.**

#### **Liquidity**

##### *Overviews*

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

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

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

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

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

Our internal model is calculated at the subsidiary level in order to take into account legal, regulatory and tax restrictions that may impact the transfer of liquidity between entities.

We routinely issue long term debt in various maturities and currencies to maintain a long term funding surplus, and to also achieve both cost effective funding and a maturity profile where the average duration of our debt is sufficient to meet our long-term cash capital requirements. We therefore seek to maintain an average maturity for vanilla instruments greater than three years. The average maturity (for debt securities and





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borrowings with maturities longer than one year) was 3.98 years as of March 31, 2009. Approximately 80% of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. Conditions for such calls by indexes are individually set. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 13.53 years as of March 31, 2009. The average maturity of our entire long term debt portfolio including plain vanilla debt securities and borrowings was 7.52 years as of March 31, 2009. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

- (1) Redemption schedule is individually estimated by considering of the probability of redemption. Due to structure bias, we use the probability adjusted by a certain stress.
2. *Diversify unsecured funding sources.* We seek to reduce refinancing risk through diversification of our funding sources. We diversify funding by product, investor and market in order to reduce our reliance on any one funding source. We benefit by distributing a significant portion of our debt through our retail and institutional sales force to a diversified global investor base. We believe that maintaining relationships with our investors is critical to our liquidity strategy.

We also seek to diversify funding by currency. The proportion of our non-yen denominated long-term debt is 12.5% of total term debt outstanding as of March 31, 2009.

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We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other debt or equity securities, indices, currencies or commodities.

	March 31			
	2008		2009	
	(in billions, except percentages)			
Short-Term Unsecured Debt Total <sup>(1)</sup>	¥ 2,246.4	26.1%	¥ 1,932.4	23.8%
Short-Term Bank Borrowings	698.7		796.7	
Other Loans	86.0		137.4	
Commercial Paper	445.9		318.7	
Deposit at Banking Entities	327.7		354.6	
Certificates of Deposit	16.7		61.0	
Bonds and Notes maturing within one year	671.4		264.0	
Long-Term Unsecured Debt Total	4,374.5	50.8%	4,646.4	57.2%
Long-Term Deposit at Banking Entities	18.4		24.7	
Long-Term Bank Borrowings	1,259.3		1,706.4	
Other Loans	145.0		124.0	
Bonds and Notes <sup>(2)</sup>	2,951.8		2,791.3	
Shareholders' Equity	1,988.1	23.1%	1,539.4	19.0%

- (1) Short-term unsecured debt includes the current portion of long-term unsecured debt.
- (2) Excluding Long term bonds and notes issued by consolidated VIEs that meet the definition of Variable Interest Entities (VIE) under FASB Interpretation No. 46-R and 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 SFAS 140 .
3. *Unsecured Funding Management.* We manage the overall level of unsecured funding and created internal limits on the additional amount of unsecured funding available across the Firm. The availability of unsecured funding is set by the Executive Management Board and monitored closely by Global Treasury.

Issuance of securities by regulated broker-dealers or banking entities may restrict the availability of liquidity across the Nomura group. We actively seek to concentrate issuance of all long-term unsecured, non-deposit funding instruments at either the parent company or unregulated issuing entities. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across the Nomura group.

4. *Maintain Liquidity Portfolios.* To ensure a readily available source of liquidity, we have structured our liquidity portfolio under the assumption that in certain instances, legal and regulatory requirements can restrict the flow of funds between entities in our consolidated group, and funds or securities might not freely move across the Nomura group.

We maintain a liquidity portfolio at Nomura Holdings, Inc. and group companies in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity.

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

- (i) Upcoming maturities of unsecured debt (maturities less than 1 year)
- (ii) Potential buybacks of our outstanding debt
- (iii) Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates



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(iv) Normal business volatility

(v) Cash and collateral outflows in the event of a stress event.

As of March 31, 2009, our liquidity portfolio was ¥2,400.5 billion. Our liquidity portfolio is composed of following highly liquid products.

	March 31	
	2008	2009
	(in billions)	
Liquidity Portfolios	¥ 2,385.9	¥ 2,400.5
Cash, Cash Equivalent and Time Deposits	1,265.3	1,150.7
Overnight Call Loans	139.4	45.9
Government Securities	981.2	1,203.9

In addition to the liquidity portfolio, we have ¥907.9 billion of other unencumbered assets comprising mainly unpledged trading inventory that can be used as an additional source of secured funding. The aggregate value of our liquidity portfolios and other unencumbered assets as of March 31, 2009 was ¥3,308.4 billion this represented 171% of our total unsecured debt maturing within one year.

	March 31	
	2008	2009
	(in billions)	
Net Liquidity Value of Other Unencumbered Assets	¥ 1,329.2	¥ 907.9
Liquidity Portfolios	2,385.9	2,400.5
<b>Total</b>	<b>¥ 3,715.1</b>	<b>¥ 3,308.4</b>

5. *Maintain Committed Bank Facilities.* In addition to our Liquidity Portfolio, we maintain undrawn committed facilities with a group of globally recognized banks in order to provide contingent financing sources. Total committed facilities were ¥256.2 billion as of March 31, 2009. We have structured the 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 them. We may occasionally test the effectiveness of our drawdown procedures.

6. *Maintain and test Contingency Funding Plan (CFP).* We have developed a detailed contingency funding plan. As a part of the CFP, we have developed an approach for analyzing and specifying the extent of any liquidity crisis. This allows us to estimate the likely impact of both a Nomura-specific and market-wide crises; 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 the legal entity level in order to capture specific cash requirements at the local level it assumes that the parent company does not have access to cash that may be trapped at the subsidiary level due to regulatory, legal or tax constraints. We periodically test the effectiveness of our funding plans for different Nomura specific events and market-wide. We also have access to operations at central banks such as Bank of Japan and European Central Bank, which provide financing against various types of securities. These operations are accessed in the normal course of business and are an important in tool in mitigating contingent risk from market disruptions.

*Cash Flow*

Cash and cash equivalents as of March 31, 2009, increased by ¥106.3 billion compared to March 31, 2008. For the year ended March 31, 2009, net cash used in operating activities amounted to ¥712.6 billion due primarily to an

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increase of trading related assets (net of trading related assets and liabilities). Net cash used in investing activities amounted to ¥98.9 billion. Net cash provided by financing activities amounted to ¥999.8 billion due primarily to proceeds received from issuances of stock and long-term borrowings.

*Balance Sheet and Financial Leverage*

Total assets as of March 31, 2009, were ¥24,837.8 billion, a decrease of ¥398.2 billion compared to ¥25,236.1 billion as of March 31, 2008, reflecting a decrease in collateralized agreements. Total liabilities as of March 31, 2009, were ¥23,298.5 billion, an increase of ¥50.5 billion compared to ¥23,247.9 billion as of March 31, 2008. Total shareholders' equity at March 31, 2009, was ¥1,539.4 billion, a decrease of ¥448.7 billion compared to ¥1,988.1 billion as of March 31, 2008, due to a decrease in retained earnings offset by the proceeds from a stock issuance.

We seek to maintain sufficient capital at all times to withstand losses due to extreme market movements. The Executive Management Board 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. See Note 18, *Regulatory requirements* in our consolidated financial statements.

Our capital was ¥1,539.4 billion as of March 31, 2009, a decrease of ¥448.7 billion compared with ¥1,988.1 billion as of March 31, 2008. Our leverage ratio as of March 31, 2009 has increased to 16.1 times from 12.7 times as of March 31, 2008, largely due to the decrease of our shareholders' equity.

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

	March 31	
	2008 <sup>(1)</sup>	2009
	(in billions, except ratios)	
Shareholders' equity	¥ 1,988.1	¥ 1,539.4
Total assets	25,236.1	24,837.8
Adjusted assets <sup>(2)</sup>	14,844.7	16,425.2
Leverage ratio <sup>(3)</sup>	12.7x	16.1x
Adjusted leverage ratio <sup>(4)</sup>	7.5x	10.7x

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

(2) Adjusted assets represent total assets less securities purchased under agreements to resell and securities borrowed transactions.

(3) Leverage ratio equals total assets divided by shareholders' equity.

(4) Adjusted leverage ratio equals adjusted assets divided by shareholders' equity.

**Capital Management***Capital Management Policy*

We seek to enhance shareholder value by capturing business opportunities as they develop. To achieve this goal, we maintain sufficient capital to support our business. We review our sufficiency of capital as appropriate, taking into consideration economic risks inherent in our businesses, regulatory requirements, and maintenance of a sufficient debt rating for a global financial institution.

*Capital-raising Activities*

Our capital-raising activities during the fiscal year ended March 31, 2009 included the following:

In June and July 2008, Nomura Securities raised ¥480.0 billion through a subordinated loan from several financial institutions.



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In December 2008, we raised ¥410.0 billion through issuance of subordinated bonds to the public and subordinated convertible bonds to certain Japanese financial institutions. The subordinated bonds, the aggregate principal amount of which is ¥300.0 billion, are due December 26, 2016 and their coupon rate is 3.60% per annum. The subordinated bonds were issued to enhance our financial position without causing dilution. The subordinated convertible bonds, the aggregate principal amount of which is ¥110.0 billion, are due March 31, 2014 and their coupon rate is also 3.60% per annum. The subordinated convertible bonds were issued for the financial stability offered by the subordinated nature of the bonds, the possibility to change our capital structure by conversion of debt to equity when market conditions recover, and the flexibility and speed with which capital can be enhanced due to a 120% call option attached.

In March 2009, we raised ¥277.9 billion through issuance of shares of our common stock in a global offering. The proceeds from the offering were used for working capital and other general corporate purposes.

### *Dividends*

In regard to cash dividends, we had set target dividend amounts based on the dividend-on-equity ratio (DOE) of 3% as the minimum level of cash dividend. When we achieved a sufficient level of profit, we made additional cash dividends achieving a pay-out ratio exceeding 30%. For the fiscal year ended March 31, 2009, based on the target dividend amount of 34 yen per share, we paid 8.5 yen of dividend for the first, second, and third quarter. However, we decided to forgo payment of the fourth quarter dividend, as we finished the year at a net loss. Accordingly, the total annual dividend for the fiscal year ended March 31, 2009 was 25.5 yen per share.

For the fiscal year ending March 31, 2010, we changed our dividend policy from the DOE focused one to the pay-out ratio of 30% as a key indicator so that we can achieve stable dividend payouts. The payment frequency will also be changed from quarterly (record dates: June 30, September 30, December 31 and March 31) to semi-annual (record dates: September 30 and March 31) in principle.

As for retained earnings, we intend to invest in business areas where high profitability and growth may reasonably be expected, including development and expansion of infrastructure, to maximize value for shareholders.

### *Stock Repurchases*

We repurchase shares when we recognize the need to set out flexible financial strategies that allow the Board to respond quickly to changes in the business environment.

When we decide to set up a share buyback program, we will announce the decision soon after it is made and purchase the shares following internal guidelines.

### *Preferred Stock*

Effective June 25, 2009, we have amended our Articles of Incorporation in order to enable issuance of several classes of preferred stock. A robust capital base is essential to ensuring the expansion and enhancement of our business platform. Although our capital and financial structure currently does not require any immediate issuance of preferred stock, we have made this amendment to expand our fundraising options and speedily respond to future changes in the economic and business environment. We do not have concrete plans to issue preferred stocks as of June 30, 2009.

The amendment did not result in any change to the authorized number of shares of Nomura.

## **Consolidated Regulatory Requirements**

The Financial Services Agency established the Guideline for Financial Conglomerate Supervision (hereinafter referred to as the Financial Conglomerate Guideline) in June 2005 and set out the rule on consolidated regulatory capital. We started monitoring the consolidated capital adequacy ratio of Nomura Holdings, Inc. according to the Financial Conglomerate Guideline from April 2005.



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

Under the Financial Conglomerate Guideline, financial conglomerates, defined as the holding companies of financial institutions and its group companies, must maintain the amount of consolidated capital not less than required capital. As we have started the calculation according to the Bank Holding Companies Notice, we convert each risk by multiplying the amount by 12.5; therefore we examine whether we abide by this requirement by confirming that the capital/risk-weighted asset ratio is higher than 8%.

As of March 31, 2009, we were in compliance with this requirement, with a ratio of total capital to risk-weighted assets of 18.9%.

The following table presents the Company's consolidated capital adequacy ratio as of March 31, 2009:

	<b>March 31, 2009</b> (in billions, except ratios)
<b>Qualifying Capital</b>	
Tier 1 capital	1,405.1
Tier 2 capital	612.7
Tier 3 capital	297.5
Deductions	58.4
Total qualifying capital	2,257.0
<b>Risk-Weighted Assets</b>	
Credit risk-weighted assets	5,422.1
Market risk equivalent assets	5,207.0
Operational risk equivalent assets	1,306.8
Total risk-weighted assets	11,935.9
<b>Consolidated Capital Adequacy Ratios</b>	
Consolidated capital adequacy ratio	18.9%
Tier 1 capital ratio	11.7%

Total qualifying capital is comprised of Tier 1, Tier 2 and Tier 3 capital. Our Tier 1 capital mainly consists of shareholders' equity and minority interest less goodwill, certain intangible fixed assets, and net deferred tax assets in excess of 20% of Tier 1 before deferred tax asset adjustment.

Tier 2 and Tier 3 capital consists of subordinated debt, classified to Tier 2 and Tier 3 by original maturity and other conditions set out by the Bank Holding Companies Notice.

Market risk is calculated using the Company's Value-at-Risk model as permitted under the Financial Instruments Business Operators Guidelines. Credit risk assets are calculated using Standardized Approach which applies fixed percentage to the fair value of the assets. Operational risk is calculated under the Basic Indicator Approach, where the average net revenues over the previous three years are multiplied by a fixed percentage.

**Credit Ratings**

The cost and availability of unsecured funding generally are dependent on credit ratings. Our long-term and short-term debt were rated by Standard & Poor's, Moody's Investors Service, Rating and Investment Information, Inc., Japan Credit Rating Agency, Ltd.

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As of May 27, 2009, the credit ratings of Nomura Holdings, Inc. and Nomura Securities provided by such credit rating agencies were as follows:

<b>Nomura Holdings, Inc.</b>	<b>Short-term Debt</b>	<b>Senior Debt</b>
Standard & Poor's	A-2	BBB+
Moody's Investors Service		Baa2
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

<b>Nomura Securities Co., Ltd.</b>	<b>Short-Term Debt</b>	<b>Senior Debt</b>
Standard & Poor's	A-2	A-
Moody's Investors Service	P-2	Baa1
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA-

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

On May 27, 2009, Moody's Investors Service downgraded the ratings for senior debt from A3 to Baa2 and from A2 to Baa1 for Nomura Holdings and Nomura Securities, respectively. The short-term debt rating for Nomura Securities was also downgraded from P-1 to P-2. The Outlook for both Nomura Holdings and Nomura Securities was changed from Negative to Stable. These downgrades were attributed to Moody's expectation that Nomura's challenges to stabilizing earnings will continue, given a persistently difficult operating environment. The downgrade also reflects the agency's lingering uncertainty regarding Nomura's ability to expand its wholesale platform within a reasonable timeframe by integrating the former Lehman operations.

On January 27, 2009, Standard & Poor's downgraded the ratings for senior debt from A- to BBB+ and from A to A- for Nomura Holdings and Nomura Securities, respectively. The short-term debt rating for Nomura Securities was also downgraded from A-1 to A-2. The outlook for both Nomura Holdings and Nomura Securities was changed from Negative to Stable. These downgrades were attributed to Nomura's record quarterly loss for the three months ended December 31, 2008. According to Standard & Poor's, the loss was mainly due to negative trading results, mark down of positions and additional costs and expenses related to the Lehman acquisition. The outlook was changed to Stable, reflecting a solid capital base, strong domestic franchise and perceived balance between risk/profitability and capital/liquidity to merit the rating for the mid-term.

On January 27, 2009, Rating and Investment Information, Inc. downgraded the ratings for senior debt from AA- to A+ and short-term debt from a-1+ to a-1 for both Nomura Holdings and Nomura Securities. The Outlook for both Nomura Holdings and Nomura Securities was changed from Negative to Stable. These downgrades were attributed to the market slump since September weighing heavily on our group. Losses were incurred in Global Markets, and the overall decline in market activities prompted a slowdown in retail sales which led to larger-than-expected losses for the third quarter, according to the agency.

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On October 28, 2008, Japan Credit Rating Agency, Ltd. downgraded the ratings for senior debt from AA to AA- for both Nomura Holdings and Nomura Securities. The downgrade was attributed to the deterioration of the operating environment, both domestic and global, for investment banks, the erosion of capital from the ¥149.5 billion loss in six months ended September 30, 2008 and the downward pressure on profitability. On January 27, 2009, Japan Credit Rating Agency, Ltd. revised the ratings outlook of the Nomura group from Stable to Negative. The Negative outlook is an indication that Japan Credit Rating Agency, Ltd. may lower the Nomura group ratings over the medium term.

**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.**

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 financial performance.

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

an obligation under a guarantee contract;

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

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

any obligation, including 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 are 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. Such entities generally meet the definition of a Variable Interest Entity ( VIE ) under FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* ( FIN 46-R ) or meet the definition of a Qualifying Special Purpose Entity ( QSPE ) under SFAS 140.

A VIE, as defined by FIN46-R, is an entity with insufficient equity at risk to support its operations without additional subordinated financial support or whose equity investors lack the features of a controlling interest in the entity. In other words, equity investors in these entities lack either the ability to make significant decisions through their voting rights, an obligation to absorb the expected losses of the entity or a right to receive the expected residual returns of the entity. A QSPE is generally a passive vehicle whose activities are restricted and predetermined at inception in accordance with criteria under SFAS 140. Such vehicles are generally used to securitize financial assets such as loans and debt instruments.

Our only significant off-balance sheet arrangements with entities which meet the definition of off-balance sheet entities are through program vehicles which we use primarily for the securitization of commercial and residential mortgages, government and corporate bonds and other financial assets. Significant involvement is assessed based on all of our arrangements with these entities, even if the probability of loss as assessed at the balance sheet date is remote.



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Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In the normal course of business, we also act as transferor of financial assets to, and underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities, in connection with our securitization and equity derivative activities. We retain, purchase and sell variable interests in Special Purpose Entities ( 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. For further information about transactions with VIEs, see Note 8, *Securitization and Variable Interest Entities (VIEs)* in our consolidated financial statements.

The following table sets forth our exposures from consolidated VIEs, exposure to unconsolidated significant VIEs and exposure to unconsolidated sponsored VIEs (of which we are a sponsor that holds a variable interest in a VIE) as at March 31, 2009, arising from our significant involvement with these entities. We consider maximum exposures to loss to be limited to the amounts presented below, which are reflected in our consolidated balance sheet or the footnote discussing guarantees. Exposures do not reflect our estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges we enter into to reduce its exposure.

	Exposures from consolidated VIEs	Billions of yen March 31, 2009 Exposures to unconsolidated significant VIEs and sponsored VIEs <sup>(2)</sup>	Total
Trading Assets:			
Equities	¥ 362	¥ 84	¥ 446
Debt securities	52	24	76
Mortgage and mortgage-backed securities	123	89	212
Investment trust fund and other	8	4	12
Derivatives <sup>(1)</sup>	12	55	67
Office buildings, land, equipment and facilities	51		51
Others	82	48	130

(1) The amounts represent current balance sheet carrying value of derivatives. Notional amounts up to VIEs gross assets are ¥38 billion for exposure of consolidated VIEs and ¥116 billion for exposure to unconsolidated SPEs.

(2) We held ¥23 billion of commitment to extend credit, standby letters of credit and other guarantees to unconsolidated significant VIEs and sponsored VIEs as of March 31, 2009.

We may be required to consolidate off-balance sheet entities which are currently not consolidated under the provisions of FIN 46-R, should it become the primary beneficiary of those vehicles. The primary beneficiary of an entity is determined through an assessment of which entity absorbs the majority of the expected losses or is entitled to the majority of the expected benefits of that entity, or both. Such an assessment takes into account our variable interests in the entity as well the seniority of its interests in relation to those of other variable interest holders.

We are required to reconsider its position and whether or not it absorbs the majority of the risks and rewards of a VIE and may, therefore, be required to consolidate the vehicle if:

The obligation to absorb expected losses or the right to receive expected residual returns is reallocated between the existing primary beneficiary and other parties due to a change in the entity's governing documents or contractual arrangements;

The existing primary beneficiary sells or disposes of all or part of its variable interests to unrelated parties;

The variable interest entity issues new variable interests to parties other than the primary beneficiary and its related parties; or

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We acquire additional variable interests in the variable interest entity.

Taking into consideration the triggers above, we reassess whether it is primary beneficiary of off-balance sheet entities at least quarterly.

### **F. Tabular Disclosure of Contractual Obligations.**

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

#### *Standby letters of credit and other guarantees:*

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

#### *Long-term borrowings:*

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

#### *Operating lease commitments:*

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

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

#### *Capital lease commitments:*

We lease certain equipment and facilities under capital lease agreements.

#### *Commitments to extend credit:*

In connection with our banking / 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 customers under which we commit to underwrite notes that may be issued by the customers.

#### *Commitments to invest in partnership:*

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 these partnerships.

Note 12, *Borrowings* contains further detail on our short-term and long-term borrowing obligation and Note 20, *Commitments, contingencies and guarantees* in our consolidated financial statements contains further detail on our commitments, contingencies and guarantees.

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



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The following table shows our contractual obligations and contingent commitments as well as their maturities as of March 31, 2009:

	Total contractual amount	Less than 1 year	Years to Maturity		
			1 to 3 years (in millions)	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	¥ 9,270	¥ 8,965	¥ 98		¥ 207
Long-term borrowings <sup>(1)</sup>	5,040,000	489,472	1,100,675	1,006,738	2,443,115
Operating lease commitments	80,901	17,602	26,825	14,744	21,730
Capital lease commitments <sup>(2)</sup>	1,150	500	596	54	
Purchase obligations <sup>(3)</sup>	30,552	30,144	408		
Commitments to extend credit	99,915	61,524	35,198	400	2,793
Commitments to invest in partnerships	69,320	26,889	11,290	15,270	15,871
<b>Total</b>	<b>¥ 5,331,108</b>	<b>¥ 635,096</b>	<b>¥ 1,175,090</b>	<b>¥ 1,037,206</b>	<b>¥ 2,483,716</b>

	Total contractual amount	Less than 1 year	Years to Maturity		
			1 to 3 years (in millions)	3 to 5 years	More than 5 years
Standby letters of credit and other guarantees	\$ 93	\$ 90	\$ 1		\$ 2
Long-term borrowings <sup>(1)</sup>	50,833	4,937	11,101	10,153	24,642
Operating lease commitments	816	178	271	149	218
Capital lease commitments <sup>(2)</sup>	12	5	6	1	
Purchase obligations <sup>(3)</sup>	308	304	4		
Commitments to extend credit	1,008	621	355	4	28
Commitments to invest in partnerships	699	271	114	154	160
<b>Total</b>	<b>\$ 53,769</b>	<b>\$ 6,406</b>	<b>\$ 11,852</b>	<b>\$ 10,461</b>	<b>\$ 25,050</b>

- (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 SFAS 140. 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 total contractual amount of capital lease commitments is calculated as the present value of minimum lease payments.
- (3) Purchase obligations for goods and services that include payments for construction-related, advertising, and computer and telecommunications maintenance agreements. The amounts reflect the minimum contractual obligations under enforceable and legally binding contracts that specify all significant terms. The amounts exclude obligations that are already reflected on our consolidated balance sheet 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 to enter into resale and repurchase agreements including amounts in connection with collateralized agreements, collateralized financing and Gensaki transactions. These commitments amount to ¥1,890 billion (\$19.06 billion) for resale agreements and ¥3,011 billion (\$30.37 billion) for repurchase agreements at March 31, 2009.

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

The following table provides information about Nomura's Directors as of June 30, 2009. With respect to the information under "Brief Personal History" below, some of the Directors changed their titles upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name  (Date of Birth)	Responsibilities and Status  in Other Companies		Brief Personal History
Junichi Ujiiie (Oct. 12, 1945)	Chairman of the Board of Directors	Nov. 1975	Joined Nomura
	Chairman of the Nomination Committee	Jun. 1990	Director
	Chairman of the Compensation Committee	Jun. 1992	Director and Head of Americas Division
		Jun. 1995	Managing Director and Head of Americas Division
	Director and President & Chief Executive Officer of Nomura Institute of	Jun. 1996	Managing Director in charge of Risk Analysis Division
	Capital Markets Research	May. 1997	President & CEO
		Apr. 2003	Chairman of the Board of Directors
		Jun. 2003	Chairman of the Board of Directors and Senior Managing Director
		Apr. 2006	Chairman of the Board of Directors
	Kenichi Watanabe (Oct. 28, 1952)	Director and President & CEO	Apr. 1975
Director and President & CEO of		Jun. 1998	Director
Nomura Securities Co., Ltd.		Jun. 2000	Managing Director
		Oct. 2001	Director
			Managing Director of Nomura Securities Co., Ltd.
		Apr. 2002	Executive Managing Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director
			Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2004	Executive Vice President of Nomura Securities Co., Ltd.
		Mar. 2006	Retired from Senior Managing Director
	Apr. 2006	Deputy President of Nomura Securities Co., Ltd.	
	Apr. 2008	President & CEO	
		Director and President & CEO of Nomura Securities Co., Ltd.	
	Jun. 2008	Director and President & CEO	

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<b>Name</b>	<b>Responsibilities and Status</b>		
<b>(Date of Birth)</b>	<b>in Other Companies</b>		<b>Brief Personal History</b>
Takumi Shibata	Director and Deputy President & COO	Apr. 1976	Joined Nomura
(Jan. 8, 1953)	Director and Deputy President & COO of Nomura Securities Co., Ltd.	Jun. 1998	Director
	Director of Fortress Investment LLC	Jun. 2000	Managing Director
		Sep. 2001	Retired from Managing Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd.
		Apr. 2003	Executive Managing Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2004	Director and Executive Vice President of Nomura Securities Co., Ltd.
		Mar. 2005	Retired from Director and Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2005	Director and President & CEO of Nomura Asset Management Co., Ltd.
		Mar. 2006	Retired from Senior Managing Director
		Mar. 2008	Retired from Director and President & CEO of Nomura Asset Management Co., Ltd.
		Apr. 2008	Deputy President & COO Director and Deputy President of Nomura Securities Co., Ltd.
		Jun. 2008	Director and Deputy President & COO Director and Deputy President & COO of Nomura Securities Co., Ltd.
Masanori Itatani	Director	Apr. 1976	Joined Nomura
(Oct. 13, 1953)	Director of Nomura Securities Co., Ltd.	Jun. 1998	Director in charge of Corporate Communications and IR
		Jun. 2000	Director in charge of Planning Division and Corporate Communications
		Oct. 2001	Director in charge of General Affairs Department
		Jun. 2003	Senior Managing Director in charge of Global Corporate Communications, General Affairs Department and Secretariat
		Apr. 2004	Senior Managing Director in charge of Internal Audit
		Apr. 2006	Executive Managing Director in charge of Internal Audit
		Jun. 2007	Director

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Name	Responsibilities and Status				
(Date of Birth)	in Other Companies		Brief Personal History		
Yoshifumi Kawabata  (Nov. 3, 1952)	Director		Apr. 1975	Joined Nomura	
			Jun. 1998	Director	
			Jun. 2000	President of Nomura Babcock & Brown Co., Ltd	
			Sep. 2001	Retired from Director	
			Oct. 2001	Director of Nomura Securities Co., Ltd.	
			Apr. 2002	Managing Director of Nomura Securities Co., Ltd.	
			Jun. 2003	Senior Managing Director	
				Director and President of Nomura Babcock & Brown Co., Ltd.	
				Executive Managing Director of Nomura Securities Co., Ltd.	
			Mar. 2005	Retired from Senior Managing Director Retired from Executive Managing Director of Nomura Securities Co., Ltd.	
		Mar. 2008	Retired from Director and President of Nomura Babcock & Brown Co., Ltd.		
Masaharu Shibata  (Feb. 21, 1937)	Director		Apr. 2008	Advisor	
			Jun. 2008	Director	
	Member of the Nomination Committee  Member of the Compensation Committee  Director of Nomura Securities Co., Ltd.  Chairman of NGK Insulators, Ltd.  Chairman of NGK Technica, Ltd.  Statutory Auditor of Chubu-Nippon Broadcasting Co., Ltd.		Apr. 1959	Joined NGK Insulators, Ltd.	
			Jun. 1994	President & CEO of NGK Insulators, Ltd.	
			Oct. 2001	Director	
			Jun. 2002	Chairman of NGK Insulators, Ltd.	
			Jun. 2007	Statutory Auditor of Chubu-Nippon Broadcasting Co., Ltd.	
		Hideaki Kubori (Aug. 29, 1944)	Director	Apr. 1971	Registered as attorney at law and joined Mori Sogo Law Offices
			Member of the Nomination Committee	Mar. 1998	Left Mori Sogo Law Offices
		Member of the Compensation Committee	Apr. 1998	Chairman, Hibiya Park Law Offices	
Director of Nomura Securities Co., Ltd.	Apr. 2001	Vice President, Japan Federation of Bar Associations and President, Daini Tokyo Bar Association			
Chairman of Hibiya Park Law Offices	Oct. 2001	Director			
Statutory Auditor of SOURCENEXT CORPORATION	Mar. 2002	Retired from Vice President, Japan Federation of Bar Associations and President, Daini Tokyo Bar Association			
Supervisory Committee of	Feb. 2003	Statutory Auditor, SOURCENEXT CORPORATION			
The Norinchukin Bank					



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Name	Responsibilities and Status			
(Date of Birth)	in Other Companies			Brief Personal History
Haruo Tsuji (Dec. 6, 1932)	Director		Mar. 1955	Joined Hayakawa Electric Industry Co., Ltd. (currently, Sharp Corporation)
	Chairman of the Audit Committee		Jun. 1986	President, Sharp Corporation
	Director of Nomura Securities Co., Ltd.		Jun. 1998	Corporate Advisor, Sharp Corporation
	Corporate Advisor of Sharp Corporation		Jun. 2001	Statutory Auditor
	Director of Kobayashi Pharmaceutical Co., Ltd.		Jun. 2003	Director
			Jun. 2008	Director of Kobayashi Pharmaceutical Co., Ltd.
Fumihide Nomura (Apr. 13, 1934)	Director		Apr. 1957	Joined Nomura
	Member of the Audit Committee		Dec. 1976	Director
	President of Nomura Shokusan Co., Ltd.		Dec. 1979	Managing Director
			Dec. 1982	Statutory Auditor
			Jun. 2003	Director
Masahiro Sakane (Jan. 7, 1941)	Director		Apr. 1963	Joined Komatsu Ltd.
	Chairman of Komatsu Ltd.		Jun. 2001	President of Komatsu Ltd.
	Director of Tokyo Electron Limited		Jun. 2003	President & CEO of Komatsu Ltd.
			Jun. 2007	Chairman of Komatsu Ltd.
			Jun. 2008	Director of Tokyo Electron Limited
			Jun. 2008	Director
Tsuguoki Fujinuma (Nov. 21, 1944)	Director		Apr. 1969	Joined Horie Morita Accounting Firm
	Advisor of The Japanese Institute of Certified Public Accountants		Jun. 1970	Joined Arthur & Young Accounting Firm
	Director of Tokyo Stock Exchange Group, Inc.		Nov. 1974	Registered as a certified public accountant
	Governor of Tokyo Stock Exchange Regulation		May. 1991	Managing Partner of Asahi Shinwa Accounting Firm
	Specially-appointed Professor of Chuo Graduate School of Strategic Management		Jun. 1993	Managing Partner of Ota Showa & Co. (Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC))
	Statutory Auditor of Sumitomo Corporation		May. 2000	President of the International Federation of Accountants
	Statutory Auditor of Takeda Pharmaceutical Company Limited		Nov. 2002	Retired from President of the International Federation of Accountants
	Director of Sumitomo Life Insurance Company		Jul. 2004	Chairman and President of the Japanese Institute of Certified Public Accountants
			Jun. 2007	Retired from Ernst & Young ShinNihon
			Jul. 2007	Retired from Chairman and President of the Japanese Institute of Certified Public Accountants
				Advisor of the Japanese Institute of Certified Public Accountants

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Name	Responsibilities and Status	<b>Brief Personal History</b>	
(Date of Birth)	in Other Companies	Date	Position
		Aug. 2007	Director of Tokyo Stock Exchange Group, Inc.
		Oct. 2007	Governor of Tokyo Stock Exchange Regulation
		Apr. 2008	Specially-appointed Professor of Chuo Graduate School of Strategic Management
		Jun. 2008	Statutory Auditor of Sumitomo Corporation
		Jun. 2008	Statutory Auditor of Takeda Pharmaceutical Company Limited
		Jun. 2008	Director
		Jul. 2008	Director of Sumitomo Life Insurance Company
Hajime Sawabe	Chairman of TDK Corporation	Apr. 1964	Joined TDK Electronics Co., Ltd. (currently, TDK Corporation)
(Jan. 9, 1942)	Director of Asahi Glass Company, Limited	Jun. 1998	President of TDK Corporation
	Director of TEIJIN LIMITED	Jun. 2006	Chairman of TDK Corporation
		Mar. 2008	Director of Asahi Glass Company, Limited
		Jun. 2008	Director of TEIJIN LIMITED

Among the above listed Directors, Masaharu Shibata, Hideaki Kubori, Haruo Tsuji, Masahiro Sakane, Tsuguoki Fujinuma and Hajime Sawabe satisfy the requirements for an outside director under the Companies Act. The Companies Act defines an outside director of a company as a non-executive director (i) who has never assumed the position of executive director, executive officer, manager or employee of the company or its subsidiaries and (ii) who does not currently assume the position of executive director, executive officer, manager or employee of the company or its subsidiaries.

**Table of Contents****Executive Officers**

The following table provides information about Nomura's Executive Officers as of June 30, 2009. With respect to the information under "Brief Personal History" below, some of the Executive Officers changed their titles or positions upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name  (Date of Birth)	Responsibilities and Status  in Other Companies	Brief Personal History
Kenichi Watanabe  (Oct. 28, 1952)	Director  President & Chief Executive Officer	See "Directors" under this Item 6.A.
Takumi Shibata  (Jan. 8, 1953)	Representative Executive Officer Director  Deputy President & Chief Operating Officer	See "Directors" under this Item 6.A.
Hitoshi Tada (Jun. 29, 1955)	Representative Executive Officer Executive Managing Director Retail CEO Deputy President of Nomura Securities Co., Ltd.	Apr. 1978 Apr. 1999 Jun. 1999 Oct. 2001 Mar. 2003  Apr. 2003 Jun. 2003 Mar. 2006 Apr. 2006 Apr. 2008 Oct. 2008  Apr. 2009
Hiromi Yamaji  (Mar. 8, 1955)	Executive Managing Director  Investment Banking CEO  Executive Vice President of Nomura Securities Co., Ltd.	Joined Nomura Manager of Personnel Dept. Director Managing Director Retired from Managing Director Managing Director of Nomura Securities Co., Ltd.



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Name	Responsibilities and Status	Date	Brief Personal History
(Date of Birth)	in Other Companies		
		Jun. 2003	Senior Managing Director Retired from Managing Director of Nomura Securities Co., Ltd.
		Apr. 2005	Executive Managing Director of Nomura Securities Co., Ltd.
		Mar. 2006	Retired from Senior Managing Director
		Apr. 2007	Executive Vice President of Nomura Securities Co., Ltd.
		Apr. 2008	Global Investment Banking CEO (currently, Investment Banking CEO)
		Oct. 2008	Executive Managing Director
			Representative Executive Officer and Executive Vice President of Nomura Securities Co., Ltd.
Akira Maruyama	Executive Managing Director	Apr. 1979	Joined Nomura
(Mar. 21, 1957)	Global Markets CEO	Jul. 2001	General Manager of Controller's Dept. and Finance Dept.
	Executive Vice President of Nomura Securities Co., Ltd.	Apr. 2003	Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director
		Mar. 2006	Retired from Senior Managing Director
		Nov. 2007	Global Markets CEO
			Executive Vice President of Nomura Securities Co., Ltd.
		Oct. 2008	Executive Managing Director
			Representative Executive Officer and Executive Vice President of Nomura Securities Co., Ltd.
Shoichi Nagamatsu	Executive Managing Director	Apr. 1982	Joined Nomura
(Jul. 6, 1958)	Merchant Banking CEO	Apr. 2004	Senior Managing Director of Nomura Securities Co., Ltd.
	Director and President of Nomura Principal Finance Co., Ltd.	Nov. 2007	Global Merchant Banking CEO (currently, Merchant Banking CEO)
	Senior Managing Director of		Director and President of Nomura Principal Finance Co., Ltd.
	Nomura Securities Co., Ltd.	Oct. 2008	Executive Managing Director

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<b>Name</b>	<b>Responsibilities and Status</b>		<b>Brief Personal History</b>
<b>(Date of Birth)</b> Atsushi Yoshikawa	<b>in Other Companies</b> Executive Managing Director	Apr. 1978	Joined Nomura
(Apr. 7, 1954)	Asset Management CEO	Jun. 1997	Co-President of Nomura Securities International Inc.
	Director and President & CEO of Nomura Asset Management Co., Ltd.	Jun. 2000	Director
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director of Nomura Securities Co., Ltd.
		Mar. 2004	Retired from Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2004	Senior Managing Director Executive Managing Director of Nomura Asset Management Co., Ltd.
		Apr. 2005	Executive Vice President of Nomura Asset Management Co., Ltd.
		Mar. 2006	Retired from Senior Managing Director
		Apr. 2008	Asset Management CEO Director and President & CEO of Nomura Asset Management Co., Ltd.
		Oct. 2008	Executive Managing Director
Hiroshi Tanaka	Executive Managing Director	Apr. 1980	Joined Nomura
(May. 13, 1956)	Group Compliance Head	Apr. 1999	Manager of Equity Dept.
	Chief Information Officer	Apr. 2002	Director of Nomura Securities Co., Ltd.
	Head of Global Operations	Jun. 2003	Senior Managing Director
	Senior Corporate Managing Director of Nomura Securities Co., Ltd.	Mar. 2006	Retired from Senior Managing Director
		Apr. 2006	Director and Representative Executive Officer of Nomura Securities Co., Ltd.
		Apr. 2007	Director and Representative Executive Officer and Executive Managing Director of Nomura Securities Co., Ltd.
		Apr. 2008	Group Compliance Head
		Sep. 2008	Retired from Director of Nomura Securities Co., Ltd.
		Oct. 2008	Executive Managing Director
			Chief Information Officer
			Head of Global Operations
			Representative Executive Officer and Senior Corporate Managing Director of Nomura Securities Co., Ltd.

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Name	Responsibilities and Status		Brief Personal History
(Date of Birth)	in Other Companies		
Masafumi Nakada	Executive Managing Director	Apr. 1981 Apr. 2003	Joined Nomura General Manager of Compliance Department of Nomura Securities Co., Ltd.
(Jul. 30, 1958)	Chief Financial Officer		Senior Managing Director, Chief Financial Officer and Head of Global Risk Management, Treasury, Controller and IR Senior Managing Director of Nomura Securities Co., Ltd.
	Executive Managing Director of Nomura Securities Co., Ltd.	Apr. 2005	Chief Financial Officer
		Apr. 2006 Mar. 2008	Retired from Senior Managing Director of Nomura Securities Co., Ltd.
		Oct. 2008	Executive Managing Director Executive Managing Director of Nomura Securities Co., Ltd.
Noriaki Nagai	Executive Managing Director	Apr. 1981 Jun. 2000	Joined Nomura General Manager of Legal Department of Nomura Securities Co. Ltd.
(Dec. 1, 1957)	Head of Corporate Office		Senior Managing Director and Head of Corporate Office
	Executive Managing Director of Nomura Securities Co., Ltd.	Apr. 2006	Senior Managing Director of Nomura Securities Co., Ltd.
	Director of Nomura Asset Management Co., Ltd.	Apr. 2008	Director of Nomura Asset Management Co., Ltd.
		Oct. 2008	Executive Managing Director
			Executive Managing Director of Nomura Securities Co., Ltd.

**B. Compensation.****Compensation Policy**

Our Compensation Committee establishes the policy with respect to the determination of the individual compensation of each Director and Executive Officer and makes such determination under the compensation policy. The policy is based on our vision to establish ourselves firmly as a globally competitive Japanese financial institution with the goal of increasing our shareholders' value. The policy is intended to:

link the compensation of our Directors and Executive Officers to the achievement of our strategic business objectives and award them in a manner that further motivates them toward achievement of their respective goals and thereby maximize their performance; and

introduce equity-based compensation to enhance our long term incentives for our Directors and Executive Officers. Compensation of our Directors and Executive Officers consists of base salary, cash bonus and equity-based compensation.

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*Base Salary*

The base salary of each Director and Executive Officer for each fiscal year is calculated by aggregating the following amounts, each of which is considered and determined by our Compensation Committee:

the amount reflecting his or her career;

the amount reflecting his or her post and responsibilities; and

the amount reflecting our consolidated return on equity for the previous fiscal year.

Under our compensation policy, the amount reflecting our consolidated return on equity for the previous fiscal year is determined as follows:

Consolidated	0% (less-or-equal)	5% (less-or-equal)	10% (less than)	15% (less than)
ROE (X)	X (less than) 0%	X (less than) 5%	X (less-or-equal) 10%	X (less-or-equal) 15%
Amount	0	1/3 of Standard	2/3 of Standard	Standard
		Amount	Amount	Amount

*Cash Bonus*

In determining cash bonus of our Directors and Executive Officers, the Compensation Committee considers both quantitative and qualitative factors. Quantitative factors include:

our consolidated net income;

our consolidated return on equity; and

our segment/business line results.

Qualitative factors include:

the degree of achievement of our strategic business objectives;

the degree of achievement of the pre-established goals of each Director and Executive Officer; and

the Compensation Committee's subjective assessments of individual contribution of each Director and Executive Officer.

Under our compensation policy, the aggregated cash bonus amount paid to our Directors and Executive Officers will not exceed 1% of our consolidated net income.

*Equity-based Compensation,*

Equity-based compensation is determined individually in a comprehensive manner by not only the consolidated net income or consolidated return on equity but also the balance of base salary and cash bonus, as well as costs and effects in awarding such bonus.

**Table of Contents****Aggregate Compensation**

Director or Executive Officer	(for the year ended March 31, 2009)	
	Number of Directors or Executive Officers	Amount of Aggregate Compensation
Directors	11	¥ 424 million
(Of them, outside Directors)	(6)	¥ (139 million)
Executive Officers	20	¥ 829 million
Total	31	¥ 1,253 million

(Notes)

- Two of the Directors are concurrently serving as Executive Officers. Those Directors who are also Executive Officers are paid as Executive Officers but not as Directors.
- ¥1,253 million includes compensation of stock options (equity-based compensation) which was ¥459 million.
- ¥1,253 million includes non-cash compensation of ¥1 million.

**Stock Acquisition Rights**

We have issued the following two types of stock acquisition rights, which can be granted not only to Directors and Executive Officers but also to Senior Managing Directors ( *Shikko Yakuin* ) and employees:

*Stock Option A Plan*

Under this plan, which is intended to improve the performance of and to grant equity-linked incentive to executives and employees (senior staff) of Nomura and its subsidiaries, the exercise price is determined based on the market price of Nomura's stock price at the time of the allotment of the stock acquisition rights. They are qualified as stock acquisition rights under Japanese taxation laws. After the determination of a solicitation plan to grant this type of stock options, there is a non-exercise period of two years in order to pursue capital gains. We expect that this creates a common incentive to executives and employees working in different divisions and geographic regions and to improve performance across Nomura and its subsidiaries.

*Stock Option B Plan*

This plan is intended to provide incentives that have the same economic effect as restricted stocks, which are commonly used by companies in the United States and in Europe. The exercise price will be ¥1 per share and a non-exercise period of two or more years from the determination of a solicitation plan to grant this type of stock options has been set. Grantees who leave Nomura and its subsidiaries before the start of the exercise period will, in principle, forfeit their rights to the stock acquisition rights. These stock options will be granted in lieu of a portion of cash compensation, making for a quasi-deferred payment to link compensation to Nomura's stock price. We believe that this creates an effective means to retain talented personnel over the medium- to long-term. If Nomura's stock price rises, grantees' compensation will also increase, thereby making it possible to align their interests with those of our shareholders.

**Table of Contents****Stock Acquisition Rights**

Name of Stock Acquisition Rights	Allotment Date	Number of Shares under Stock Acquisition Rights	Exercise Period of Stock Acquisition Rights	(as of March 31, 2009)	
				Exercise Price per Share under Stock Acquisition Rights	Paid-in Amount for Stock Acquisition Rights
Stock Acquisition Rights No.1	August 5, 2002	1,166,000	From July 1, 2004 to June 30, 2009	1,600	0
Stock Acquisition Rights No.2	July 22, 2003	1,230,000	From July 1, 2005 to June 30, 2010	1,444	0
Stock Acquisition Rights No.3	June 4, 2004	200,000	From June 5, 2006 to June 4, 2011	1	0
Stock Acquisition Rights No.4	August 16, 2004	1,250,000	From July 1, 2006 to June 30, 2011	1,434	0
Stock Acquisition Rights No.5	April 25, 2005	53,000	From April 26, 2007 to April 25, 2012	1	0
Stock Acquisition Rights No.6	June 3, 2005	310,000	From June 4, 2007 to June 3, 2012	1	0
Stock Acquisition Rights No.8	July 25, 2005	1,522,300	From July 1, 2007 to June 30, 2012	1,258	0
Stock Acquisition Rights No.9	April 24, 2006	554,500	From April 25, 2008 to April 24, 2013	1	0
Stock Acquisition Rights No.10	June 12, 2006	624,200	From June 13, 2008 to June 12, 2013	1	0
Stock Acquisition Rights No.11	July 14, 2006	1,804,000	From July 7, 2008 to July 6, 2013	1,964	0
Stock Acquisition Rights No.12	October 10, 2006	12,400	From October 11, 2008 to October 10, 2013	1	0
Stock Acquisition Rights No.13	April 25, 2007	3,909,000	From April 26, 2009 to April 25, 2014	1	0
Stock Acquisition Rights No.14	June 21, 2007	1,203,900	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	2,125	0
Stock Acquisition Rights No.16	August 1, 2007	1,888,000	From August 2, 2009 to August 1, 2014	2,125	0
Stock Acquisition Rights No.17	August 1, 2007	2,550,500	From August 2, 2009 to August 1, 2014	1	0
Stock Acquisition Rights No.18	October 19, 2007	160,400	From October 20, 2009 to October 19, 2014	1	0
Stock Acquisition Rights No.19	April 23, 2008	6,337,600	From April 24, 2010 to April 23, 2015	1	0
Stock Acquisition Rights No.20	June 23, 2008	152,300	From June 24, 2010 to June 23, 2015	1	0
Stock Acquisition Rights No.21	June 23, 2008	777,700	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	1,460	0
Stock Acquisition Rights No.23	August 5, 2008	1,978,000	From August 6, 2010 to August 5, 2015	1,460	0
Stock Acquisition Rights No.24	August 5, 2008	6,000	From August 6, 2010 to August 5, 2015	1	0
Stock Acquisition Rights No.25	August 5, 2008	3,000		1	0

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			From August 6, 2010 to August 5, 2015		
Stock Acquisition Rights No.26	November 11, 2008	15,600	From November 11, 2010 to November 10, 2015	1	0
Stock Acquisition Rights No.27	November 11, 2008	677,000	From November 11, 2010 to November 10, 2015	1	0



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(Notes)

- 1: Stock acquisition rights (including those granted to Directors and Executive Officers of Nomura which are stated in the table on next page) are issued in conjunction with stock option plan.
- 2: The number of shares issuable under stock acquisition rights is subject to adjustments under certain circumstances including stock split.

**Stock Acquisition Rights Held by Directors and Executive Officers of Nomura**

Name of Stock Acquisition Rights	Number of Shares under Stock Acquisition Rights	(as of March 31, 2009) Numbers of Holders	
		Directors and Executive Officers (excluding Outside Directors)	Outside Directors
Stock Acquisition Rights No.1	156,000	11	3
Stock Acquisition Rights No.2	200,000	14	3
Stock Acquisition Rights No.3	71,000	6	1
Stock Acquisition Rights No.4	151,000	14	3
Stock Acquisition Rights No.6	87,000	7	1
Stock Acquisition Rights No.8	134,000	15	3
Stock Acquisition Rights No.10	141,400	11	1
Stock Acquisition Rights No.11	98,000	15	3
Stock Acquisition Rights No.14	200,300	15	3
Stock Acquisition Rights No.15	36,000	6	3
Stock Acquisition Rights No.16	65,000	9	
Stock Acquisition Rights No.20	91,100	9	3
Stock Acquisition Rights No.21	59,400	6	
Stock Acquisition Rights No.22	63,000	9	5
Stock Acquisition Rights No.23	50,000	6	
Stock Acquisition Rights No.24	6,000		2

Resolved at the annual meeting of shareholders held on June 25, 2009, the authority to determine a solicitation plan to grant Stock Option A and Stock Option B, each of which stock options represents 100 shares, to Directors, Executive Officers, and employees of our subsidiaries in and outside Japan was delegated to our Board of Directors or Executive Officer(s) designated by our Board of Directors. These stock options are exercisable during a period which is to be decided by our Board of Directors or an Executive Officer designated by our Board of Directors. That period must begin no earlier than two years after the allotment date, and end no later than seven years after the allotment date. The exercise price of Stock Option A will be determined by reference to the market price of our common stock while that of Stock Option B will be ¥1 per share. Subject to adjustments, a total of 17,500,000 shares will be issuable upon full exercise of all the stock options granted in this round, 2,500,000 shares of which will be issuable for Stock Option A and 15,000,000 shares of which will be issuable for Stock Option B.

**Pension, Retirement Or Similar Benefits**

See Note 14 *Employee benefit plans*.

**C. Board Practices.****Information Concerning Our Directors**

Under the Companies Act, joint stock companies in Japan have the option of choosing committee-based corporate governance system (Committee System) that consists of Board of Directors and committees or a traditional corporate governance system that consists of board of directors and board of statutory auditors. A company which chooses the Committee System must establish three committees: a nomination

committee, an

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audit committee and a compensation committee. The members of each committee are chosen from the company's directors. A majority of each committee must be outside directors who are not executive officers of the company. The company must then appoint executive officers and representative executive officers by a resolution of the board of directors. Under the Committee System, the executive officers manage the business affairs of a company. While the board of directors is entitled to establish the basic management policy for the company and has decision-making authority over certain prescribed matters, all other decisions related to business affairs may be made by executive officers.

We adopted the Committee System by amending our Articles of Incorporation by way of a special resolution adopted at our annual meeting of shareholders held on June 26, 2003. Our Board of Directors established three committees, a Nomination Committee, an Audit Committee and a Compensation Committee, as described below. Through the adoption of the Committee System, we aim to strengthen management oversight, increase transparency in our management and have more flexible group operations. Our Board of Directors has the authority to determine our basic management policy and supervise the execution by the Directors and Executive Officers of their duties. Our Board of Directors has, by resolution, delegated to our Executive Officers most of its authority to make decisions with regard to our company's business.

Our Articles of Incorporation provide for the number of Directors to be no more than 20. Directors are elected at a meeting of shareholders. The term of office of Directors is one year, although they may serve any number of consecutive terms. From among its members, our Board of Directors elects the Chairman of meetings. Our Board of Directors met 10 times during the year ended March 31, 2009. As a group, our Directors attended over 90% of the total number of meetings of our Board of Directors.

### *Compensation Committee*

Our Compensation Committee is authorized to determine the policy with respect to the determination of the particulars of the compensation for each Director and Executive Officer, and the particulars of the compensation for each Director and Executive Officer. This committee's current members are Junichi Ujiie, Masaharu Shibata, Hideaki Kubori and Masahiro Sakane. Junichi Ujiie is the Chairman of this committee. Our Compensation Committee met 6 times during the year ended March 31, 2009. As a group, the member Directors attended over 90% of the total number of meetings of our Compensation Committee during the year.

### *Nomination Committee*

Our Nomination Committee is authorized to determine the particulars of proposals concerning the election and dismissal of Directors to be submitted to a general meeting of shareholders by our Board of Directors. This committee's current members are Junichi Ujiie, Masaharu Shibata, Hideaki Kubori and Masahiro Sakane. Junichi Ujiie is the Chairman of this committee. Our Nomination Committee met twice during the year ended March 31, 2009. Each member Directors attended every meeting of our Nomination Committee during the year.

### *Audit Committee*

We have an Audit Committee that, according to our Articles of Incorporation, is authorized to (i) audit the execution by the Directors and the Executive Officers of their duties and formulation of audit reports and (ii) determine the particulars of proposals concerning the election and dismissal of the independent auditors and the non-retention of such independent auditors to be submitted to a general meeting of shareholders by our Board of Directors. With respect to financial reporting, our Audit Committee has the statutory duty to examine our financial statements and business reports to be prepared by Executive Officers designated by our Board of Directors and is authorized to report its opinion to the annual meeting of shareholders. In addition, pursuant to our Regulations of the Audit Committee or resolutions of the Board of Directors concerning matters to be necessary for the performance of functions of the Audit Committee, our Audit Committee has the authority to (i) pre-approve audit or non-audit services provided by the independent auditors for SEC reporting purposes and

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their fees, (ii) fees for independent auditors, (iii) establish the procedures for (a) the receipt, retention, and treatment of complaints received by us regarding accounting, internal controls, or auditing matters and (b) the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters, (iv) approve the annual audit plan of the independent auditors.

This committee is currently composed of Haruo Tsuji, Tsuguoki Fujinuma and Hajime Sawabe. Haruo Tsuji is the Chairman of this committee. Our Audit Committee met 24 times during the year ended March 31, 2009. As a group, the member Directors attended over 90% of the total number of meetings of our Audit Committee during the year.

**Limitation of Liabilities of Some Directors**

We have entered into agreements with six of our Directors, Masaharu Shibata, Hideaki Kubori, Haruo Tsuji, Masahiro Sakane, Tsuguoki Fujinuma and Hajime Sawabe, that limit their liabilities to us for damages suffered by us due to their acts taken in good faith and without gross negligence, up to the higher of (a) ¥20 million or (b) the amount prescribed by laws and ordinances.

**Information Concerning Our Executive Officers**

Our Articles of Incorporation provide for the number of the Executive Officers to be not more than 45. Executive Officers are elected at a meeting of our Board of Directors. The term of office of Executive Officers is one year, although they may serve any number of consecutive terms.

Our Executive Officers have the authority to determine the matters delegated by the resolutions of our Board of Directors and to execute our business activities. Certain important matters so delegated (including issuance of new shares) are determined by the Executive Management Board. At present, the members of this board are ten Executive Officers, including two Representative Executive Officers.

**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. See also 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.

**D. Employees**

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

	As of March 31,		
	2007	2008	2009
Japan	12,841	13,938	15,320
Europe	1,791	1,955	4,294
Americas	1,322	1,063	1,079
Asia Pacific (excluding Japan) and Oceania	900	1,070	4,933
<b>Total</b>	<b>16,854</b>	<b>18,026</b>	<b>25,626</b>

In Japan, as of March 31, 2009, we had 15,320 employees, of which 9,695 were engaged in Retail, 963 were engaged in Global Markets, 945 were engaged in Investment Banking, 58 were engaged in Merchant Banking and 979 were engaged in Asset Management.

The increase of total employees was due to the acquisition of certain operations of former Lehman Brothers.

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As of March 31, 2009, 8,710 of Nomura Securities employees in Japan were members of Nomura employees union, with which we have a labor contract. Pursuant to this contract, salaries and bonuses are negotiated with the labor union based on our overall performance during the relevant fiscal period and our financial position.

We emphasize and reward individual skills and performance.

For information on stock options granted to some of our employees, see Item 6.B of this annual report.

Under our retirement allowance system, eligible employees are entitled to a lump-sum allowance and a retirement annuity upon their retirement.

In Japan, we have not experienced any strikes or other labor disputes and consider our employee relations to be excellent.

**Overseas**

As of March 31, 2009, we had 10,306 employees overseas, including 4,294 in Europe, 1,079 in the Americas, 4,933 in Asia Pacific (excluding Japan) and Oceania which includes former Lehman operations in India.

Most of our overseas professional employees receive salaries as well as incentive compensation in the form of bonuses and profit sharing. Compensation for some of our employees consists largely of incentive compensation. Our employees overseas are not unionized.

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

**E. Share Ownership.**

The following table shows the number of shares owned by our Directors and Executive Officers as of June 30, 2009. 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
Junichi Ujiie	198,902
Kenichi Watanabe	14,848
Takumi Shibata	42,551
Masanori Itatani	69,744
Yoshifumi Kawabata	15,466
Masaharu Shibata	24,000
Hideaki Kubori	6,000
Haruo Tsuji	14,000
Fumihide Nomura	198,626
Masahiro Sakane	3,400
Tsuguoki Fujinuma	2,907
Hajime Sawabe	0
Total	590,444

**Table of Contents****Executive Officers**

Name	Number of Shareholdings
Kenichi Watanabe	See above
Takumi Shibata	See above
Hitoshi Tada	54,758
Hiromi Yamaji	41,044
Akira Maruyama	5,466
Shoichi Nagamatsu	6,653
Atsushi Yoshikawa	27,322
Hiroshi Tanaka	32,284
Masafumi Nakada	3,203
Noriaki Nagai	10,800
Total	238,929

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

**Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders.**

The following table shows our major shareholders who are beneficial owners holding more than 5% of our outstanding common stock as of March 31, 2009.

Names of Shareholders	Number of Shares Owned and Percentage of Voting Right	
	(in thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	164,008	6.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	153,837	5.91
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	143,151	5.50

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, 2009, there were 159 record shareholders of Nomura with addresses in the United States, and those U.S. holders held 346,783,711 shares of Nomura's common stock, representing 13.0% of Nomura's then outstanding common stock. As of March 31, 2009, there were 42,233,578 ADSs outstanding, representing 42,233,578 shares of Nomura's common stock or 1.6% of Nomura's then outstanding common stock. Our major shareholders above do not have different voting rights.

**B. Related Party Transactions.****Nomura Land and Building Co., Ltd.**

Nomura Land and Building Co., Ltd. ( **NLB** ) currently owns some of our leased office space in Japan. We held 38.6% of NLB's outstanding share capital at March 31, 2009.

Other major shareholders of NLB were Nomura Research Institute, Ltd. ( **NRI** ), holding 19.2%, and JAFCO Co., Ltd., holding 19.2%.

For the year ended March 31, 2009, we paid ¥5,432 million in rent to NLB. As of March 31, 2009, we had ¥9,175 million in lease deposits with NLB.



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### **Nomura Research Institute, Ltd.**

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

We held 38.5% of NRI's outstanding share capital at March 31, 2009.

For the year ended March 31, 2009, we purchased ¥44,602 million worth of software and computer equipment, and paid NRI ¥42,848 million for other services. Additionally, we sold ¥38,419 million worth of software and computer equipment to NRI.

### **Directors**

Our Director Mr. Fumihide Nomura serves as President of Nomura Shokusan Co., Ltd. ( Shokusan ) incorporated in Japan, which is principally engaged in real-estate leasing. Shokusan leases a commercial property to our subsidiary, Nomura Facilities, Inc. During the year ended March 31, 2009, Nomura Facilities, Inc. had paid ¥420 million for the rent to Shokusan during the year ended March 31, 2009. This transaction was in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with unrelated third parties. We hold approximately 0.9% of Shokusan's outstanding stocks.

### **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**

We are involved in a number of actions and proceedings in Japan and overseas, which are either ordinary routine actions and proceedings incidental to our business or not material to us. Based upon the information currently available to us and our domestic and overseas legal counsel, we believe that the ultimate resolution of such actions and proceedings will not, in the aggregate, have a material adverse effect on our financial condition or results of our operations.

On April 22, 2008, a former employee of the M&A Advisory Department of Nomura Securities was arrested on suspicion of insider trading and on June 2, 2008 he was indicted. On April 25, 2008, the Board of Directors of Nomura Securities established an independent committee to investigate the information management system at Nomura Securities. On June 6, 2008, the committee concluded that there was no evidence Nomura Securities had breached insider trading regulations and relevant self-regulatory rules including those of the Japan Securities Dealers Association. The committee made recommendations to Nomura Securities regarding risk mitigation measures for possible similar incidents in the future. In response to the recommendations, Nomura Securities announced it was adopting preventative measures including controlling the flow of information, improving procedures for the hiring and training of staff, and reinforcing internal rules on stock trading. On July 3, 2008, the Financial Services Agency of Japan issued to Nomura Securities an administrative order requiring our business improvement. In accordance with the administrative order, Nomura Securities submitted, on July 4, 2008, a report on its measures for improving business operation to the Financial Services Agency of Japan, which was accepted on the same date.



**Table of Contents****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, 2009.

**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 New York Stock Exchange.

Year ended March 31, Annual highs and lows	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
2005	1,966	1,278	18.60	12.05
2006	2,630	1,295	22.43	11.65
2007	2,870	1,843	24.30	15.63
2008	2,580	1,395	21.05	13.08
2009	1,918	403	17.89	3.96
Quarterly highs and lows				
2008				
First Quarter	2,580	2,250	21.05	19.12
Second Quarter	2,440	1,726	19.74	15.22
Third Quarter	2,175	1,728	18.96	15.75
Fourth Quarter	1,832	1,395	17.05	13.08
2009				
First Quarter	1,918	1,475	17.89	14.29
Second Quarter	1,695	1,176	16.55	10.94
Third Quarter	1,430	586	14.35	6.18
Fourth Quarter	776	403	8.50	3.96
Monthly highs and lows				
2009				
January	776	591	8.50	6.35
February	592	406	6.54	3.96
March	574	403	5.90	4.00
April	649	498	6.52	5.03
May	734	589	7.62	6.08
June (through June 29)	934	712	9.50	7.55

**B. Plan of Distribution.**

Not applicable.

**C. Markets.**

The principal trading market for our Common Stock is the Tokyo Stock Exchange, Inc. Our Common Stock has been listed on the Tokyo Stock Exchange, Inc., the Osaka Securities Exchange Co., Ltd. and the Nagoya Stock Exchange, Inc. since 1961.



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In December 2001, we listed our Common Stock on New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of Common Stock. Our Common stock has been listed on the Singapore Stock Exchange since 1994.

### **D. Selling Shareholders.**

Not applicable.

### **E. Dilution.**

Not applicable.

### **F. Expenses of the Issue.**

Not applicable.

## **Item 10. Additional Information**

### **A. Share Capital.**

Not applicable.

### **B. Memorandum and Articles of Association.**

#### **Objects and Purposes in Nomura's Articles of Incorporation**

Article 2 of our Articles of Incorporation, which is an exhibit to this annual report, states our objects and purposes.

#### **Provisions Regarding Our Directors**

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

The Companies Act provides that, under the Committee System, the compensation committee determines the compensation for directors and executive officers. The compensation committee must first establish a policy with respect to the determination of the individual compensation of each director and executive officer and then for each individual case determine the amount of compensation, the calculation method as to variable compensation and/or define components of non-monetary compensation for each director and executive officer in accordance with the established policy.

Pursuant to the Companies Act, under the Committee System, the board of directors may delegate to executive officers powers regarding the incurrence by a company of a significant loan from a third party. Our Executive Officers are delegated such powers by our Board of Directors.

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

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

Pursuant to the Companies Act and our Articles of Incorporation, we may, by resolution of our Board of Directors, release the liabilities of any Directors or Executive Officers to us for damages suffered by us due to

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their acts taken in good faith and without gross negligence, to the extent permitted by the Companies Act and our Articles of Incorporation. In addition, we may execute with outside Directors agreements that limit their liabilities to us for damages suffered by us due to their acts in good faith and without gross negligence, to the extent permitted by the Companies Act and our Articles of Incorporation. See *Limitation of Liabilities of Some Directors* under Item 6.C above.

### **Holding of Our Shares by Foreign Investors**

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

### **Common Stock**

Set forth below is general information relating to our common stock, including brief summaries of the relevant provisions of our Articles of Incorporation and Share Handling Regulations, as currently in effect, and of the Companies Act and related legislation.

#### *General*

Under our Articles of Incorporation, the authorized share capital is 6,000,000,000 shares, of which 2,661,092,760 shares were issued as of March 31, 2009. All issued shares are fully-paid and non-assessable, and are in registered form.

On January 5, 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (including regulations promulgated thereunder; the *Book-Entry Law* ), and the shares of all Japanese companies listed on any Japanese stock exchange, including our shares, became subject to this new 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 the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, it 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 *Description of the Shares* , 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 at the transferee's account at 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*, in order to assert shareholders' rights against us, a shareholder must have its name and address registered in our register of shareholders, except in limited circumstances. Under the new clearing system, such registration is made upon our receipt 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 us through *JASDEC*. Japanese securities companies and commercial banks customarily act as standing proxies and provide related services for standard fees. Notices from us to non-resident shareholders are delivered to such standing proxies or mailing addresses.

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

*Dividends*

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called dividends, are referred to as distribution of Surplus ( Surplus is defined in *Restriction on Distributions of Surplus* below). We 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*. Under the Companies Act, distributions of Surplus are required in principle to be authorized by a resolution of a meeting of shareholders. However, our Articles of Incorporation, in accordance with the Companies Act, provide that our Board of Directors has the authority to make decisions regarding distributions of Surplus except for limited exceptions as provided by the Companies Act, since we have satisfied the following requirements:

- (a) the normal term of office of our Directors terminates on prior to the date of conclusion of the annual meeting of shareholders relating to the last fiscal year ending within the period of one year from the election of the Directors; and
- (b) our non-consolidated annual financial statements and certain documents for the last fiscal year present fairly our assets and profit or loss, as required by the ordinances of the Ministry of Justice.

Under our 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 of our Board of Directors. In addition, under the Companies Act and our Articles of Incorporation, we may make further distributions of Surplus by resolution of our Board of Directors. However, we may decide not to pay dividends to shareholders of our stocks as of any record date regardless of the amount of Surplus we have.

Under our Articles of Incorporation, we are not obliged to pay any dividends 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 of our 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, we may, pursuant to a resolution of our Board of Directors, grant a right to our shareholders to require us 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 of 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 we make a distribution of Surplus, we must, until the aggregate amount of our additional paid-in capital and legal reserve reaches one-quarter of our stated capital, set aside in our additional paid-in capital and/or legal reserve an amount equal to one-tenth of the amount of Surplus so distributed.

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 our non-consolidated balance sheet as of the end of the last fiscal year;



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- B = (if we have disposed of our treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by us less the book value thereof;
- C = (if we have reduced our stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);
- D = (if we have reduced our 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 we have cancelled our treasury stock after the end of the last fiscal year) the book value of such treasury stock;
- F = (if we have distributed Surplus to our 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 we have reduced Surplus and increased our stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if we have distributed Surplus to our shareholders after the end of the last fiscal year) the amount set aside in our additional paid-in capital or legal reserve (if any) as required by the ordinances of the Ministry of Justice.

The aggregate book value of Surplus distributed by us 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 followings:

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

If we have become at our 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*), it will be required to further deduct from the amount of Surplus the excess amount, if any, of (x) the total amount of shareholders' equity appearing on our non-consolidated balance sheet as of the end of the last fiscal year and certain other amounts set forth in the ordinances of the Ministry of Justice over (y) the total amount of shareholders' equity and certain other amounts set forth in the ordinances of the Ministry of Justice appearing on our consolidated balance sheet as of the end of the last fiscal year.

If we have prepared interim financial statements as described below, and if such interim financial statements have been approved by the Board of Directors (if so required by the Companies Act) by a 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 our treasury stock disposed of by us, during the period in respect of which such interim financial statements have been prepared. We 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 us must be approved by the Board of Directors and audited by our Audit Committee and independent auditors, as required by the ordinances of the Ministry of Justice.





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### *Stock Splits*

We may at any time split the issued shares into a greater number of shares by resolution of our Board of Directors, and in accordance with the Companies Act, our Board of Directors has by resolution delegated to our Executive Management Board, which consists of Executive Officers, powers to make such stock splits.

In accordance with the Companies Act, our Board of Directors has by resolution delegated to our Executive Management Board powers to increase the authorized shares up to the number reflecting the rate of stock splits and amend our Articles of Incorporation to this effect without the approval of a meeting of shareholders. For example, if each share became three shares by way of a stock split, we may increase the authorized shares from the current 6,000,000,000 shares to 18,000,000,000 shares.

### *Japanese Unit Share System*

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

*Transferability of Shares Representing Less Than One Unit.* Under the new 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 Representing Less Than One Unit to Require Us to Purchase Its Shares.* A holder of shares representing less than one unit may at any time request us to purchase its shares. These shares will be purchased at (a) the closing price of the shares reported by the Tokyo Stock Exchange, Inc. (hereinafter referred to as the Tokyo Stock Exchange) on the day when the request to purchase is made or (b) if no sale takes place on the Tokyo Stock Exchange on that day, then the price at which sale of shares is effected on such stock exchange immediately thereafter, except in limited circumstances as provided by our Share Handling Regulations. In such case, we will request payment of handling fee pursuant to our Share Handling Regulations.

*Right of a Holder of Shares Representing Less than One Unit to Purchase from Us Its Shares up to a Whole Unit.* Our Articles of Incorporation provide that a holder of shares representing less than one unit may request us to sell any fractional shares we may have to such holder so that the holder can raise its fractional ownership up to a whole unit. These shares will be sold at (a) the closing price of the shares reported by the Tokyo Stock Exchange on the day when the request to sell becomes effective or (b) if no sale has taken place on the Tokyo Stock Exchange on that day, then the price at which sale of shares is effected on such stock exchange immediately thereafter, except in limited circumstances as provided by our Share Handling Regulations. In such case, we will request payment of handling fee pursuant to our Share Handling Regulations.

*Voting Rights of a Holder of Shares Representing Less Than One Unit.* A holder of shares representing 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 representing 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 representing less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation 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.

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In accordance with the Companies Act, our 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 our Articles of Incorporation including 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 Meeting of Shareholders*

We normally hold our annual meeting of shareholders in June every year. In addition, we may hold an extraordinary meeting of shareholders whenever necessary by giving at least two weeks advance notice. Under the Companies Act, notice of any meeting of shareholders must be given to each shareholder having voting rights or, in the case of a non-resident shareholder, to his resident proxy or mailing address in Japan in accordance with our 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 *Japanese Unit Share System* above. In general, under the Companies Act, a resolution can be adopted at a meeting of shareholders by the holders of a majority of the total number of voting rights represented at the meeting. The Companies Act and our Articles of Incorporation require a quorum for the election of Directors of not less than one-third of the total number of voting rights. Our shareholders are not entitled to cumulative voting in the election of Directors. A corporate shareholder having one-quarter or more of the total voting rights of which are directly or indirectly held by us does not have voting rights. 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 of meeting of shareholders. Our 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-subsidary 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 our 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,

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purchase of shares by us from a specific shareholder other than our 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 ADSs are exercised by the depository based on instructions from those holders.

### *Subscription Rights*

Holders of shares have no preemptive rights under our Articles of Incorporation when we issue new shares. Under the Companies Act, our Executive Management Board which consists of executive officers and has been delegated by our 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 by at least two weeks' prior notice to shareholders of the record date.

### *Stock Acquisition Rights*

We may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire shares from us, 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 our Executive Management Board, which consists of executive officers and has been delegated by our Board of Directors with the authority to issue stock acquisition rights, unless it is made under specially favorable conditions in which case special resolution of 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 we will not be required to make such notice if we make relevant securities filing or reporting under the Financial Instruments and Exchange Act at least two weeks prior to the date for allotment, subject to the requirements provided by the ordinance of the Ministry of Justice.

A special resolution of our annual meeting of shareholders held on June 25, 2009 authorizes us to issue up to 175,000 stock acquisition rights, each of which represents a right to subscribe for 100 shares of common stock, for 17,500,000 shares of common stock, to our subsidiaries, directors, executive officers and employees. See *Equity-Based Compensation* under Item 6.B above.

### *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 the shareholders in proportion to the number of shares they own.

### *Liability to Further Calls or Assessments*

All of our currently outstanding shares, including shares represented by the ADSs, are fully paid and nonassessable.

### *Share Registrar*

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

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### *Record Date*

The close of business of June 30, September 30, December 31 and March 31 are the record dates for our distributions of Surplus (dividends), if any. A holder of shares constituting one or more whole units, who is registered as a holder on our register of shareholders at the close of business as of March 31, is also entitled to exercise shareholders' voting rights at the annual meeting of shareholders with respect to the year ended on March 31. In addition, we 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, we are 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 us notice of the names and addresses of our 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 third business day before a record date (or if the record date is not a business day, the fourth business day prior thereto), for the purpose of dividends or rights offerings.

### *Acquisition by Us of Shares*

We may acquire our shares (i) by soliciting all our shareholders to offer to sell our shares held by them (pursuant to a resolution of the Board of Directors), (ii) from a specific shareholder other than any of our subsidiaries (pursuant to a special resolution of a meeting of shareholders), (iii) from any of our subsidiaries (pursuant to a resolution of the Board of Directors), or (iv) by way of purchase on any Japanese stock exchange on which our shares are listed or by way of tender offer (in either case pursuant to a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Board of Directors 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 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). This acquisition is subject to the condition that the aggregate amount of the purchase price must not exceed the Distributable Amount as described in *Dividends* above.

We may hold our shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such shares by resolutions of the Board of Directors.

In addition, we may acquire our 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 summary of information concerning the shares of our preferred stock. The outlines of our preferred stocks are set forth in our Articles of Incorporation, and the details will be specified prior to the time of issuance in a resolution of our Board of Directors or determination by Executive Officer(s) under authority delegated by a resolution of our Board of Directors.

### *General*

The amendment to our Articles of Incorporation resolved at the 105th Annual Meeting of Shareholders on June 25, 2009 set forth the provisions regarding preferred stock. Although our Articles of Incorporation have these provisions that enable us to issue preferred stock, there is no outstanding share of any class of preferred stock as of June 30, 2009.

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Under our Articles of Incorporation, we are 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.

### *Preferred Dividends*

In priority to the payment of dividends on shares of common stock, preferred dividends will be paid to the shareholders of preferred stock on record as of March 31 every year. In addition, interim preferred dividends may be paid to shareholders of our preferred stocks on record as of June 30, September 30 or December 31 of any year. Preferred interim dividends will be paid in priority to the payment of dividends to the shareholders of common stock. The details including the amount of preferred dividends or preferred interim dividends is to be set by a resolution of our Board of Directors or a determination by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors prior to the time of issuance.

No payment of dividends on our preferred shares or any other shares may be made unless we have sufficient Distributable Amount. Payment of preferred dividends or preferred interim dividends is to be resolved by our Board of Directors.

Dividends on our preferred shares are non-cumulative. In case the amount of preferred dividends actually paid is less than the amount payable in respect of any fiscal year, preferred shareholders do not have any right to claim the amount in deficiency as cumulative preferred dividends in any subsequent fiscal year. Also, we will have no obligation to pay the deficiency or to pay any interest regardless in any subsequent fiscal year.

Shareholders of our preferred stock are not entitled to any further dividends or other participation in or distribution of Surplus.

### *Voting Rights*

No shareholder of our preferred stocks has a right to vote at a meeting of shareholders, except as otherwise specifically provided under the Companies Act, any other applicable law or our Articles of Incorporation. Subject to conditions stated therein, our Articles of Incorporation set forth the following periods during which the shareholders of our preferred stock will be entitled to vote at meetings of shareholders:

If the board of directors has not passed any resolution to confer preferred dividends upon the preferred shareholders prior to distribution of the notice of convocation for an annual meeting of shareholders in a given financial year, and if no proposal to confer preferred dividends on those preferred shareholders was made at the aforementioned annual meeting, then the preferred shareholders will be entitled to vote at such annual meeting of shareholders and continue to be able to do so until the board of directors passes a resolution to confer preferred dividends on such preferred shareholders or until a proposal to an equivalent effect is passed at a shareholders meeting; and

If the board of directors has not passed any resolution to confer preferred dividends upon the preferred shareholders prior to distribution of the notice of convocation for an annual meeting of shareholders in a given financial year, and if a proposal to confer preferred dividends on those preferred shareholders was made but nevertheless rejected at the aforementioned annual meeting, then the preferred shareholders will be entitled to vote at shareholders meeting(s) during the period beginning after the conclusion of the aforementioned annual meeting in which the proposal to confer the preferred dividends was rejected until the board of directors passes a resolution to confer preferred dividends on those preferred shareholders or until a proposal to an equivalent effect is passed at a shareholders meeting.

### *Liquidation Rights*

In the event of our voluntary or involuntary liquidation, shareholders of our preferred stock will be entitled, in preference over shareholders of common stock, to receive a certain amount of our residual assets. The amount to be paid upon such liquidation is to be set by a resolution of our Board of Directors or a determination by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors prior to the time of issuance.

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Except as provided in the immediately preceding paragraph, shareholders of our preferred stock are not entitled to any other participation or distribution of our residual assets upon our liquidation.

### *Right to Demand Acquisition of Preferred Stock (Conversion)*

Shareholders of class 3 preferred stock and shareholders of class 4 preferred stock are to be entitled to demand us to acquire his/her shares of preferred stock during a period to demand acquisition. Shares of common stock are to be delivered in exchange for the acquired shares of preferred stock. The details including the period to demand acquisition and the acquisition price based on which the number of the shares of common stock to be delivered are to be set by a resolution of our Board of Directors or a determination by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors prior to the time of issuance.

### *Redemption of Preferred Stock*

We may redeem any part or all of the shares of class 1 preferred stock, class 2 preferred stock and/or class 4 preferred stock. The details including the events to trigger a redemption and the amount of cash to be paid in exchange for the shares of preferred stock are to be set by a resolution of our Board of Directors or a determination by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors prior to the time of issuance.

We will redeem all the shares of class 3 preferred stock and class 4 preferred stock outstanding on the day following the last day of the period during which shareholders of such preferred stock are entitled to demand us for acquisition, if such shares of preferred stock have not been converted into shares of common stock when the period to demand acquisition has elapsed. Shares of common stock are to be delivered in exchange for the shares of preferred stock. The details of such redemption are to be set by a resolution of our Board of Directors or a determination by Executive Officer(s) under authorities delegated by a resolution of the Board of Directors prior to the time of issuance.

### *Order of Priority*

All classes of the preferred stock are to be in 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 are in priority to our common stock in respect of the payment of dividends and interim dividends and the distribution of residual assets.

## **Report of Substantial Shareholdings**

The Financial Instruments and Exchange Act 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 previous 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 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 the shares at such price on a particular trading day, or at all.

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On June 29, 2009, the closing price of our shares on the Tokyo Stock Exchange was ¥796 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥500 and ¥999 per share, as well as the daily price limit if our per share price were to rise to between ¥1,000 and ¥1,999, or fall to between ¥200 and ¥499. Other daily price limits would apply if our per share price 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	¥ 200	Less than	¥ 500	¥ 80
Equal to or greater than	500	Less than	1,000	100
Equal to or greater than	1,000	Less than	1,500	200

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

**Rights of Holders of ADSs**

For a description of 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 this Item 10.B by reference.

**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 governs certain aspects relating to the acquisition and holding of securities by non-residents of Japan and foreign investors, as defined below.

In general, 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, aggregated with its existing holdings and those of other parties who have a special relationship with that foreign investor, 10% or more of the issued shares of the company, 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 within 15 days from and including the date of acquisition. 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 as non-residents of Japan, and branches and other offices located within Japan of non-resident corporations are considered as residents of Japan. Foreign investors are generally defined to be (i) individuals 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 shares 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.



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### *Dividends and Proceeds of Sale*

Under the Foreign Exchange and Foreign Trade Law, 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 our ADSs will be issued, the depository is required, to the extent that in its judgment it can convert yen on a reasonable basis into dollars and transfer the resulting dollars to the United States, to convert all cash dividends that it receives in respect of deposited shares into dollars and to distribute the amount received (after deduction of applicable withholding taxes) to the holders of ADSs.

### **E. Taxation.**

#### **United States Federal Income Taxation**

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

a dealer in securities,

a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

a person that actually or constructively owns 10% or more of our voting stock,

a person that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction, or

a person below whose functional currency is not the U.S. dollar.

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

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

a citizen or resident of the United States,

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a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

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

This discussion addresses only United States federal income taxation.

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

### *Taxation of Dividends*

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning before January 1, 2011 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet certain other requirements. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it.

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

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% rate. To the extent a refund of the tax withheld is available under Japanese law or the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability.

Dividends will be income from sources outside the United States, and, depending on your circumstances, will generally be *passive income* or *general income* for purposes of computing the foreign tax credit allowable to you.

As discussed in *Japanese taxation* below, if we purchase our shares, selling shareholders will be deemed to have received a dividend payment for Japanese tax purposes, in general. If we purchase the shares pursuant to a tender offer, selling shareholders might be subject to the deemed dividend taxation regime and part of consideration for the tender offer would be treated as dividends subject to withholding tax for Japanese tax purposes (please see the exceptional treatment discussed in *Japanese taxation* below). Such dividend is not generally a taxable event for United States federal income tax purposes (though a selling U.S. shareholder would be subject to U.S. federal income tax on capital gains realized on a sale of shares to us, as described below) and therefore would not give rise to foreign source income, and you would not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such distribution unless you can apply the credit (subject to limitations) against U.S. tax due or other foreign source income in the appropriate category for foreign tax credit purposes.

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### *Taxation of Capital Gains*

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

### *PFIC Rules*

We do not expect our shares and ADSs to be treated as stock of a PFIC for United States federal income tax purposes for 2008, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation, such as Nomura, that is primarily engaged in an active business as a securities dealer is not entirely clear.

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

at least 75% of our gross income for the taxable year is passive income or,

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

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

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

any gain you realize on the sale or other disposition of your shares or ADSs, and

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

Under these rules:

the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,

the amount allocated to the taxable year in which you realized the gain or excess distribution and any taxable year prior to the first year in which we were a PFIC will be taxed as ordinary income,

the amount allocated to each other year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and

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the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year. Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

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

In addition, notwithstanding any election you make with regard to the shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Moreover, your shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your shares or ADSs, even if we are not currently a PFIC. For purposes of this rule, if you make a mark-to-market election with respect to your shares or ADSs, you will be treated as having a new holding period in your shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the 15% maximum rate applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service Form 8621.

### **Japanese Taxation**

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

the overall tax consequences of the acquisition, ownership and disposition of shares or ADSs, including specifically the tax consequences under Japanese law,

the laws of the jurisdiction of which they are resident, and

any tax treaty between Japan and their country of residence, by consulting with their own tax advisers.

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by us. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase of number of shares (as opposed to an increase of value of shares) from Japanese tax perspectives. Due to the 2001 Japanese tax legislation effective from April 1, 2001, a conversion of retained earnings or legal reserve (but other than additional paid-in capital, in general) into stated capital on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation (Article 2 (16) of the Japanese Corporation Tax Law and Article 8 (1) (xiv) of the Japanese Corporation Tax Law Enforcement Order).

Under the 2001 tax legislation, the deemed dividend taxation system has been drastically changed. Under the new rule, if we purchase our listed shares by way of a tender offer, the selling shareholders (both individuals and corporations) are in general required to recognize (i) a deemed dividend corresponding to a distribution of

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retained earnings proportionally computed by a statutory formula on a pro rata basis allocating the purchase price into share capital portion (including additional paid-in capital) and retained earnings portion on a non-consolidated basis under Article 24(1)(v) of the Japanese Corporation Tax Law, and (ii) capital gain or loss computed as a difference between the basis of the shares subject to the tender offer at the shareholder's level and the amount of the consideration for the tender offer (deducting the amount corresponding to the deemed dividend computed as (i) above) under Article 61-2(1) (i) of the same law. On the other hand, no deemed dividend is required to be recognized if we purchase our shares at/through the stock market due to the difficulty of identifying each shareholder who sold our shares (Article 24(1)(iv) of the Japanese Corporation Tax Law and Article 23(3) of the Japanese Corporation Tax Law Enforcement Order). In addition, in the case of individual shareholders, no deemed dividend is required to be recognized until March 31, 2010 (a one-year extension is provided for under the 2009 Japanese tax legislation) due to the operation of a temporary measure (Article 9-6 of the Japanese Special Tax Measures Law) and therefore they are only required to recognize capital gain or loss of the shares subject to the tender offer. In the meantime, when shares are acquired by us (whether by way of a tender offer or otherwise) for the purpose of cancellation with retained earnings, the shareholders (both individuals and corporations) whose shares were not canceled were previously deemed to have received a dividend corresponding to the increase of share value by the share cancellation, under the old tax law before the 2001 tax legislation. However, under the 2001 tax legislation, no deemed dividend taxation occurs for the remaining shareholders (both individuals and corporations) whose shares are not canceled.

Unless otherwise provided for in applicable tax treaties, conventions or agreements reducing the maximum rate of withholding tax, under Japanese taxation law, the withholding rate applicable to dividends on the listed shares such as those paid by us to non-resident shareholders is currently 7% which is applicable during the period from January 1, 2004 through December 31, 2011 (2009 tax legislation extended this period). 15% withholding rate will apply thereafter. Notwithstanding the 7% or 15% withholding rate periods above, 20%-withholding-rate applies to dividends paid to any individual shareholder who holds 5% or more of the outstanding shares (Please refer to Article 182(2) of the Japanese Income Tax Law and Article 9-3(1) and (2) of the Japanese Special Tax Measures Law for these withholding rates). Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Australia, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. Under the new tax treaty between United States and Japan of which withholding tax treatments is applicable effective from July 1, 2004, the withholding tax rate on dividends is 10% for portfolio investors, if they do not have a permanent establishment in Japan and the shares with respect to which such dividends are paid are not related in-fact to such permanent establishment, and if they are qualified U.S. residents eligible to enjoy treaty benefits. It shall be noted that, under the new tax treaty between the U.S. and Japan, withholding tax on dividends declared after July 1, 2004 is exempt from Japanese taxation by way of withholding or otherwise for pension funds which are qualified U.S. residents eligible to enjoy treaty benefits unless such dividends are derived from the carrying on of a business, directly or indirectly, by such pension funds. The similar withholding tax treatment applies under the new Tax Treaty between the United Kingdom and Japan for dividends declared on or after January 1, 2007 due to the renewal of the Tax Treaty. The Tax Treaty between France and Japan is also renewed effective from January 1, 2008 under which the reduction of the standard treaty withholding rate for portfolio investors on dividends (15% to 10%) is promulgated. In addition, the tax treaty between Australia and Japan has been renewed and came into effect as of January 1, 2009 under which the standard treaty withholding rate for portfolio investors on dividends will also be reduced from 15% to 10%. Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by us are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before payment of dividends. A standing proxy for non-resident shareholders may provide such application service. See Rights of Our Shareholders under Item 10.B of this annual report. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called preservation doctrine under Article 3-2 of the Special Measures Law for the Income Tax

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Law, Corporation Tax Law and Local Taxes Law with respect to the Implementation of Tax Treaties, if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. If the domestic tax rate still applies, no treaty application is required to be filed, consequently.

Gains derived from the sale of shares outside Japan, or from the sale of shares within Japan by a non-resident shareholder as a portfolio investor, are, in general, not subject to Japanese income or corporation taxes.

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

### **F. Dividends and Paying Agents.**

Not applicable.

### **G. Statement by Experts.**

Not applicable.

### **H. Documents on Display.**

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

### **I. Subsidiary Information.**

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risk**

### **Risk Management**

Our group business activities are inherently subject to various risks. Managing those risks is an integral part of management's responsibilities to secure fiscal health as well as to contribute to the maintenance and expansion of corporate value. Our risk management framework and governance structure is intended to provide comprehensive controls, monitoring and reporting.

We establish Structure for Ensuring Appropriate Business which is a principle, at the Board of Directors. Within this is established the Structure for Regulations and others regarding Management of Risk Loss. In accordance with these structures, we are constantly seeking to upgrade the risk management expertise and we are trying to strengthen and promote the risk management.

### **Global Risk Management Structure**

#### **Governance**

We have independent financial management resources and risk management units (Controller's Department, Group Finance Department, Group Treasury Department and Group Risk Management Department) headquartered in Tokyo which are responsible for appropriate financial resource allocation and risk management.





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Within these units, the Group Risk Management Department assists the Chief Risk Officer (CRO) with implementing the risk management framework and supervising risks. Supervision includes establishing an enterprise-wide risk management framework, ensuring its adoption by the entire group, monitoring the appropriateness of risk management, and measuring and analyzing the risks of the entire group. In particular, Group Risk Management Department establishes and enhances all of our risk management policies and rules, gathers necessary information for risk management and implement risk management policies for our global operations. Group Risk Management Department reports ongoing risk status and the results of their analysis to senior management. These processes are audited regularly by Internal Audit.

We have established a Group Integrated Risk Management Committee (GIRMC) under the Board of Directors and Executive Management Board (EMB). The GIRMC considers significant risk matters including Basel II regulated risk items, matters related to Nomura Group's debt structure & capital policy, and implementation and updating of important policies and procedures related to risk management. Further, we have established the Global Risk Management Committee under the GIRMC for the management of important positions, market risk, credit risk, risk concentration and strategic risk within the Nomura Group.

## Definition and Types of Risk Managed

Risk is defined as the possibility of capital impairment due to losses in the business, and the possibility that business operations do not generate an assumed output or cannot reach an expected level or cannot meet a planned goal due to the deterioration of efficiency and/or effectiveness. We classify risks as Portfolio risk (Risk of losses arising from fluctuations and declines in the value of portfolios.) and Non-portfolio risk. Portfolio risk consists of Market Risk, Credit Risk and Private Equity Risk and Non-portfolio risk consists of Operational Risk and Business Risk. Further, Portfolio risk is classified into trading risk and non-trading risk.

In addition to managing each risk, we calculate economic capital for each risk.

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### **Risk Control**

Dynamic management of risk is performed within each regional front office business. These units are best placed to respond rapidly and flexibly to changing market conditions and the needs of business in each region. Risk taken and managed in this way is consistent with limits and guidelines which provide a framework for economic capital allocation. This framework consists of higher level economic capital guidelines, links to lower level limits on value-at risk ( VaR ) and other measures appropriate to individual business lines. We set economic capital guidelines for core business units within a business division. We also set limits designed to restrict trading activities to prescribed mandates. The financial management resources and risk management units set and monitor the limits such as risk control limit (various types), credit line, country limit, regulatory capital limit and unsecured funding limit. The Risk Management unit reports ongoing risk status to senior management.

### **Market Risk**

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. We are exposed to this type of risk primarily in connection with our trading activities. Effective monitoring and management of this risk requires an ability to analyze a complex and constantly changing capital market environment worldwide and to highlight any problematic trends quickly. We measure and manage market risk using VaR on a daily basis. The Risk Management unit reports ongoing market risk status and the results of its analysis to senior management.

### **VaR**

The statistical technique known as Value-at-Risk, or VaR, is one of the tools we use to assess market risk exposure of our trading portfolio. VaR is the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level. We estimate VaR using a 99% confidence level and a one-day time horizon for our trading portfolio. Market risks that are incorporated in the VaR model include equity prices, interest rates, foreign exchange rates, and associated volatilities and correlations. The historical data to calculate volatilities and correlations are weighted to give greater importance to more recent observations.

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*VaR Methodology, Assumptions and Limitations.* We make a number of assumptions and approximations in connection with the modeling of the risk characteristics of our trading positions. Different assumptions, approximations or a combination of them could result in a materially different VaR. We believe that the assumptions and approximations we use are reasonable.

**Trading Portfolio Risk**

The following table shows our VaR as of each of the dates indicated for substantially all of our trading positions:

	As of												
	Mar. 31, 2008	Apr. 30, 2008	May 31, 2008	Jun. 29, 2008	Jul. 31, 2008	Aug. 31, 2008	Sep. 28, 2008	Oct. 31, 2008	Nov. 30, 2008	Dec. 31, 2008	Jan. 31, 2009	Feb. 29, 2009	Mar. 31, 2009
	(in 100 millions of Yen)												
Equity	¥ 41.6	¥ 41.0	¥ 44.5	¥ 32.6	¥ 38.3	¥ 32.4	¥ 26.8	¥ 29.7	¥ 23.8	¥ 24.6	¥ 21.6	¥ 36.4	¥ 37.9
Interest Rate	47.0	80.2	54.8	37.4	34.3	31.5	33.8	49.2	40.9	42.2	39.7	72.4	67.0
Foreign Exchange	80.0	65.4	70.6	47.6	38.4	43.0	63.0	124.3	127.7	118.0	102.0	92.1	86.6
Sub-total	168.7	186.6	169.8	117.5	111.1	106.9	123.7	203.2	192.3	184.8	163.4	200.9	191.5
Less:													
Diversification Benefit	(67.6)	(92.7)	(88.2)	(54.6)	(49.1)	(45.4)	(50.8)	(72.0)	(61.2)	(61.7)	(54.0)	(77.4)	(74.8)
Value at Risk	¥ 101.0	¥ 94.0	¥ 81.6	¥ 63.0	¥ 62.0	¥ 61.6	¥ 72.9	¥ 131.1	¥ 131.1	¥ 123.1	¥ 109.4	¥ 123.5	¥ 116.6

Value at Risk  
(maximum) ¥139.3 : November 25, 2008  
(average) 96.1 : Average for the period from April 1, 2008 to March 31, 2009  
(minimum) 58.7 : August 22, 2008

	As of												
	Mar. 30, 2007	Apr. 30, 2007	May 31, 2007	Jun. 29, 2007	Jul. 31, 2007	Aug. 31, 2007	Sep. 28, 2007	Oct. 31, 2007	Nov. 30, 2007	Dec. 31, 2007	Jan. 31, 2008	Feb. 29, 2008	Mar. 31, 2008
	(in 100 millions of Yen)												
Equity	¥ 46.5	¥ 44.1	¥ 39.5	¥ 47.4	¥ 41.8	¥ 33.5	¥ 32.8	¥ 45.0	¥ 30.5	¥ 38.4	¥ 36.7	¥ 48.5	¥ 41.6
Interest Rate	37.4	32.1	33.5	35.0	26.3	28.6	32.4	29.8	34.5	24.1	31.1	31.5	47.0
Foreign Exchange	14.3	18.3	20.2	24.1	19.7	21.1	25.8	41.4	40.7	42.0	41.3	42.4	80.0
Sub-total	98.2	94.5	93.2	106.4	87.7	83.2	91.1	116.2	105.7	104.4	109.0	122.3	168.7
Less:													
Diversification Benefit	(35.9)	(37.1)	(36.7)	(42.2)	(36.1)	(32.0)	(35.3)	(51.0)	(46.3)	(50.5)	(47.7)	(48.5)	(67.6)
Value at Risk	¥ 62.3	¥ 57.4	¥ 56.5	¥ 64.2	¥ 51.7	¥ 51.2	¥ 55.8	¥ 65.2	¥ 59.5	¥ 53.9	¥ 61.3	¥ 73.8	¥ 101.0

Value at Risk  
(maximum) ¥101.4 : March 27, 2008  
(average) 62.0 : Average for the period from April 2, 2007 to March 31, 2008  
(minimum) 45.6 : August 14, 2007

VaR relating to equity risk decreased from ¥4.16 billion at the end of March 2008 to ¥3.79 billion at the end of March 2009 mainly due to a reduction of equity related positions. VaR relating to interest rate risk increased from ¥4.70 billion at the end of March 2008 to ¥6.70 billion at the end of March 2009 mainly due to a rise of interest rate related volatility. VaR relating to foreign exchange risk increased from ¥8.00 billion at the end of March 2008 to ¥8.66 billion at the end of March 2009 mainly due to a rise in FX volatility.

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In the preceding year, VaR relating to equity risk decreased from ¥4.65 billion at the end of March 2007 to ¥4.16 billion at the end of March 2008. VaR relating to interest rate risk increased from ¥3.74 billion at the end of March 2007 to ¥4.70 billion at the end of March 2008 mainly due to a rise of interest rate related volatility. VaR relating to foreign exchange risk significantly increased from ¥1.43 billion at the end of March 2007 to ¥8.0 billion at the end of March 2008 mainly due to a rise in FX volatility.

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### **Back-Testing**

We compare VaR values with the actual profit and losses in trading portfolio and verify model's accuracy used in risk measurement. We count the number of actual times that VaR is exceeded and verify whether the number of times is within a predetermined range. If the number of exceptions is greater than the number predicted by the confidence level used for VaR then we examine any necessary adjustments to the VaR parameters and VaR methodology.

### **Other Measures**

In some business lines or portfolios we may use additional measures to control or limit risk taking activity. Measures include sensitivities to small moves in key market parameters, credit portfolio risk measures or the financial impact of large market movements on certain portfolios. Metrics and limits of this type are typically specific to asset types, businesses or strategies and are used to compliment VaR and economic capital measures.

### **Stress Testing**

We also carry out stress testing and scenario analysis. We assess the impact of the occurrence of shock events such as the U.S. sub-prime loan problem on our profit and loss. We verify losses which are over VaR and which are equivalent to the distribution base, and verify if the amount of economic capital by division is appropriate. Scenario analysis or limits may also be used at more granular business levels to assess the impact of certain scenarios or limit risk taking within the businesses. Nomura continues to invest in the development of tools to analyze the impact of market stresses on the value of our portfolios.

### **Model Review**

We use pricing models when some of the financial instruments cannot be valued based upon quoted market prices. Such models are used for management of risk positions, such as reporting against limits, as well as for valuation. The global risk management unit reviews the models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about the model's suitability for valuation and risk management of a particular product.

### **Non-trading Risk**

A major market risk in our non-trading portfolio relates to equity investments held for operating purposes which we hold on a long-term basis. Our non-trading portfolio is exposed mainly to volatility in the Japanese stock market. One method that can estimate the market risk in the portfolio is to analyze market sensitivity based on changes in the Tokyo Stock Price Index, or TOPIX, which is a leading index of prices of stocks on the First Section of the Tokyo Stock Exchange.

We use regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of our operating equity investments held for operating purposes. Our simulation indicates that, for each 10% change in the TOPIX, the market value of our operating equity investments held for operating purposes can be expected to change by ¥18,528 million as of March 31, 2008 and ¥11,983 million as of March 31, 2009. On March 31, 2008, the TOPIX closed at 1,212.96 points and on March 31, 2009, the TOPIX closed at 773.66 points. This simulation analyzes data for our entire portfolio of equity investments held for operating purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

### **Credit Risk**

The framework for the management of our credit risk and investment risk is outlined in the Credit Risk Management Policy approved by the then GEMC (currently EMB).

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Credit Risk is defined as the risk of losses arising from decrease or disappearance of asset values, on and off balance sheet, due to deterioration in creditworthiness or default of credit granted entity. Credit Risk includes Issuer Risk and Counterparty Risk.

Investment Risk is defined as the risk of losses arising from decrease or disappearance of position values of investment securities, private equity investment and fund investments. Credit Risk in this Policy includes Investment Risk except as otherwise defined.

### Scope of Credit Risk Management

The scope of Credit Risk Management includes counterparty trading and various debt or equity instruments including loans, private equity investments, fund investments, investment securities and any other as deemed necessary from a credit risk management perspective.

### Integrated Management

We evaluate credit risk not only by obligor, but also by obligor group where it is appropriate that their credit risk should be evaluated collectively.

### Credit Risk Reporting

The global risk management unit is responsible for monitoring, evaluating and analyzing credit risk and for reporting the status of credit risk to CRO, Senior Managing Directors in charge of risk management and the GIRMC with appropriate frequency.

### Credit Risk Measurement

Credit Risk is quantitatively-measured by a globally unified methodology. Credit Risk is properly measured to reflect the effect of collateral or a guarantee.

### Credit Risk to counterparties to derivatives transaction

We measure our credit risk to counterparties to derivatives transactions as the sum of actual current exposure evaluated daily at its fair value, plus potential exposure until maturity of such transactions. All derivative credit lines are controlled through the risk management units.

We enter into International Swaps and Derivatives Association, Inc. ( ISDA ) master agreements or equivalent agreements (called master netting agreements) with many of our derivative counterparties. Master netting agreements provide protection to reduce our risks of counterparty default and, in some cases, offset our consolidated balance sheet exposure with the same counterparty. This provides a more meaningful presentation of our balance sheet credit exposure.

In addition, to reduce default risk, we require collateral, principally cash or highly liquid bonds, including U.S. and Japanese government securities when necessary.

The credit exposures in our trading-related derivatives as of March 31, 2009 are summarized in the table below, showing as the fair value by counterparty credit rating and by tenor. The credit ratings are internally determined by our credit unit.

**Table of Contents****Counterparty Credit Ratings for Replacement Cost (Net of Collateral) of Trading Derivatives Assets**

Credit Rating	Years to Maturity					Cross-Maturity Netting <sup>(1)</sup>	Total Fair Value (a)	Collateral Obtained (b)	Replacement Cost (a)-(b)	Replacement Cost
	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years					
(in billions of Yen and millions of U.S. dollars)										
AAA	¥ 87	¥ 82	¥ 24	¥ 58	¥ 89	¥ (58)	¥ 282	¥ 2	¥ 280	\$ 2,824
AA	233	268	392	166	428	(1,086)	401	33	368	3,712
A	356	372	403	256	664	(1,698)	353	146	207	2,088
BBB	27	18	15	15	140	(66)	149	39	110	1,109
BB	10	2	6	1	6	(8)	17	5	12	121
Other <sup>(2)</sup>	116	4	6	3	43	(64)	108	87	21	212
Sub-total	829	746	846	499	1,370	(2,980)	1,310	312	998	10,066
Listed	425	133	74	1			633		633	6,384
<b>Total</b>	<b>¥ 1,254</b>	<b>¥ 879</b>	<b>¥ 920</b>	<b>¥ 500</b>	<b>¥ 1,370</b>	<b>¥ (2,980)</b>	<b>¥ 1,943</b>	<b>¥ 312</b>	<b>¥ 1,631</b>	<b>\$ 16,450</b>

Notes:

- (1) This item represents netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category. Cash collateral netting against net derivatives in accordance with FSP FIN 39-1 are included.
- (2) Other does not necessarily indicate that the counterparties' credit is below investment grade.

**Operational Risk**

The framework for the management of our operational risk is outlined in the Operational Risk Management Policy approved by the GIRMC.

We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. The loss event types which fall under this definition are as follows: (1) Internal Fraud (2) External Fraud (3) Employment Practices and Workplace Safety (4) Clients, Products & Business Practices (5) Damage to Physical Assets (6) Business Disruption and System Failures (7) Execution, Delivery & Process Management

**Governance**

Operational risk is managed on a day-to-day basis by the business areas through the maintenance of appropriate control environments. In addition, Nomura has a corporate Operational Risk function, as part of the Group Risk Management Department, that is developing a global Basel II compliant framework. We promote this framework under the control of GIRMC.

**Framework**

The Nomura group is in the process of implementing a formal Operational Risk Management framework globally that meets the expected standards for a sophisticated global financial institution. The framework is designed to provide shareholder and investor confidence and transparency in our management of operational risk. We are gradually aiming for a Basel II approach to operational risk management.

The operational risk management framework consists of four elements: Identification, Assessment, Control and Monitoring of the risk. We identify the risk by capturing and analyzing internal and external loss data. We assess and control risk appropriately through the analysis of losses and through the implementation of self assessments. We monitor and report operational risk to our senior management. We continually inform and train Nomura group employees in awareness of operational risk and the potential impact to the organization.





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As a result of meeting the Basel II requirements, we will be able to respond to and mitigate operational risk, improve our processes and systems, and so contribute to our corporate value.

Nomura group will continue to develop policies and procedures, effective tools and systems in order to implement this framework globally.

**Item 12. Description of Securities Other Than Equity Securities**

Not applicable.

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**PART II**

**Item 13. Defaults, Dividend Arrearages and Delinquencies**

None.

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

None.

**Item 15. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.**

Our Disclosure Committee is charged with the maintenance and evaluation of our disclosure controls and procedures. As of March 31, 2009, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on that evaluation, these officers concluded that, as of March 31, 2009, the disclosure controls and procedures were effective.

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Nomura. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) using the criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of March 31, 2009. Our independent registered public accounting firm, Ernst & Young ShinNihon LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting, which appears on page F-3 of this annual report.

**Evaluation of Changes in Internal Control Over Financial Reporting.**

Management also carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of changes in our internal control over financial reporting during the year ended March 31, 2009. Based upon that evaluation, there was no change in our internal control over financial reporting during the year ended March 31, 2009 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

Our Board of Directors has determined that Tsuguoki Fujinuma, a member of the Audit Committee, is an audit committee financial expert as such term is defined by Item 16A of Form 20-F. Mr. Fujinuma meets the independence requirements applicable to him under Section 303A.06 of the NYSE Listed Company Manual. For a description of his business experience, please see Item 6.A of this annual report.

**Item 16B. Code of Ethics**

On March 5, 2004, we adopted the Code of Ethics of Nomura Group that includes the Code of Ethics for Financial Professionals, which applies to our financial professionals including our principal Executive Officer, principal financial officer, principal accounting officer and persons performing similar functions.

**Table of Contents****Item 16C. Principal Accountant Fees and Services**

Ernst & Young ShinNihon LLC has been our principal accountants for SEC reporting purposes for the last seven fiscal years. The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountants in each of the following categories:

(i) Audit Fees, which are fees for professional services for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax advice and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit-Related Fees and Tax-Fees, such as advisory work for risk management and regulatory matters.

	Year ended March 31		
	2008	2009	2009
	(in millions)		
Audit Fees	¥ 2,961	¥ 2,716	\$ 27
Audit-Related Fees	118	81	1
Tax Fees	200	146	1
All Other Fees	164	56	1
<b>Total</b>	<b>¥ 3,443</b>	<b>¥ 2,999</b>	<b>\$ 30</b>

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

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

Under the pre-approval procedure for General Pre-Approval, our Chief Financial Officer in conjunction with our principal accountants must make a proposal to our Audit Committee for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such proposal must be made no less frequently than annually. The Audit Committee will discuss the proposal and if necessary consult with outside professionals as to whether the proposed services would impair the independence of our principal accountants. If such proposal is accepted, our Audit Committee will inform our CFO and principal accountants of the services that have generally been pre-approved and included in a General Pre-Approved List. Our Audit Committee is informed of each such service that is provided.

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

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

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

We do not avail ourselves of any exemption from the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

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

In the year ended March 31, 2009, we acquired 74,263 shares of our common stock by means of repurchase of shares constituting less than one unit upon the request of the holders of those shares. For an explanation of the right of our shareholders to demand such repurchases by us, see Common Stock under Item 10.B of this annual report. As of March 31, 2009, we had 2,604,779,843 outstanding shares excluding 56,312,917 shares as treasury stock. During the year ended March 31, 2009, no affiliated purchaser of Nomura purchased shares of our common stock.

We had not established share buyback programs nor purchased our common stock utilizing the programs during the year ended March 31, 2009.

The following table sets forth certain information with respect to our purchases of shares of our common stock during the year ended March 31, 2009.

Month	Total Number of Shares Purchased	Average Price Paid per Share (in JPY)	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1 to 30, 2008	3,733	1,603		
May 1 to 31, 2008	3,871	1,763		
June 1 to 30, 2008	8,300	1,776		
July 1 to 31, 2008	9,167	1,559		
August 1 to 31, 2008	6,728	1,531		
September 1 to 30, 2008	10,298	1,421		
October 1 to 31, 2008	5,880	1,259		
November 1 to 30, 2008	3,631	849		
December 1 to 31, 2008	12,428	673		
January 1 to 31, 2009	1,921	721		
February 1 to 28, 2009	2,584	496		
March 1 to 31, 2009	5,722	457		
<b>Total</b>	<b>74,263</b>	<b>1,224</b>		

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

As of May 31, 2009, Nomura Holdings had 2,615,674,540 outstanding shares excluding 54,582,022 shares as treasury stock.

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**Item 16F. Change in Registrant's Certifying Accountant.**

Not applicable.

**Item 16G. Corporate Governance.**

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

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

**Corporate Governance Practices Followed**

**by NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must have a majority of Directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.

The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.

A NYSE-listed U.S. company must have an audit committee with responsibilities described under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.

**Corporate Governance Practices Followed by Nomura**

In accordance with the Companies Act, Nomura has the Committee System corporate form, under which it has an Audit Committee, a Nomination Committee and a Compensation Committee under its Board of Directors. Under the Companies Act, Nomura is not required to have outside directors comprising a majority of its Directors, but is required to have on each committee at least three Directors, a majority of whom must be outside directors. Nomura has twelve Directors, six of whom are outside directors. An outside director of a corporation is defined under the Companies Act 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.

Under the Companies Act, Nomura is not required to hold such executive sessions for its outside directors.

Nomura has an Audit Committee consisting of three Directors, two of whom are outside directors under the Companies Act and all of whom are independent directors under Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The Audit Committee is in charge of monitoring the performance of the Directors and Executive Officers of Nomura and to propose the appointment or dismissal of its independent auditors and accounting firm. The Audit Committee satisfies the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934.

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**Corporate Governance Practices Followed**

**by NYSE-listed U.S. Companies**

A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The nominating/corporate governance committee must be composed entirely of independent directors.

A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

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

**Corporate Governance Practices Followed by Nomura**

Nomura has a Nomination Committee consisting of three Directors, two of whom are outside directors. The Nomination Committee is in charge of proposing to the meeting of shareholders the election or dismissal of Directors.

Nomura has a Compensation Committee consisting of three Directors, two of whom are outside directors. The Compensation Committee is in charge of determining the compensation of each Director and Executive Officer of Nomura.

The Compensation Committee establishes the policy with respect to the determination of the individual compensation of each of our Directors and Executive Officers (including stock options in the form of stock acquisition rights as equity compensation) and makes determinations in accordance with that compensation policy. Under the Companies Act, stock option is deemed to be compensation for the services performed by our Directors and Executive Officers. In respect of the equity compensation for directors, executive officers, statutory auditors and employees of Nomura's subsidiaries under our stock option plan in the form of stock acquisition rights, such plan must be approved by a special resolution adopted at a meeting of shareholders. A special resolution requires as a quorum one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting.

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**PART III**

**Item 17. Financial Statements**

In lieu of responding to this item, we have responded to Item 18 of this annual report.

**Item 18. Financial Statements**

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

Pursuant to Regulation S-X, Rule 3-09, this annual report contains the consolidated financial statements of Nomura Land and Building Co., Ltd., one of our 50%-or-less-owned companies accounted for by the equity method in our consolidated financial statements. The consolidated financial statements of Nomura Land and Building contained herein, which are as of March 31, 2008 and 2009 and for each of the three years ended March 31, 2009, have been prepared in accordance with generally accepted accounting principles in Japan. Nomura's and its subsidiaries equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of Nomura Land and Building exceeded 20%, but did not exceed 30%, of such income of Nomura and its subsidiaries for the year ended March 31, 2007, while such percentage for each of the years ended March 31, 2008 and 2009 did not exceed 20%. Nomura's and its subsidiaries' investments in and advances to Nomura Land and Building did not exceed 20% of the total assets of Nomura and its subsidiaries as of any of March 31, 2007, 2008 or 2009. Accordingly, pursuant to Regulation S-X, Rule 3-09 as well as Item 17 of Form 20-F, of the consolidated financial statements of Nomura Land and Building contained herein, only those as of and for the year ended March 31, 2007 have been audited in accordance with generally accepted auditing standards in the United States. In Japan, Nomura Land and Building has publicly disclosed the consolidated financial statements contained herein which have been audited by its outside auditor for purposes of the Financial Instruments and Exchange Act in accordance with generally accepted auditing standards in Japan.



**Table of Contents****Item 19. Exhibits**

Exhibit Number	Description
1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation)
1.3	Regulations of the Board of Directors of the registrant (English translation)
1.4	Regulations of the Nomination Committee (English translation)
1.5	Regulations of the Audit Committee (English translation)
1.6	Regulations of the Compensation Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 29, 2006)
2.1	Form of Deposit Agreement among the registrant, The Bank of New York as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14178) filed on December 10, 2001)
4.1	Liabilities Limitation Agreement (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 29, 2006)* <sup>1</sup>
4.2	Liabilities Limitation Agreement (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 30, 2008)* <sup>2</sup>
4.3	Liabilities Limitation Agreement (English translation)* <sup>3</sup>
8.1	Subsidiaries of the registrant See Item 4.C. Information on the Company Organizational Structure.
11.1	Code of Ethics (English translation)
12.1	Certification of the principal executive officer required by 17 C.F.R. 240. 13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240. 13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350
15.1	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report
15.2	Consent of Ernst & Young ShinNihon LLC with respect to its report on the audit of the financial statements included in this annual report

\*1 Nomura and each of Masaharu Shibata, Hideaki Kubori and Haruo Tsuji entered into a Liabilities Limitation Agreement, dated June 28, 2006, in the form of this exhibit.

\*2 Nomura and each of Masahiro Sakane and Tsuguoki Fujinuma entered into a Liabilities Limitation Agreement, dated June 26, 2008, in the form of this exhibit.

\*3 Nomura and Hajime Sawabe entered into a Liabilities Limitation Agreement, dated June 25, 2009, in the form of this exhibit.

We have not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% of our total assets. We will furnish a copy of any such instrument to the SEC upon request.

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**NOMURA HOLDINGS, INC.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

Nomura Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. (the Company) as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended March 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. at March 31, 2008 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 29, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 29, 2009

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

Nomura Holdings, Inc.

We have audited Nomura Holdings, Inc.'s internal control over financial reporting as of March 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Nomura Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nomura Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nomura Holdings, Inc. as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income, and cash flows for each of the three years in the period ended March 31, 2009 and our report dated June 29, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young ShinNihon LLC

Tokyo, Japan

June 29, 2009

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**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

	Millions of yen		Translation into millions of U.S. dollars
	2008	March 31 2009	2009
<b>ASSETS</b>			
Cash and cash deposits:			
Cash and cash equivalents	¥ 507,236	¥ 613,566	\$ 6,188
Time deposits	758,130	537,084	5,417
Deposits with stock exchanges and other segregated cash	168,701	272,059	2,744
	1,434,067	1,422,709	14,349
Loans and receivables:			
Loans receivable (including ¥12,431 million (\$125 million) measured at fair value by applying fair value option in 2009)	784,262	519,179	5,236
Receivables from customers	43,623	23,619	238
Receivables from other than customers	361,114	1,103,974	11,135
Allowance for doubtful accounts	(1,399)	(3,765)	(38)
	1,187,600	1,643,007	16,571
Collateralized agreements:			
Securities purchased under agreements to resell	3,233,200	2,657,151	26,799
Securities borrowed	7,158,167	5,755,467	58,048
	10,391,367	8,412,618	84,847
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥3,140,923 million in 2008 and ¥2,851,759 million (\$28,762 million) in 2009; including ¥21,189 million (\$214 million) measured at fair value by applying fair value option in 2009)	9,947,443	11,348,747	114,461
Private equity investments (including ¥62,108 million (\$626 million) measured at fair value by applying fair value option in 2009)	330,745	323,865	3,266
	10,278,188	11,672,612	117,727
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥260,910 million in 2008 and ¥225,475 million (\$2,274 million) in 2009)	389,151	357,256	3,603
Non-trading debt securities	246,108	244,027	2,461
Investments in equity securities	139,330	118,902	1,199
Investments in and advances to affiliated companies (including securities pledged as collateral of ¥3,361 million in 2008 and NIL in 2009)	361,334	243,474	2,456
Other	808,909	723,243	7,295
	1,944,832	1,686,902	17,014

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Total assets	¥ 25,236,054	¥ 24,837,848	\$ 250,508
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The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS (Continued)**

	Millions of yen March 31		Translation into millions of U.S. dollars
	2008	2009	2009
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Short-term borrowings (including ¥3,245 million and ¥36,304 million (\$366 million) measured at fair value by applying fair value option in 2008 and 2009, respectively)	¥ 1,426,266	¥ 1,183,374	\$ 11,935
Payables and deposits:			
Payables to customers	264,679	403,797	4,073
Payables to other than customers	322,927	398,187	4,016
Deposits received at banks	362,775	440,334	4,441
	950,381	1,242,318	12,530
Collateralized financing:			
Securities sold under agreements to repurchase	4,298,872	5,000,787	50,437
Securities loaned	3,753,730	2,243,152	22,624
Other secured borrowings	2,488,129	2,914,015	29,389
	10,540,731	10,157,954	102,450
Trading liabilities	4,469,942	4,752,054	47,928
Other liabilities	636,184	479,724	4,839
Long-term borrowings (including ¥110,081 million and ¥913,790 million (\$9,216 million) measured at fair value by applying fair value option in 2008 and 2009, respectively)	5,224,426	5,483,028	55,300
Total liabilities	23,247,930	23,298,452	234,982
Commitments and contingencies (Note 20)			
Shareholders equity:			
Common stock			
No par value share;			
Authorized 6,000,000,000 shares in 2008 and 2009			
Issued 1,965,919,860 shares in 2008 and 2,661,092,760 shares in 2009			
Outstanding 1,906,885,059 shares in 2008 and 2,604,779,843 shares in 2009	182,800	321,765	3,245
Additional paid-in capital	177,227	374,413	3,776
Retained earnings	1,779,783	1,038,557	10,475
Accumulated other comprehensive loss	(71,111)	(118,437)	(1,194)
	2,068,699	1,616,298	16,302
Common stock held in treasury, at cost 59,034,801 shares in 2008 and 56,312,917 shares in 2009	(80,575)	(76,902)	(776)
Total shareholders equity	1,988,124	1,539,396	15,526



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Total liabilities and shareholders' equity	¥ 25,236,054	¥ 24,837,848	\$ 250,508
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The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	2007	Millions of yen		Translation
		Year ended March 31		into
		2008	2009	millions of U.S. dollars
<b>Revenue:</b>				<b>2009</b>
Commissions	¥ 337,458	¥ 404,659	¥ 306,803	\$ 3,094
Fees from investment banking	99,276	85,096	54,953	554
Asset management and portfolio service fees	145,977	189,712	140,166	1,414
Net gain (loss) on trading	290,008	61,720	(128,339)	(1,294)
Gain (loss) on private equity investments	47,590	76,505	(54,791)	(553)
Interest and dividends	981,344	796,540	331,356	3,342
Loss on investments in equity securities	(20,103)	(48,695)	(25,500)	(257)
Private equity entities product sales	100,126			
Other	67,425	28,185	39,863	402
<b>Total revenue</b>	<b>2,049,101</b>	<b>1,593,722</b>	<b>664,511</b>	<b>6,702</b>
Interest expense	958,000	806,465	351,884	3,549
<b>Net revenue</b>	<b>1,091,101</b>	<b>787,257</b>	<b>312,627</b>	<b>3,153</b>
<b>Non-interest expenses</b>				
Compensation and benefits	345,936	366,805	491,555	4,958
Commissions and floor brokerage	50,812	90,192	73,681	743
Information processing and communications	109,987	135,004	154,980	1,563
Occupancy and related depreciation	61,279	64,841	78,480	792
Business development expenses	38,106	38,135	31,638	319
Private equity entities cost of goods sold	57,184			
Other	106,039	156,868	261,339	2,635
	769,343	851,845	1,091,673	11,010
<b>Income (loss) before income taxes</b>	<b>321,758</b>	<b>(64,588)</b>	<b>(779,046)</b>	<b>(7,857)</b>
Income tax expense (benefit)	145,930	3,259	(70,854)	(714)
<b>Net income (loss)</b>	<b>¥ 175,828</b>	<b>¥ (67,847)</b>	<b>¥ (708,192)</b>	<b>\$ (7,143)</b>
		<b>Yen</b>		<b>Translation</b>
<b>Per share of common stock:</b>				<b>into</b>
Basic				<b>U.S. dollars</b>
Net income (loss)	¥ 92.25	¥ (35.55)	¥ (364.69)	\$ (3.68)
Diluted				

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Net income (loss)	¥	92.00	¥	(35.57)	¥	(366.16)	\$	(3.69)
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The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Millions of yen			Translation into millions of U.S. dollars
	2007	Year ended March 31		2009
		2008	2009	
<b>Common stock</b>				
Balance at beginning of year	¥ 182,800	¥ 182,800	¥ 182,800	\$ 1,844
Issuance of common stock			138,965	1,401
Balance at end of year	182,800	182,800	321,765	3,245
<b>Additional paid-in capital</b>				
Balance at beginning of year	159,527	165,496	177,227	1,787
(Loss) gain on sales of treasury stock	(556)	(1,458)	2,755	28
Issuance of common stock options	6,525	13,189	9,954	100
Issuance of common stock			143,482	1,447
Beneficial conversion feature relating to subordinated convertible bond			40,995	414
Balance at end of year	165,496	177,227	374,413	3,776
<b>Retained earnings</b>				
Balance at beginning of year	1,819,037	1,910,978	1,779,783	17,950
Net income (loss)	175,828	(67,847)	(708,192)	(7,143)
Cash dividends	(83,887)	(64,883)	(48,675)	(490)
Adjustments to initially apply FIN 48		1,266		
Adjustments to initially apply EITF 06-2		(1,119)		
Adjustments to initially apply SOP 07-1		2,049		
Adjustments to initially apply SFAS 157			10,383	105
Adjustments to initially apply SFAS 159			5,258	53
Loss on sales of treasury stock		(661)		
Balance at end of year	1,910,978	1,779,783	1,038,557	10,475
<b>Accumulated other comprehensive (loss) income:</b>				
<b>Cumulative translation adjustments</b>				
Balance at beginning of year	(1,129)	36,889	(28,416)	(287)
Net change during the year	38,018	(65,305)	(45,053)	(454)
Balance at end of year	36,889	(28,416)	(73,469)	(741)
<b>Defined benefit pension plans:</b>				
Balance at beginning of year	(14,096)	(30,276)	(42,695)	(431)
Pension liability adjustment <sup>(1)</sup>	(387)	(12,419)	(2,273)	(22)
Adjustments to initially apply SFAS 158 <sup>(2)</sup>	(15,793)			
Balance at end of year	(30,276)	(42,695)	(44,968)	(453)
Balance at end of year	6,613	(71,111)	(118,437)	(1,194)
Common stock held in treasury				

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Balance at beginning of year	(82,812)	(79,968)	(80,575)	(813)
Repurchases of common stock	(204)	(3,525)	(91)	(1)
Sales of common stock	25	85	73	1
Common stock issued to employees	2,910	2,862	3,759	38
Other net change in treasury stock	113	(29)	(68)	(1)
Balance at end of year	(79,968)	(80,575)	(76,902)	(776)
<b>Total shareholders' equity</b>				
Balance at end of year	¥ 2,185,919	¥ 1,988,124	¥ 1,539,396	\$ 15,526

- (1) The amount for the year ended March 31, 2007 is the minimum pension liability adjustment.  
(2) For the initial year of application, the adjustments are not reflected in the consolidated statements of comprehensive income.

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

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**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Millions of yen			Translation
	2007	2008	2009	into millions of U.S. dollars
Net income (loss)	¥ 175,828	¥ (67,847)	¥ (708,192)	\$ (7,143)
Other comprehensive income (loss) <sup>(1)</sup> :				
Change in cumulative translation adjustments, net of tax	38,018	(65,305)	(45,053)	(454)
Defined benefit pension plans:				
Pension liability adjustment <sup>(2)</sup>	(608)	(21,853)	(5,861)	(58)
Deferred income taxes	221	9,434	3,588	36
<b>Total</b>	<b>(387)</b>	<b>(12,419)</b>	<b>(2,273)</b>	<b>(22)</b>
Total other comprehensive income (loss)	37,631	(77,724)	(47,326)	(476)
<b>Comprehensive income (loss)</b>	<b>¥ 213,459</b>	<b>¥ (145,571)</b>	<b>¥ (755,518)</b>	<b>\$ (7,619)</b>

- (1) Adjustments due to the initial adoption of SFAS 158 are not reflected in the consolidated statement of comprehensive income.  
(2) The amount for the year ended March 31, 2007 is the minimum pension liability adjustment.

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

**Table of Contents****NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Millions of yen			Translation into
	2007	2008	2009	millions of U.S. dollars
Year ended March 31				
				2009
<b>Cash flows from operating activities:</b>				
Net income (loss)	¥ 175,828	¥ (67,847)	¥ (708,192)	\$ (7,143)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	50,432	63,463	75,780	764
Stock-based compensation	6,525	13,188	16,476	166
Loss on investments in equity securities	20,103	48,695	25,500	257
Equity in (earnings) losses of affiliates, net of dividends received	(50,274)	(381)	12,842	130
Loss on disposal of office buildings, land, equipment and facilities	5,182	7,820	6,107	62
Deferred income taxes	(256)	(139,861)	(83,631)	(843)
Changes in operating assets and liabilities:				
Time deposits	24,395	(314,240)	72,670	733
Deposits with stock exchanges and other segregated cash	(30,186)	(82,817)	(153,059)	(1,544)
Trading assets and private equity investments	1,052,451	2,139,627	(3,153,499)	(31,805)
Trading liabilities	(1,928,208)	299,611	1,323,314	13,347
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	1,243,337	(2,562,836)	1,490,423	15,032
Securities borrowed, net of securities loaned	(177,234)	(1,036,076)	(278,318)	(2,807)
Other secured borrowings	(1,612,879)	1,097,679	425,886	4,295
Loans and receivables, net of allowance for doubtful accounts	37,071	(58,541)	(1,336,288)	(13,477)
Payables	(167,993)	(1,639)	994,150	10,027
Accrued income taxes, net	(184,036)	25,549	(72,209)	(728)
Other, net	(91,414)	(79,300)	629,419	6,347
<b>Net cash used in operating activities</b>	<b>(1,627,156)</b>	<b>(647,906)</b>	<b>(712,629)</b>	<b>(7,187)</b>
<b>Cash flows from investing activities:</b>				
Payments for purchases of office buildings, land, equipment and facilities	(101,784)	(126,285)	(95,978)	(968)
Proceeds from sales of office buildings, land, equipment and facilities	634	15,621	38,799	391
Payments for purchases of investments in equity securities	(9,284)	(615)	(6,236)	(63)
Proceeds from sales of investments in equity securities	25,109	7,887	2,065	21
(Increase) decrease in loans receivable at banks, net	(73,611)	14,042	28,096	283
(Increase) decrease in non-trading debt securities, net	(37,861)	2,665	(19,415)	(196)
Business dispositions or acquisitions, net	(172,019)	1,428	(39,421)	(398)
Increase in investments in affiliated companies, net	(164,700)	(15,673)	(5,965)	(60)
Other, net	(297)	(1,089)	(850)	(8)
<b>Net cash used in investing activities</b>	<b>(533,813)</b>	<b>(102,019)</b>	<b>(98,905)</b>	<b>(998)</b>
<b>Cash flows from financing activities:</b>				
Increase in long-term borrowings	2,736,688	2,425,393	2,091,553	21,095
Decrease in long-term borrowings	(1,451,500)	(1,722,644)	(1,262,300)	(12,732)
Increase (decrease) in short-term borrowings, net	377,788	386,048	(175,988)	(1,775)
Increase (decrease) in deposits received at banks, net	17,947	(57,756)	126,520	1,276
Proceeds from issuances of common stock			282,447	2,849
Proceeds from sales of common stock held in treasury	2,379	828	65	1
Payments for repurchases of common stock held in treasury	(204)	(3,525)	(91)	(1)
Payments for cash dividends	(114,395)	(86,866)	(64,924)	(655)
Proceeds from issuances of stock by a subsidiary		1,401	2,478	25

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Net cash provided by financing activities	1,568,703	942,879	999,760	10,083
Effect of initial adoption of SOP 07-1 on cash and cash equivalents		(38,427)		
Effect of exchange rate changes on cash and cash equivalents	10,333	(57,319)	(81,896)	(826)
Net (decrease) increase in cash and cash equivalents	(581,933)	97,208	106,330	1,072
Cash and cash equivalents at beginning of the year	991,961	410,028	507,236	5,116
Cash and cash equivalents at end of the year	¥ 410,028	¥ 507,236	¥ 613,566	\$ 6,188
Supplemental disclosure:				
Cash paid during the year for				
Interest	¥ 1,056,820	¥ 987,228	¥ 416,124	\$ 4,197
Income tax payments, net	¥ 330,222	¥ 117,570	¥ 84,986	\$ 857

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**NOMURA HOLDINGS, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

Non cash activities

Business acquisitions:

Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥344,299 million and ¥151,106 million, respectively, for the year ended March 31, 2007. There were no business acquisitions during the year ended March 31, 2008. Assets acquired, excluding cash and cash equivalents, and debt assumed were ¥56,168 million and ¥28,849 million, respectively, for the year ended March 31, 2009.

Business dispositions:

Assets sold, excluding cash and cash equivalents, and debt assumed by the purchaser were ¥7,958 million and ¥8,211 million for the year ended March 31, 2007, respectively. There were no business dispositions during the year ended March 31, 2008 and 2009.

Reclassification of convertible bonds:

In March 2009, Nomura reclassified the intrinsic value associated with the beneficial conversion feature relating to the Subordinated Unsecured Convertible Bonds No. 1 issued on December 16, 2008 from *Long-term borrowings* to *Additional paid-in capital*. As of March 31, 2009, the balance in Additional paid-in capital associated with the beneficial conversion feature was ¥40,995 million, after the effect of deferred taxes. See Note 12, *Borrowings* for further discussion on this bond issuance.

Reclassifications

In conjunction with the retroactive application of FSP FIN 39-1, derivative assets and liabilities were offset by cash collateral payables and receivables where applicable, and accordingly, certain reclassifications were made for the year ended March 31, 2007 and 2008. See Note 1, *Summary of accounting policies* .

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

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of accounting policies:**

**Description of business**

Nomura Holdings, Inc. (the Company) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government customers on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura.

Nomura structures its business segments based upon the nature of specific products and services, its main customer base and its management structure. Nomura reports operating results in five business segments: Retail, Global Markets, Investment Banking, Merchant Banking and Asset Management.

In the Retail business, Nomura provides investment consultation services mainly to individual customers in Japan. In the Global Markets business, Nomura is engaged in the sales and trading of equity securities and bonds and currencies on a global basis to institutions domestically and abroad. In the Investment Banking business, Nomura provides investment banking services such as the underwriting of bonds and equities as well as mergers and acquisition and financial advice. In the Merchant Banking business, Nomura invests in private equity businesses and seeks to maximize returns on the investments by increasing the corporate value of investee companies. In the Asset Management business, Nomura develops and manages investment trusts, and provides investment advisory services.

**Basis of presentation**

The consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by evaluating whether the entity is a variable interest entity ( VIE ) or not in accordance with Financial Accounting Standards Board ( FASB ) Interpretation No. 46, *Consolidation of Variable Interest Entities*, as revised ( FIN 46-R ). VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. The Company consolidates VIEs where Nomura is the primary beneficiary, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. For entities other than VIEs, Nomura is generally determined to have a controlling financial interest in an entity when it owns a majority of the voting interest. Therefore, the Company consolidates these entities in which it has a majority voting interest. Additionally, the Company does not consolidate certain special purpose entities utilized for securitization transactions if they meet the qualifying special purpose entities ( QSPE ) criteria in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ( SFAS 140 ).

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Equity investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of the voting stock of a corporate entity, or at least 3% of a limited partnership) are accounted for either in accordance with Accounting Principles Board Opinion ( APB ) No. 18, *The Equity Method of Accounting for Investments in Common Stock* and reported in *Other assets Investments in and advances to affiliated companies* or at fair value in accordance with SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* ( SFAS 159 ) and reported in *Trading assets* or *Private equity investments*. Equity investments in which Nomura has neither control nor significant influence are carried at fair value, with changes in fair value recognized currently through the consolidated statement of operations.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Certain entities in which the Company has a financial interest are investment companies pursuant to the provisions of AICPA Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* ( SOP 07-1 ). SOP 07-1 addresses whether the accounting principles of the Audit and Accounting Guide for Investment Companies should be applied to an entity by clarifying the definition of an investment company, and whether those accounting principles should be retained by a parent company in consolidation or by an investor in the application of the equity method of accounting. These entities, including subsidiaries such as Nomura Principal Finance Co., Ltd. ( NPF ), carry all of their investments at fair value, with changes in fair value recognized through the consolidated statement of operations, rather than apply the equity method of accounting or consolidation.

The Company's principal subsidiaries include Nomura Securities Co., Ltd., Nomura Securities International, Inc. and Nomura International plc.

The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States ( U.S. GAAP ) as applicable to broker-dealers. All material intercompany transactions and balances have been eliminated on consolidation. Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

**Use of estimates**

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

**Fair value of financial instruments**

Nomura adopted SFAS No. 157 *Fair Value Measurements* ( SFAS 157 ) for financial assets and financial liabilities on April 1, 2008. In addition to defining fair value, SFAS 157 provides guidance on fair value measurements, establishes a hierarchy of inputs used in valuations and enhances the disclosure requirements for fair value instruments. It also nullifies the guidance provided by EITF Issue No. 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities* ( EITF 02-3 ), which prohibits the recognition of day one gains or losses on financial instruments valued using significant unobservable inputs.

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Nomura also adopted SFAS 159 on April 1, 2008 which permits us to apply fair value to additional financial instruments which would otherwise be accounted for under an alternative method, such as amortized cost or the equity method of accounting. Nomura elects fair value under SFAS 159 for certain loans, equity method investments, structured notes and secured financing transactions. Please see *Accounting changes and new accounting pronouncements* below for additional information regarding Nomura's adoption of SFAS 159.

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

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In all cases, fair value is determined in accordance with SFAS 157, which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura's principal market, or in the absence of the principal market, the most advantageous market for the relevant financial asset or financial liability. See Note 3 *Fair Value of financial instruments* below for further discussion.

**Private equity business**

Nomura adopted SOP 07-1 as of April 1, 2007 as well as SFAS 159 as of April 1, 2008, and as a result, all private equity investments are now accounted for at fair value, with changes in fair value recognized through the consolidated statement of operations. Prior to adoption of SOP 07-1, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

The valuation of unlisted private equity investments at fair value requires significant management judgment because 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 realizable value of the investment is different from the carrying value. In reaching that determination, Nomura primarily uses either its own internal valuation models based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital or comparable market multiple valuations. Where possible these valuations are compared with the operating cash flows and financial performance of the companies or properties relative to budgets or projections, price/earnings data for similar quoted companies, trends within sectors and/or regions and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. See Note 5, *Private Equity Business* below for further discussion.

**Transfers of financial assets**

Nomura accounts for the transfer of financial assets in accordance with SFAS 140. This statement requires that Nomura account for the transfer of a financial asset as a sale when Nomura relinquishes control over the asset. SFAS 140 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received, or if the transferee is a QSPE, the holders of its beneficial interests have the right to pledge or exchange the beneficial interests and (c) the transferor has not maintained effective control over the transferred assets.

In connection with its securitization activities, Nomura utilizes special purpose entities (SPEs) to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Nomura's involvement with SPEs includes structuring SPEs and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets under SFAS 140 and does not consolidate the SPE. Nomura may obtain an interest in the financial assets, including residual interests in the SPEs subject to prevailing market conditions. Following a transfer recognized as a sale, any such interests are accounted for at fair value and included in *Trading assets* within the consolidated balance

sheet with the change in fair value included in *Revenue Net gain (loss) on trading*.

**Foreign currency translation**

The financial statements of the Company's subsidiaries are measured using their functional currency which is the currency of the primary economic environment in which the entity operates. All assets and liabilities of

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

subsidiaries which have a functional currency other than Japanese yen are translated into Japanese yen at exchange rates in effect at the balance sheet date; all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported as *Accumulated other comprehensive loss* in shareholders' equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date and the resulting translation gains or losses are credited or charged to income.

**Fee revenue**

*Revenue - Commissions* include amounts charged for executing brokerage transactions accrued on a trade date basis and are included in current period earnings. *Revenue - Fees from investment banking* include securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when related services are performed. *Revenue - Asset management and portfolio service fees* are accrued over the period that the related services are provided or when specified performance requirements are met.

**Trading assets and trading liabilities**

*Trading assets* and *Trading liabilities* primarily comprise debt and equity securities, derivatives, loans and private equity investments.

Trading assets also include the equity securities, which would otherwise be accounted for under the equity method investments, elected for the fair value option.

Trading assets and trading liabilities, including contractual commitments arising pursuant to derivative transactions, are recognized on the consolidated balance sheet on a trade date basis and carried at fair value with changes in fair value recognized currently within *Revenue - Net gain (loss) on trading* in the consolidated statement of operations.

**Collateralized agreements and collateralized financing**



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*Collateralized agreements* consist of resale agreements and securities borrowed. *Collateralized financing* consists of repurchase agreements, securities loaned and other secured borrowings.

Resale and repurchase agreements ( Repo transactions ) principally involve the buying or selling of government and government agency securities under agreements with customers to resell or repurchase these securities to or from those customers. Nomura takes possession of securities purchased under agreements to resell and makes delivery of securities sold under agreements to repurchase. Nomura monitors the value of the underlying securities on a daily basis relative to the related receivables and payables, including accrued interest, and requests or returns additional collateral when deemed appropriate. Repo transactions are generally accounted for as collateralized agreements or collateralized financing transactions and are recorded on the consolidated balance sheet at the amount at which the securities will be repurchased or resold, as appropriate.

Repo transactions are presented in the consolidated balance sheet net-by-counterparty, where net presentation is consistent with FASB Interpretation No. 41, *Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements* ( FIN 41 ).

*Securities borrowed* and *securities loaned* are accounted for as financing transactions. Securities borrowed and securities loaned are generally cash collateralized and are recorded on the consolidated balance sheet at the

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

amount of cash collateral advanced or received. Securities borrowed transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities loaned transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.

Repo transactions under a Japanese market standard ( Gensaki Repo transactions ) were adopted in the Japanese financial markets in 2001. Gensaki Repo transactions contain margin requirements, rights of security substitution, or restrictions on the customer's right to sell or repledge the transferred securities. Accordingly, Gensaki Repo transactions are accounted for as collateralized agreements or financing transactions and are recorded on the consolidated balance sheet at the amount that the securities will be repurchased or resold.

*Other secured borrowings* consist primarily of secured borrowings from financial institutions and central banks in the inter-bank money market, and are recorded at contractual amounts.

Secured loans to financial institutions in the inter-bank money market are included in the consolidated balance sheet in *Loans receivable*.

*Trading balances of secured borrowings* consist of the liabilities related to transfers of financial assets that are accounted for as secured financing transactions rather than sales under SFAS 140 and are included in the consolidated balance sheet in *Short-term borrowings and Long-term borrowings*. These are generally carried at fair value in accordance with SFAS 159. See Note 8, *Securitization and Variable Interest Entities (VIEs)* and Note 12 *Borrowings* for further information regarding these transactions.

On the consolidated balance sheet, all Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including Gensaki Repo transactions, are shown parenthetically in *Trading assets and private equity investments* and *Other assets Investments in and advances to affiliated companies* as *Securities pledged as collateral* in accordance with SFAS 140.

**Derivatives**

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, for trading purposes and for non-trading purposes, namely in the management of its interest rate, market price and currency exposures. All derivatives are carried at fair value, with changes in fair value recognized through the consolidated statement of operations.

***Trading***

Derivative financial instruments used for trading purposes are carried at fair value with changes in fair value recognized currently within *Revenue Net gain (loss) on trading*. Over-the-counter ( OTC ) derivative financial instruments are presented in the consolidated balance sheet on a net-by-counterparty basis where net presentation is consistent with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* ( FIN 39 ). In addition, fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively, in accordance with FASB Staff Position No. FIN 39-1, *Amendment of FASB Interpretation No. 39* ( FSP FIN 39-1 ).

***Non-trading***

In addition to its trading activities, Nomura, as an end user, uses derivative financial instruments to manage interest rate risk or to modify the interest rate characteristics of certain non-trading assets and liabilities.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

These derivative financial instruments are linked to specific assets or specific liabilities and are designated as hedges as they are effective in reducing the risk associated with the exposure being hedged, and they are highly correlated with changes in the market or fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Nomura applies fair value hedge accounting to these hedging transactions, and the relating unrealized profit and losses are recognized together with those of the hedged assets and liabilities as interest revenue or expenses.

Certain derivatives embedded in hybrid financial instruments are bifurcated from the host contract, such as bonds and certificates of deposit and are carried at fair value and presented on a combined basis with the host contract, with changes in fair value of these embedded derivatives recognized within *Revenue Net gain (loss) on trading*. Derivatives used to economically hedge these instruments are also carried at fair value, with changes in fair value recognized within *Revenue Net gain (loss) on trading*.

**Loans receivable**

*Loans receivable* are loans which management intends to hold for the foreseeable future. Interest including accrued interest is generally recognized within *Revenue Interest and dividends*. These consist primarily of loans at banks, financing activity loans, margin transaction loans and inter-bank money market loans. They are generally carried at cost adjusted for deferred fees or costs on originated loans, any unamortized premiums or discounts on purchased loans less any applicable allowances for loan losses. Loan origination fees, net of direct origination costs, are deferred and amortized to *Revenue Interest and dividends* as an adjustment to yield over the life of the loan.

Loans at banks are loans receivable in connection with banking activities undertaken by banking subsidiaries such as The Nomura Trust & Banking Co., Ltd, Nomura Singapore Limited and Nomura Bank International plc.

Financing activity loans are loans receivable in connection with financing activities undertaken by non-banking subsidiaries.

Margin transaction loans are loans receivable from customers in connection with stock brokerage activities. These loans are usually collateralized by customers securities and customers deposits.

Inter-bank money market loans are loans receivable from financial institutions in the inter-bank money market, where overnight and intra-day financings are traded through money market dealers.

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Management establishes an allowance for loan losses against these loans which is disclosed within the *Allowance for doubtful accounts* and which reflects management's best estimate of probable losses incurred. The allowance for loan losses comprises a specific component for loans which have been specifically identified as impaired and a general component for loans which, while not specifically identified as impaired, are collectively assessed for impairment based on historical loss experience.

The specific component of the allowance for loan losses reflects probable losses incurred within loans which have been specifically identified as impaired. A loan is defined as being impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Factors considered by management in determining impairment include an assessment of the ability of borrowers to pay by considering various factors such as the nature of the loan, prior loan loss experience, current economic conditions, the current financial situation of the borrower and the fair

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

value of any underlying collateral. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. The allowance is measured on a loan by loan basis by adjusting the carrying value of the impaired loan to either the present value of expected future cash flows discounted as the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

The general component of the allowance for loan losses for loans not specifically identified as impaired includes judgment about collectability based on available information at the balance sheet date, and the uncertainties inherent in those underlying assumptions. The allowance is measured taking into consideration historical loss experience adjusted for qualitative factors such as current economic conditions.

While management has based its estimate of the allowance for loan losses on the best information available, future adjustments to the allowance for loan losses may be necessary as a result of changes in the economic environment or variances between actual results and the original assumptions.

Certain loans which are risk managed on a fair value basis are elected to be carried at fair value in accordance with SFAS 159. Nomura elects the fair value option to mitigate volatility in the consolidated statement of operations caused by the difference in measurement basis that would otherwise exist between loans and the derivatives used to risk manage those instruments.

Changes in the fair value of loans receivable elected for the fair value option are reported within *Revenue* *Net gain (loss) on trading* in the consolidated statements of operations.

**Other receivables**

*Receivables from customers* include amounts receivable on customer securities transactions.

*Receivables from other than customers* include amounts receivable for securities not delivered to a purchaser by the settlement date ( fails to deliver ), margin deposits, commissions, and net receivables arising from unsettled securities transactions.

The allowance for receivables is included in *Allowance for doubtful accounts* and reflects management's best estimate of probable losses incurred within receivables which have been specifically identified as impaired.

**Payables and deposits**

*Payables to customers* include amounts payable on customer securities transactions and are generally measured at contractual amounts due.

*Payables to other than customers* include payables to brokers and dealers for securities not received from a seller by the settlement date ( fails to receive ) and net payables arising from unsettled securities transactions. Amounts are measured at contractual amounts due.

*Deposits received at banks* represent amounts held on deposit within our banking subsidiaries and are measured at contractual amounts due.

**Office buildings, land, equipment and facilities**

*Office buildings, land, equipment and facilities*, which consist mainly of office buildings, land and software, are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are expensed as incurred in the consolidated statement of operations.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Depreciation is generally computed by the straight-line method and at rates based on estimated useful lives of each asset according to general class, type of construction and use. Amortization is generally computed by the straight-line method over the estimated useful lives. The estimated useful lives are generally as follows:

Office buildings	15 to 50 years
Equipment and installations	2 to 15 years
Software	Up to 5 years

Depreciation and amortization is included in *Non-interest expenses Information processing and communications* in the amount of ¥39,265 million, ¥47,350 million, and ¥56,429 million (\$569 million), and in *Non-interest expenses Occupancy and related depreciation* in the amount of ¥11,167 million, ¥16,113 million and ¥19,351 million (\$195 million) for the years ended March 31, 2007, 2008 and 2009, respectively.

**Long-lived assets**

In accordance with SFAS No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets excluding goodwill and other intangible assets not being amortized are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flow is less than the carrying amount of the assets, a loss is recognized to the extent that carrying value exceeded its fair value.

Nomura recorded non-cash impairment charges of ¥214 million, ¥93 million and ¥2,656 million (\$27 million) substantially related to write-downs of software, office buildings, land, equipment, facilities, and other assets for the years ended March 31, 2007, 2008 and 2009, respectively. These losses are included in the consolidated statement of operations under *Non-interest expenses Other*. The revised carrying values of these assets were based on the estimated fair value of the assets.

**Investments in equity securities and non-trading debt securities**

Nomura holds minority stakes in the equity securities of unaffiliated Japanese financial institutions and corporations in order to promote existing and potential business relationships. These companies will also often have similar investments in Nomura. Such cross-holdings are a customary business practice in Japan and provide a way for companies to manage their shareholder relationships.



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These investments, which Nomura refers to as being held for operating purposes, are carried at fair value within *Other assets Investments in equity securities* in the consolidated balance sheet, with changes in fair value recognized within *Revenue Loss (gain) on investments in equity securities* in the consolidated statement of operations. These investments comprise listed and unlisted equity securities in the amounts of ¥112,946 million and ¥26,384 million, respectively, at March 31, 2008, and ¥81,053 million (\$817 million) and ¥37,849 million (\$382 million), respectively, at March 31, 2009.

*Other assets-Other* includes marketable and non-marketable equity securities held for other than trading or operating purposes. These investments are comprised of listed equity securities and unlisted equity securities in the amounts of ¥8,287 million and ¥11,911 million, respectively, at March 31, 2008 and ¥2,844 million (\$28 million) and ¥3,134 million (\$32 million), respectively, at March 31, 2009. These securities are carried at fair value, with changes in fair value recognized within *Revenue Other* in the consolidated statement of operations.

Non-trading debt securities consist of debt securities mainly held by non-trading subsidiaries. Non-trading debt securities are carried at fair value, with changes in fair value recognized within *Revenue Other* in the consolidated statement of operations.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Short-term and long-term borrowings**

Short-term and long-term borrowings primarily consists of commercial paper, bank borrowings, structured notes issued by Nomura and SPEs consolidated by Nomura, and financial liabilities recognized in transactions which are accounted for as financings under SFAS 140 ( secured financing transactions ). Of these financial liabilities, certain structured notes and secured financing transactions are accounted for at fair value on a recurring basis.

**Structured notes**

Structured notes are debt securities which contain embedded features (often meeting the accounting definition of a derivative) that alter the return to the investor from that of a creditor simply receiving a fixed or floating rate of interest to a return that depends upon some other variable(s) such as an equity or equity index, commodity product, foreign exchange rate, credit rating of a third party or more complex interest rate.

All structured notes issued by Nomura on or after April 1, 2008 are carried at fair value in accordance with SFAS 159. This blanket election for structured notes is made primarily to mitigate the volatility in the consolidated statement of operations caused by differences in the measurement basis for structured notes and the derivatives used to risk manage those positions and to generally simplify the accounting we applied to these financial instruments.

Certain structured notes issued outstanding at March 31, 2008 were already measured at fair value under SFAS No. 155 *Accounting for Certain Hybrid Financial Instruments - an amendmend of FASB Statements No. 133 and 140* ( SFAS 155 ) but others which were either not eligible or not elected continue to be accounted in accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* ( SFAS 133 ) and related pronouncements.

To estimate the fair value of structured notes, the expected cash flows are estimated and discounted using an appropriate market rate for the relevant maturity. Cash flows are adjusted to reflect the fair value of the embedded derivative features. In addition, the valuation is adjusted to reflect Nomura's own creditworthiness.

Changes in the fair value of structured notes elected for the fair value option are reported within *Revenue - Net gain (loss) on trading* in the consolidated statement of operations.

### **Secured financing transactions**

Secured financing transactions arising from the application of SFAS 140 ( failed sale liabilities ) are valued using the same methodology as we apply to the transferred financial instruments. In any given transaction, to the degree that Nomura has no economic interest in the transferred financial instruments, we have elected to the fair value option for the corresponding failed sale liability to mitigate any earnings impact. Failed sale liabilities do not provide general recourse to Nomura. Consequently, we generally do not make an adjustment for Nomura's own credit for these instruments.

Changes in the fair value of failed sale liabilities elected for the fair value option are reported within *Revenue Net gain (loss) on trading* in our consolidated statements of operations.

### **Income taxes**

In accordance with SFAS No. 109, *Accounting for Income Taxes*, deferred tax assets and liabilities are recorded for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of assets and liabilities based upon enacted tax laws and rates. Nomura

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Nomura recognizes and measures unrecognized tax benefits in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109* ( FIN 48 ). Nomura estimates the likelihood, based on their technical merits, that tax positions will be sustained upon examination based on the facts and circumstances and information available at the end of each period. Nomura adjusts the level of unrecognized tax benefits when there is more information available, or when an event occurs requiring a change. The reassessment of unrecognized tax benefits could have a material impact on Nomura's effective tax rate in the period in which it occurs.

**Compensated Absences**

In June 2006, the FASB ratified the Emerging Issues Task Force consensus on EITF Issue No. 06-2, *Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43* ( EITF 06-2 ). EITF 06-2 requires a reporting entity to accrue the costs of compensated absences under a sabbatical or similar benefit arrangement over the requisite service period. Prior to the adoption of EITF 06-2, Nomura recorded a liability for sabbatical leave upon employee vesting in the benefit, which occurred only at the end of the service period. Under EITF 06-2, Nomura accrued an estimated liability for sabbatical leave over the requisite service period as employee services are rendered. On April 1, 2007, Nomura adopted EITF 06-2 and recognized a decrease to opening retained earnings of ¥1,119 million after-tax.

**Stock-based compensation**

Stock-based compensation cost is determined either by using option pricing models intended to estimate the fair value of the awards at the grant date or by calculating the fair value of the award at the grant date based on the market price at the grant date and the exercise price, and it is recognized over the requisite service period, which generally is equal to the vesting period in accordance with SFAS No. 123 (Revised 2004), *Share-Based Payment*.

**Earnings per share**

In accordance with SFAS No. 128, *Earnings per Share* ( SFAS 128 ) the computation of basic earnings per share is based on the average number of shares outstanding during the year. Diluted earnings per share reflects the assumed conversion of all dilutive securities based on the most advantageous conversion rate or exercise price available to the investor, and assuming conversion of convertible debt under the if-converted method.

**Cash and cash equivalents**

Nomura defines cash and cash equivalents as cash on hand and demand deposits with banks.

**Goodwill and intangible assets**

In accordance with SFAS No. 142 *Goodwill and Other Intangible Assets* ( SFAS 142 ), goodwill and intangible assets not subject to amortization are reviewed annually, or more frequently in certain circumstances for impairment. Goodwill is the cost of acquired companies in excess of the fair value of identifiable net assets at

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acquisition date. Nomura periodically assesses the recoverability of goodwill by comparing the fair value of the reporting units to which goodwill relates to the carrying amount of the reporting units including goodwill. If such assessment indicates that the fair value is less than the related carrying amount, a goodwill impairment determination is made. Identifiable intangible assets with finite lives are amortized over their expected useful lives. Identifiable intangible assets with indefinite lives are not amortized. Instead, these assets are evaluated at least annually for impairment.

**Restructuring costs**

Costs associated with an exit activity not involving an entity newly acquired in a business combination are recognized at fair value in the period in which the liability is incurred in accordance with SFAS No. 146 *Accounting for Costs Associated with Exit or Disposal Activities* ( SFAS 146 ). Such costs include one-time termination benefits provided to employees, costs to terminate certain contracts and costs to relocate employees. In accordance with SFAS No. 112 *Employers Accounting for Postemployment benefits an amendment of FASB Statements No. 5 and 43* ( SFAS 112 ), termination benefits provided to employees as part of ongoing benefit arrangements are recognized as liabilities during the period in which it is probable Nomura has incurred a loss, and the amount of the loss can be reasonably estimated.

Costs of a plan to either exit an activity of an acquired company or involuntarily terminate or relocate employees of an acquired company are recognized as liabilities assumed in a business combination in accordance with EITF Issue No. 95-3 *Recognition of Liabilities in Connection with a Purchase Business Combination* .

**Accounting changes and new accounting pronouncements**

The following new accounting pronouncements relevant to Nomura have been adopted during the year ended March 31, 2009:

*Fair value measurements*

In September 2006, the FASB issued SFAS 157 which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability, in an orderly transaction between market participants. In addition, SFAS 157:

requires that a fair value measurement technique include an adjustment for risks inherent in a particular valuation technique (such as a pricing model);

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establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of a financial asset or financial liability;

nullifies the guidance in EITF 02-3 which required deferral of profit at inception of a derivative transaction in the absence of observable data supporting the valuation technique;

eliminates large position ( block ) discounts for financial instruments quoted in active markets; and

requires a reporting entity to consider its own credit rating when valuing liabilities carried at fair value.

The requirements of SFAS 157 are generally applied prospectively to financial instruments apart from derivatives which have been accounted for in accordance with EITF 02-3, hybrid financial instruments that was measured at fair value at initial recognition using the transaction price under SFAS 155 and certain investments which have block discounts applied to them. The impact of adopting SFAS 157 for these financial instruments was recorded as a cumulative-effect adjustment to opening retained earnings.

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In February 2008, the FASB issued Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* ( FSP SFAS 157-2 ) which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of the FSP.

The remainder of SFAS 157 relating to financial assets and financial liabilities is effective for fiscal years beginning after November 15, 2007. As permitted by FSP SFAS 157-2, Nomura adopted SFAS 157 on April 1, 2008 for financial assets and financial liabilities only and has not applied the provisions of SFAS 157 to the following categories of assets and liabilities not held at fair value on a recurring basis:

Nonfinancial assets and nonfinancial liabilities acquired in a business combination but not measured at fair value on a recurring basis;

Goodwill and other intangible assets; and

Long-lived non-financial assets.

Nomura recognized a credit to opening retained earnings of ¥10,383 million after-tax as of April 1, 2008 from the partial adoption of SFAS 157. The key components of the transition adjustment were an increase of approximately ¥3,373 million after-tax for reversal of block discounts against financial instruments quoted in active markets and an increase of ¥6,933 million after-tax for the nullification of EITF 02-3.

*The fair value hierarchy*

SFAS 157 establishes a fair value hierarchy which prioritizes the inputs used in fair value valuation techniques, based on their observability in the market. The use of observable inputs is maximized while the use of unobservable inputs is minimized as SFAS 157 requires that the most observable inputs be used when available. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the highest priority inputs and Level 3 representing the lowest priority inputs:

Level 1:

Unadjusted quoted prices in active markets for identical assets or liabilities accessible by Nomura at the measurement date.



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Fair value financial instruments which are valued using Level 1 inputs include:

G7 government and US agency debt securities

Listed stocks at Tokyo Stock Exchange 1st section

Equity securities traded on a liquid exchange

Level 2:

Quoted prices in inactive markets or containing other significant 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 market sources which are independent from Nomura at the measurement date.

Fair value financial instruments which are valued using Level 2 inputs include:

Debt securities (including government and corporate issuances) valued using observable inputs

Structured notes valued using observable inputs

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Equity securities traded on an illiquid exchange

Derivatives valued using observable parameters

Level 3:

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

Fair value financial instruments which are valued using Level 3 inputs include:

Investments in non-investment grade Mortgage-Backed Securities ( MBS ) including investments in sub-prime or non-performing MBS

Structured notes valued using significant unobservable inputs

Loans valued using significant unobservable parameters

Private equity investments

Derivatives valued using significant unobservable parameters

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 if the product is significantly customized; 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 result in the decline of available 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 or the underlying risks, the type and liquidity of market data inputs and the nature of observed transactions on similar instruments.

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

Management judgment is required to determine whether a market is active or inactive in determining the fair value hierarchy. Key criteria used to determine whether a market is active or inactive include the number of transactions, the frequency pricing is updated by other market participants, the variability of prices quotations amongst other market participants, and the amount of publicly available information.

Valuation inputs available for certain instruments may fall into different levels of the fair value hierarchy. In such circumstances, for disclosure purposes, the instrument is categorized in accordance with the lowest level of the input which is significant to the fair value measurement of the instrument in its entirety.

*Fair value of a financial asset when the market for that asset is not active*

In October, 2008, the FASB issued Staff Position No. SFAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ( FSP SFAS 157-3 ) which provides guidance and provides an example to illustrate key considerations in determining the fair value of a financial asset when

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the market for that financial asset is not active. Any changes in valuation methodology as a result of the FSP SFAS 157-3 are accounted for prospectively as a change in accounting estimate. The FSP SFAS 157-3 is effective upon issuance, including prior periods for which financial statements had not been issued.

Nomura adopted FSP SFAS 157-3 on July 1, 2008. The guidance on fair value measurement did not have a material impact on these consolidated financial statements as it was consistent with Nomura's existing valuation methodology at that date.

*Fair value option for financial assets and financial liabilities*

In February 2007, the FASB issued SFAS 159 which allows an entity to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If an entity elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods is recognized in current earnings. SFAS 159 permits the fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. It also establishes presentation and disclosure requirements designed to allow a comparison between entities that elect different measurement attributes for similar assets and liabilities.

An entity may elect the fair value option for eligible items that exist at the date of adoption and report the difference between the carrying value and fair value as a cumulative-effect adjustment to the opening balance of retained earnings.

SFAS 159 is effective for fiscal years beginning after November 15, 2007, and Nomura adopted SFAS 159 on April 1, 2008. The financial assets and financial liabilities elected for the fair value option, and the reasons for the election are as follows:

Loans which are risk managed on a fair value basis. Nomura elects the fair value option to mitigate volatility in the statement of operations caused by the difference in measurement basis that would otherwise exist between loans and the derivatives used to risk manage those instruments;

Equity method investments which are held for capital appreciation or current income purposes, which Nomura generally has an intention to exit as opposed to hold indefinitely. Nomura elects the fair value option to simplify the accounting for these investments, and to more faithfully represent the purpose of these investments in these consolidated financial statements;

Financial liabilities recognized in transactions which are accounted for as secured financing transactions under SFAS 140. Nomura elects the fair value option for these financial liabilities to mitigate volatility in the consolidated statement of operations which otherwise would arise had this election not been made. Even though Nomura has little or no continuing economic exposure to the transferred financial assets, they remain on the consolidated balance sheet and continue to be carried at fair value, with changes in fair

value recognized through the consolidated statement of operations; and

All structured notes issued on or after the date of adoption. Because SFAS 159 incorporates similar accounting and disclosure requirements to SFAS 155, Nomura now applies SFAS 159 to all such financial instruments which have been issued on or after April 1, 2008. Nomura elects the fair value option for those structured notes primarily to mitigate the volatility in the consolidated statement of operations caused by differences in the measurement basis for structured notes and the derivatives Nomura uses to risk manage those positions and to generally simplify the accounting it applied to these financial instruments. Nomura also elects the fair value option for certain notes issued by consolidated variable interest entities to the same purposes.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Interest and dividends arising from financial instruments to which the fair value option has been adopted are accounted as net gain on trading if they are a part of profit or loss from the change in market value, otherwise they are accounted as interest revenue or expense.

The adjustment to retained earnings as of adoption date was a credit of ¥5,258 million after-tax (¥7,693 million pre-tax), primarily arising from long-term financial liabilities accounted for as financings under SFAS 140.

*Accounting for defined benefit pension and other postretirement plans*

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132-R* ( SFAS 158 ). SFAS 158 requires an entity to recognize in its balance sheet the funded status of its defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. SFAS 158 is effective as of the end of the fiscal year ending after December 15, 2006. In accordance with SFAS 158, Nomura adopted this provision of SFAS 158 as of the end of the year ended March 31, 2007. Consequently, Nomura recorded a reduction of ¥15,793 million to *Accumulated other comprehensive income (loss)* (after-tax) as of that date.

SFAS 158 also requires an entity to measure plan assets and benefit obligations as of the date of its financial statements, rather than on another date within three months of that date. This provision of SFAS 158 is effective as of the end of the fiscal year ending after December 15, 2008 and therefore Nomura adopted the measurement provision on March 31, 2009. As Nomura's measurement date already coincides with the date of the financial statements, this provision did not have a material impact on these consolidated financial statements.

See Note 14 *Employee benefit plans* within these consolidated financial statements for additional information regarding the adoption of SFAS 158.

*Enhanced disclosures about derivatives and hedging*

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendments of FASB Statement No. 133* ( SFAS 161 ). SFAS 161 amends and expands the quantitative and qualitative disclosure requirements of SFAS 133 and other related literature and intends to provide an enhanced understanding of:

How and why a reporting entity uses derivative instruments;

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How derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations; and

How derivative instruments affect a reporting entity's financial position, financial performance and cash flows.

SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 with early application permitted.

Nomura adopted SFAS 161 on January 1, 2009 and therefore has included the required disclosures in these consolidated financial statements for the three months ended March 31, 2009. Because this is a disclosure statement and does not impact the accounting treatment for derivative instruments and related hedged items, it did not have a material impact on these consolidated financial statements.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

See Note 4, *Derivative instruments and hedging activities* within these consolidated financial statements where the new disclosures have been made.

*Enhanced disclosures about credit derivatives and guarantees*

In September 2008, the FASB issued Staff Position No. SFAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161* ( FSP SFAS 133-1 and FIN 45-4 ) which requires a seller of credit derivatives to disclose information about its credit derivatives and hybrid instruments that have embedded credit derivatives to enable users of financial statements to assess their potential effect on the seller's financial position, financial performance, and cash flows. In addition, the FSP amends FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ( FIN 45 ) to exclude credit derivative instruments accounted for at fair value under SFAS 133. The FSP is effective for reporting periods (annual or interim) ending after November 15, 2008, with early adoption permitted.

Nomura adopted FSP SFAS 133-1 and FIN 45-4 on December 31, 2008 and therefore has included the required disclosures in these consolidated financial statements for the year ended March 31, 2009. Because this is a disclosure statement and does not impact the accounting treatment for credit derivatives or financial guarantees, it did not have a material impact on these consolidated financial statements.

See Note 4, *Derivative instruments and hedging activities* within these consolidated financial statements where the new disclosures have been made.

*Offsetting of amounts related to certain contracts*

In April 2007, the FASB issued FSP FIN 39-1 which addresses whether a reporting entity that is party to a master netting arrangement can offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement in accordance with FIN 39. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007.

Nomura adopted FSP FIN 39-1 on April 1, 2008 and recognized ¥684 billion and ¥680 billion of netting of cash collateral receivables against net derivative liabilities and ¥378 billion and ¥923 billion of netting of cash collateral payables against net derivative assets as of March 31, 2008 and 2009, respectively.



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See Note 4 *Derivative instruments and hedging activities* within these consolidated financial statements for further information on the netting applied to derivatives.

### *Enhanced disclosures about transfers of financial assets and interests in Variable Interest Entities*

In December 2008, the FASB issued Staff Position No. SFAS 140-4 and FIN 46-R-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities* ( FSP SFAS 140-4 and FIN 46-R-8 ) which requires enhanced disclosures about transfers of financial assets and interests in variable interest entities. The FSP is effective for reporting periods (annual or interim) ending after December 15, 2008.

Nomura adopted FSP SFAS 140-4 and FIN-46-R-8 on December 31, 2008 and therefore has included the required disclosures in these consolidated financial statements for the year ended March 31, 2009. Because this is a disclosure statement and does not affect consolidation or derecognition accounting, it did not have a material impact on these consolidated financial statements.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

See Note 8, *Securitization and Variable Interest Entities (VIEs)* where the new disclosures have been made.

**Future accounting developments**

The following new accounting pronouncements relevant to Nomura will be adopted in future periods:

*Accounting for business combinations*

In December 2007, the FASB issued SFAS No. 141-R, *Business Combinations* ( SFAS 141-R ). SFAS 141-R expands the definition of transactions and events that qualify as business combinations; requires that the full value of acquired assets and liabilities, including contingent consideration, be recorded at the fair value determined on the acquisition date and changes thereafter in valuation to be reflected in earnings rather than goodwill; changes the recognition timing for valuation; and requires acquisition costs to be expensed as incurred. SFAS 141-R applies prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption and retroactive application is not permitted.

Nomura intends to adopt SFAS 141-R for business combinations for which the acquisition date is on or after April 1, 2009. Adoption of SFAS 141-R will not have a material effect on these consolidated financial statements, but may have a material effect on the accounting for future business combinations.

*Accounting for noncontrolling interests*

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements* ( SFAS 160 ). SFAS 160 re-characterizes minority interests in consolidated subsidiaries as non-controlling interests and requires the classification of non-controlling interests as a component of equity (rather than as a liability or as mezzanine equity). Under SFAS 160, a change in control will be measured at fair value. SFAS 160 also provides guidance on the accounting for transactions between an entity and noncontrolling interests. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 with early adoption not permitted.

Nomura intends to adopt SFAS 160 on April 1, 2009. It is applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirements which are applied retrospectively for all periods presented. Nomura is evaluating the impact of adoption on these consolidated financial statements.

*Repurchase financing agreements*

In February 2008, the FASB issued Staff Position No. SFAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* ( FSP SFAS 140-3 ) which provides implementation guidance on whether a transfer of a financial asset and repurchase agreement involving the same transferred financial asset entered into contemporaneously or in contemplation of each other must be evaluated as a single linked transaction or two separate transactions. The FSP requires the recognition of the transfer and the repurchase agreement as one linked transaction unless specific criteria are met. The FSP is effective on a prospective basis for financial years beginning after November 15, 2008 (and interims within those years).

Nomura intends to adopt FSP SFAS 140-3 on April 1, 2009 and does not expect it to have a material impact on these consolidated financial statements.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Equity method accounting considerations*

In November 2008, the FASB ratified the consensus in EITF Issue No. 08-6 *Equity Method Investment Accounting Considerations* ( EITF 08-6 ) which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The EITF is effective prospectively for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years.

Nomura intends to adopt EITF 08-6 on April 1, 2009 and does not expect it to have a material impact on these consolidated financial statements.

*Revisions to calculation of earnings per share*

In June 2008, the FASB issued Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* ( FSP EITF 03-6-1 ) which clarifies that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and therefore are included in the computation of earnings per share using the two-class method described by SFAS 128. All distributed and undistributed earnings are allocated to common shares and participating securities based on their respective rights to receive dividends. The FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. All prior period earnings per share data presented are retrospectively adjusted.

Nomura intends to adopt FSP EITF 03-6-1 on April 1, 2009 and does not expect it to have a material impact on prospective or historical basic and diluted earnings per share amounts reported within these consolidated financial statements.

*Instruments indexed to an entity's own stock.*

In June 2008, the FASB ratified the consensus in EITF Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* ( EITF 07-5 ) which provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. To meet the definition of indexed to own stock, an instrument's contingent exercise provisions must not be based on (a) an observable market, other than the market for the issuer's stock (if applicable), or (b) an observable index, other than an index calculated or measured solely by reference to the issuer's own operations, and the variables that could affect the settlement amount must be inputs to the fair value of a fixed-for-fixed forward or option on equity shares. The EITF is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

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Nomura intends to adopt EITF 07-5 on April 1, 2009 and Nomura is evaluating the impact of adoption on these consolidated financial statements.

### *Enhanced disclosures about pension plan assets*

In December 2008, the FASB issued Staff Position No. SFAS 132(R)-1 *Employers' Disclosures about Postretirement Benefit Plan Assets* ( FSP SFAS 132-R-1 ) which increases the information to be disclosed about plan assets on an annual basis and aligns these disclosures with those made under SFAS 157. In particular, a reporting entity will be required to separate plan assets into the three fair value hierarchy levels and provide a rollforward of the changes in fair value of plan assets classified as Level 3. The FSP is effective prospectively for fiscal years ending after December 15, 2009.

Nomura intends to adopt FSP SFAS 132-R-1 in these consolidated financial statements for the year ending March 31, 2010. As the FSP is a disclosure statement and does not impact upon the accounting for plan assets or benefit obligations, it will not have a material impact on these consolidated financial statements.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Measurement of fair value in inactive markets*

In April 2009, the FASB issued Staff Position No. SFAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FSP SFAS 157-4 ) which provides guidance for determination of fair value when the volume and level of activity for an asset or liability have significantly declined and also mandates increased disclosures around financial assets and financial liabilities measured at fair value under SFAS 157. The FSP is effective for interim and annual reporting periods ending after June 15, 2009, and is applied prospectively. Early adoption is permitted for periods ending after March 15, 2009.

Nomura intends to adopt FSP SFAS 157-4 on April 1, 2009. The guidance on fair value measurement is not expected to have a material impact on these consolidated financial statements as it is consistent with Nomura's existing valuation methodology.

*Interim disclosures about fair value of financial instruments*

In April 2009, the FASB issued Staff Position No. SFAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ( FSP SFAS 107-1 and APB 28-1 ) which requires quarterly disclosure of qualitative and quantitative information about the fair value of all financial instruments including methods and significant assumptions used to estimate fair value during the period. These disclosures were previously only required annually. The FSP is effective for interim reporting periods ending after June 15, 2009, unless early adopted together with FSP SFAS 157-4, which Nomura did not do.

Nomura intends to adopt FSP SFAS 107-1 and APB 28-1 in its quarterly interim consolidated financial statements ending June 30, 2009. As the FSP does not affect determination of fair value and only extends fair value disclosures to interim financial statements, it will not have a material impact on these consolidated financial statements.

*Subsequent events*

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ( SFAS 165 ) which provides accounting and disclosure requirements of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS 165 defines:

The period after the balance sheet date during which events or transactions that may occur for potential recognition or disclosure in the financial statements are evaluated;

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The circumstances under which a reporting entity should recognize events or transactions occurring after the balance sheet date in its financial statements; and

Disclosures about events or transactions that occurred after the balance sheet date.

SFAS 165 applies prospectively to interim or annual financial periods ending after June 15, 2009. Nomura intends to adopt SFAS 165 on April 1, 2009 and is currently evaluating the impact of adoption on these consolidated financial statements.

### *Codification of US GAAP*

In June 2009, the FASB voted to approve a new FASB statement replacing SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ( SFAS 162 ). This action will replace existing guidance defining the relative level of authority of various types of U.S. GAAP pronouncements and is part of a project to codify GAAP within a single authoritative volume, the FASB Accounting Standards Codification

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( Codification ). The FASB's primary objective in developing the Codification is to simplify access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. The Codification is intended to accurately represent existing standards and not to create new guidance. The FASB also voted to approve the Codification as the single source of authoritative U.S. GAAP. Once the statement replacing SFAS 162 and the Codification are adopted, all other accounting literature not included in the Codification will be considered non-authoritative, except for certain SEC pronouncements.

At this time, the Codification has not been finalized, although the FASB has stated that it will be effective for interim and annual periods ending after September 15, 2009. Based upon the FASB's statements about the objective of the Codification and the effective date, Nomura intends to adopt the Codification on July 1, 2009, and does not expect a material impact on these consolidated financial statements.

*Transfers of financial assets*

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140* ( SFAS 166 ) which changes the requirements for derecognizing financial assets, eliminates the concept of a QSPE, and requires additional disclosures about transfers of financial assets and a transferor's continuing involvement with transfers of financial assets accounted for as sales.

The requirements for derecognizing financial assets include new restrictions regarding when a portion of a financial asset may be recognized as a sale, as well as a clarification to the requirements needed to ensure isolation of the transferred assets has occurred from a legal perspective. The elimination of QSPEs will subject such entities to the revised consolidation guidance provided by SFAS 167, as described below, provided Nomura still has variable interests in those entities at the adoption date.

SFAS 166 is effective in the first annual reporting period that begins after November 15, 2009. Application of the revised guidance in SFAS 166 for transfers of financial assets is prospective after adoption.

Nomura intends to adopt SFAS 166 on April 1, 2010 and is currently evaluating SFAS 166 to determine what impact it will have on these consolidated financial statements.

*Consolidation of variable interest entities*

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ( SFAS 167 ) which revises the existing accounting guidance determining when a VIE should be consolidated.



SFAS 167 requires a company to perform a qualitative analysis when determining whether it must consolidate a VIE. If a company has an interest that provides the company with control over the most significant activities of the VIE and the right to receive benefits or the obligation to absorb losses, the company must consolidate the entity. Under the new qualitative approach, a quantitative analysis of exposure to expected benefit and loss is no longer, by itself, determinative. SFAS 167 also requires consolidation or deconsolidation of VIEs to be evaluated on an ongoing basis, which differs from existing guidance that requires evaluation at inception of the entity and only upon occurrence of certain events triggering reconsideration.

SFAS 167 is effective in the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

SFAS 167 contains special transition provisions governing whether the assets, liabilities, and noncontrolling interests resulting from consolidation of entities at the date of adoption should occur at their carrying amounts (as if such entities had been consolidated under SFAS 167 prior to the adoption date), fair value, or at unpaid principal balances. In certain cases, differences between the net amount added to the balance sheet upon

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

consolidation and the amount previously recognized on an unconsolidated basis will be recognized as a cumulative adjustment to retained earnings. SFAS 167 may also be optionally applied retroactively in previously issued financial statements, with a cumulative-effect adjustment to retained earnings.

Nomura intends to adopt SFAS 167 on April 1, 2010 and is currently evaluating SFAS 167 to determine what impact it will have on these consolidated financial statements.

**2. U.S. dollar amounts:**

The U.S. dollar amounts are included solely for the convenience of the reader and have been translated at the rate of ¥99.15 = U.S.\$1, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2009. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

**3. Fair value of financial instruments:**

The majority of Nomura's financial instruments are carried at fair value or at amounts that approximate fair value. Financial assets which are carried at fair value on a recurring basis are included in the consolidated balance sheet within *Trading assets and private equity investments*, *Loans and receivables* and *Other assets*. Financial liabilities which are carried at fair value on a recurring basis are included within *Trading liabilities*, *Short-term borrowings*, *Payables and deposits*, *Long-term borrowings*, and *Other liabilities*.

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 such as to measure impairment of the asset or liability.

In all cases, fair value is determined in accordance with SFAS 157 which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura's principal market, or in the absence of the principal market, the most advantageous market for the relevant financial asset or financial liability.

Increases and decreases in the fair value of assets and liabilities will significantly impact Nomura's position, performance, liquidity and capital resources. As explained later, valuation techniques applied contain inherent uncertainties and Nomura is unable to predict the impact of future

developments in the market. Where appropriate, Nomura uses economic hedging strategies to mitigate its risk, although these hedges are also subject to unpredictable movements in the market.

**Valuation methodology for financial instruments carried at fair value on a recurring basis**

The fair value of financial instruments, including exchange traded securities and derivatives is based on quoted market prices, including market indices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. A variety of instruments, including cash and OTC contracts, have bid and ask prices that are observable in the market. These are measured at the point within the bid-ask range which best represents Nomura's estimate of fair value. Where quoted market prices or broker or dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Where quoted prices are available in active markets, no valuation adjustments are taken to modify the fair value of assets or liabilities marked using such prices. Other instruments may be measured using valuation techniques, such as valuation pricing models, incorporating observable parameters, unobservable parameters or a combination of both. Valuation pricing models use parameters which would be considered by market participants in valuing similar financial instruments.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Valuation uncertainty results from a variety of factors, including: the valuation technique or model selected; the quantitative assumptions used within the valuation model; the inputs into the model; as well as other factors. Valuation adjustments are used to reflect the assessment of this uncertainty. Common valuation adjustments include model reserves, credit adjustments, close out adjustments, and other appropriate instrument-specific adjustments, such as those instruments under trade restrictions.

The level of adjustments is largely judgmental and is based on an assessment of the factors that management believe other market participants would use in determining the fair value of similar financial instruments. The type of adjustments taken, the methodology for the calculation of these adjustments, and the inputs for these calculations are reassessed periodically to reflect current market practice and the availability of new information.

For example, the fair value of certain financial instruments includes adjustments for credit risk; both with regards to counterparty credit risk on positions held and Nomura's own creditworthiness on positions issued. Credit risk on financial assets is significantly mitigated by credit enhancements such as collateral and netting arrangements. Any net credit exposure is measured using available and applicable inputs for the relevant counterparty. The same approach is used to measure the credit exposure on Nomura's liabilities as is used for measuring counterparty credit risk on Nomura's assets.

Such models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The global risk management unit reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about the model's suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models, and analysis of risk profiles.

As explained above, any changes in fixed income, equity, foreign exchange and commodity markets can impact Nomura's estimates of fair value in the future, potentially affecting trading gains and losses. As financial contracts have longer maturity dates, Nomura's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which include base assumptions underlying valuation pricing models. No material changes were made to valuation approach during the period.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Concentrations of credit risk**

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura's significant single concentrations of credit risk were with the Japanese Government, U.S. Government, Governments within EU and their agencies. These concentrations generally arise from taking trading securities positions. Government and government agency bonds, including *Securities pledged as collateral*, represented 26% of total assets as of March 31, 2009. Please see Note 4, *Derivative instruments and hedging activities* about the concentration of credit risk for derivatives.

	Billions of yen March 31, 2009				
	Japan	U.S.	E.U	Other	Total
Government and their agencies	¥ 4,005	¥ 396	¥ 1,803	¥ 184	¥ 6,388

	Translation into billions of U.S. dollars March 31, 2009				
	Japan	U.S.	E.U	Other	Total
Government and their agencies	\$ 40	\$ 4	\$ 18	\$ 2	\$ 64

**Fair value hierarchy**

The following table presents information about Nomura's financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2009 within the fair value hierarchy, including those accounted for at fair value using the fair value option, based on the transparency of inputs to the valuation techniques used by Nomura to determine such fair values. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement of the financial instrument.

	Billions of yen March 31, 2009				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting <sup>(1)</sup>	Balance as of March 31, 2009
<b>Assets:</b>					
Trading assets and private equity investments					
Equities (including private equity) <sup>(2)</sup>	¥ 271	¥ 592	¥ 606	¥	¥ 1,469
Debt securities and loans	6,007	1,401	793		8,201
Investment trust funds and other	19	35	6		60
Derivatives	638	15,581	1,691	(15,967)	1,943
Loans and receivables <sup>(3)</sup>	0	8	4		12
Other assets	285	54	50		389

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Total	¥ 7,220	¥ 17,671	¥ 3,150	¥ (15,967)	¥ 12,074
Liabilities:					
Trading liabilities					
Equities	¥ 413	¥ 117	¥ 1	¥	¥ 531
Debt securities	2,355	250	0		2,605
Investment trust funds and other	1				1
Derivatives	722	15,192	1,424	(15,724)	1,614
Short-term borrowings <sup>( 4)(5)</sup>	9	28	8		45
Payables and deposits <sup>( 6)</sup>		0	(1)		(1)
Long-term borrowings <sup>( 4)(5)(7)</sup>	39	485	(81)		443
Other liabilities		1			1
Total	¥ 3,539	¥ 16,073	¥ 1,351	¥ (15,724)	¥ 5,239

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

- (1) Counterparty netting of derivative assets and liabilities in accordance with FIN 39 and cash collateral netting against net derivatives in accordance with FSP FIN 39-1.
- (2) Includes equity investments that would have been accounted for under the equity method if Nomura had not chosen to apply the fair value option under SFAS 159.
- (3) Includes loans for which Nomura elected the fair value option under SFAS 159.
- (4) Includes structured notes for which Nomura elected the fair value option under either SFAS 155 or SFAS 159.
- (5) Includes embedded derivatives bifurcated in accordance with SFAS 133 from structured notes not elected for the fair value option. If unrealized gain is greater than unrealized loss, borrowings are reduced by the excess amount.
- (6) Includes embedded derivatives bifurcated in accordance with SFAS 133 from certain deposit liabilities. If unrealized gain is greater than unrealized loss, the deposit liability is reduced by the excess amount.
- (7) Includes secured financing transactions that are accounted for as financings rather than sales in accordance with SFAS 140. Nomura elected the fair value option under SFAS 159 for these liabilities.

*Level 3 financial assets and financial liabilities*

Level 3 financial assets and financial liabilities consist of instruments whose valuations are significantly dependent on parameters which are unobservable in the market. Financial instruments are categorized in accordance with their lowest level significant input. As a result, a derivative valued using a combination of Level 1, Level 2 and Level 3 parameters would be classified in Level 3 in its entirety, if its value is significantly affected by at least one significant unobservable parameter.



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These financial instruments are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy and the gains or losses below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable parameters.

The following table presents information about financial assets and liabilities measured at fair value on a recurring basis for which Nomura has utilized Level 3 inputs to determine fair value. This table is prepared by the accumulation of quarterly information.

	Billions of yen									Balance as of March 31, 2009
	Balance as of April 1, 2008	Net gain (loss) on trading	Unrealized and realized gains/losses Gain (loss) on operating investments and others <sup>(1)</sup>		Gain (loss) on private equity investments	Interest and dividends / Interest expense	Total unrealized and realized gains/(losses)	Purchases (issuances) /sales (redemption), and settlement <sup>(2)</sup>	Net transfers in/(out of) Level 3 <sup>(3)</sup>	
<b>Assets:</b>										
Trading assets and private equity investments										
Equities (including private equity)	¥ 802	¥ (113)	¥	¥ (53)	¥ (0)	¥ (166)	¥ (31)	¥ 1	¥	¥ 606
Debt securities and loans	783	(163)			2	(161)	26	145		793
Investment trust funds and other	21	(1)				(1)	(15)	1		6
Derivatives, net	121	43				43	(85)	188		267
Loans and receivables	4	(1)				(1)	2	(1)		4
Other assets	59	(0)	2	0	(0)	2	(11)	(0)		50
<b>Total</b>	<b>¥ 1,790</b>	<b>¥ (235)</b>	<b>¥ 2</b>	<b>¥ (53)</b>	<b>¥ 2</b>	<b>¥ (284)</b>	<b>¥ (114)</b>	<b>¥ 334</b>	<b>¥</b>	<b>¥ 1,726</b>
<b>Liabilities:</b>										
Trading liabilities										
Equities	¥ 1	¥ 1	¥	¥	¥	¥ 1	¥ 1	¥ 0	¥	¥ 1
Debt securities		(0)				(0)	0	(0)		0
Short-term borrowings	15	5				5	14	(16)		8
Payables and deposits		(0)				(0)	(1)	(0)		(1)
Long-term borrowings	(59)	245				245	165	58		(81)
<b>Total</b>	<b>¥ (43)</b>	<b>¥ 251</b>	<b>¥</b>	<b>¥</b>	<b>¥</b>	<b>¥ 251</b>	<b>¥ 179</b>	<b>¥ 42</b>	<b>¥</b>	<b>¥ (73)</b>

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Translation into billions of U.S. dollars										
Year ended March 31, 2009										
		Unrealized and realized gains/losses						Net transfers		
	Balance	Net gain	Gain (loss)	Gain (loss)	Interest and	Total	Purchases	in / (out of)	Level	Balance as of
	as of	(loss) on	on operating	on private	/	unrealized	(issuances) / sales	in / (out of)	3 <sup>(3)</sup>	March 31,
	April 1,	trading	investments	equity	Interest	and realized	(redemption),	in / (out of)	3 <sup>(3)</sup>	March 31,
	2008	(loss) on	and	investments	expense	gains / (losses)	and settlements <sup>(2)</sup>	in / (out of)	3 <sup>(3)</sup>	2009
	2008	trading	others <sup>(1)</sup>	investments	expense	gains / (losses)	and settlements <sup>(2)</sup>	in / (out of)	3 <sup>(3)</sup>	March 31,
<b>Assets:</b>										
Trading assets and private equity investments										
Equities (including private equity)	\$ 8.08	\$ (1.14)	\$	\$ (0.53)	\$ (0.00)	\$ (1.67)	\$ (0.31)	\$ 0.01	\$	\$ 6.11
Debt securities and loans	7.90	(1.64)			0.02	(1.62)	0.26	1.46		8.00
Investment trust funds and other	0.21	(0.01)				(0.01)	(0.15)	0.01		0.06
Derivatives, net	1.22	0.43				0.43	(0.86)	1.90		2.69
Loans and receivables	0.04	(0.01)				(0.01)	0.02	(0.01)		0.04
Other assets	0.60	(0.00)	0.02	0.00	(0.00)	0.02	(0.11)	(0.00)		0.51
<b>Total</b>	<b>\$ 18.05</b>	<b>\$ (2.37)</b>	<b>\$ 0.02</b>	<b>\$ (0.53)</b>	<b>\$ 0.02</b>	<b>\$ (2.86)</b>	<b>\$ (1.15)</b>	<b>\$ 3.37</b>		<b>\$ 17.41</b>
<b>Liabilities:</b>										
Trading liabilities										
Equities	\$ 0.01	\$ 0.01	\$	\$	\$	\$ 0.01	\$ 0.01	\$ 0.00	\$	\$ 0.01
Debt securities		(0.00)				(0.00)	0.00	(0.00)		0.00
Short-term borrowings	0.15	0.05				0.05	0.14	(0.16)		0.08
Payables and deposits		(0.00)				(0.00)	(0.01)	(0.00)		(0.01)
Long-term borrowings	(0.60)	2.47				2.47	1.67	0.58		(0.82)
<b>Total</b>	<b>\$ (0.44)</b>	<b>\$ 2.53</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2.53</b>	<b>\$ 1.81</b>	<b>\$ 0.42</b>		<b>\$ (0.74)</b>

(1) Includes in *Revenue Other* and *Non-interest expenses Other* in our consolidated statements of operations.

(2) Includes the effect of foreign exchange movements.

(3) If a financial instrument moves from Level 3 to another Level or migrates from another Level to Level 3, the amount reported in Net transfers in / (out of) Level 3 is the fair value at the beginning of quarter during which the movement occurs.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents the amounts of unrealized gains or (losses) for the year ended March 31, 2009 relating to those financial instruments which Nomura classified as Level 3 within the fair value hierarchy and that were still held by Nomura at the balance sheet date:

	Billions of yen Year ended March 31, 2009				
	Net gain (loss) on trading	Gain (loss) on operating investments and others <sup>(1)</sup>	Gain (loss) on private equity investments	Interest and dividends / Interest expense	Total unrealized gains /(losses)
<b>Assets:</b>					
Trading assets and private equity investments					
Equities (including private equity)	¥ 4	¥	¥ (85)	¥ (0)	¥ (81)
Debt securities and loans	(135)				(135)
Investment trust funds and other	(1)				(1)
Derivatives, net	64				64
Loans and receivables	(5)				(5)
Other assets	(1)	4	0		3
<b>Total</b>	<b>¥ (74)</b>	<b>¥ 4</b>	<b>¥ (85)</b>	<b>¥ (0)</b>	<b>¥ (155)</b>
<b>Liabilities:</b>					
Trading liabilities					
Equities	¥ 0	¥	¥	¥	¥ 0
Debt securities	0				0
Short-term borrowings	2				2
Payables and deposits	0				0
Long-term borrowings	140				140
<b>Total</b>	<b>¥ 142</b>	<b>¥</b>	<b>¥</b>	<b>¥</b>	<b>¥ 142</b>

	Translation into billions of U.S. dollars Year ended March 31, 2009				
	Net gain (loss) on trading	Gain (loss) on operating investments and others <sup>(1)</sup>	Gain (loss) on private equity investments	Interest and dividends / Interest expense	Total unrealized gains /(losses)
<b>Assets:</b>					
Trading assets and private equity investments					
Equities (including private equity)	\$ 0.04	\$	\$ (0.86)	\$ (0.00)	\$ (0.82)
Debt securities and loans	(1.36)				(1.36)
Investment trust funds and other	(0.01)				(0.01)
Derivatives, net	0.65				0.65
Loans and receivables	(0.05)				(0.05)
Other assets	(0.01)	0.04	0.00		0.03

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Total	\$ (0.74)	\$ 0.04	\$ (0.86)	\$ (0.00)	\$ (1.56)
Liabilities:					
Trading liabilities					
Equities	\$ 0.00	\$	\$	\$	\$ 0.00
Debt securities	0.00				0.00
Short-term borrowings	0.02				0.02
Payables and deposits	0.00				0.00
Long-term borrowings	1.41				1.41
Total	\$ 1.43	\$	\$	\$	\$ 1.43

(1) Includes in *Revenue Other* and *Non-interest expenses Other* in our consolidated statements of operations.

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Market conditions, in particular, a lack of liquidity, has reduced the observability of certain parameters which are significant to Nomura's financial instrument valuations. These parameters include certain foreign currency exchange volatilities, certain credit spreads and also certain price of distressed bonds which were not observable at the end of the period.

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

If corroborative evidence is not available to value Level 3 financial instruments, fair value may be established using other equivalent products in the market. The level of correlation between the specific Level 3 financial instrument and the available benchmark instrument is considered an unobservable parameter. Other techniques for determining an appropriate value for unobservable parameters may take into account information such as consensus pricing data among certain market participants, historical trends, extrapolation from observable market data and other information we would expect market participants to use in valuing similar instruments.

A range of fair values may be available for Level 3 financial instruments as a result of the uncertainties described above. The specific valuation for the instrument is based on management's judgement of prevailing market conditions, in accordance with Nomura's established valuation policies and procedures. Using reasonably possible alternative assumptions to value Level 3 financial instruments will significantly influence fair values.

For the year ended March 31, 2009, losses of ¥284 billion (\$2.86 billion) related to Level 3 assets had a material impact on Nomura's results, however this impact has been mitigated by gains of ¥251 billion (\$2.53 billion) related to Level 3 liabilities and has been further mitigated through Nomura's management of its liquidity and capital resources. With regards to liquidity, please see Item 5.B, *Liquidity and Capital Resources* of this annual report.

If economic conditions do not change significantly, management does not anticipate a material difference between the fair value of Level 3 financial instruments and their settlement amounts in the future. Given that the valuation of these instruments fluctuate in response to a variety of factors, including, but not limited to general market sentiment, credit, interest rate, foreign exchange and correlation risk, current values may continue to decrease if conditions deteriorate further. Conversely, should conditions improve, an increase in the value of the Level 3 portfolio would be expected.

**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****The fair value option**

The following table presents gains (losses) due to changes in fair value for financial assets and financial liabilities measured at fair value using the fair value option under SFAS 155 and SFAS 159 at March 31 2009.

	Billions of yen	Translation into billions of U.S. dollars
	Year ended March 31, 2009	
	Net gains and (losses) on trading	
<b>Assets:</b>		
Trading assets and private equity investments		
Trading assets	¥ (2)	\$ (0.02)
Private equity investments	(0)	(0.00)
Loans and receivables	(0)	(0.00)
<b>Total</b>	<b>¥ (2)</b>	<b>\$ (0.02)</b>
<b>Liabilities:</b>		
Short-term borrowings <sup>(1)</sup>	¥ 7	\$ 0.07
Long-term borrowings <sup>(1)(2)</sup>	259	2.61
<b>Total</b>	<b>¥ 266</b>	<b>\$ 2.68</b>

(1) Includes structured notes and other financial liabilities.

(2) Includes secured financing transactions arising from transfers of financial assets which did not meet the criteria for derecognition under SFAS 140.

Nomura elected to apply the fair value option for its common stocks investment in Ashikaga Holdings Co., Ltd. ( Ashikaga Holdings ) Nomura s ownership share is 45.5%, and this investment is included in *Private equity investments*. Ashikaga Holdings recognized a total revenue of ¥83 billion (\$0.83 billion), total expense of ¥110 billion (\$1.11 billion) and a net loss of ¥7 billion (\$0.07 billion) for the year ended March 31, 2009. As of March 31, 2009, its total assets and total liabilities were ¥4,921 billion (\$49.63 billion) and ¥4,726 billion (\$47.66 billion), respectively, determined in accordance with accounting principles generally accepted in Japan.

Nomura calculates the impact of changes in its own creditworthiness on certain financial liabilities for which the fair value option is elected, by discounting future cash flows at a rate which incorporates observable changes in its credit spread. Gains from changes in the fair value of the financial liabilities for which the fair value option was elected, attributable to the change in its creditworthiness, were ¥73 billion (\$0.74 billion) for the year ended March 31, 2009, mainly because of the widening of Nomura s credit spread. There was no significant impact on financial assets for which the fair value option was elected, attributable to instrument-specific credit risk.

As of March 31, 2009, the fair value of the aggregated unpaid principal balance (which is contractually principally protected) of loans and receivables for which the fair value option was elected was ¥1 billion (\$0.01 billion) more than the principal balance of such loans and receivables. The fair value of the aggregated unpaid principal balance (which is contractually principally protected) of long-term borrowings for which the fair value option was elected was ¥14 billion (\$0.14 billion) less than the principal balance of such long-term borrowings. There were no loans and receivables for which the fair value option was elected that were 90 days or more past due.

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**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Financial instruments carried at fair value on a nonrecurring basis**

In addition to the financial instruments carried at fair value on a recurring basis, which are described above, Nomura also carries other financial instruments at fair value on a nonrecurring basis, for which the primary valuation basis is not fair value. Fair value is only used in specific circumstances such as to measure impairment of the asset or liability.

For the year ended March 31, 2009, Nomura recognized impairment losses of ¥100 billion (\$1.01 billion) within *Non-interest expenses Other* in the consolidated statement of operations against certain listed equity method investees as the impairment was determined to be due to an other-than-temporary decline in value. The amount of investments in the investees, which are included within *Other assets Investments in and advances to affiliated companies* in the consolidated balance sheet, were written down to their fair value of ¥37 billion (\$0.37 billion). Fair value was determined in accordance with SFAS 157 using the unadjusted quoted market prices for the Investees. Consequently, these nonrecurring fair value measurements have been determined using inputs which would be classified as Level 1 in the fair value hierarchy.

**Trading activities**

Nomura's trading activities consist primarily of securities brokerage, trading, and underwriting; derivatives dealing and brokerage; and securities financing transactions. Trading assets and trading liabilities consist of cash instruments (such as securities) and derivative instruments used for trading purposes or for hedging other trading assets or liabilities.

*Trading assets and Trading liabilities*

*Trading assets*, including *Securities pledged as collateral*, and *Trading liabilities* consist of the following major types of financial instruments:

	Billions of yen				Translation into billions of U.S. dollars	
	2008		March 31 2009		2009	
	Trading assets	Trading liabilities	Trading assets	Trading liabilities	Trading assets	Trading liabilities
Equities and convertible bonds	¥ 1,296	¥ 871	¥ 1,145	¥ 532	\$ 11.55	\$ 5.36
Government and government agency bonds	4,751	2,663	6,388	2,464	64.42	24.86
Bank and corporate debt securities	1,651	146	1,314	115	13.25	1.16



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Commercial paper and certificates of deposit	321		165		1.66	
Mortgage and mortgage-backed securities	478		331	26	3.34	0.26
Beneficiary interests and other	277	0	63	1	0.64	0.01
Derivative contracts <sup>(1)(2)</sup>	1,173	790	1,943	1,614	19.60	16.28
	¥ 9,947	¥ 4,470	¥ 11,349	¥ 4,752	\$ 114.46	\$ 47.93

- (1) Amounts disclosed for derivative contracts are reported on a net-by-counterparty basis and on a net-by-cash collateral basis where net presentation is consistent with FIN 39 and FSP FIN 39-1 as of March 31, 2008.
- (2) Amounts reported as of March 31, 2008 reflect retroactive application of FSP FIN 39-1.

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**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Net gain (loss) on trading*

While trading activities are primarily generated by client order flow, Nomura also takes proprietary positions in interest rate, debt, equity instruments etc. Revenues from trading include realized and unrealized gains and losses arising from trading as principal. Revenues also include realized and unrealized gains and losses on debt and equity securities and derivatives utilized in arbitrage strategies for Nomura's own account. The following table of net trading gains and losses by business unit has been prepared in order to present Nomura's net trading gains and losses in a format which reflects the manner in which Nomura manages its businesses.

	Millions of yen			Translation
	2007	Year ended March 31		into
		2008	2009	millions of
			U.S.	
			dollars	
	2007	2008	2009	2009
Merchant Banking	¥ (2,459)	¥ (4,969)	¥ (2,660)	\$ (27)
Equity trading-including units trading primarily in stocks, convertible bonds, stock subscription warrants, and related derivatives	137,595	136,955	(38,660)	(389)
Fixed income trading-including units trading primarily in government bonds, corporate debt securities, related derivatives, and foreign exchange in connection with Nomura's securities business	154,872	(70,266)	(87,019)	(878)
	¥ 290,008	¥ 61,720	¥ (128,339)	\$ (1,294)

**Estimated Fair Value**

Financial assets which are carried at contractual amounts that approximate fair value include *Cash and cash equivalents, Time deposits, Deposits with stock exchange and other segregated cash, Receivable from customers, Receivable from other than customers, Securities purchased under agreements to resell, Securities borrowed, and Loans receivable*. Financial liabilities which are carried at contractual amounts that approximate fair value include *Short-term borrowings, Payables to customers, Payables to other than customers, Deposits received at banks, Securities sold under agreements to repurchase, Securities loaned and Other secured borrowings*. These financial instruments mature principally within one year and bear interest at rates that approximate market.

*Loans receivable*

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Loans receivable are carried at cost adjusted for deferred fees or costs on originated loans, any unamortized premiums or discounts on purchased loans less applicable allowances for loan losses unless they are elected under the fair value option and held at fair value. The fair value of loans receivable is estimated based on loan characteristics. Where quoted market prices are available, such market prices were utilized to estimate fair value.

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**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents carrying values and fair values or approximate fair values of loans receivable. Carrying values are shown after deducting allowances for doubtful accounts.

	Billions of yen				Translation into billions of U.S. dollars	
	2008		March 31 2009		2009	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Loans receivable	¥ 784	¥ 784	¥ 516	¥ 507	\$ 5.21	\$ 5.11

**Long-term borrowings**

For long-term borrowings, certain financial instruments, including structured notes, are carried at fair value under SFAS 155 and 159. Except for those instruments, long-term borrowings are carried at historical amounts unless such borrowings are designated as the hedged item in a fair value hedge. The fair value of long-term borrowings is estimated using quoted market prices where available or by discounting future cash flows.

The following table presents carrying values and fair values or approximate fair values of long-term borrowings.

	Billions of yen				Translation into billions of U.S. dollars	
	2008		March 31 2009		2009	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Long-term borrowings	¥ 5,224	¥ 5,243	¥ 5,483	¥ 5,196	\$ 55.30	\$ 52.41

**4. Derivative instruments and hedging activities***Derivatives used for trading purposes*

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In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet customer needs, for its trading activities, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities, etc. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

Nomura also enters into various derivative financial instrument transactions including futures, forwards, swap and option contracts involving securities, foreign currency, interest rate and other money market instruments as part of its normal trading activities and for market risk management of certain non-trading assets and liabilities.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are customer oriented. Nomura utilizes a variety of derivative financial instruments

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**NOMURA HOLDINGS, INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

as a means of bridging customers' specific financial needs and investors' demands in the securities markets. Nomura also actively trades securities and various derivatives in order to assist its customers in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide customers with securities and other capital markets products at competitive prices.

Forward and futures contracts are commitments to either purchase or sell securities, foreign currency or money market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreed to by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are conducted through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts is considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency exposures. Entering into swap agreements may involve the risk of credit loss in the event of the counterparties' default.

To the extent these derivative financial instruments are economically hedging offsetting financial instruments or securities positions of Nomura, the overall risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments. Credit risk associated with these financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce default risk, Nomura requires collateral, principally cash collateral and government securities, for certain derivative transactions. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, Nomura generally enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalents ( master netting agreements ) with each of its counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and mitigate the credit risk exposure from these transactions. In some cases, they enable unrealized gains and losses arising from Nomura's dealings in over-the-counter derivatives to be presented on a net-by-counterparty basis and on a net-by-cash collateral basis in accordance with FIN 39 and FSP FIN 39-1.



**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table discloses the fair value of derivative financial instruments used for trading purposes by Nomura.

	Billions of yen		Translation
	2008	March 31 2009	into billions of U.S. dollars 2009
<b>Derivative Trading Assets:</b>			
Foreign exchange forwards	¥ 91	¥ 134	\$ 1.35
FRA <sup>(1)</sup> , other OTC forwards, and futures contracts	67	17	0.17
Swaps	1,040	1,606	16.21
Securities options purchased	155	734	7.40
Options other than securities options purchased	198	375	3.78
Sub total <sup>(2)</sup>	¥ 1,551	¥ 2,866	\$ 28.91
The amount netted with cash collateral	(378)	(923)	(9.31)
Total <sup>(3)</sup>	¥ 1,173	¥ 1,943	\$ 19.60
<b>Derivative Trading Liabilities:</b>			
Foreign exchange forwards	¥ 121	¥ 240	\$ 2.42
FRA, other OTC forwards, and futures contracts	39	36	0.36
Swaps	748	657	6.63
Securities options written	328	850	8.58
Options other than securities options written	238	511	5.15
Sub total <sup>(2)</sup>	¥ 1,474	¥ 2,294	\$ 23.14
The amount netted with cash collateral	(684)	(680)	(6.86)
Total <sup>(3)</sup>	¥ 790	¥ 1,614	\$ 16.28

(1) Forward Rate Agreements.

(2) Total amounts are reported on a net-by-counterparty basis.

(3) Total amounts are reported on a net-by-cash collateral basis and net-by-counterparty basis where net presentation is consistent with FIN 39 and FSP FIN 39-1. Amounts reported as of March 31, 2008 reflect retroactive application of FSP FIN 39-1.

*Derivatives used for non-trading purposes*



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Nomura's principal objective in using derivatives for purposes other than trading is market risk management for certain non-trading assets and liabilities such as non-trading debt securities, loans receivable from customers and other assets as well as bonds and notes issued. The operations of Nomura are subject to the risk of interest rate and currency rate fluctuations to the extent that there is a difference between the amounts of Nomura's interest-bearing and/or foreign currency assets and liabilities which mature or reprice in specified periods. To manage its exposures to market movements, Nomura uses derivative financial instruments.

Nomura issues Japanese yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed rate interest payments on its debt obligations to floating rate. The maturity structure of the swaps corresponds with the maturity of the debt obligations being hedged. Nomura also uses interest rate swaps to modify the interest rate characteristics of certain assets including loans receivable from customers. Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

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**Table of Contents****NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Concentrations of credit risk about derivatives*

The following table presents Nomura's significant concentration exposures for financial institutions about OTC derivatives. The gross fair value of derivative assets presents the maximum amount of loss due to credit risk that Nomura would incur if the counterparties of Nomura failed to perform in accordance with the terms of the instruments and any collateral or other security Nomura held in relation to those instruments proved to be of no value.

	Billions of yen March 31, 2009			
	Gross Fair Value of derivative assets	Impact of Master Netting Arrangements	Impact of Collateral	Net Exposure to Credit Risk
Financial institutions	¥ 13,511	¥ (11,962)	¥ (887)	¥ 662

	Translation into billions of U.S. dollars March 31, 2009			
	Gross Fair Value of derivative assets	Impact of Master Netting Arrangements	Impact of Collateral	Net Exposure of Credit Risk
Financial institutions	\$ 136	\$ (120)	\$ (9)	\$ 7

*Derivative activities*

The following table quantifies the volume of Nomura's derivative activity, through a disclosure of notional amounts, in comparison with the fair value of those derivatives. All amounts are disclosed on a gross basis, prior to counterparty netting of derivative assets and liabilities and cash collateral netting against net derivatives.

	Billions of yen March 31, 2009			
	Derivative Assets		Derivative Liabilities	
	Notional	Fair Value	Notional <sup>(1)</sup>	Fair Value <sup>(1)</sup>
<b>Derivative contracts used for trading purpose<sup>(2)</sup>:</b>				
Equity contracts	¥ 8,286	¥ 878	¥ 8,963	¥ 860
Interest rate contracts	186,151	11,195	192,117	10,421
Credit contracts	49,587	5,512	49,409	5,137
Foreign exchange contracts	28,799	270	15,193	405
Commodity contracts	70	23	68	23
Other contracts	904	32	794	30

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Total	¥ 273,797	¥ 17,910	¥ 266,544	¥ 16,876
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