NOMURA HOLDINGS INC
Form 6-K
December 21, 2012
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of December 2012

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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Incorporation by Reference

The registrant hereby incorporates Exhibit 1 to this report on Form 6-K by reference (i) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-169682) of the registrant and Nomura America Finance, LLC, filed with the Securities and Exchange Commission (SEC) on September 30, 2010 and (ii) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-165049) of the registrant, filed with the SEC on February 24, 2010, as amended by the Post-Effective Amendment No. 1 thereto, filed with the SEC on September 8, 2010.

Information furnished on this form:

EXHIBITS

Exhibit Number	
1.	Nomura Holdings, Inc. Interim Operating and Financial Review
15.	Acknowledgment Letter of Ernst & Young ShinNihon LLC
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	NOMURA HOLDINGS, INC.
Date: December 21, 2012	By: /s/ Eiji Miura Eiji Miura Senior Managing Director

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Exhibit 1

NOMURA HOLDINGS, INC.

INTERIM OPERATING AND FINANCIAL REVIEW

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Presentation of Financial and Other Information

As used in this Form 6-K, references to Company , Nomura , Nomura Group , we , us and our are to Nomura Holdings, Inc. and, except as t context otherwise requires, its consolidated subsidiaries. As part of certain line items in Nomura s financial statements and information included in this Form 6-K, references to NHI are to Nomura Holdings, Inc.

Unless otherwise stated, references in this Form 6-K to yen and ¥ are to the lawful currency of Japan and references to U.S. dollars and $ are to the lawful currency of the United States of America (U.S.).

All ownership data with respect to us presented in this Form 6-K is presented based on the voting interest directly or indirectly held by us. Our voting interest is presented in accordance with Japanese reporting requirements, pursuant to which the amount presented with respect to each subsidiary is the percentage of voting rights of such subsidiary held directly by us or our subsidiaries. For example, wholly-owned subsidiaries of our subsidiaries are listed as 100%, regardless of the level of our direct interest in the intermediate subsidiaries.

Amounts shown within this Form 6-K 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.

Except as otherwise indicated, all financial information with respect to us presented in this Form 6-K is presented on a consolidated basis. Our fiscal year ends on March 31 of each year. We prepare interim consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Our interim consolidated financial statements, including the notes thereto, for the six months ended September 30, 2011 and 2012 are included elsewhere in this Form 6-K. The interim consolidated financial statements included in this Form 6-K have been reviewed in accordance with the standards of the Public Company Accounting Oversight Board (United States) by our independent auditors.

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Recent Developments

Recent Developments in Capital Adequacy Regulations. In December 2010, the Basel Committee on Banking Supervision (Basel Committee) issued the overall capital and liquidity reform package from Basel II (Basel III) in order to promote a more resilient banking sector. The Basel Committee has been taking an active part towards Basel III implementation in 2013, such as by issuing interim rules for the capitalization of bank exposures to central counterparties (CCPs) in July 2012; issuing the frequently asked questions on Basel III s counterparty credit risk rules in November 2011, and in July and November 2012; and announcing its third progress report on Basel III implementation in October 2012. In addition to the Basel III implementation, the Financial Stability Board and the Basel Committee at the Group of Twenty (G-20) summit in November 2011 identified global systemically important financial institutions (G-SIFIs) on which additional capital requirements will be imposed and updated the list of G-SIFIs in November 2012. Also, the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for domestic systemically important financial institutions (D-SIFIs), extending the framework for G-SIFIs to D-SIFIs. Reflecting the release of the interim rules for the capitalization of bank exposures to CCPs from the Basel Committee, the Financial Services Agency (FSA) has been working to revise the Capital Adequacy Notice on Final Designated Parent Company. For further information on Basel III, please see *Consolidated Regulatory Requirements* herein.

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

Recovery and Resolution Plans. On July 19, 2011, the Financial Stability Board published a consultative document to establish a global framework to improve the capacity of authorities to resolve failing systemically important financial institutions without systemic disruption and exposing taxpayers to the risk of loss. The proposed measures require G-SIFIs to prepare and maintain recovery and resolution plans (RRPs) by December 2012. In light of this global framework, on August 9, 2011, the Financial Services Authority in the United Kingdom (U.K. FSA) published a consultation on its proposals for RRPs. The consultation covered the requirement for banks and large investment firms in the U.K. regardless of whether they are G-SIFIs to prepare and maintain RRPs, while a separate discussion paper explores matters relevant to the resolution of financial services firms, including the resolution of trading books, enhancing the resolution toolkit and bail-ins. In May 2012, the U.K. FSA published a feedback statement setting out the approach being taken by the U.K. FSA to ensure firms develop appropriate recovery plans and resolution packs. The feedback statement provides firms with clarity regarding what they are expected to do while final rules are being adjusted to take into account developments in the international arena. A draft of the core rules was published with the feedback statement and final rules are expected by the end of 2012.

Markets in Financial Instruments Directive (MiFID II). On October 20, 2011, the European Commission published draft legislation for MiFID II. The draft legislation has been split into two parts: the Markets in Financial Instruments Directive and the Markets in Financial Instruments Regulation (MiFIR). The draft legislation seeks to introduce wide reaching changes to markets, including the extension of market transparency rules into non-equities and potentially reducing the size of the OTC derivative market by pushing derivatives onto exchanges. The proposed legislation is expected to come into force in 2015.

European Market Infrastructure (EMIR). EMIR is the European Union legislation to implement the G-20 commitment made in 2009 that all standardized OTC derivatives should be centrally cleared, all OTC derivatives should be reported to a trade repository and all non-centrally cleared contracts should be subject to higher capital requirements. EMIR came into force in August 2012 and as a practical matter is practically expected to be enforced by mid-2013. The European Supervisory Authorities are drafting detailed rules which will be approved by the European Commission.

U.K. Regulatory Reform. In early 2013, the Financial Services and Markets Bill 2010 is expected to be formally enacted which will see U.K. financial services regulation split into a twin peaks approach. The Prudential Regulatory Authority (PRA) will be formed as a subsidiary of the Bank of England and will be responsible for the prudential supervision of a number of large deposit takers, investment firms and insurers. The Financial Conduct Authority (FCA) will be a separate entity and will be responsible for the prudential supervision of firms not supervised by the PRA and for market conduct matters for all authorized firms. Ahead of this formal structure being put in place, the U.K. FSA has, as an interim measure, separated itself into two main operating units internally, the Prudential Business Unit and the Conduct Business Unit, mirroring the scope of activities the PRA and FCA will carry out. Further information on the new regulatory structure and on the preparations being made (including consultations on amendments which will be made to the U.K. FSA Handbook of rules and guidance) can be found on the U.K. FSA s website.

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Risk Factors

There is no significant change from the risks as previously disclosed in Part I, Item 3.D "Risk Factors" of our annual report on Form 20-F for the year ended March 31, 2012.

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Special Note Regarding Forward-Looking Statements

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

Known and unknown risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to differ materially from any future results, performance, achievements or financial position expressed or implied by any forward-looking statements contained in this report. Such risks, uncertainties and other factors are set forth in *Risk Factors* above and in Item 3.D of our annual report on Form 20-F for the full year ended March 31, 2012, as well as elsewhere in this Form 6-K.

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Operating and Financial Review and Prospects

Results of Operations Six Months Ended September 30, 2011 and 2012

The interim consolidated financial statements included in this Form 6-K have not been audited but have been reviewed in accordance with the standards of the Public Company Accounting Oversight Board (United States) by our independent auditors. The unaudited interim consolidated financial statements are prepared on a basis substantially consistent with the audited consolidated financial statements included in our Form 20-F filed on June 27, 2012.

Overview

The following table provides selected consolidated statements of income information for the six months ended September 30, 2011 and 2012.

	Millions of yen except per share data Six months ended September 30	
	2011	**2012**
Non-interest revenues:		
Commissions	¥ 182,706	¥ 149,646
Fees from investment banking	27,589	27,514
Asset management and portfolio service fees	75,767	67,224
Net gain on trading	93,484	173,328
Gain (loss) on private equity investments	(8,265)	(5,088)
Gain (loss) on investments in equity securities	(3,141)	5,909
Other	196,342	285,983
Total non-interest revenues	564,482	704,516
Net interest revenue	67,472	66,417
Net revenue	631,954	770,933
Non-interest expenses	642,228	715,850
Income (loss) before income taxes	(10,274)	55,083
Income tax expense	15,947	43,646
Net income (loss)	(26,221)	11,437
Less: Net income attributable to noncontrolling interests	2,100	6,737
Net income (loss) attributable to NHI shareholders	¥ (28,321)	¥ 4,700
Return on shareholders equity (annualized)[1]	(2.7%)	0.4%

(1) Calculated as Net income (loss) attributable to NHI shareholders divided by average Total NHI shareholders equity multiplied by two.

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Net revenue increased by 22.0% from ¥631,954 million for the six months ended September 30, 2011 to ¥770,933 million for the six months ended September 30, 2012. Commissions decreased by 18.1%, due primarily to decreasing brokerage commissions. Asset management and portfolio service fees decreased by 11.3%, due primarily to a decrease in assets under management driven by the impact of weakened market conditions. Net gain on trading increased by 85.4%, due primarily to an increase in bond trading in our Americas region. Other increased by 45.7%, due primarily to the increase in revenues associated with Nomura Land and Building Co., Ltd. (NLB) due to the fact that NLB was a consolidated subsidiary for the full six months ended September 30, 2012, while NLB was a consolidated subsidiary for only part of the six months ended September 30, 2011.

Net interest revenue was ¥66,417 million for the six months ended September 30, 2012 and ¥67,472 million for the six months ended September 30, 2011. Net interest revenue is a function of the level and the mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest revenue is an integral component of our trading business. In assessing the profitability of our overall business and of our Wholesale operation in particular, we view net interest revenue and non-interest revenues in aggregate.

Non-interest expenses increased by 11.5% from ¥642,228 million for the six months ended September 30, 2011 to ¥715,850 million for the six months ended September 30, 2012, due primarily to the increase in expenses associated with NLB due to the fact that NLB was a consolidated subsidiary for the full six months ended September 30, 2012, while NLB was a consolidated subsidiary for only part of the six months ended September 30, 2011.

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 only imposes a national tax. Between April 1, 2004 and March 31, 2012, our effective statutory tax rate was 41%. Due to the revisions of domestic tax laws during the third quarter ended December 31, 2011, effective statutory tax rates are 38% for the fiscal years beginning between April 1, 2012 and March 31, 2015, and 36% thereafter. Our foreign subsidiaries are subject to the income tax rates 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.

For the six months ended September 30, 2011, the difference between the effective statutory tax rate of 41% and the effective tax rate of negative 155.2% was mainly due to an increase in valuation allowance of foreign subsidiaries, whereas non-taxable revenues increased the effective tax rate.

For the six months ended September 30, 2012, the difference between the effective statutory tax rate of 38% and the effective tax rate of 79.2% was mainly due to non-deductible expenses, different tax rates and changes in effective statutory tax rates applicable to income (loss) of foreign subsidiaries, whereas non-taxable revenues and a decrease in valuation allowance of foreign subsidiaries reduced the effective tax rate.

Net income attributable to NHI shareholders was ¥4,700 million for the six months ended September 30, 2012 and net loss attributable to NHI shareholders was ¥28,321 million for the six months ended September 30, 2011. Our annualized return on shareholders equity was 0.4% for the six months ended September 30, 2012 and negative 2.7% for the six months ended September 30, 2011.

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Retail

In Retail, we receive commissions and fees from investment consultation services which we provide mainly to individual clients 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.

	Millions of yen	
	Six months ended September 30	
	2011	2012
Non-interest revenues	¥ 176,685	¥ 161,906
Net interest revenue	1,484	1,591
Net revenue	178,169	163,497
Non-interest expenses	145,426	140,347
Income before income taxes	¥ 32,743	¥ 23,150

Net revenue decreased by 8.2% from ¥178,169 million for the six months ended September 30, 2011 to ¥163,497 million for the six months ended September 30, 2012. The primary factor for the decreased net revenue was due to a decrease in commissions from distribution of investment trusts.

Non-interest expenses decreased by 3.5% from ¥145,426 million for the six months ended September 30, 2011 to ¥140,347 million for the six months ended September 30, 2012.

Income before income taxes decreased by 29.3% from ¥32,743 million for the six months ended September 30, 2011 to ¥23,150 million for the six months ended September 30, 2012.

The graph below shows the revenue generated by instrument in terms of Retail non-interest revenues for the six months ended September 30, 2011 and 2012.

As shown above, the proportion of Retail non-interest revenues from investment trusts and asset management decreased from 60% for the six months ended September 30, 2011 to 55% for the six months ended September 30, 2012, due primarily to a decrease in commissions from distribution of investment trusts. The proportion of Retail non-interest revenues from equities was at 15% for both six months ended September 30, 2011 and 2012. The proportion of Retail non-interest revenues from bonds increased from 23% for the six months ended September 30, 2011 to 28% for the six months ended September 30, 2012, due primarily to an increase in sales of bonds. The proportion of Retail non-interest revenues from insurance was at 2% for both six months ended September 30, 2011 and 2012.

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The following graph shows amounts and details regarding the composition of retail client assets at September 30, 2011 and 2012.

Total retail client assets increased by ¥1.2 trillion from ¥66.1 trillion at September 30, 2011 to ¥67.3 trillion at September 30, 2012. Retail client assets consist of clients assets held in our custody and assets relating to insurance products.

Asset Management

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

	Millions of yen Six months ended September 30 2011	2012
Non-interest revenues	¥ 33,110	¥ 30,677
Net interest revenue	1,684	1,180
Net revenue	34,794	31,857
Non-interest expenses	22,635	21,927
Income before income taxes	¥ 12,159	¥ 9,930

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Net revenue decreased by 8.4% from ¥34,794 million for the six months ended September 30, 2011 to ¥31,857 million for the six months ended September 30, 2012, due primarily to the impact of weakened market conditions.

Non-interest expenses decreased by 3.1% from ¥22,635 million for the six months ended September 30, 2011 to ¥21,927 million for the six months ended September 30, 2012.

Income before income taxes decreased by 18.3% from ¥12,159 million for the six months ended September 30, 2011 to ¥9,930 million for the six months ended September 30, 2012.

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

	Billions of yen September 30	
	2011	2012
Nomura Asset Management Co., Ltd.[1]	¥ 24,860	¥ 24,919
Nomura Funds Research and Technologies Co., Ltd.	2,338	2,366
Nomura Corporate Research and Asset Management Inc.	1,238	1,557
Nomura Private Equity Capital Co., Ltd.	537	550
Nomura Funds Research and Technologies America, Inc.	345	168
Combined total	29,317	29,559
Overlapping asset accounts among group companies	(6,597)	(6,866)
Total	¥ 22,720	¥ 22,693

(1) In April 2012, Nomura Asset Management Deutschland KAG mbH became a consolidated subsidiary of Nomura Asset Management Co., Ltd. As a result, certain prior period amounts have been reclassified to conform to the current period presentation.

Assets under management were ¥22.7 trillion as of September 30, 2012, at approximately the same level as assets under management as of September 30, 2011. The greatest proportion of these assets was managed by NAM with assets under management of ¥24.9 trillion as of September 30, 2012.

Domestic publicly offered investment trust assets included in the assets under management by NAM were ¥13.0 trillion as of September 30 2012, a ¥0.3 trillion or 2% increase from September 30, 2011. We saw solid inflows into our products during the six months ended September 30, 2012. For the investment advisory business, assets under management were ¥8.8 trillion as of September 30, 2012, a ¥0.4 trillion or 5% decrease from September 30, 2011.

The following table shows NAM s share, in terms of net asset value, in the Japanese asset management market as of the dates indicated. As of September 30, 2012, NAM s market share was 22% for publicly offered investment trusts, 17% for stock investment trusts and 44% for bond investment trusts.

	September 30	
	2011	2012
Total of publicly offered investment trusts	22%	22%
Stock investment trusts	17%	17%
Bond investment trusts	43%	44%

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Wholesale

In Wholesale, we are engaged in the sales and trading of debt and equity securities and currencies on a global basis to various institutions, providing investment banking services such as the underwriting of bonds and equities as well as mergers and acquisitions and financial advice and investing in private equity businesses with the goal of maximizing returns on these investments by increasing the corporate value of investee companies.

	Millions of yen	
	Six months ended September 30	
	2011	2012
Non-interest revenues	¥ 154,857	¥ 190,228
Net interest revenue	66,675	68,749
Net revenue	221,532	258,977
Non-interest expenses	308,103	267,335
Income (loss) before income taxes	¥ (86,571)	¥ (8,358)

Certain prior period amounts have been reclassified to conform to the current period presentation.

Net revenue increased by 16.9% from ¥221,532 million for the six months ended September 30, 2011 to ¥258,977 million for the six months ended September 30, 2012.

Non-interest expenses decreased by 13.2% from ¥308,103 million for the six months ended September 30, 2011 to ¥267,335 million for the six months ended September 30, 2012.

Loss before income taxes were ¥86,571 million and ¥8,358 million for the six months ended September 30, 2011 and 2012, respectively.

The breakdown of net revenue for Wholesale is as follows:

	Millions of yen	
	Six months ended September 30	
	2011	2012
Fixed Income	¥ 111,097	¥ 160,048
Equities	90,031	69,242
Investment Banking (Net)	30,630	30,908
Investment Banking (Other)	(10,226)	(1,221)
Investment Banking	20,404	29,687
Net revenue	¥ 221,532	¥ 258,977
Investment Banking (Gross)	¥ 56,078	¥ 65,510

Certain prior period amounts have been reclassified to conform to the current period presentation.

For Fixed Income, net revenue increased by 44.1% from ¥111,097 million for the six months ended September 30, 2011 to ¥160,048 million for the six months ended September 30, 2012, due primarily to growth in stable client inflows of all products. For Equities, net revenue decreased by 23.1% from ¥90,031 million for the six months ended September 30, 2011 to ¥69,242 million for the six months ended September 30, 2012, due primarily to continued declines in market turnover globally and decreases in client revenues. For Investment Banking, net revenue increased by 45.5% from ¥20,404 million for the six months ended September 30, 2011 to ¥29,687 million for the six months ended September 30, 2012, due primarily to equity capital market revenues and revenues from advising on cross-border M&A transactions.

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Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. See Note 16 *Segment and geographic information* to our interim consolidated financial statements.

Net revenue was ¥201,098 million for the six months ended September 30, 2011 and ¥310,570 million for the six months ended September 30, 2012. Non-interest expenses were ¥166,064 million for the six months ended September 30, 2011 and ¥286,241 million for the six months ended September 30, 2012. Income before income taxes in other operating results was ¥35,034 million for the six months ended September 30, 2011 and ¥24,329 million for the six months ended September 30, 2012.

Other operating results for the six months ended September 30, 2012 include losses of ¥6.2 billion from changes in the fair value of the financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness, the negative impact of our own creditworthiness on derivative liabilities which resulted in losses of ¥1.1 billion and the gains from changes in counterparty credit spreads of ¥15.5 billion.

Number of Employees

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

	September 30	
	2011	**2012**
Japan	22,183	22,020
Europe	4,492	3,940
Americas	2,537	2,425
Asia and Oceania	6,485	6,430
Total	35,697	34,815

Summary of Regional Contributions

For a summary of our net revenue, income (loss) before income taxes and long-lived assets by geographic region, see Note 16 *Segment and geographic information* to our interim consolidated financial statements.

Regulatory Capital Requirements

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

Translation Exposure

A significant portion of our business is conducted in currencies other than yen most significantly, U.S. dollars, British pounds and Euros. 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 consolidated statements of income 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.

Critical Accounting Policies and Estimates

Use of Estimates

In preparing our interim 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 disclosures in these interim consolidated financial statements. Estimates, by their nature, are based on judgment and available information. Therefore, actual results may differ from estimates, which could have a material impact on the interim consolidated financial statements, and it is possible that such adjustments could occur in the near term.

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Fair Value for Financial Instruments

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 4% as of September 30, 2012 as listed below:

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	Billions of yen, except percentage September 30, 2012					
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting	Total	The proportion of Level 3
Financial assets measured at fair value (Excluding derivative assets)	¥ 7,716	¥ 7,464	¥ 655	¥	¥ 15,835	4%
Derivative assets	535	23,590	376	(23,225)	1,276	
Derivative liabilities	610	23,583	358	(23,297)	1,254	

See Note 2 *Fair value of financial instruments* to our interim consolidated financial statements.

Private Equity Business

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

The valuation of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from the carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow valuation technique which incorporates estimated future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital or comparable market multiple valuation techniques such as Enterprise Value/earnings before interest, taxes, depreciation and amortization ratios, Price/Earnings ratios, Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements and the price of comparable companies. 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. Private equity investments are generally classified as Level 3 since the valuation inputs such as those mentioned above are usually unobservable or there is significant uncertainty.

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.

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 products and leveraged finance to which we have certain exposure. We also have exposures to Special Purpose Entities (SPEs) and others in the normal course of business.

Securitization Products

Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of September 30, 2012.

	Millions of yen September 30, 2012				
	Japan	Asia and Oceania	Europe	Americas	Total[1]
CMBS[2]	¥ 2,736	¥	¥ 10,258	¥ 59,828	¥ 72,822
RMBS[3]	32,085	323	45,572	186,674	264,654
Commercial real estate-backed securities	7,291				7,291

Other securitization products[4]	37,330	333	23,300	111,865	172,828
Total	¥ 79,442	¥ 656	¥ 79,130	¥ 358,367	¥ 517,595

(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 ASC 860 *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposures.

(2) We have ¥11,093 million exposure, as whole loans and commitments, to U.S. CMBS-related business as of September 30, 2012.

(3) The RMBS balance for Americas excludes mortgage pass-through securities and U.S. government guaranteed collateralized mortgage obligations (CMO) because their credit risks are considered minimal.

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

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The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of September 30, 2012. Ratings are based on the lowest ratings given by Standard & Poor s Financial Services LLC, Moody s Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of September 30, 2012.

	Millions of yen September 30, 2012								
	AAA	AA	A	BBB	BB	B	Others	GSE[1]	Total
Japan	¥ 50	¥ 496	¥ 914	¥ 966	¥	¥	¥ 310	¥	¥ 2,736
Europe			4,576	769	3,237	621	1,055		10,258
Americas	10,205	3,305	9,602	10,655	21,010	257	4,794		59,828
Total	¥ 10,255	¥ 3,801	¥ 15,092	¥ 12,390	¥ 24,247	¥ 878	¥ 6,159	¥	¥ 72,822

(1) GSE refers to government sponsored enterprises.

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic region of the target company as of September 30, 2012.

	Millions of yen September 30, 2012		
	Funded	Unfunded	Total
Japan	¥ 12,459	¥ 1,750	¥ 14,209
Europe	48,047	3,885	51,932
Americas	5,438	74,485	79,923
Asia and Oceania	1,908	437	2,345
Total	¥ 67,852	¥ 80,557	¥ 148,409

Special Purpose Entities

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

For further discussion on Nomura s involvement with variable interest entities (VIEs), see Note 6 *Securitizations and Variable Interest Entities* to our interim consolidated financial statements.

Accounting Developments

See Note 1 *Summary of accounting policies: New accounting pronouncements recently adopted* to our interim consolidated financial statements.

Private Equity Business

We make private equity investments primarily in Japan and Europe.

Private equity investments made by certain entities which we consolidate under either a voting interest or variable interest model which are investment companies pursuant to the provisions of ASC 946 are accounted for at fair value, with changes in fair value recognized through earnings. Investment company accounting applied by each of these investment company subsidiaries is retained in our interim 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 us. In accordance with our investment policies, non-investment companies within the group may not make investments in entities engaged in non-core businesses if such investments would result in consolidation or application of the equity method of accounting. Such investments may generally only be made by investment company subsidiaries. Non-core businesses are defined as those engaged in activities other than our business segments.

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

Private Equity Business in Japan

We 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 2000, NPF has made investments in 21 entities and exited from all these investments as of September 30, 2012.

NPF is an investment company subsidiary pursuant to the provisions of ASC 946 and therefore carries all of its investments at fair value, with changes in fair value recognized through earnings.

We also make private equity investments through another wholly-owned subsidiary, Nomura Financial Partners Co., Ltd. (NFP). NFP is not an investment company subsidiary as it invests in the entities engaged in our core business. We elected the fair value option to account for our 47.0% investment in the common stock of Ashikaga Holdings Co., Ltd and it is reported in *Private equity investments* and *Other assets Other* in the consolidated balance sheets.

Private Equity Business in Europe

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

Terra Firma Investments

Following a review to determine the optimum structure for our European private equity business, on March 27, 2002, we restructured 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, 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 those investments at fair value in accordance with ASC 946.

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

The fair value of the Terra Firma Investments was ¥97,646 million as of September 30, 2012.

Other Terra Firma Funds

In addition to the Terra Firma Investments, we are a 10% investor in a ¥194 billion private equity fund (TFCP II) and a 2% investor in a ¥518 billion private equity fund (TFCP III), also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥19,423 million and reduced to ¥3,707 million as a result of adjustments for recyclable distributions. As of September 30, 2012, ¥3,290 million had been drawn down for investments.

For TFCP III, our total commitment is ¥9,805 million and ¥9,066 million had been drawn down for investments as of September 30, 2012.

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

Subsequent events

In November 2012, Nomura International plc, our wholly owned subsidiary, entered into an agreement to sell its investment in Annington Homes to a fund managed by UK private equity firm Terra Firma, which currently manages the investment on behalf of Nomura. The agreement was subject to certain conditions precedent which have been satisfied, and the sale was completed on December 13, 2012. The investment in Annington Homes is carried at fair value with changes in fair value recognized through earnings, and Nomura expects to recognize significant additional revenue from adjusting the carrying value of the investment to approximately ¥115 billion in the third quarter ending December 31, 2012 as the conditions precedent were satisfied and upon completion of the sale. Nomura also expects to derecognize the investment from its consolidated balance sheet on the date of sale in the third quarter ending December 31, 2012. The fair value of the investment as of September 30, 2012 was ¥97.6 billion and has not been adjusted to reflect the sale price achieved after September 30, 2012 because the conditions precedent in the sale agreement had not been fulfilled as of September 30, 2012.

Deferred Tax Assets Information

Details of deferred tax assets and liabilities

Details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities* respectively in the consolidated balance sheets as of September 30, 2012 are as follows:

	Millions of yen September 30, 2012
Deferred tax assets	
Depreciation, amortization and valuation of fixed assets	¥ 72,139
Investments in subsidiaries and affiliates	171,217
Valuation of financial instruments	182,664
Accrued pension and severance costs	29,166
Other accrued expenses and provisions	81,611
Operating losses	287,724
Other	16,492
Gross deferred tax assets	841,013
Less Valuation allowance	(463,801)
Total deferred tax assets	377,212
Deferred tax liabilities	
Investments in subsidiaries and affiliates	81,485
Valuation of financial instruments	66,963
Undistributed earnings of foreign subsidiaries	3,273
Valuation of fixed assets	118,022
Other	7,243
Total deferred tax liabilities	276,986
Net deferred tax assets	¥ 100,226

Calculation method of deferred tax assets

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

Legal Proceedings

For a discussion of our litigation and related matters, see Note 15 *Contingencies Investigations, lawsuits and other legal proceedings* to our interim consolidated financial statements.

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Liquidity and Capital Resources

Funding and Liquidity Management

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. Liquidity risk management policy is based on liquidity risk appetite which the Group Integrated Risk Management Committee formulates upon delegation by the Executive Management Board (EMB). Our primary objective for liquidity risk management is to ensure continuous liquidity across market cycles and periods of market 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 assets.

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

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

1. Centralized Control of Residual Cash

We control centrally residual cash held at Nomura Group entities for effective utilization purposes. As for the usage of funds, we manage the overall level of unsecured funding and set internal limits on the additional amount of unsecured funding available across Nomura Group. The limit for unsecured funding is set by the EMB and monitored closely by Global Treasury.

In order to enable us to transfer funds smoothly among the group entities, we limit issuance of securities by regulated broker-dealers or banking entities. We actively seek to concentrate issuance of all long-term unsecured, non-deposit funding instruments at either Nomura 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 Nomura Group.

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

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

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

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

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

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

In addition, other unencumbered assets held at exchanges for 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 takes into account legal, regulatory and tax restrictions that may impact the ability to freely transfer of liquidity across the entities within the group.

We seek to achieve diversification of our funding sources by market, instrument type, investors and currency in order to reduce our reliance on any one funding source and reduce refinancing risk. We benefit by distributing a significant portion of our debt through our retail and institutional sales force to a diversified global investor base.

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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. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivative positions and/or the underlying assets to maintain funding consistency with our unsecured long-term debt. The proportion of our non-yen denominated long-term debt decreased to 24.9% of total term debt outstanding as of September 30, 2012 from 28.0% as of March 31, 2012.

2.1 Short-Term Unsecured Debt

Our short-term unsecured debt consists primarily of short-term bank borrowings (including long-term bank borrowings maturing within one year), commercial paper, deposits at banking entities, certificates of deposit and bonds and notes maturing within one year. Deposits at banking entities and certificates of deposit represent customer deposits and certificates of deposit held by our banking subsidiaries.

Our short-term unsecured debt total decreased ¥610.4 billion to ¥2,398.7 billion as of September 30, 2012 from ¥3,009.1 billion as of March 31, 2012 mainly due to a ¥317.4 billion decrease in short-term bank borrowings to ¥933.3 billion as of September 30, 2012 from ¥1,250.7 billion as of March 31, 2012. The average outstanding balance of commercial paper was ¥264.8 billion for the period ended September 30, 2012.

The table below summarizes our short-term unsecured debt:

	Billions of yen	
	March 31, 2012	**September 30, 2012**
Short-term unsecured debt total[1]	¥ 3,009.1	¥ 2,398.7
Short-term bank borrowings	1,250.7	933.3
Other loans	99.0	47.2
Commercial paper	315.6	221.9
Deposit at banking entities	589.8	642.2
Certificates of deposit	234.7	199.3
Bonds and notes maturing within one year	519.3	354.8

(1) Short-term unsecured debt includes the current portion of long-term unsecured debt.

2.2 Long-Term Unsecured Debt

We also 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.

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

As a globally competitive financial service group in Japan, we have access to multiple markets worldwide and major funding centers. The Company, NSC, Nomura Europe Finance N.V. and Nomura Bank International plc are the main entities that conduct external borrowings, issuances of debt instruments and other funding activities. By raising funds to match the currencies and liquidities of our assets or by using foreign exchange swaps as may be necessary, we pursue optimization of our funding structures.

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

Our long-term debt increased ¥32.7 billion to ¥6,405.7 billion as of September 30, 2012 from ¥6,373.0 billion as of March 31, 2012, due primarily to ¥55.8 billion increase in long term bank borrowings to ¥2,644.9 billion as of September 30, 2012 from ¥2,589.1 billion as of March 31, 2012. The bonds and notes slightly decreased ¥15.4 billion to ¥3,543.9 billion as of September 30, 2012 from ¥3,559.3 billion as of March 31, 2012. For the period ended on September 30, 2012, Nomura issued ¥155.4 billion of domestic bonds.

The table below summarizes our long-term unsecured debt:

	Billions of yen	
	March 31, 2012	**September 30, 2012**
Long-term unsecured debt total	¥ 6,373.0	¥ 6,405.7
Long-term deposit at banking entities	80.2	79.2
Long-term bank borrowings	2,589.1	2,644.9
Other loans	144.4	137.7
Bonds and notes[1]	3,559.3	3,543.9
NHI shareholders equity	2,107.2	2,096.6

(1) Excluding long-term bonds and notes issued by consolidated VIEs that meet the definition of VIEs under ASC 810 *Consolidation* and secured financing transactions recognized within long-term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860.

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2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity for plain vanilla debt securities and borrowings with maturities longer than one year was 4.11 years as of September 30, 2012. A major part of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. Conditions for calling notes by indices are individually determined. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that 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 10.94 years as of September 30, 2012. The average maturity of our entire long term debt portfolio, including plain vanilla debt securities and borrowings, was 6.71 years as of September 30, 2012. 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 the probability of redemption. Due to structure bias, we use probability adjusted by a certain stress factor.

2.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese Gensaki transactions. Repo transactions involve the selling of government and government agency securities under agreements with clients to repurchase these securities from clients. Japanese Gensaki transactions have no margin requirements or substitution right. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We manage the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, providing with a various range and types of securities collateral and actively seeking to term out the tenor of certain transactions. For more detail on secured borrowings and repurchase agreements, see Note 4 *Collateralized transactions* to our interim consolidated financial statements.

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3. Management of Credit Lines to Nomura Group Entities

We maintain committed facility agreements with financial institutions for Nomura Group entities in order to provide contingent financing sources. Total of unused committed facilities decreased by ¥43.3 billion to ¥95.0 billion as of September 30, 2012 from ¥138.3 billion as of March 31, 2012. 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 on the facilities. We occasionally test the effectiveness of our drawdown procedures.

4. Implementation of Liquidity Stress Tests

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

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

To ensure a readily available source for a potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. As of September 30, 2012, our liquidity portfolio was ¥5,306.7 billion which generated a liquidity surplus taking into account a stress scenario as defined in our liquidity risk policy. We recognize that the liquidity standards for financial institutions continue to be the subject of further discussion among the relevant supervisory bodies including the Basel Committee. The existing model and simulations upon which we currently rely may need to be reviewed depending on any new development in this area. Our liquidity portfolio is composed of the following highly liquid products.

	Billions of yen	
	March 31, 2012	**September 30, 2012**
Liquidity portfolio	¥ 5,427.7	¥ 5,306.7
Cash, cash equivalent and time deposits	1,137.3	698.2
Government securities	3,877.4	4,179.4
Others	413.0	429.1

In addition to the liquidity portfolio, we have ¥1,321.9 billion of other unencumbered assets comprising mainly unpledged trading assets that can be used as an additional source of secured funding. The aggregate value of our liquidity portfolios and other unencumbered assets as of September 30, 2012 was ¥6,628.6 billion this represented 220.3% of our total unsecured debt maturing within one year.

	Billions of yen	
	March 31, 2012	**September 30, 2012**
Net liquidity value of other unencumbered assets	¥ 1,289.6	¥ 1,321.9
Liquidity portfolio	5,427.7	5,306.7
Total	¥ 6,717.3	¥ 6,628.6

In the stress test, we assume the cash outflow as shown below and also consider 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 may not freely move among us.

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 one 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

(iv) Fluctuation of funding needs under normal business circumstances

(v) Cash and collateral outflows in a stress event

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We constantly evaluate and modify our liquidity risk assumptions based on regulatory and market changes. The model we use in order to simulate the impact of stress scenarios assumes no liquidation of assets, no ability to issue additional unsecured funding, a widening of haircuts on outstanding repo funding, collateralization of clearing banks and depositories, drawdowns on loan commitments and loss of liquidity from market losses on inventory.

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

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

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

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

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

5. Contingency Funding Plan

We have developed a detailed contingency funding plan to integrate liquidity risk control into our comprehensive risk management strategy and to enhance the quantitative aspects of our liquidity risk control procedures. As a part of the Contingency Funding Plan (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 and market-wide events. We also have access to operations at central banks including but not exclusively the Bank of Japan, which provide financing against various types of securities. These operations are accessed in the normal course of business and are an important tool in mitigating contingent risk from market disruptions.

Cash Flows

Nomura s cash flows are primarily generated from operating activities undertaken in connection with our client flows and trading and from financing activities which are closely related to such activities. As a financial institution, growth in operations tends to result in cash outflows from operating activities as well as investing activities, as was generally the case for a number of years. For the six months ended September 30, 2012, we recorded net cash inflows from operating activities and investing activities as discussed in the comparative analysis mentioned below.

The following is the summary information on our consolidated cash flows for the six months ended September 30, 2011 and 2012:

	Billions of yen Six months ended September 30 2011	 2012
Net cash provided by (used in) operating activities	¥ (900.1)	¥ 127.2
Net income (loss)	(26.2)	11.4
Trading assets and private equity investments	(1,260.5)	(1,057.9)
Trading liabilities	(673.4)	(364.9)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	810.4	1,002.6
Securities borrowed, net of securities loaned	9.6	1,258.1

Other, net	239.9	(722.0)
Net cash provided by investing activities	43.3	31.2
Net cash used in financing activities	(183.2)	(494.8)
Long-term borrowings, net	(309.5)	(227.8)
Short-term borrowings, net	(30.8)	(310.4)
Other, net	157.1	43.3
Effect of exchange rate changes on cash and cash equivalents	(28.6)	(17.5)
Net decrease in cash and cash equivalents	(1,068.7)	(353.8)
Cash and cash equivalents at beginning of period	1,620.3	1,070.5
Cash and cash equivalents at end of period	¥ 551.6	¥ 716.7

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See the consolidated statements of cash flows in our interim consolidated financial statements for more detailed information.

For the six months ended September 30, 2012, our cash and cash equivalents decreased by ¥353.8 billion to ¥716.7 billion. Net cash of ¥494.8 billion was used in financing activities due to cash outflows of ¥538.2 billion by net payments of *Long-term borrowings* and *Short-term borrowings*. As part of trading activities, while there were net cash outflows of ¥1,422.8 billion from cash outflows due to an increase in *Trading assets and Private equity investments* and a decrease in *Trading liabilities*, these cash outflows were offset by net cash inflows of ¥2,260.7 billion from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase, Securities borrowed* and *Securities loaned*. As a result, net cash of ¥127.2 billion was provided by operating activities.

For the six months ended September 30, 2011, our cash and cash equivalents decreased by ¥1,068.7 billion to ¥551.6 billion. Net cash of ¥183.2 billion was used in financing activities due to cash outflows of ¥309.5 billion by net payments of *Long-term borrowings*. As part of trading activities, while there were net cash outflows of ¥1,933.9 billion from cash outflows due to an increase in *Trading assets and Private equity investments* and a decrease in *Trading liabilities*, these cash outflows were offset by net cash inflows of ¥820.0 billion from repo transactions and securities borrowed and loaned transactions such as *Securities purchased under agreements to resell*, *Securities sold under agreements to repurchase, Securities borrowed* and *Securities loaned*. As a result, net cash of ¥900.1 billion was used in operating activities.

Balance Sheet and Financial Leverage

Total assets as of September 30, 2012, were ¥35,394.3 billion, a decrease of ¥303.0 billion compared to ¥35,697.3 billion as of March 31, 2012. This decrease was due primarily to decreases in *Cash and cash equivalents* and *Securities borrowed*. Total liabilities as of September 30, 2012, were ¥33,006.9 billion, a decrease of ¥301.3 billion compared to ¥33,308.2 billion as of March 31, 2012. This decrease was due primarily to a decrease in *Trading liabilities* and *Long-term borrowings*. NHI shareholders equity as of September 30, 2012 was ¥2,096.6 billion, a decrease of ¥10.6 billion compared to ¥2,107.2 billion as of March 31, 2012. This decrease was due to a decrease in *Accumulated other comprehensive income*.

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

As leverage ratios are commonly used by other financial institutions similar to us, we voluntarily provide a leverage ratio and adjusted leverage ratio primarily for benchmarking purposes so that users of this Form 6-K can compare our leverage against other financial institutions. There are currently no regulatory or statutory reporting requirements which require us to disclose leverage ratios.

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

	Billions of yen, except ratios	
	March 31, 2012	**September 30, 2012**
NHI shareholders equity	¥ 2,107.2	¥ 2,096.6
Total assets[(1)]	35,697.3	35,394.3
Adjusted assets[(2)]	21,954.7	22,324.9
Leverage ratio[(3)]	16.9x	16.9x
Adjusted leverage ratio[(4)]	10.4x	10.6x

(1) Reconciles to the total assets amount disclosed on the face of our consolidated balance sheets and therefore excludes the fair value of securities transferred to counterparties under repo-to-maturity and certain Japanese securities lending transactions which are accounted for as sales rather than collateralized financing arrangements. The fair value of securities derecognized under these agreements has not had a significant impact on our reported leverage and adjusted leverage ratios as of March 31, 2012 and September 30, 2012.

(2) Represents total assets less *Securities purchased under agreements to resell* and *Securities borrowed*.

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

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

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Total assets decreased by 0.8% reflecting primarily a decrease in *Cash and cash equivalents* and *Security borrowed*. NHI shareholders equity decreased by 0.5%. As a result, our leverage ratio is at 16.9 times as of September 30, 2012, almost at same level as of March 31, 2012.

Adjusted assets increased due primarily to an increase in *Trading assets*. As a result, our adjusted leverage ratio went up from 10.4 times as of March 31, 2012 to 10.6 times as of September 30, 2012.

Capital Management

Capital Management Policy

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

Dividends

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

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

Nomura paid dividend of ¥2.0 per share for the first half in line with its dividend policy for the fiscal year ended March 31, 2013.

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

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

Fiscal year ended or ending March 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2008	¥ 8.50	¥ 8.50	¥ 8.50	¥ 8.50	¥ 34.00
2009	8.50	8.50	8.50		25.50
2010		4.00		4.00	8.00
2011		4.00		4.00	8.00
2012		4.00		2.00	6.00
2013		2.00			

Stock Repurchases

We consider repurchase of treasury stock as an option in our financial strategy to respond quickly to changes in the business environment and to increase shareholder value. We make announcements immediately after any decision to set up a share buyback program and conduct such programs in accordance with internal guidelines.

Preferred Stock

Effective June 28, 2011, in order to respond to Basel III capital adequacy requirements, we have amended our Articles of Incorporation to enable issuance of each class of preferred stock with a provision for redemption upon the occurrence of certain events. We do not have plans to issue preferred stocks as of December 21, 2012. The amendment did not result in any change to the total number of shares authorized to be issued.

Consolidated Regulatory Requirements

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

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Beginning from the end of March 2009, we elected 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 as permitted under the provision in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. , although we continue to be monitored as a financial conglomerate governed by the Financial Conglomerates Guideline.

The Company has been assigned as a Final Designated Parent Company who must calculate the consolidated capital adequacy ratio according to the Notice of the Establishment of Standards for Determining Whether the Adequacy of Equity Capital of a Final Designated Parent Company and its Subsidiary Corporations, etc. is Appropriate Compared to the Assets Held by the Final Designated Parent Company and its Subsidiary Corporations, etc. (2010 FSA Regulatory Notice No. 130; Capital Adequacy Notice on Final Designated Parent Company) in April 2011. Since then, we have been calculating our Basel II-based consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. Note that the Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and we have calculated our Basel 2.5-based consolidated capital adequacy ratio since December 2011.

In accordance with Article 3 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is calculated based on the amounts of qualifying capital, credit risk-weighted assets, market risk and operational risk. Also in accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio should be higher than 8%. As of September 30, 2012, we were in compliance with this requirement, with a consolidated capital adequacy ratio of 17.3%.

The following table presents the Company s consolidated capital adequacy ratio as of March 31, 2012 and September 30, 2012:

	Billions of yen, except ratios	
	March 31, 2012	**September 30, 2012**
Qualifying Capital		
Tier 1 capital	¥ 2,090.2	¥ 2,115.0
Tier 2 capital	319.6	318.9
Tier 3 capital	224.3	211.5
Deductions	207.0	227.5
Total qualifying capital	¥ 2,427.0	¥ 2,418.0
Risk-Weighted Assets		
Credit risk-weighted assets	¥ 8,324.4	¥ 7,857.6
Market risk equivalent assets	3,924.6	3,702.0
Operational risk equivalent assets	2,432.0	2,363.0
Total risk-weighted assets	¥ 14,681.0	¥ 13,922.6
Consolidated Capital Adequacy Ratios		
Consolidated capital adequacy ratio	16.5%	17.3%
Tier 1 capital ratio	14.2%	15.1%

Total qualifying capital is comprised of Tier 1, Tier 2, Tier 3 capital and deduction items. Our Tier 1 capital mainly consists of NHI shareholders equity and non-controlling interests less goodwill, certain intangible fixed assets and 50% of expected losses defined in the Capital Adequacy Notice on Final Designated Parent Company. Our Tier 2 and Tier 3 capital consist of subordinated debt classified as Tier 2 and Tier 3 by original maturity and other conditions set out in the Capital Adequacy Notice on Final Designated Parent Company. Deduction items include the remaining 50% of expected losses and strategic holding of financial institution s stock.

Market risk equivalent assets are calculated by using The Internal Models Approach for market risk. Since the end of December 2011, we are required to calculate market risk equivalent assets under the Basel 2.5 rule, which is significantly larger than under the Basel II rule. On March 31, 2011, we started calculating credit risk-weighted assets and operational risk equivalent assets by using foundation Internal Ratings-Based Approach and The Standardized Approach, respectively, with the approval of the FSA.

We provide Tier 1 capital ratio and consolidated capital adequacy ratio not only to demonstrate that we are in compliance with the requirement set out in the Capital Adequacy Notice on Final Designated Parent Company but also for benchmarking purposes so that users of our report can compare our capital position against those of other financial groups under the same Basel framework. Management receives and reviews these capital ratios on a regular basis.

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

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

On December 16, 2010, in an effort to promote a more resilient banking sector, the Basel Committee issued Basel III, that is, International framework for liquidity risk measurement, standards and monitoring and A global regulatory framework for more resilient banks and banking systems . The proposals include raising the quality, consistency and transparency of the capital base; strengthening the risk coverage of the capital framework such as the implementation of a credit value adjustment charge for over-the-counter derivative trades; introducing a leverage ratio requirement as a supplemental measure to the risk-based framework; and introducing a series of measures to address concerns over the procyclicality of the current framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. These standards will be phased in gradually from 2013. In addition, after two rounds of public consultation and discussions with the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO), the Basel Committee has issued interim rules for the capitalization of bank exposures to central counterparties (CCPs) on July 25, 2012, which are intended to come into effect as of January 2013 as part of Basel III.

At the G-20 summit in November 2011, the Financial Stability Board (FSB) and the Basel Committee announced the list of global systemically important financial institutions (G-SIFIs) and the additional requirements to the G-SIFIs including the recovery and resolution plan. The FSB also announced the group of G-SIFIs will be updated annually and published by the FSB each November. In November 2012, the FSB and the Basel Committee have updated the list of G-SIFIs. We were not designated as a G-SIFI in November 2011 and November 2012. On the other hand, the FSB and the Basel Committee were asked to work on extending the framework for G-SIFIs to domestic systemically important financial institutions (D-SIFIs) and the Basel Committee developed and published a set of principles on the assessment methodology and the higher loss absorbency requirement for D-SIFIs.

The FSA introduced notices such as the Capital Adequacy Notice on Final Designated Parent Company on consolidated regulation and supervision of securities companies on a consolidated basis on April 1, 2011 to improve the stability and transparency of Japan s financial system and ensure the protection of investors. It reviewed the Capital Adequacy Notice on Final Designated Parent Company according to Basel 2.5 and Basel III framework and the revised notice in line with Basel 2.5 was implemented at the end of December 2011 and the revised notice in line with Basel III will be implemented at the end of March 2013. It is expected that such regulation and notice will be revised further to be in line with a series of rules and standards proposed by the Basel Committee, including the rules for the capitalization of bank exposures to CCPs.

Credit Ratings

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

As of November 30, 2012, the credit ratings of the Company and NSC were as follows:

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

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

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Both Rating and Investment Information, Inc. and Japan Credit Rating Agency, Ltd. are credit rating agencies nationally recognized in Japan. We rely on, or utilize, credit ratings on our long-term and short-term debt provided by these Japanese credit rating agencies, as well as Standard & Poor s Financial Services LLC and Moody s Investors Service, Inc., for unsecured funding and other financing purposes and also for our trading and other business activities. Within the rating classification system of Rating and Investment Information, Inc., a-1 is the highest of five categories for short-term debt and indicates a strong degree of certainty regarding 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.

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

Off-Balance Sheet Arrangements

Off-Balance Sheet Entities

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

Off-balance sheet arrangements with off-balance sheet entities include 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;
- 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 is designed to fulfill a limited, specific purpose by its sponsor. We both create or sponsor these entities and also enter into arrangements with entities created or sponsored by others.

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In the normal course of business, we also act as a transferor of financial assets to these entities, as well as, 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. Significant involvement is assessed based on all of our arrangements with these entities, even if the probability of loss, as assessed at the balance sheet date, is remote.

For further information about transactions with VIEs, see Note 6 *Securitizations and Variable Interest Entities* to our interim consolidated financial statements.

Repurchase and Securities Lending Transactions Accounted for as Sales

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

We enter into repo-to-maturity transactions to take advantage of arbitrage opportunities between the cash security and repo markets. These transactions involve the sourcing of specific securities in the market and contemporaneously entering into repurchase agreements with different counterparties where the maturity of the agreement matches the maturity of the security transferred as collateral. We account for these transactions as sales rather than collateralized financings where the criteria for derecognition of the securities transferred under ASC 860 are met. The amounts of securities derecognized from our consolidated balance sheets under open repo-to-maturity transactions as of March 31, 2012 and September 30, 2012 were ¥39,797 million and ¥18,451 million, respectively.

We engage in certain Japanese securities lending transactions for funding purposes under which we transfer long securities (such as Japanese listed equities). The agreements supporting these transactions include varying margining requirements, but the amount of cash we borrow from our counterparties is typically significantly less than the fair value of securities we lend. We account for these transactions as sales in our interim consolidated financial statements where the criteria for derecognition of the transferred financial assets under ASC 860 are met. In particular, we do not maintain effective control over the transferred financial assets as we are not able to be returned the transferred financial assets on substantially agreed terms, even in the event of default by the transferee. Upon adoption of Accounting Standard Update (ASU) No. 2011-03 *Reconsideration of Effective Control for Repurchase Agreements* as of January 1, 2012, Nomura has not derecognized such transactions that started on and after the adoption date. The amounts of securities derecognized from our consolidated balance sheets under open securities lending transactions as of March 31, 2012 and September 30, 2012 were ¥1,930 million and ¥nil million, respectively.

Contractual Obligations

Since March 31, 2012, there have been no other material changes outside our ordinary course of business in connection with our standby letters of credit and other guarantees, long-term borrowings and contractual interest payments, operating lease commitments, capital lease commitments, purchase obligations, commitments to extend credit, commitments to invest in partnerships, commitments to purchase aircraft and commitments to purchase real estate.

For further details on our commitments, contingencies and guarantees, see Note 15 *Commitments, contingencies and guarantees* to our interim consolidated financial statements.

Risk Management

Business activities of Nomura Group are exposed to various risks such as market risk, credit risk, operational risk and other risks caused by external factors. Nomura Group has established a risk management framework to provide comprehensive controls, monitoring and reporting of these risks in order to maintain financial soundness and the Company s corporate values.

Global Risk Management Structure

Governance

The Board of Directors has established the Structure for Ensuring Appropriate Business of Nomura Holdings, Inc. as the Company s basic principle and set up the framework for the management of risk of loss based on this. In addition, they are continuously making efforts to improve, strengthen and build up our risk management capabilities under this framework. Besides this, the Group Integrated Risk Management Committee (GIRMC), upon delegation of the EMB, has established the Integrated Risk Management Policy, describing the overall risk management framework including the fundamental principles concerning risk management and organization and this is under continuous improvement.

Basic Principles of Risk Management

Nomura Group defines risks as i.) potential erosion of the Nomura Group s capital base due to unexpected losses from business operations, ii.) potential lack of access to funds due to deterioration of the Nomura Group s creditworthiness or deterioration in market conditions, or iii.) potential failure of revenues to cover expenses due to deterioration of earnings environment or deterioration of efficiency or effectiveness of business operations.

It is a fundamental principle that all Directors, Executive Managing Directors, Senior Managing Directors, Corporate Auditors and employees of Nomura Group shall regard themselves as principals of risk management and appropriately manage risks arising in the course of day-to-day business operations. At the same time, Nomura Group practices prudent risk management at an individual entity level within the group and also identifies, evaluates and appropriately manages risks within each of the business departments, risk management departments and internal audit departments, respectively.

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Fundamental Policy of Risk Management

Our fundamental policy concerning risk management is to control risks arising in the course of business operations to the confines of the Company s risk appetite, which is clearly established based on risk tolerance in line with group-wide business strategy, business targets, management strength and financial base. We endeavor to embed this appetite into actual business operations.

Our risk appetite consists of quantitative and qualitative factors. Targets are set for such quantitative factors as capital adequacy, liquidity and profitability. Targets also set for such qualitative factors as Zero Tolerance Risk, which are risk that Nomura shall tolerate to no extent whatsoever, and for Minimum Tolerance Risk, which are risk that we may tolerate to a limited extent in consideration of profit potential, risk mitigation methods, monitoring capability and other factors, respectively.

We endeavor to measure risks using quantitative methods to the greatest extent possible and to continually improve its risk measurement methods. We use economic capital, for the risks measured by quantitative methods collectively and use this as the principal reference for assessment of capital adequacy, capital allocation and risk management. When evaluating risks by quantitative methods, we conduct stress testing as a complementary measure to analyze and evaluate the potential impact of each type of risk on our capital base.

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Risk Management Organizations

The organizational structure and core bodies tasked with risk management in the Nomura Group are shown in the following chart.

Executive Management Board

The EMB deliberates on and determines management strategy, allocation of management resources and important management matters of Nomura Group by promoting the effective use of management resources and execution of business with the unified intent of contributing to the increase of shareholder value.

Group Integrated Risk Management Committee

The GIRMC deliberates on and determines important matters concerning integrated risk management of the Nomura Group upon delegation by the EMB for contributing to the sound and effective management of the business. The GIRMC is a core organization for group-wide risk management and establishes the risk appetite for the Nomura Group and the framework of integrated risk management in accordance with the risk appetite.

Chief Risk Officer

The Chief Risk Officer (CRO) is responsible for supervising the Risk Management Department and maintaining the effectiveness of the risk management framework independently from the business units within the Nomura Group. The CRO not only regularly reports on the status of the Nomura Group s risk management to the GIRMC, but also reports to and seeks the approval of the GIRMC on measures required for risk management.

Chief Financial Officer

The CFO has the operational authority and responsibility over our liquidity management. Liquidity risk management policy is based on risk appetite which the GIRMC formulates. Our primary objective for liquidity risk management 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.

Risk Management Departments

The Risk Management Departments is defined as collectively the Group Risk Management Department and departments or units in charge of risk management established independently from the business units of Nomura entities. The Risk Management Departments is responsible for establishing and operating of risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura Group entities, reporting to Executive/Senior Managing Directors and the GIRMC and others and also reporting to regulatory bodies and handling of regulatory applications concerning risk management methods and other items.

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Classification and Definition of Risk

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

Risk Category	Summary Description
Market Risk	Risk of losses arising from fluctuations in values of financial assets and debts (including off-balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit Risk	Risk of losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor or counterparty.
Country Risk	Risk brought about by a country s political, economic, legal, conventional, religious or other characteristics inherent to the country or risk of losses arising from changes in a country s situation due to a change of regime, fall in predictability of governmental measures, economic downturn or social turmoil.
Operational Risk	Risk of losses arising from inadequate or failed internal processes, people and systems or external events.
System Risk	Within Operational Risk, risk of losses due to system defects including, without limitation, computer crash or malfunction, or risk of losses due to unauthorized use of computers.
Liquidity Risk	Risk of losses arising from difficulty in securing the necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of the Nomura Group s creditworthiness or deterioration in market conditions.
Business Risk	Risk of failure of revenues to cover costs due to deterioration of the earnings environment or deterioration of the efficiency or effectiveness of business operations.

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. This type of risk primarily impacts our trading activities. Effective management of this risk requires the ability to analyze a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

Nomura uses a variety of complementary tools to measure, model and aggregate market risk. Our principle statistical measurement tool to assess and limit market risk on an ongoing basis is Value at Risk or VaR. Limits on VaR are set in line with the firm s risk appetite as expressed through economic capital. In addition to VaR, we use stress testing and sensitivity analysis to measure and analyze our market risk. Sensitivities are measures used to show the potential changes to a portfolio due to standard moves in market risk factors .They are specific to each asset class and cannot usually be aggregated across risk factors. Market risk is monitored against a set of approved limits, with daily reports and other management information provided to the business units and senior management.

Value at Risk

VaR is a measure of the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level. Market risks that are incorporated in the VaR model include equity prices, interest rates, credit, foreign exchange rates, and commodities with associated volatilities and correlations.

As part of our continuous investment to improve risk modelling and remain in line with industry good practise, Nomura enhanced the official VaR model from a variance-covariance type model to a historical simulation model in October 2011. This methodology change improved the capture of non-linear risks and led to an increased number of time series used in the VaR calculation to capture various basis risks. The two VaR models were run in parallel on the global portfolio from early 2011 until the switch-over in October 2011 to ensure that the model change implications and impacts were well understood. On average, from January to September 2011, a 27% VaR increase was observed from the old to the new VaR model, mainly as a result of better risk capture (e.g. basis risk) and more realistic modelling of tail events. As a result of this model enhancement, Nomura was well prepared for the change in Basel standards that took effect at the end of December 2011.

VaR Methodology Assumptions. Nomura s VaR methodology now uses historical simulation to estimate potential profit or loss. Historical market moves are repeatedly applied to the Firm s current exposure, forming a distribution of simulated portfolio returns. From this distribution the required potential losses can be estimated at required confidence levels (probabilities).

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VaR is calculated across the Firm at a 99% confidence level. 1-day VaR is used for internal risk management and limits, and 10-day VaR is used for regulatory capital. The 10-day VaR is calculated using actual 10-day historical market moves. For internal information purposes, Nomura also calculates the 1% VaR which represents the potential profits from the same distribution. Differences between 99% and 1% measures can be used to demonstrate that markets do not always follow a simple statistical probability model. Additionally, Nomura calculates other measures used to complement VaR under recent regulation known as Basel 2.5 . One of these, Stressed-VaR (SVaR) is calibrated on a one-year window from a period of financial stress. All VaR and SVaR numbers are calculated within the same system using equivalent assumptions.

The VaR model uses a default historical time window of two years (520 business days). For risk management and backtesting (see below), Nomura uses a weighted VaR. For the calculation of VaR, the probability weight assigned to each P&L in the historical simulation scenarios depends on when it occurred. The older the observation, the lower the weight. An exponential weighting scheme is used with the exponential weights set to 0.995. This choice of parameter implies a weighted average of the data set of 159 business days (just over 7 months).

The SVaR calculation uses one year of market data from a period of financial stress. The one-year window is calibrated to be the one with the largest SVaR, given the Firm s current portfolio. The historical data used for SVaR is not exponentially weighted.

Given a set of historical market moves, Nomura s VaR model calculates revenues impacts for current portfolio using sensitivities (greeks). Using second order sensitivities (gamma) for equity, rates, and foreign exchange, the VaR model is able to account for the non-linear pay-off of options. Material basis risks are captured either by using different time series (e.g. stock vs. ADR) or by using sensitivities and basis time series (e.g. Bond / Credit Default Swap (CDS) credit spread basis).

Nomura s VaR model uses time series for each individual underlying, whenever available. Approximately 25,000 time series are currently maintained in the Firm s market database. Time series are generally available for all assets but where a complete time series (i.e. 520 business days) cannot be found for a specific underlying, the VaR model will follow a proxy logic to map the exposure to an appropriate time series (for example, this would be the case for an option on a recently issued stock). The level of proxying taking place in the VaR model is carefully monitored through internal risk management processes and there is a continual effort to source new time series to use in the VaR calculation.

VaR Backtesting. The performance of the Firm s VaR model is constantly monitored to ensure that it remains fit for purpose. The main approach for validating VaR is to compare 1-day P&L with the corresponding VaR estimate. With a 99% VaR measure, one expects 2-3 exceptions (i.e. loss is larger than VaR) a year. We backtest the VaR model at Firm level as well as at a number of lower levels, and the backtesting results are reviewed on a monthly basis by the Firm s risk management function.

Limitations and Advantages of VaR. The main advantage of VaR as a risk measure is that it is able to aggregate risk from different asset classes (in contrast with other risk measures sensitivities that cannot be easily aggregated directly). The risk from different divisions of the Firm can therefore easily be compared and aggregated using VaR.

As a risk measure, however, VaR has well documented limitations. One of the main disadvantages with VaR is that it is a backward looking risk measure. Using historical market moves to infer future P&L for a firm, means that we assume that only events that have actually happened are relevant to analyse the risk of a portfolio.

Moreover, VaR only gives an estimate of the loss at a stated (99th) percentile (i.e. in one out of 100 days the loss will be greater than 1d VaR), but not what magnitude of loss that can take place whenever the loss does exceed VaR.

VaR as a risk measure is most appropriate for liquid markets and may understate the financial impact of severe events for which there is no historical precedent or where market liquidity may not be reliable. In particular, historical correlations can break down in extreme markets leading to unexpected relative market moves. This may make positions that off-set each other in VaR modeling move in the same direction thus increase losses.

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Nomura is aware of the limitations of the Firm s VaR model and uses VaR only as one component of a diverse risk management process. Other metrics to supplement VaR include stress testing and sensitivity analysis.

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

	Billions of yen						
	Mar. 30, 2012	Apr. 30, 2012	May 31, 2012	Jun. 29, 2012	Jul. 31, 2012	Aug. 31, 2012	Sep. 28, 2012
Equity	¥ 1.37	¥ 1.31	¥ 1.06	¥ 1.20	¥ 1.06	¥ 5.12	¥ 0.99
Interest Rate	6.53	4.45	5.38	5.70	5.64	5.97	6.59
Foreign Exchange	2.52	2.84	2.40	1.70	1.85	2.05	1.88
Subtotal	10.42	8.59	8.84	8.60	8.54	13.14	9.45
Less:							
Diversification Benefit	(3.20)	(3.10)	(3.66)	(3.20)	(3.16)	(7.64)	(2.30)
VaR	¥ 7.22	¥ 5.49	¥ 5.18	¥ 5.40	¥ 5.38	¥ 5.50	¥ 7.15

VaR		
(maximum)	¥ 7.24	September 7, 2012
(average)	5.51	Average for the period from April 1, 2012 to September 30, 2012
(minimum)	4.33	May 4, 2012

	Billions of yen												
	Mar. 31, 2011	Apr. 29, 2011	May 31, 2011	Jun. 30, 2011	Jul. 29, 2011	Aug. 31, 2011	Sep. 30, 2011	Oct. 31, 2011	Nov. 30, 2011	Dec. 30, 2011	Jan. 31, 2012	Feb. 29, 2012	Mar. 30, 2012
Equity	¥ 1.78	¥ 1.88	¥ 1.64	¥ 1.59	¥ 1.68	¥ 2.06	¥ 1.88	¥ 2.39	¥ 1.86	¥ 1.46	¥ 1.80	¥ 1.90	¥ 1.37
Interest Rate	4.08	4.41	5.13	4.31	5.18	3.37	4.03	6.29	5.28	5.03	4.28	4.83	6.53
Foreign Exchange	4.53	3.93	4.13	3.83	3.68	3.15	2.84	3.18	3.14	3.54	4.06	3.13	2.52
Subtotal	10.40	10.21	10.91	9.72	10.54	8.58	8.75	11.86	10.29	10.03	10.15	9.86	10.42
Less:													
Diversification Benefit	(4.12)	(4.13)	(3.80)	(3.72)	(3.69)	(3.60)	(3.59)	(3.71)	(3.68)	(3.63)	(3.73)	(2.50)	(3.20)
VaR	¥ 6.28	¥ 6.08	¥ 7.11	¥ 6.01	¥ 6.85	¥ 4.99	¥ 5.16	¥ 8.15	¥ 6.60	¥ 6.40	¥ 6.42	¥ 7.35	¥ 7.22

VaR		
(maximum)	¥ 9.72:	October 26, 2011
(average)	6.54:	Average for the period from April 1, 2011 to March 31, 2012
(minimum)	4.92:	September 15, 2011

Overall VaR has slightly decreased since March 31, 2012. VaR relating to interest rate risk slightly increased from ¥6.53 billion at the end of March 2012 to ¥6.59 billion at the end of September 2012. VaR relating to equity risk decreased from ¥1.37 billion at the end of March 2012 to ¥0.99 billion at the end of September 2012 mainly due to reductions in equity volatility. VaR relating to foreign exchange risk decreased from ¥2.52 billion at the end of March 2012 to ¥1.88 billion at the end of September 2012 mainly due to reductions in foreign exchange volatility.

In the preceding year, VaR relating to interest rate risk increased from ¥4.08 billion at the end of March 2011 to ¥6.53 billion at the end of March 2012 mainly due to increase in interest rate related volatility. VaR relating to equity risk decreased from ¥1.78 billion at the end of March 2011 to ¥1.37 billion at the end of March 2012. VaR relating to foreign exchange risk decreased from ¥4.53 billion at the end of March 2011 to ¥2.52 billion at the end of March 2012 mainly due to reductions in foreign exchange volatility.

No backing exceptions were experienced at Group level.

Other Controls

In some business lines or portfolios we use additional controls to control or limit risk taking activity. This may include the requirement for business units to fulfil additional conditions and/or seek additional approvals from senior management committees before the execution of certain types of transactions.

Stress Testing

Nomura Group conducts market risk stress testing since VaR and sensitivity analysis have limited ability to capture all portfolio risks or tail risks, including non-linear behaviors. Stress testing for market risk is conducted daily and weekly, scenarios are designed flexibly based upon the features of trading strategies. We conduct stress testing not only at each desk level, but also at the Nomura Group level with a set of common global scenarios in order to capture the impact on the whole company of market fluctuations.

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Model Reviews

Models are used within the Firm for valuation and risk management of trading positions, financial reporting, and regulatory and internal capital calculations. The Global Model Validation Group validates the appropriateness and consistency of these models, functioning independently to those who design and build models. As part of this process, the Global Model Validation Group analyzes a number of factors to assess the model s suitability and to quantify model risk through model reserves and capital adjustments.

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 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 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 ¥11,951 million at the end of March 2012 and ¥8,222 million at the end of September 2012. The TOPIX closed at 854.35 points at the end of March 2012 and at 737.42 points at the end of September 2012. 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 Nomura Group defines credit risk as risk of losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor.

For controlling credit risk appropriately, the Nomura Group has set out the fundamental principles in its Credit Risk Management Policy, the policy that governs the Firm s credit risk management, which are important to meet the various needs of our clients whilst taking appropriate risks and ensuring sufficient returns to improve our corporate values. Under these basic principles, we have established a robust and comprehensive credit risk management framework.

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

Credit Risk Management Framework

Under the credit risk management framework, the GIRMC, upon delegation by the EMB, deliberates on and determines important matters concerning integrated risk management of the Nomura Group and accordingly has established important principles concerning credit risk management as described in the Credit Risk Management Policy and other documents. Also, the Global Risk Management Committee, upon delegation by the GIRMC, deliberates on and determines important matters concerning credit risk management of the Nomura Group based on strategic risk allocation and risk appetite of Nomura Group as determined by the GIRMC.

The Nomura Group has established an organizational structure with an appropriate system of check-and-balances under the CRO. The Credit Planning Unit is responsible for planning or implementation of amending, revising or abolishing Internal Rating Systems, including development, oversight and continuous revising of the Internal Rating Model.

The Credit Department, which is independent from the business units, conducts credit analysis, internal rating assignment, monitoring of credit risk profiles including credit concentration risk and others. Also, the Credit Risk Control Unit (CRCU), also independent from the business units and Credit Department, is responsible for monitoring operations, validation and others items for the Internal Rating System. Additionally, the Internal Audit Department, independently from these departments, audits the adequacy of credit risk management.

Method of Credit Risk Management

Internal Rating System. The Nomura Group has established an Internal Rating System to be a unified, exhaustive and objective framework to evaluate credit risk with reasonable manner. Internal Ratings consist of Obligor Ratings, which represent assessment of an Obligor s creditworthiness, Facility Ratings, which represent assessment of potential unrecoverable loss for a facility in default and SL Rating, which represents the assessment of probability of default of a given Specialised Lending (SL) Transactions. Internal Ratings are classified into 20 grades, which consist of 17 non-default grades and 3 default grades based on creditworthiness. SL is defined in the Capital Adequacy Notice on Final Designated Parent Company as corporate exposure like project finance and object finance.

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Obligor Ratings are assigned in principle to obligors which fall into the scope of the credit risk-weighted assets calculation. In order to appropriately reflect the creditworthiness of obligors, Obligor Ratings are not only reviewed periodically at least once a year, but also are reviewed as soon as significant change in the creditworthiness of the Obligor is identified. The Credit Department, functionally independent from the business units, is responsible for assigning Internal Ratings in order to ensure the sound process of rating assignment.

Each SL exposure is assigned SL Ratings which are then mapped to one of five slots of Strong, Good, Satisfactory, Weak and Default for credit risk weighted asset calculation. Frequency and process of SL Ratings reviews are conducted with almost same manner with that of Obligor Rating.

The CRCU, functionally independent from business units and the Credit Department, is responsible for validating the appropriateness of Internal Rating System at least once a year. In addition, the Internal Audit Unit, independent from all the divisions and units mentioned above, is responsible for auditing the appropriateness of the overall Internal Rating System, as part of Internal Audit s review of credit risk management.

Management of Individual Credit Exposures. The Nomura Group s main type of credit risk assets are counterparties faced through derivatives transactions or securities financing transactions (derivatives in this section).

Credit exposures against counterparties are managed by means of setting Credit Limits based upon credit analysis of individual obligors. For ongoing risk monitoring, Credit Limits are managed through the daily calculation of potential credit exposures up to maturity, as well as monitoring the actual creditworthiness of obligors with adequate frequency, based upon which Obligor Ratings and Credit Limits are updated.

Credit Risk Mitigation Techniques. Nomura enters into International Swap and Derivatives Association, Inc. (ISDA) master agreements or equivalent agreements (called Master Netting Agreements) with many of its derivatives counterparties. Master Netting Agreements provide protection to reduce losses potentially incurred by a counterparty default.

In addition, to reduce losses potentially incurred by a counterparty default, Nomura requires collateral to mitigate exposure, principally cash or highly liquid bonds, including U.S. and Japanese government securities, when necessary.

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 the CRO, Senior Managing Director(s) 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 of Derivatives Transaction

We measure our credit risk to counterparties of 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 departments.

As we mentioned previously, we enter into 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 and provide 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 at the end of March 2012 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.

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	Billions of yen								
	Years to Maturity								
Credit Rating	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years	Cross-Maturity Netting(1)	Total Fair Value (a)	Collateral Obtained (b)	Replacement Cost (a)-(b)
AAA	¥ 10	¥ 26	¥ 24	¥ 21	¥ 81	¥ (82)	¥ 80	¥ 6	¥ 74
AA	123	164	215	179	307	(772)	216	24	192
A	288	327	354	331	1,031	(1,901)	430	117	313
BBB	75	99	73	81	412	(495)	245	155	90
BB	22	33	28	18	71	(145)	27	47	(20)
Other(2)	115	98	42	98	122	(417)	58	65	(7)
Sub-total	633	747	736	728	2,024	(3,812)	1,056	414	642
Listed	323	180	31	6	0	(236)	304	0	304
Total	¥ 956	¥ 927	¥ 767	¥ 734	¥ 2,024	¥ (4,048)	¥ 1,360	¥ 414	¥ 946

(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 ASC 210-20 *Balance Sheet Offsetting* are included.

(2) Other does not necessarily indicate that the counterparties credit rating is below investment grade.

Exposure to Certain European Peripheral Countries

During 2011 and continuing into 2012, the creditworthiness of several peripheral countries within the Eurozone such as Greece, Italy, Ireland, Portugal and Spain (GIIPS countries) has declined due to economic and fiscal weaknesses.

The worsening of financial, economic and structural issues in the GIIPS countries have adversely influenced major global financial markets. A sustained market/economic downturn can adversely affect our business and can result in substantial losses.

The table below presents information regarding this exposure as at September 30, 2012 as measured in accordance with our internal risk management policies. Country risk exposure under these policies is reported based on the location of the counterparty, issuer or underlier s assets.

	Millions of yen September 30, 2012				
	By type of financial instrument				
	Inventory positions(1)	Derivative contracts(2), Securities, financing transactions and others (3)	Total gross funded exposure	Less: Hedges(4)	Total net funded exposure
Greece	¥ 4,183	¥ 8,211	¥ 12,394	¥ (5,112)	¥ 7,281
Sovereign	3,486	6,119	9,605	(4,957)	4,648
Non Sovereign(5)	697	2,091	2,789	(155)	2,634
Ireland	30,442	2,401	32,843	(232)	32,611
Sovereign	29,357	2,169	31,526	(232)	31,294
Non Sovereign(5)	1,084	232	1,317	0	1,317
Italy	79,861	44,540	124,401	(31,371)	93,029

Sovereign	63,130	20,914	84,044	(28,815)	55,229
Non Sovereign(5)	16,731	23,625	40,357	(2,556)	37,800
Portugal	(465)	12,471	12,006	(13,013)	(1,007)
Sovereign	(5,887)	0	(5,887)	(9,683)	(15,569)
Non Sovereign(5)	5,422	12,471	17,893	(3,331)	14,562
Spain	97,212	27,653	124,866	(9,915)	114,951
Sovereign	43,687	4,338	48,025	(3,873)	44,152
Non Sovereign(5)	53,525	23,315	76,840	(6,042)	70,798
Total	¥ 211,233	¥ 95,276	¥ 306,509	¥ (59,644)	¥ 246,865
Sovereign	133,773	33,540	167,314	(47,560)	119,753
Non Sovereign(5)	77,460	61,736	139,196	(12,084)	127,112

(1) Inventory positions consist of long and short-term debt and equity securities, loans, equity derivatives and credit derivatives, all of which are generally carried at fair value on a recurring basis in our consolidated balance sheets. Credit derivatives include single name CDS which reference GIIPS names. The gross notional value of single name CDS contracts where we have purchased and sold protection is ¥3,581 billion and ¥3,643 billion, respectively. The gross estimated fair value of these contract where we have purchased and sold protection is ¥302 billion and -¥308 billion, respectively. These notional and fair value amounts are not representative of Nomura s overall exposure as they exclude the impact of master netting agreements and collateralization arrangements in place with the counterparties to these transactions. See Note 3 *Derivative instruments and hedging activities* to our interim consolidated financial statements for more information around the nature of Nomura s credit derivative activities. Inventory positions do not include GIIPS collateral used in open repo-to-maturity transactions.
(2) Derivatives are shown net by counterparty after deduction of collateral received.
(3) Securities financing transactions consist of repurchase agreements and securities borrowing and lending transactions are generally carried at amortized cost and are shown net by counterparty and after deduction of collateral amounts received.
(4) Hedges consist primarily of CDS contracts.
(5) Non-sovereign counterparties are primarily financial institutions located in these countries.

In addition to the above, as of September 30, 2012, Nomura has outstanding unfunded loan commitments with a notional value of ¥6,488 million located in these countries.

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Operational Risk Management

Overview of Operational Risk Management

The Nomura Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events . This is an industry standard definition based on the Basel Committee on Banking Supervision definition of operational risk.

Nomura s GIRMC has approved the Nomura Global Operational Risk Management Policy, which defines the fundamental policy and framework for operational risk management across the Nomura Group in order to meet business and regulatory needs. This Policy is supported by further Minimum Standards and Procedures to clearly set out a consistent framework for the management of operational risk.

Operational Risk Principles

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

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

2) 2nd Line of Defence: The Operational Risk Management (ORM) function, which defines and co-ordinates the operational risk strategy and framework

3) 3rd Line of Defence: Internal and External Audit, who provide independent assurance

The Governing body: The GIRMC, with delegated authority from the Board of Directors, which provides formal oversight.

This ensures appropriate oversight and independent review and challenge of operational risk management throughout the Company.

Operational Risk Management Framework

We have established an operational risk management framework comprising certain key products, services and processes. This framework is shown below:

Infrastructure of the framework

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

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

Products and Services

- Scenario analysis: Process to identify high impact, low probability tail events

- Event reporting: Process to obtain information on and learn from actual events impacting on the Company and relevant external events

Key Risk Indicators (KRI): Metrics which allow monitoring of certain key operational risks

Risk and Control Self Assessment (RCSA): Risk and Control Self Assessment process to identify key risks, controls and action plans

Outputs

Analysis and reporting: Key aspect of ORM role to analyze and report on ORM information and work with business to develop actions

Operational risk capital calculation: Calculate operational risk capital under Basel II provisions and allocate to the business to improve the efficiency on profit vs risks

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Operational Risk Classification

The Nomura Group uses the standard Basel II event type as operational risk classifications (namely, Internal Fraud, External Fraud, Employee Practices and Workplace Safety, Clients, Products & Business Practices, Damage to Physical Assets, Business Disruption and System Failures and Execution, Delivery & Process Management).

Basel II Regulatory Capital Calculation for Operational Risk

The Nomura Group uses The Standardized Approach (TSA) for calculating regulatory capital for operational risk. This involves using a 3 year average of gross income, allocated to business lines and multiplied by a fixed percentage determined by the FSA, to establish the amount of required Operational Risk capital.

The Nomura Group uses consolidated net revenue as gross income, however as for a part of the consolidated subsidiaries, gross operating profit is used as gross income. Gross income allocation is performed by mapping the net revenue of each given segment from management accounting data to each business line in accordance with the categories:

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

Calculation Process of Basel II Regulatory Capital Calculation for Operational Risk

The Nomura Group then calculates capital for every business line by multiplying respectively allocated annual gross income by the corresponding factors set out above. Any unallocable gross income is multiplied by a fixed percentage of 18%.

The total Operational Risk capital is calculated as the three-year average of the simple summation of the amounts across each of the business lines and unallocable value in each year. However, where the aggregated amount within a given year is negative, then the input to the numerator for that year shall be zero.

In any given year, negative numbers in any business line shall offset positive numbers in other business lines. However, negative numbers in unallocable value shall not offset positive numbers in other business lines and shall be treated as zero.

Operational risk capital is calculated twice a year; reference dates for the calculation are the end of March and the end of September.

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Interim Consolidated Financial Statements (UNAUDITED)

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Interim Consolidated Financial Statements

Consolidated Balance Sheets (UNAUDITED)

	Millions of yen	
	March 31, 2012	**September 30, 2012**
ASSETS		
Cash and cash deposits:		
Cash and cash equivalents	¥ 1,070,520	¥ 716,712
Time deposits	653,462	403,955
Deposits with stock exchanges and other segregated cash	229,695	189,739
Total cash and cash deposits	1,953,677	1,310,406
Loans and receivables:		
Loans receivable (including ¥458,352 million and ¥380,027 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	1,293,372	1,227,849
Receivables from customers	58,310	101,868
Receivables from other than customers	864,629	1,476,183
Allowance for doubtful accounts	(4,888)	(4,134)
Total loans and receivables	2,211,423	2,801,766
Collateralized agreements:		
Securities purchased under agreements to resell (including ¥752,407 million and ¥941,728 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	7,662,748	7,865,429
Securities borrowed	6,079,898	5,203,968
Total collateralized agreements	13,742,646	13,069,397
Trading assets and private equity investments:		
Trading assets (including securities pledged as collateral of ¥4,732,118 million and ¥5,619,655 million as of March 31, 2012 and September 30, 2012, respectively; including ¥16,548 million and ¥16,121 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	13,921,639	14,334,345
Private equity investments (including the ¥53,635 million and ¥49,143 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	201,955	187,980
Total trading assets and private equity investments	14,123,594	14,522,325
Other assets:		
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥355,804 million as of March 31, 2012 and ¥369,255 million as of September 30, 2012)	1,045,950	1,067,634
Non-trading debt securities	862,758	820,033
Investments in equity securities	88,187	93,062
Investments in and advances to affiliated companies	193,954	198,073
Other (including ¥1,627 million and ¥1,660 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	1,475,123	1,511,626
Total other assets	3,665,972	3,690,428
Total assets	¥ 35,697,312	¥ 35,394,322

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Consolidated Balance Sheets (Continued) (UNAUDITED)

	Millions of yen	
	March 31, 2012	**September 30, 2012**
LIABILITIES AND EQUITY		
Short-term borrowings (including ¥153,497 million and ¥99,995 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	¥ 1,185,613	¥ 866,417
Payables and deposits:		
Payables to customers	764,857	829,305
Payables to other than customers	767,860	312,111
Deposits received at banks	904,653	920,734
Total payables and deposits	2,437,370	2,062,150
Collateralized financing:		
Securities sold under agreements to repurchase (including ¥307,083 million and ¥208,428 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	9,928,293	10,998,258
Securities loaned	1,700,029	2,129,328
Other secured borrowings	890,952	811,050
Total collateralized financing	12,519,274	13,938,636
Trading liabilities	7,495,177	6,804,079
Other liabilities (including ¥4,246 million and ¥3,211 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	1,165,901	1,249,083
Long-term borrowings (including ¥1,925,421 million and ¥1,745,151 million measured at fair value by applying the fair value option as of March 31, 2012 and September 30, 2012, respectively)	8,504,840	8,086,510
Total liabilities	33,308,175	33,006,875
Commitments and contingencies		
Equity:		
Nomura Holdings, Inc. (NHI) shareholders equity:		
Common stock		
No par value share		
Authorized 6,000,000,000 shares as of March 31, 2012 and September 30, 2012		
Issued 3,822,562,601 shares as of March 31, 2012 and September 30, 2012		
Outstanding 3,663,483,895 shares as of March 31, 2012 and 3,694,938,473 shares as of September 30, 2012	594,493	594,493
Additional paid-in capital	698,771	690,135
Retained earnings	1,058,945	1,056,255
Accumulated other comprehensive income (loss)	(145,149)	(163,862)
Total NHI shareholders equity before treasury stock	2,207,060	2,177,021
Common stock held in treasury, at cost 159,078,706 shares as of March 31, 2012 and 127,624,128 shares as of September 30, 2012	(99,819)	(80,414)
Total NHI shareholders equity	2,107,241	2,096,607
Noncontrolling interests	281,896	290,840
Total equity	2,389,137	2,387,447
Total liabilities and equity	¥ 35,697,312	¥ 35,394,322

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Consolidated Balance Sheets (Continued) (UNAUDITED)

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

	Billions of yen	
	March 31, 2012	September 30, 2012
Cash and cash deposits	¥ 52	¥ 42
Trading assets and private equity investments	999	979
Other assets	555	528
Total assets	¥ 1,606	¥ 1,549
Trading liabilities	¥ 42	¥ 19
Other liabilities	35	34
Borrowings	992	981
Total liabilities	¥ 1,069	¥ 1,034

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

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Consolidated Statements of Income (UNAUDITED)

	Millions of yen Six months ended September 30 2011	2012
Revenue:		
Commissions	¥ 182,706	¥ 149,646
Fees from investment banking	27,589	27,514
Asset management and portfolio service fees	75,767	67,224
Net gain on trading	93,484	173,328
Gain (loss) on private equity investments	(8,265)	(5,088)
Interest and dividends	240,375	196,303
Gain (loss) on investments in equity securities	(3,141)	5,909
Other	196,342	285,983
Total revenue	804,857	900,819
Interest expense	172,903	129,886
Net revenue	631,954	770,933
Non-interest expenses:		
Compensation and benefits	278,876	258,269
Commissions and floor brokerage	46,997	43,882
Information processing and communications	87,091	87,669
Occupancy and related depreciation	47,063	46,250
Business development expenses	21,668	22,502
Other	160,533	257,278
Total non-interest expenses	642,228	715,850
Income (loss) before income taxes	(10,274)	55,083
Income tax expense	15,947	43,646
Net income (loss)	¥ (26,221)	¥ 11,437
Less: Net income attributable to noncontrolling interests	2,100	6,737
Net income (loss) attributable to NHI shareholders	¥ (28,321)	¥ 4,700

	Yen Six months ended September 30 2011	2012
Per share of common stock:		
Basic		
Net income (loss) attributable to NHI shareholders per share	¥ (7.81)	¥ 1.28
Diluted		
Net income (loss) attributable to NHI shareholders per share	¥ (7.81)	¥ 1.25

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

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Consolidated Statements of Income (Continued) (UNAUDITED)

	Millions of yen	
	Three months ended September 30	
	2011	2012
Revenue:		
Commissions	¥ 85,926	¥ 72,279
Fees from investment banking	13,819	17,131
Asset management and portfolio service fees	36,712	33,411
Net gain on trading	25,984	88,929
Gain (loss) on private equity investments	(2,315)	299
Interest and dividends	107,288	92,834
Gain (loss) on investments in equity securities	(2,544)	12,970
Other	112,977	143,373
Total revenue	377,847	461,226
Interest expense	76,258	59,547
Net revenue	301,589	401,679
Non-interest expenses:		
Compensation and benefits	142,569	133,696
Commissions and floor brokerage	22,939	21,904
Information processing and communications	43,544	45,145
Occupancy and related depreciation	26,371	22,140
Business development expenses	12,333	11,173
Other	98,465	132,204
Total non-interest expenses	346,221	366,262
Income (loss) before income taxes	(44,632)	35,417
Income tax expense (benefit)	(373)	30,056
Net income (loss)	¥ (44,259)	¥ 5,361
Less: Net income attributable to noncontrolling interests	1,833	2,552
Net income (loss) attributable to NHI shareholders	¥ (46,092)	¥ 2,809

	Yen	
	Three months ended September 30	
	2011	2012
Per share of common stock:		
Basic		
Net income (loss) attributable to NHI shareholders per share	¥ (12.64)	¥ 0.76
Diluted		
Net income (loss) attributable to NHI shareholders per share	¥ (12.65)	¥ 0.74

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

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Consolidated Statements of Comprehensive Income (UNAUDITED)

	Millions of yen Six months ended September 30	
	2011	**2012**
Net income (loss)	¥ (26,221)	¥ 11,437
Other comprehensive income (loss):		
Change in cumulative translation adjustments, net of tax	(39,995)	(21,343)
Defined benefit pension plans:		
Pension liability adjustment	890	4,062
Deferred income taxes	(361)	(1,123)
Total	529	2,939
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	1,039	(1,032)
Deferred income taxes	(375)	(17)
Total	664	(1,049)
Total other comprehensive income (loss)	(38,802)	(19,453)
Comprehensive income (loss)	¥ (65,023)	¥ (8,016)
Less: Comprehensive income attributable to noncontrolling interests	486	5,997
Comprehensive income (loss) attributable to NHI shareholders	¥ (65,509)	¥ (14,013)

	Millions of yen Three months ended September 30	
	2011	**2012**
Net income (loss)	¥ (44,259)	¥ 5,361
Other comprehensive income (loss):		
Change in cumulative translation adjustments, net of tax	(33,311)	(3,975)
Defined benefit pension plans:		
Pension liability adjustment	420	328
Deferred income taxes	(164)	(99)
Total	256	229
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	(1,309)	(642)
Deferred income taxes	473	731
Total	(836)	89
Total other comprehensive income (loss)	(33,891)	(3,657)
Comprehensive income (loss)	¥ (78,150)	¥ 1,704
Less: Comprehensive income attributable to noncontrolling interests	851	2,411
Comprehensive income (loss) attributable to NHI shareholders	¥ (79,001)	¥ (707)

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

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Consolidated Statements of Changes in Equity (UNAUDITED)

	Millions of yen Six months ended September 30 2011	2012
Common stock		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of period	594,493	594,493
Additional paid-in capital		
Balance at beginning of year	646,315	698,771
Issuance of common stock	30,356	
Gain (loss) on sales of treasury stock	200	(838)
Issuance and exercise of common stock options	7,309	(7,798)
Purchase / sale of subsidiary shares, net	597	
Balance at end of period	684,777	690,135
Retained earnings		
Balance at beginning of year	1,069,334	1,058,945
Net income (loss) attributable to NHI shareholders	(28,321)	4,700
Cash dividends[(1)]	(14,646)	(7,390)
Balance at end of period	1,026,367	1,056,255
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments		
Balance at beginning of year	(97,426)	(110,652)
Net change during the period	(38,218)	(20,983)
Balance at end of period	(135,644)	(131,635)
Defined benefit pension plans		
Balance at beginning of year	(32,270)	(35,132)
Pension liability adjustment	529	3,062
Balance at end of period	(31,741)	(32,070)
Non-trading securities		
Balance at beginning of year		635
Net unrealized gain (loss) on non-trading securities	501	(792)
Balance at end of period	501	(157)
Balance at end of period	(166,884)	(163,862)
Common stock held in treasury		
Balance at beginning of year	(97,692)	(99,819)
Repurchases of common stock	(8,942)	(2)
Sales of common stock	1	0
Common stock issued to employees	5,282	19,612
Other net change in treasury stock	156	(205)

Balance at end of period	(101,195)	(80,414)
Total NHI shareholders equity		
Balance at end of period	2,037,558	2,096,607
Noncontrolling interests		
Balance at beginning of year	8,882	281,896
Cash dividends	(1,309)	(1,420)
Net income attributable to noncontrolling interests	2,100	6,737
Accumulated other comprehensive income (loss) attributable to noncontrolling interests	(1,614)	(740)
Purchase / sale of subsidiary shares, net	272,729	
Other net change in noncontrolling interests	(3,973)	4,367
Balance at end of period	276,815	290,840
Total equity		
Balance at end of period	¥ 2,314,373	¥ 2,387,447

(1) Dividends per share	Six months ended September 30, 2011	¥ 4.00	Three months ended September 30, 2011	¥ 4.00
	Six months ended September 30, 2012	¥ 2.00	Three months ended September 30, 2012	¥ 2.00

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

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Consolidated Statements of Cash Flows (UNAUDITED)

	Millions of yen	
	Six months ended September 30	
	2011	2012
Cash flows from operating activities:		
Net income (loss)	¥ (26,221)	¥ 11,437
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,339	45,299
(Gain) loss on investments in equity securities	3,141	(5,909)
Deferred income taxes	7,507	30,051
Changes in operating assets and liabilities:		
Time deposits	(216,001)	210,245
Deposits with stock exchanges and other segregated cash	(49,435)	28,709
Trading assets and private equity investments	(1,260,532)	(1,057,923)
Trading liabilities	(673,374)	(364,942)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	810,412	1,002,587
Securities borrowed, net of securities loaned	9,647	1,258,126
Other secured borrowings	130,504	(79,901)
Loans and receivables, net of allowance for doubtful accounts	114,998	(756,782)
Payables	212,075	(289,513)
Bonus accrual	(50,722)	(44,099)
Accrued income taxes, net	4,310	(4,534)
Other, net	36,223	144,393
Net cash provided by (used in) operating activities	(900,129)	127,244
Cash flows from investing activities:		
Payments for purchases of office buildings, land, equipment and facilities	(72,369)	(101,610)
Proceeds from sales of office buildings, land, equipment and facilities	45,939	48,022
Payments for purchases of investments in equity securities		(219)
Proceeds from sales of investments in equity securities	5,305	1,256
Decrease in loans receivable at banks, net	20,921	33,579
Decrease in non-trading debt securities, net	2,098	49,448
Other, net	41,393	744
Net cash provided by investing activities	43,287	31,220
Cash flows from financing activities:		
Increase in long-term borrowings	1,062,997	913,345
Decrease in long-term borrowings	(1,372,456)	(1,141,106)
Decrease in short-term borrowings, net	(30,833)	(310,354)
Increase in deposits received at banks, net	179,749	50,632
Proceeds from sales of common stock held in treasury	7	32
Payments for repurchases of common stock held in treasury	(8,281)	(2)
Payments for cash dividends	(14,408)	(7,334)
Net cash used in financing activities	(183,225)	(494,787)
Effect of exchange rate changes on cash and cash equivalents	(28,634)	(17,485)
Net decrease in cash and cash equivalents	(1,068,701)	(353,808)
Cash and cash equivalents at beginning of period	1,620,340	1,070,520

Cash and cash equivalents at end of period	¥	551,639	¥	716,712
Supplemental information:				
Cash paid during the period for				
Interest	¥	189,546	¥	135,286
Income tax payments, net	¥	4,130	¥	18,129
Non cash activities				

Business acquisitions:

During the six months ended September 30, 2011, as a result of business acquisitions, the total amount of increased assets, excluding *cash and cash equivalents* and total amount of increased liabilities, were ¥2,132,740 million and ¥1,784,621 million, respectively.

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

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Notes to the Interim Consolidated Financial Statements (UNAUDITED)

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 clients on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura within these interim consolidated financial statements.

Nomura operates its business through various divisions based upon the nature of specific products and services, its main client base and its management structure. Nomura reports operating results through three business segments: Retail, Asset Management and Wholesale.

In its Retail segment, Nomura provides investment consultation services mainly to individual clients in Japan. In its Asset Management segment, Nomura develops and manages investment trusts, and provides investment advisory services. In its Wholesale segment, Nomura is engaged in the sales and trading of debt and equity securities and currencies on a global basis to various institutions, provides investment banking services such as the underwriting of bonds and equities as well as mergers and acquisitions and financial advice and invests in private equity businesses and seeks to maximize returns on the investments by increasing the corporate value of investee companies.

The accounting and financial reporting policies of Nomura conform to U.S. generally accepted accounting principles (U.S. GAAP) as applicable to broker dealers. A summary of the significant accounting policies applied by Nomura within these interim consolidated financial statements is provided within in the notes to the consolidated financial statements of Nomura s annual report on Form 20-F for the year ended March 31, 2012 as filed on June 27, 2012.

New accounting pronouncements recently adopted

No new accounting pronouncements relevant to Nomura were adopted during the three months ended September 30, 2012.

The following new accounting pronouncements relevant to Nomura have been adopted during the three months ended June 30, 2012:

Goodwill impairment testing

In September 2011, the Financial Accounting Standards Board (FASB) issued amendments to Accounting Standard Codification (ASC) 350 *Intangibles Goodwill and Other* (ASC 350) through issuance of Accounting Standard Update (ASU) 2011-08 *Testing Goodwill for Impairment* (ASU 2011-08). These amendments simplify goodwill impairment testing by permitting an entity to initially assess qualitatively whether it is necessary to perform the current quantitative two-step goodwill impairment test required by ASC 350. If an entity determines that it is not more-likely-than-not (i.e. greater than 50%) that a reporting unit s fair value is less than its carrying amount, the quantitative test is not required.

ASU 2011-08 is effective prospectively for goodwill impairment tests performed in fiscal years beginning after December 15, 2011 with early adoption permitted.

Nomura adopted ASU 2011-08 from April 1, 2012. Because the amendments only simplify when a quantitative test is required rather than change the quantitative test itself, these amendments did not have a material impact on these interim consolidated financial statements.

Presentation of comprehensive income

In June 2011, the FASB issued amendments to ASC 220 *Comprehensive Income* (ASC 220) through issuance of ASU 2011-05 *Presentation of Comprehensive Income* (ASU 2011-05). These amendments revise the manner in which entities present comprehensive income in their financial statements. The amendments remove certain presentation options in ASC 220 and require entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements.

ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 with early adoption permitted.

In December 2011, the FASB issued ASU 2011-12 *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (ASU 2011-12) which deferred certain aspects of ASU 2011-05.

Nomura adopted ASU 2011-05 from April 1, 2012 excluding those aspects that are deferred by ASU 2011-12. Because these amendments only change how comprehensive income is presented within these interim consolidated financial statements rather than changing whether an item must be reported in other comprehensive income or when an item of other comprehensive income is reclassified to earnings, these amendments did not have a material impact on these interim consolidated financial statements.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Future accounting developments

The following new accounting pronouncements relevant to Nomura will be adopted in future periods:

Testing indefinite-lived intangible assets for impairment

In July 2012, the FASB issued ASU 2012-02 *Testing Indefinite-Lived Intangible Assets for Impairment* (ASU 2012-02). These amendments simplify indefinite-lived intangible assets impairment testing by permitting an entity to initially assess qualitatively whether it is necessary to perform the current quantitative impairment test required by ASC 350. If an entity determines that it is not more-likely-than-not (i.e. greater than 50%) that an indefinite-lived intangible asset fair value is less than its carrying amount, the quantitative test is not required.

ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted.

Nomura plans to adopt ASU 2012-02 from April 1, 2013. Because the amendments only simplify when a quantitative test is required rather than change the quantitative test itself, it is not expected to have a material impact on these interim consolidated financial statements.

Disclosures about offsetting assets and liabilities

In December 2011, the FASB issued amendments to ASC 210-20 *Balance Sheet Offsetting* (ASC 210-20) through issuance of ASU 2011-11 *Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11). These amendments require an entity to disclose information about rights of offset and related arrangements to enable users of its financial statements to understand the effect or potential effect of those arrangements on its financial position.

ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013 with required disclosures made retrospectively for all comparative periods presented.

Nomura will adopt ASU 2011-11 from April 1, 2013. Because these amendments only require enhanced disclosures rather than change the guidance around when assets and liabilities can be offset, they are not expected to have a material impact on these interim consolidated financial statements.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

2. Fair value of financial instruments:

The fair value of financial instruments

A significant amount of Nomura s financial instruments are carried at fair value. Financial assets carried at fair value on a recurring basis are reported in the consolidated balance sheets within *Trading assets and private equity investments, Loans and receivables*, *Collateralized agreements* and *Other assets*. Financial liabilities carried at fair value on a recurring basis are reported within *Trading liabilities, Short-term borrowings, Payables and deposits, Collateralized financing, Long-term borrowings* and *Other liabilities*.

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

In all cases, fair value is determined in accordance with ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in Nomura s principal market, or in the absence of the principal market, the most advantageous market for the relevant financial assets or financial liabilities.

Fair value is usually determined on an individual financial instrument basis consistent with the unit of account of the financial instrument. However, certain financial instruments managed on a portfolio basis are valued as a portfolio, namely based on the price that would be received to sell a net long position (i.e. a net financial asset) or transfer a net short position (i.e. a net financial liability) consistent with how market participants would price the net risk exposure at the measurement date.

Financial assets carried at fair value also include investments in certain funds where, as a practical expedient, fair value is determined on the basis of net asset value per share (NAV per share) if the NAV per share is calculated in accordance with certain industry standard principles.

Increases and decreases in the fair value of assets and liabilities will significantly impact Nomura s position, performance, liquidity and capital resources. As explained below, valuation techniques applied contain inherent uncertainties and Nomura is unable to predict the accurate impact of future developments in the market. Where appropriate, Nomura uses economic hedging strategies to mitigate its risk, although these hedges are also subject to unpredictable movements in the market.

Valuation methodology for financial instruments carried at fair value on a recurring basis

The fair value of financial instruments is based on quoted market prices including market indices, broker or dealer quotations or an estimation by management of the expected exit price under current market conditions. Various financial instruments, including cash instruments and over-the-counter (OTC) contracts, have bid and offer prices that are observable in the market. These are measured at the point within the bid-offer range which best represents Nomura s estimate of fair value. Where quoted market prices or broker or dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value.

Where quoted prices are available in active markets, no valuation adjustments are taken to modify the fair value of assets or liabilities marked using such prices. Other instruments may be measured using valuation techniques, such as valuation pricing models incorporating observable 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 and realized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Valuation uncertainty results from a variety of factors, including the valuation technique or model selected, the quantitative assumptions used within the valuation model, the inputs into the model, as well as other factors. Valuation adjustments are used to reflect the assessment of this uncertainty. Common valuation adjustments include model reserves, credit adjustments, close-out adjustments, and other appropriate instrument-specific adjustments, such as those to reflect transfer or sale restrictions.

The level of adjustments is largely judgmental and is based on an assessment of the factors that management believe other market participants would use in determining the fair value of similar financial instruments. The type of adjustments taken, the methodology for the calculation of these adjustments, and the inputs for these calculations are reassessed periodically to reflect current market practice and the availability of new information.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

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 financial liabilities as is used to measure counterparty credit risk on Nomura s financial assets.

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The global 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 a model s suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

As explained above, any changes in fixed income, equity, foreign exchange and commodity markets can impact Nomura s estimates of fair value in the future, potentially affecting trading gains and losses. Where financial contracts have longer maturity dates, Nomura s estimates of fair value may involve greater subjectivity due to the lack of transparent market data.

Fair value hierarchy

All financial instruments measured at fair value, including those carried at fair value using the fair value option, have been categorized into a three-level hierarchy (fair value hierarchy) based on the transparency of valuation inputs used by Nomura to estimate fair value. A financial instrument is classified in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of the financial instrument. The three levels of the fair value hierarchy are defined as follows, with Level 1 representing the most transparent inputs and Level 3 representing the least transparent inputs:

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

The following tables present the amounts of Nomura s financial instruments measured at fair value on a recurring basis as of March 31, 2012 and September 30, 2012 within the fair value hierarchy.

	Billions of yen March 31, 2012				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of March 31, 2012
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥ 745	¥ 1,194	¥ 125	¥	¥ 2,064
Private equity investments[3]			202		202
Japanese government securities	2,143				2,143
Japanese agency and municipal securities		151	10		161
Foreign government, agency and municipal securities	3,072	1,185	37		4,294
Bank and corporate debt securities and loans for trading purposes		1,276	62		1,338
Commercial mortgage-backed securities (CMBS)		135	8		143
Residential mortgage-backed securities (RMBS)		2,010	5		2,015
Mortgage and other mortgage-backed securities		1	91		92
Collateralized debt obligations (CDO) and other[4]		103	20		123
Investment trust funds and other	95	85	9		189
Total cash instruments	6,055	6,140	569		12,764
Derivative assets[5]					
Equity contracts	584	937	82		1,603
Interest rate contracts	14	18,850	57		18,921
Credit contracts	0	1,650	214		1,864
Foreign exchange contracts	0	1,229	131		1,360
Commodity contracts	1	3	0		4
Netting				(22,392)	(22,392)
Total derivative assets	599	22,669	484	(22,392)	1,360
Subtotal	¥ 6,654	¥ 28,809	¥ 1,053	¥ (22,392)	¥ 14,124
Loans and receivables[6]		447	11		458
Collateralized agreements[7]		752			752
Other assets					
Non-trading debt securities	680	177	6		863
Other[3]	216	6	72		294
Total	¥ 7,550	¥ 30,191	¥ 1,142	¥ (22,392)	¥ 16,491
Liabilities:					
Trading liabilities					
Equities	¥ 579	¥ 413	¥ 0	¥	¥ 992
Japanese government securities	2,624				2,624
Foreign government, agency and municipal securities	1,800	490			2,290
Bank and corporate debt securities		233	1		234
Commercial mortgage-backed securities (CMBS)		1			1
Residential mortgage-backed securities (RMBS)		0			0
Collateralized debt obligations (CDO) and other[4]		0			0

Investment trust funds and other	43	3			46
Total cash instruments	5,046	1,140	1		6,187
Derivative liabilities(5)					
Equity contracts	617	1,016	68		1,701
Interest rate contracts	12	18,708	96		18,816
Credit contracts	0	1,727	225		1,952
Foreign exchange contracts	0	1,297	113		1,410
Commodity contracts	1	4	0		5
Netting				(22,576)	(22,576)
Total derivative liabilities	630	22,752	502	(22,576)	1,308
Subtotal	¥ 5,676	¥ 23,892	¥ 503	¥ (22,576)	¥ 7,495
Short-term borrowings(8)		153	0		153
Payables and deposits(9)		0	(0)		(0)
Collateralized financing(7)		307			307
Long-term borrowings(8)(10)(11)	154	1,549	(13)		1,690
Other liabilities(12)	93	4			97
Total	¥ 5,923	¥ 25,905	¥ 490	¥ (22,576)	¥ 9,742

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting(1)	Balance as of September 30, 2012
	Billions of yen September 30, 2012				
Assets:					
Trading assets and private equity investments(2)					
Equities(3)	¥ 969	¥ 817	¥ 121	¥	¥ 1,907
Private equity investments(3)			188		188
Japanese government securities	3,100				3,100
Japanese agency and municipal securities		59			59
Foreign government, agency and municipal securities	2,694	1,241	49		3,984
Bank and corporate debt securities and loans for trading purposes		1,191	90		1,281
Commercial mortgage-backed securities (CMBS)		130	11		141
Residential mortgage-backed securities (RMBS)		2,115	5		2,120
Mortgage and other mortgage-backed securities			77		77
Collateralized debt obligations (CDO) and other(4)		106	11		117
Investment trust funds and other	233	29	10		272
Total cash instruments	6,996	5,688	562		13,246
Derivative assets(5)					
Equity contracts	520	900	64		1,484
Interest rate contracts	15	20,112	163		20,290
Credit contracts	0	1,455	133		1,588
Foreign exchange contracts		1,122	16		1,138
Commodity contracts	0	1	0		1
Netting				(23,225)	(23,225)
Total derivative assets	535	23,590	376	(23,225)	1,276
Subtotal	¥ 7,531	¥ 29,278	¥ 938	¥ (23,225)	¥ 14,522
Loans and receivables(6)		372	8		380
Collateralized agreements(7)		942			942
Other assets					
Non-trading debt securities	365	451	4		820
Other(3)	355	11	81		447
Total	¥ 8,251	¥ 31,054	¥ 1,031	¥ (23,225)	¥ 17,111
Liabilities:					
Trading liabilities					
Equities	¥ 804	¥ 50	¥ 0	¥	¥ 854
Japanese government securities	2,111				2,111
Japanese agency and municipal securities		0			0
Foreign government, agency and municipal securities	1,986	346			2,332
Bank and corporate debt securities		207	0		207
Commercial mortgage-backed securities (CMBS)		2			2
Residential mortgage-backed securities (RMBS)		8			8
Investment trust funds and other	34	2			36
Total cash instruments	4,935	615	0		5,550
Derivative liabilities(5)					
Equity contracts	590	981	49		1,620

Interest rate contracts	19	19,903	169		20,091
Credit contracts	0	1,566	135		1,701
Foreign exchange contracts	0	1,131	5		1,136
Commodity contracts	1	2	0		3
Netting				(23,297)	(23,297)
Total derivative liabilities	610	23,583	358	(23,297)	1,254
Subtotal	¥ 5,545	¥ 24,198	¥ 358	¥ (23,297)	¥ 6,804
Short-term borrowings[8]		99	1		100
Payables and deposits[9]		0	(0)		(0)
Collateralized financing[7]		208			208
Long-term borrowings[8][10][11]	96	1,443	(14)		1,525
Other liabilities[12]	256	4	0		260
Total	¥ 5,897	¥ 25,952	¥ 345	¥ (23,297)	¥ 8,897

(1) Represents the amount offset under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives.
(2) Includes investments in certain funds measured at fair value on the basis of NAV per share as a practical expedient.
(3) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to elect the fair value option.
(4) Includes collateralized loan obligations (CLO) and asset-backed securities (ABS) such as those secured on credit card loans, auto loans and student loans.
(5) Each derivative classification includes derivatives referencing multiple risk components. For example, interest rate contracts include complex derivatives referencing interest rate risk as well as foreign exchange risk or other factors such as prepayment rates. Credit contracts include credit default swaps as well as derivatives referencing corporate and government securities.
(6) Includes loans for which the fair value option is elected.
(7) Includes collateralized agreements or collateralized financing for which the fair value option is elected.
(8) Includes structured notes for which the fair value option is elected.
(9) Includes embedded derivatives bifurcated from deposits received at banks. If unrealized gains are greater than unrealized losses, deposits are reduced by the excess amount.
(10) Includes embedded derivatives bifurcated from issued structured notes. If unrealized gains are greater than unrealized losses, borrowings are reduced by the excess amount.
(11) Includes liabilities recognized from secured financing transactions that are accounted for as financings rather than sales. Nomura elected the fair value option for these liabilities.
(12) Includes loan commitments for which the fair value option is elected.

Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Valuation techniques by major class of financial instrument

The valuation techniques used by Nomura to estimate fair value for major classes of financial instruments, together with the significant inputs which determine classification in the fair value hierarchy, are as follows:

Equities and equity securities reported within *Other assets* Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. Listed equity securities are valued using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid/offer prices as applicable or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are valued using the exchange price as adjusted to reflect liquidity and bid offer spreads and are classified in Level 2. Unlisted equity securities are valued using the same methodology as private equity investments described below and are usually classified as Level 3 because of the management judgment involved. As a practical expedient, fund investments are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily NAV per share are classified as Level 1. Investments in funds where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified as Level 2. Investments in funds where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified as Level 3. The Direct Capitalization Method (DCM) is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified as Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued. Nomura refined fair value measurement of investments in unlisted equity securities reported within *Other assets* during the six months ended September 30, 2012.

Private equity investments The valuation of unlisted private equity investments requires significant management judgment because the investments, by their nature, have little or no price transparency. Private equity investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is third-party evidence of a change in value. Adjustments are also made, in the absence of third-party transactions, if it is determined that the expected exit price of the investment is different from carrying value. In reaching that determination, Nomura primarily uses either a discounted cash flow (DCF) valuation techniques which incorporates estimated future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital (WACC) or comparable market multiple valuation techniques such as Enterprise Value/earnings before interest, taxes, depreciation and amortization ratios, (EV/EBITDA ratios), Price/Earnings ratios (PE ratios), Price/Embedded Value ratios and other multiples based on relationships between numbers reported in the financial statements and the price of comparable companies. 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. Private equity investments are generally classified as Level 3 since the valuation inputs such as those mentioned above are usually unobservable or there is significant uncertainty.

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

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Bank and corporate debt securities The fair value of bank and corporate debt securities is primarily determined using DCF valuation techniques but also using quoted market prices and recent market transactions of identical or similar debt securities, if available. The significant valuation inputs used for DCF valuations are yields, asset swap spreads and credit spreads of the issuer. Bank and corporate debt securities are generally classified in Level 2 because these valuation inputs are usually observable. Certain bank and corporate debt securities will be classified as Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them as Level 2, or because credit spreads of the issuer used in DCF valuations are unobservable.

Commercial mortgage-backed securities (CMBS) and *Residential mortgage-backed securities (RMBS)* The fair value of CMBS and RMBS is primarily determined using DCF valuation techniques but also using quoted market prices and recent market transactions of identical or similar securities, if available. The significant valuation inputs used for DCF valuations include yields, prepayment rates, default probabilities and loss severities. CMBS and RMBS are generally classified in Level 2 because these valuation inputs are observable. Certain CMBS and RMBS positions will be classified as Level 3 because they are traded infrequently and there is insufficient information from comparable securities to classify them as Level 2, or because one or more of the valuation inputs used in DCF valuations are unobservable.

Mortgage and other mortgage-backed securities The fair value of other mortgage-backed securities is estimated using quoted market prices, recent market transactions or by reference to a comparable market index. Where all significant inputs are observable, the securities will be classified as Level 2. For certain securities, no direct pricing sources or comparable securities or indices may be available. These securities are valued using DCF or DCM valuation techniques and are classified as Level 3 as the valuation includes unobservable valuation inputs such as yields, prepayment rates, default probabilities, loss severities and capitalization rates.

Collateralized debt obligations (CDO) and other CDOs are valued using internal models where quoted market prices do not exist. Key inputs used by the model include market spread data for each credit rating, prepayment rates, loss severities and default probabilities. Where all significant inputs are observable, the securities will be classified as Level 2. Since some of these inputs are unobservable, certain CDOs are classified as Level 3 where the unobservable inputs are significant.

Investment trust funds and other Investment trust funds are generally valued using NAV per share. Publicly traded funds which are valued using a daily NAV per share are classified as Level 1. For funds that are not publicly traded but Nomura has the ability to redeem its investment with the investee at NAV per share on the balance sheet date or within the near term, the investments are classified as Level 2. Investments where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified as Level 3.

Derivatives Exchange-traded derivatives are usually valued using unadjusted quoted market prices and are therefore classified as Level 1. Where exchange-traded derivatives are not valued at the exchange price due to timing differences, these are classified as Level 2. OTC derivatives are valued by internal models using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Valuation techniques include simple DCF techniques, Black-Scholes and Monte Carlo simulations. For OTC derivatives that trade in liquid markets, such as plain vanilla forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivatives are classified within Level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence. Derivatives that are valued using models with significant unobservable inputs such as correlation, long-dated volatility, credit curves or other unobservable inputs are classified within Level 3. Examples of derivatives classified as Level 3 by Nomura include exotic interest rate derivatives, exotic foreign exchange derivatives, exotic equity derivatives, exotic derivatives including a combination of interest rate, foreign exchange and equity risks and certain other transactions including long-dated or exotic credit derivatives. Valuation adjustments are recorded to model valuations which do not calibrate to market and consider all factors that would impact fair value including bid offer, liquidity and credit risk; both with regards to counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. During the year ended March 31, 2012, Nomura began using the Overnight Indexed Swap curve rather than the LIBOR curve to estimate the fair value of certain collateralized interest rate, credit and foreign exchange derivative contracts.

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Loans Loans carried at fair value either as trading assets or through election of the fair value option are valued primarily through internal models using similar inputs to corporate debt securities as quoted prices are usually not available. Where there are no significant inputs which are unobservable, loans are classified as Level 2. Certain loans, however, may be classified as Level 3 because they are traded infrequently and there is not sufficient information from comparable securities to classify them as Level 2.

Collateralized agreements and *Collateralized financing* Resale and repurchase agreements carried at fair value through election of the fair value option are valued using DCF valuation techniques. Key inputs include expected future cash flows, interest rates and collateral funding spreads such as general collateral or special rates. Resale and repurchase agreements are generally classified in Level 2 of the fair value hierarchy as unobservable inputs are not significant. Where the unobservable inputs are significant, they will be classified in Level 3.

Non-trading debt securities These are debt securities held by certain non-trading subsidiaries in the group and are valued and classified in the fair value hierarchy using the same valuation techniques used for other debt securities classified as *government, agency and municipal securities* and *bank and corporate debt securities* described above.

Short-term and *long-term borrowings (Structured notes)* Structured notes are debt securities issued by Nomura which contain embedded features that alter the return to the investor from simply receiving a fixed or floating rate of interest to a return that depends upon some other variables, such as an equity or equity index, commodity price, foreign exchange rate, credit rating of a third party or a more complex interest rate. The fair value of structured notes is estimated using a quoted price in an active market for the identical liability if available, and where not available, using a mixture of valuation techniques that use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, similar liabilities when traded as assets, and also the amount at the measurement date that Nomura would pay to transfer the identical liability or would receive if the identical liability is entered at the measurement date. The fair value of structured notes includes an adjustment to reflect Nomura s own creditworthiness. This adjustment can differ depending on the market in which the structured note is issued and traded. Structured notes are generally classified in Level 2 of the fair value hierarchy as unobservable inputs are not significant. Where the unobservable inputs are significant, they will be classified in Level 3.

Long-term borrowings (Secured financing transactions) Secured financing transactions are liabilities recognized when a transfer of a financial asset does not meet the criteria for sales accounting under ASC 860 *Transfers and Servicing* (ASC 860) and therefore the transaction is accounted for as a secured borrowing. These liabilities are valued using the same valuation techniques that are applied to the transferred financial assets which remain on the consolidated balance sheets and are therefore classified in the same level in the fair value hierarchy as the transferred financial assets. These liabilities do not provide general recourse to Nomura and therefore no adjustment is made to reflect Nomura s own creditworthiness.

Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Valuation processes

In order to ensure the appropriateness of any fair value measurement of a financial instrument used within the consolidated financial statements including those classified as Level 3 within the fair value hierarchy, Nomura operates a governance framework which mandates determination or validation of a fair value measurement by control and support functions independent of the trading businesses assuming the risk of the financial instrument. Such functions within Nomura with direct responsibility for either defining, implementing or maintaining valuation policies and procedures are as follows:

The Product Control Valuations Group (PCVG) within Nomura s Finance Department has primary responsibility for determining and implementing valuation policies and procedures in connection with determination of fair value measurements. In particular, this group will ensure that valuation policies are documented for each type of financial instrument in accordance with U.S. GAAP. While it is the responsibility of market makers and investment professionals in our trading businesses to price our financial instruments, the PCVG are responsible for independently verifying or validating these prices. In the event of a difference in opinion or where the estimate of fair value requires judgment, the valuation used within the consolidated financial statements is made by senior managers independent of the trading businesses. The group reports to the Global Head of Product Control and ultimately to the Chief Financial Officer (CFO);

The Accounting Policy Group within Nomura s Finance Department defines the group s accounting policies and procedures in accordance with U.S. GAAP, including those associated with determination of fair value under ASC 820 and other relevant U.S. GAAP pronouncements. The group reports to the Global Head of Accounting Policy and ultimately to the CFO; and

The Global Model Validation Group (MVG) within Nomura s Risk Management Department validates the appropriateness and consistency of pricing models used to determine fair value measurements independently of those who design and build the models. The group reports to the Global Head of Market and Quantitative Risk.

The fundamental components of this governance framework over valuation processes within Nomura particularly around Level 3 financial instruments are the procedures in place around independent price verification, pricing model validation and revenue substantiation.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Independent price verification processes

The key objective of the independent price verification processes within Nomura is to verify the appropriateness of fair value measurements applied to all financial instruments within Nomura. In applying these control processes, observable inputs are used whenever possible and when unobservable inputs are necessary, the processes seek to ensure the valuation technique and inputs are appropriate, reasonable and consistently applied.

The independent price verification processes aim to verify the fair value of all positions to external levels on a regular basis. The process will involve obtaining data such as trades, marks and prices from internal and external sources and examining the impact of marking the internal positions at the external prices. Margin disputes within the collateral process will also be investigated to determine if there is any impact on valuations.

Where third-party pricing information sourced from brokers, dealers and consensus pricing services is used as part of the price verification process, consideration is given as to whether that information reflects actual recent market transactions or prices at which transactions involving identical or similar financial instruments are currently executable. If such transactions or prices are not available, the financial instrument will generally be classified as Level 3.

Where there is a lack of observable market information around the inputs used in a fair value measurement then the PCVG and the MVG will assess the inputs used for reasonableness considering available information including comparable products, surfaces, curves and past trades. Additional valuation adjustments may be taken for the uncertainty in the inputs used, such as correlation and where appropriate trading desks may be asked to execute trades to evidence market levels.

Model review and validation

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

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

New models are reviewed and approved by the MVG. The frequency of subsequent reviews is generally based on the model risk rating and the materiality of usage of the model with more frequent review where warranted by market conditions.

Revenue substantiation

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

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Level 3 financial instruments

As described above, the valuation of Level 3 financial assets and liabilities is dependent on certain significant inputs which cannot be observed in the market. Common characteristics of an inactive market include a low number of transactions of the financial instrument, stale or non-current price quotes, price quotes that vary substantially either over time or among market makers, or little publicly released information.

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 as an unobservable parameter. Other techniques for determining an appropriate value for unobservable parameters may consider information such as consensus pricing data among certain market participants, historical trends, extrapolation from observable market data and other information Nomura would expect market participants to use in valuing similar instruments.

Use of reasonably possible alternative input assumptions to value Level 3 financial instruments will significantly influence fair value determination. Ultimately, the uncertainties described above about input assumptions imply that the fair value of Level 3 financial instruments is a judgmental estimate. The specific valuation for each instrument is based on management s judgment of prevailing market conditions, in accordance with Nomura s established valuation policies and procedures.

During the three months ended September 30, 2012, a lack of liquidity continues to persist in certain classes of financial instrument which have impacted the observability of certain inputs which are significant to Nomura s financial instrument valuations. These inputs include those listed below.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Quantitative information regarding significant unobservable inputs and assumptions

The following tables present information about the significant unobservable inputs and assumptions used by Nomura for certain Level 3 financial instruments as of March 31, 2012 and September 30, 2012.

	March 31, 2012			
Financial Instrument	**Fair value in billions of yen**	**Valuation technique(s)**	**Unobservable inputs**	**Range of input values**
Assets:				
Trading assets and private equity investments				
Equities	¥ 125	DCF	Credit spreads	6.5 7.5%
			Liquidity discounts	20.0 30.0%
		Market multiples	PE ratios	12.2 x
			Price/Book ratios	1.7 x
			Liquidity discounts	20.0%
		DCM	Capitalization rates	5.2 6.5%
Private equity investments	202	DCF	WACC	6.8 12.0%
			Growth rates	0.0 2.0%
			Operating margins	23.0%
			Liquidity discounts	0.0 30.0%
		Market multiples	EV/EBITDA ratios	4.3 12.6 x
			PE ratios	12.9 x
			Price/Book ratios	0.5 0.7 x
			Price/Embedded values	0.5 x
			Liquidity discounts	0.0 50.0%
Japanese agency and municipal securities	10	DCF	Credit spreads	0.1%
Foreign government, agency and municipal securities	37	DCF	Credit spreads	0.6 17.0%
Bank and corporate debt securities and loans for trading purposes	62	DCF	Credit spreads	0.4 25.6%

Commercial mortgage-backed securities (CMBS)	8	DCF	Yields	3.0	24.5%
			Prepayment rates	0.0	25.0%
			Default probabilities	0.0	60.0%
			Loss severities	0.0	50.0%
Residential mortgage-backed securities (RMBS)	5	DCF	Yields	1.6	30.0%
			Prepayment rates	1.0	5.0%
			Default probabilities	2.0	4.0%
			Loss severities	20.0	40.0%
Mortgage and other mortgage-backed securities	91	DCF	Yields	4.0	15.0%
			Default probabilities	24.0	65.0%
			Loss severities	80.0	100.0%
		DCM	Capitalization rates	6.7	11.4%
Collateralized debt obligations (CDO) and other	20	DCF	Yields	12.0	30.0%
			Prepayment rates	0.0	15.0%
			Default probabilities	1.5	3.0%
			Loss severities	30.0	60.0%
Investment trust funds and other	9	DCF	Credit spreads	0.0	13.6%
			Correlations	0.50	0.70
Derivatives, net:					
Equity contracts	14	Option models	Dividend yield	0.1	13.5%
			Volatilities	12.1	65.1%
			Correlations	(0.95)	0.94
Interest rate contracts	(39)	DCF	Forward FX rates	53.2	105.4
			Interest rates	0.8	4.7%
			Volatilities	5.5	121.0%
			Correlations	(0.55)	1.00
Credit contracts	(11)	DCF	Credit spreads	1.3	1,912.4 bps
			Recovery rates	5.0	52.0%

			Volatilities	10.0	75.0%
			Correlations	0.11	1.00
Foreign exchange contracts	18	Option models	Volatilities	10.0	18.5%
		DCF	Forward FX rates	2.5	11,052.0
Loans and receivables	11	DCF	Credit spreads	3.0	15.0%
Other assets					
Non-trading debt securities	6	DCF	Credit spreads	0.6	2.0%
Other[(1)]	72	DCF	WACC	6.8	9.3%
			Growth rates	0.0%	
		Market multiples	PE ratios	12.9x	
			Price/Book ratios	0.5x	
			Liquidity discounts	25.0%	
Liabilities:					
Long-term borrowings	¥ (13)	DCF	Yields	22.0	67.0%
			Prepayment rates	15.0%	
			Default probabilities	2.0	6.0%
			Loss severities	30.0	60.0%
			Volatilities	5.5	118.5%
			Correlations	(0.76)	1.00

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

	September 30, 2012			
Financial Instrument	**Fair value in billions of yen**	**Valuation technique(s)**	**Unobservable inputs**	**Range of input values**
Assets:				
Trading assets and private equity investments				
Equities	¥ 121		Credit spreads	6.5 7.5%
		DCF	Liquidity discounts	20.0 30.0%
		Market multiples	PE ratios	14.7 x
			Price/Book ratios	2.0 x
			Liquidity discounts	30.0%
		DCM	Capitalization rates	5.2 6.5%
Private equity investments	188	DCF	WACC	7.2 12.0%
			Growth rates	0.0 2.0%
			Operating margins	24.0%
			Liquidity discounts	0.0 30.0%
		Market multiples	EV/EBITDA ratios	4.3 12.4 x
			PE ratios	11.5 x
			Price/Book ratios	0.5 x
			Price/Embedded values	0.4 x
			Liquidity discounts	0.0 30.0%
Foreign government, agency and municipal securities	49	DCF	Credit spreads	0.0 9.2%
Bank and corporate debt securities and loans for trading purposes	90	DCF	Credit spreads	0.0 46.7%
			Recovery rates	3.5 9.0%
Commercial mortgage-backed securities (CMBS)	11	DCF	Yields	3.0 25.0%
			Prepayment rates	0.0 10.0%
			Default probabilities	15.0 80.0%

			Loss severities	0.0	75.0%
Residential mortgage-backed securities (RMBS)	5	DCF	Yields	0.5	17.1%
			Prepayment rates	3.0	7.9%
			Default probabilities	3.0	10.0%
			Loss severities	40.0	75.0%
Mortgage and other mortgage-backed securities	77	DCF	Yields	4.0	15.0%
			Default probabilities	24.0	65.0%
			Loss severities	80.0	100.0%
		DCM	Capitalization rates	6.7	8.8%
Collateralized debt obligations (CDO) and other	11	DCF	Yields	0.0	53.7%
			Prepayment rates	0.0	15.0%
			Default probabilities	2.0	5.0%
			Loss severities	30.0	70.0%
Investment trust funds and other	10	DCF	Credit spreads	0.1	23.0%
			Correlations	0.50	0.71
Derivatives, net:					
Equity contracts	15	Option models	Dividend yield	0.0	13.4%
			Volatilities	1.2	63.2%
			Correlations	(0.75)	0.95
Interest rate contracts	(6)	DCF	Forward FX rates	54.8	107.0
			Interest rates	0.6	3.7%
			Volatilities	8.4	121.8%
			Correlations	(0.56)	0.99
Credit contracts	(2)	DCF	Credit spreads	14.1	1,280.5 bps
			Recovery rates	15.0	50.0%
			Volatilities	10.0	100.0%
			Correlations	0.22	1.00
Foreign exchange contracts	11	Option models	Volatilities	0.5	20.1%

		DCF	Forward FX rates	2.0	11,494.0
Loans and receivables	8	DCF	Credit spreads	3.0	7.8%
Other assets					
Non-trading debt securities	4	DCF	Credit spreads	0.4%	
Other[(1)]	81	DCF	WACC	7.2	8.7%
			Growth rates	0.0	1.0%
			Liquidity discounts	25.0	30.0%
		Market multiples	EV/EBITDA ratios	2.3	10.5 x
			PE ratios	9.4	24.9 x
			Price/Book ratios	0.4	1.1 x
			Liquidity discounts	25.0	30.0%
Liabilities:					
Long-term borrowings	¥ (14)	DCF	Volatilities	8.4	121.8%
			Correlations	(0.75)	0.99

(1) Valuation technique(s) and unobservable inputs represent those of equity securities reported with *Other assets*.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

Sensitivity of fair value to changes in unobservable inputs

For each class of financial instrument described in the above table, changes in each of the significant unobservable inputs and assumptions used by Nomura will impact upon the determination of a fair value measurement for the financial instrument. The sensitivity of these Level 3 fair value measurements to changes in unobservable inputs and interrelationships between those inputs is described below:

Equities, *Private equity investments* and equity securities reported within *Other assets* When using DCF valuation techniques to determine fair value, a significant increase (decrease) in credit spreads or liquidity discount in isolation would result in a significantly lower (higher) fair value measurement. Conversely, a significant increase (decrease) in operating margin or growth rate would result in a corresponding significantly higher (lower) fair value measurement. There is little interrelationship between these measures. When using market multiples to determine fair value, a significant increase (decrease) in the relevant multiples such as PE ratios, EV/EBITDA ratios, Price/Book ratios and Price/Embedded Value ratios in isolation would result in a higher (lower) fair value measurement. Conversely, a significant increase (decrease) in the liquidity discount applied to the holding in isolation would result in a significantly lower (higher) fair value measurement. Generally changes in assumptions around multiples result in a corresponding similar directional change in a fair value measurement, assuming earnings levels remain constant. When using DCM, a significant increase (decrease) in the capitalization rate would result in a significantly lower (higher) fair value measurement.

Japanese agency and municipal securities, Foreign government, agency and municipal securities, Bank and corporate debt securities and loans for trading purposes, Loans and receivables and *Non-trading debt securities* Significant increases (decreases) in the credit spreads used in a DCF valuation technique would result in a significantly lower (higher) fair value measurement.

Commercial mortgage-backed securities (CMBS), Residential mortgage-backed securities (RMBS), Mortgage and other mortgage-backed securities and *Collateralized debt obligations (CDO) and other* Significant increases (decreases) in yields, prepayment rates, default probabilities and loss severities in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in default probabilities is accompanied by a directionally similar change loss severities and a directionally opposite change prepayment rates. When using DCM, a significant increase (decrease) in the capitalization rate would result in a significantly lower (higher) fair value measurement.

Investment trust funds and other Significant increases (decreases) in credit spreads used in a DCF valuation technique would result in a significantly lower (higher) fair value measurement, while significant increases (decreases) in correlation would result in a significantly higher (lower) fair value measurement.

Derivatives Where Nomura is long the underlying risk of a derivative, significant increases (decreases) in the underlying of the derivative, such as interest rates, credit spreads or forward FX rates in isolation or significant decreases (increases) in dividend yields would result in a significantly higher (lower) fair value measurement. Where Nomura is short the underlying risk of a derivative, the impact of these changes would have a converse effect on the fair value measurements reported by Nomura. Where Nomura is long optionality, recovery rates or correlation, significant increases (decreases) in volatilities, recovery rates or correlation will generally result in a significantly higher (lower) fair value measurement. Where Nomura is short optionality, recovery rates or correlation, the impact of these changes would have a converse effect on the fair value measurements.

Long-term borrowings Significant increases (decreases) in yields, prepayment rates, default probabilities and loss severities in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in default probabilities is accompanied by a directionally similar change in the assumption used for loss severities and a directionally opposite change in prepayment rates. Where Nomura is long optionality or correlation, significant increases (decreases) in volatilities or correlation will generally result in a significantly higher (lower) fair value measurement. Where Nomura is short optionality or correlation, the impact of these changes would have a converse effect on the fair value measurements.

Movements in Level 3 financial instruments

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified as Level 3 for the six and three months ended September 30, 2011 and 2012. Financial instruments classified as Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable parameters.

For the three months ended September 30, 2012, gains and losses related to Level 3 assets did not have a material impact on Nomura s liquidity and capital resources management.

The following tables in this note that relate to the six and three months ended September 30, 2011 are prepared in accordance with the disclosure requirements in effect prior to certain amendments to ASC 820 that Nomura adopted during the year ended March 31, 2012.

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Notes to the Interim Consolidated Financial Statements (Continued) (UNAUDITED)

	Billions of yen Six months ended September 30, 2011								
	Beginning balance as of six months ended September 30, 2011	Total gains (losses) recognized in net revenue(1)	Total gains (losses) recognized in other comprehensive income	Purchases / issues(2)	Sales / redemptions(2)	Settlements	Foreign exchange movements	Net transfers into / (out of) Level 3(3)	Balance as of six months ended September 30, 2011
Assets:									
Trading assets and private equity investments									
Equities	¥ 121	¥ (11)	¥	¥ 41	¥ (11)	¥	¥ (4)	¥ (2)	¥ 134
Private equity investments	289	(12)		1	(7)		(11)		260
Japanese agency and municipal securities				3	(3)				
Foreign government, agency and municipal securities	23	3		124	(116)			(10)	24
Bank and corporate debt securities and loans for trading purposes	51	(2)		77	(69)		(2)	11	66
Commercial mortgage-backed securities (CMBS)	28	0			(21)		(1)	2	8
Residential mortgage-backed securities (RMBS)	3	(0)		0	(0)		(0)	1	4
Mortgage and other mortgage-backed securities	128	(1)		7	(23)		(0)		111
Collateralized debt obligations (CDO) and other	34	(0)		10	(11)		(1)	(13)	19
Investment trust funds and other	10	(0)		1	(2)		(0)		9
Total cash instruments	687	(23)		264	(263)		(19)	(11)	635
Derivatives, net(4)									
Equity contracts	28	(8)				(11)	(1)	1	9
Interest rate contracts	11	6				(23)	(7)	(5)	(18)
Credit contracts	(55)	1				34	4	(6)	(22)
Foreign exchange contracts	2	19				(3)	(1)	0	17
Commodity contracts	(2)	(0)				(1)	(0)	2	(1)
Total derivatives, net	(16)	18				(4)	(5)	(8)	(15)
Subtotal	¥ 671	¥ (5)	¥	¥ 264	¥ (263)	¥ (4)	¥ (24)	¥ (19)	¥ 620
Loans and receivables	11	(0)		2	(5)		(1)		7
Other assets									
Non-trading debt securities	0	0	(0)	7			(0)		7
Other	25	2	(0)	59	(8)		(0)	0	78
Total	¥ 707	¥ (3)	¥ (0)	¥ 332	¥ (276)	¥ (4)	¥ (25)	¥ (19)	¥ 712
Liabilities:									
Trading liabilities									
Bank and corporate debt securities	¥	¥ 0	¥	¥ 1	¥	¥	¥	¥	¥ 1
Subtotal	¥	¥ 0	¥	¥ 1	¥	¥	¥	¥	¥ 1

Short-term borrowings	1	0		14	(0)			(0)	15
Payables and deposits	1	(0)		(0)					1
Long-term borrowings	144	38		0	(116)		(15)	(41)	(66)
Total	¥ 146	¥ 38	¥	¥ 15	¥ (116)	¥	¥ (15)	¥ (41)	¥ (49)

	Billions of yen Six months ended September 30, 2012									
	Beginning balance as of six months ended September 30, 2012	Total gains (losses) recognized in net revenue(1)	Total gains (losses) recognized in other comprehensive income	Purchases / issues(2)	Sales / redemptions(2)	Settlements	Foreign exchange movements	Transfers into Level 3(3)	Transfers out of Level 3(3)	Balance as of six months ended September 30, 2012
Assets:										
Trading assets and private equity investments										
Equities	¥ 125	¥ 0	¥	¥ 10	¥ (10)	¥	¥ (3)	¥ 4	¥ (5)	¥ 121
Private equity investments	202	(6)		2	(3)		(7)			188
Japanese agency and municipal securities	10	0		1	(11)				(0)	
Foreign government, agency and municipal securities	37	7		308	(321)			23	(5)	49
Bank and corporate debt securities and loans for trading purposes	62	1		156	(137)		(2)	39	(29)	90
Commercial mortgage-backed securities (CMBS)	8	2		6	(3)		(0)	4	(6)	11
Residential mortgage-backed securities (RMBS)	5	0		18	(18)		(0)	1	(1)	5
Mortgage and other mortgage-backed securities	91	(0)			(13)		(1)			77
Collateralized debt obligations (CDO) and other	20	(1)		5	(11)		(1)	2	(3)	11
Investment trust funds and other	9	(0)		1	(0)		(0)	0	(0)	10
Total cash instruments	569	3		507	(527)		(14)	73	(49)	562
Derivatives, net(4)										
Equity contracts	14	(1)				2	(0)	(6)	6	15
Interest rate contracts	(39)	(13)				12	(2)	35	1	(6)
Credit contracts	(11)	(7)				9	(0)	1	6	(2)
Foreign exchange contracts	18	(1)				2	(0)	5	(13)	11
Commodity contracts	(0)	0				(0)	(0)	0		(0)
Total derivatives, net	(18)	(22)				25	(2)	35	(0)	18
Subtotal	¥ 551	¥ (19)	¥	¥ 507	¥ (527)	¥ 25	¥ (16)	¥ 108	¥ (49)	¥ 580
Loans and receivables	11	1		0	(1)		(0)		(3)	8
Other assets										
Non-trading debt securities	6	(0)	0		(2)		(0)			4
Other(5)	72	16	(0)	0	(7)		(0)	0	(0)	81
Total	¥ 640	¥ (2)	¥ (0)	¥ 507	¥ (537)	¥ 25	¥ (16)	¥ 108	¥ (52)	¥ 673
Liabilities:										

Trading liabilities										
Equities	¥ 0	¥ 0	¥	¥	¥ (0)	¥	¥ (0)	¥ 0	¥	¥ 0
Bank and corporate debt securities	1	(0)		0	(1)		(0)			0
Subtotal	¥ 1	¥ (0)	¥	¥ 0	¥ (1)	¥	¥ (0)	¥ 0	¥	¥ 0
Short-term borrowings	0	0		1	0		0	1	(1)	1
Payables and deposits	(0)	0		(0)	(0)					(0)
Long-term borrowings	(13)	14		32	(46)		(2)	42	(13)	(14)
Other liabilities		0		0	(0)		(0)			0
Total	¥ (12)	¥ 14	¥	¥ 33	¥ (47)	¥	¥ (2)	¥ 43	¥ (14)	¥ (13)

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	Billions of yen								
	Three months ended September 30, 2011								
	Beginning balance as of three months ended September 30, 2011	Total gains (losses) recognized in net revenue[1]	Total gains (losses) recognized in other comprehensive income	Purchases / issues[2]	Sales / redemptions[2]	Settlements	Foreign exchange movements	Net transfers into / (out of) Level 3[3]	Balance as of three months ended September 30, 2011
Assets:									
Trading assets and private equity investments									
Equities	¥ 149	¥ (10)	¥	¥ 4	¥ (5)	¥	¥ (3)	¥ (1)	¥ 134
Private equity investments	280	(6)		1	(8)		(7)		260
Japanese agency and municipal securities				1	(1)				
Foreign government, agency and municipal securities	18	1		71	(61)			(5)	24
Bank and corporate debt securities and loans for trading purposes	54	(4)		39	(31)		(1)	9	66
Commercial mortgage-backed securities (CMBS)	10	(0)			(3)		(0)	1	8
Residential mortgage-backed securities (RMBS)	3	(0)			(0)		(0)	1	4
Mortgage and other mortgage-backed securities	118	0		7	(14)		(0)		111
Collateralized debt obligations (CDO) and other	18	(1)		6	(7)		(1)	4	19
Investment trust funds and other	10	(1)		0	(0)		(0)		9
Total cash instruments	660	(21)		129	(130)		(12)	9	635
Derivatives, net[4]									
Equity contracts	22	(9)				(3)	(1)	0	9
Interest rate contracts	16	(7)				(6)	(4)	(17)	(18)
Credit contracts	(44)	8				18	2	(6)	(22)
Foreign exchange contracts	6	15				(2)	(1)	(1)	17
Commodity contracts	0	(0)				(1)	(0)		(1)
Total derivatives, net	0	7				6	(4)	(24)	(15)
Subtotal	¥ 660	¥ (14)	¥	¥ 129	¥ (130)	¥ 6	¥ (16)	¥ (15)	¥ 620
Loans and receivables	9	0			(1)		(1)		7
Other assets									
Non-trading debt securities	7	0	(0)				(0)		7
Other	77	1	(0)	1	(1)		(0)		78
Total	¥ 753	¥ (13)	¥ (0)	¥ 130	¥ (132)	¥ 6	¥ (17)	¥ (15)	¥ 712
Liabilities:									
Trading liabilities									
Bank and corporate debt securities	¥	¥ 0	¥	¥ 1	¥	¥	¥	¥	¥ 1
Subtotal	¥	¥ 0	¥	¥ 1	¥	¥	¥	¥	¥ 1

Short-term borrowings	1	0		14	(0)			(0)	15
Payables and deposits	1	0		(0)					1
Long-term borrowings	82	36		3	(91)		(9)	(15)	(66)
Total	¥ 84	¥ 36	¥	¥ 18	¥ (91)	¥	¥ (9)	¥ (15)	¥ (49)

	Billions of yen Three months ended September 30, 2012									
	Beginning balance as of three months ended September 30, 2012	Total gains (losses) recognized in net revenue(1)	Total gains (losses) recognized in other comprehensive income	Purchases / issues(2)	Sales / redemptions(2)	Settlements	Foreign exchange movements	Transfers into Level 3(3)	Transfers out of Level 3(3)	Balance as of three months ended September 30, 2012
Assets:										
Trading assets and private equity investments										
Equities	¥ 118	¥ 0	¥	¥ 6	¥ (2)	¥	¥ (1)	¥ 3	¥ (3)	¥ 121
Private equity investments	189	3		0	(2)		(2)			188
Foreign government, agency and municipal securities	47	4		127	(133)			6	(2)	49
Bank and corporate debt securities and loans for trading purposes	67	2		118	(96)		(1)	11	(11)	90
Commercial mortgage-backed securities (CMBS)	9	2		5	(2)		(0)	0	(3)	11
Residential mortgage-backed securities (RMBS)	21	0		1	(17)		(0)	1	(1)	5
Mortgage and other mortgage-backed securities	91	(1)			(13)		(0)			77
Collateralized debt obligations (CDO) and other	19	(1)		3	(9)		(0)	1	(2)	11
Investment trust funds and other	10	(1)		1	(0)		0		(0)	10
Total cash instruments	571	8		261	(274)		(4)	22	(22)	562
Derivatives, net(4)										
Equity contracts	6	2				1	(0)	(4)	10	15
Interest rate contracts	(53)	(1)				13	(1)	32	4	(6)
Credit contracts	0	18				(18)	(1)	1	(2)	(2)
Foreign exchange contracts	7	(0)				1	(0)	5	(2)	11
Commodity contracts	(0)	0				(0)	(0)	0		(0)
Total derivatives, net	(40)	19				(3)	(2)	34	10	18
Subtotal	¥ 531	¥ 27	¥	¥ 261	¥ (274)	¥ (3)	¥ (6)	¥ 56	¥ (12)	¥ 580
Loans and receivables	11	(0)		0	(0)		(0)		(3)	8
Other assets										
Non-trading debt securities	4	(0)	0				0			4
Other(5)	67	17	(0)	0	(3)		(0)	0		81
Total	¥ 613	¥ 44	¥ (0)	¥ 261	¥ (277)	¥ (3)	¥ (6)	¥ 56	¥ (15)	¥ 673
Liabilities:										
Trading liabilities										
Equities	¥	¥	¥	¥	¥	¥	¥ (0)	¥ 0	¥	¥ 0

Bank and corporate debt securities	0	(0)			(0)		(0)			0
Subtotal	¥ 0	¥ (0)	¥	¥	¥ (0)	¥	¥ (0)	¥ 0	¥	¥ 0
Short-term borrowings	2	0		0	(0)		0	0	(1)	1
Payables and deposits	(0)	0		(0)	(0)					(0)
Long-term borrowings	(36)	(1)		29	(4)		(0)	6	(10)	(14)
Other liabilities	0	(0)			(0)		(0)			0
Total	¥ (34)	¥ (1)	¥	¥ 29	¥ (4)	¥	¥ (0)	¥ 6	¥ (11)	¥ (13)

(1) Includes gains and losses reported primarily within *Net gain on trading*, *Gain (loss) on private equity investments,* and also within *Gain (loss) on investments in equity securities, Revenue Other* and *Non-interest expenses Other, Interest and dividends* and *Interest expense* in the consolidated statements of income.

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

(3) If financial instruments move from Level 3 to another Level or move from another Level to Level 3, the amount reported in *Net transfers into / (out of) Level 3*, *Transfers into Level 3* and *Transfers out of Level 3* are the fair value as of the beginning of the quarter during which the movement occurs. Therefore if financial instruments move from another Level to Level 3 all gains/ (losses) during the quarter are included in the table and if financial instruments move from Level 3 to another Level all gains/ (losses) during the quarter are excluded from the table.

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

(5) Includes the impact of the refined fair value measurement of investments in unlisted equity securities.

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Unrealized gains and losses recognized for Level 3 financial instruments

The following tables present the amounts of unrealized gains (losses) for the six and three months ended September 30, 2011 and 2012, 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 relevant consolidated balance sheet date:

	Billions of yen Six months ended September 30 2011 Unrealized gains / (losses)(1)	2012
Assets:		
Trading assets and private equity investments		
Equities	¥ (8)	¥ (0)
Private equity investments	(9)	(4)
Japanese agency and municipal securities	(0)	
Foreign government, agency and municipal securities	0	(0)
Bank and corporate debt securities and loans for trading purposes		