NOMURA HOLDINGS INC
Form 6-K
July 29, 2011
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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 July 2011

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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On June 30, 2011, Nomura Holdings, Inc. filed its Annual Securities Report for the year ended March 31, 2011 with the Director of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to the Financial Instruments and Exchange Act.

Information furnished on this form:

EXHIBIT

Exhibit Number

1. English translation of certain items disclosed in the Annual Securities Report pursuant to the Financial Instruments and Exchange Act for the fiscal year ended March 31, 2011
2. Confirmation Letter and Management s Report on Internal Control Over Financial Reporting

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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: July 29, 2011	By: /s/ Shinji Iwai Shinji Iwai Senior Managing Director

EXHIBIT I

Annual Securities Report Pursuant to the Financial Instruments and Exchange Act for the Fiscal Year Ended March 31, 2011

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Notes:

1. Translation for the underlined items are attached to this form as below.

2. The U.S. dollar amounts, which are not displayed in the Annual Securities Report (annual report), are included solely for the convenience of the reader and have been translated at the rate of ¥82.76 = U.S. $1, the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2011. This translation should not be construed to imply that the Yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

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PART I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data.

(1) Selected consolidated financial data for the latest five fiscal years.

Year ended March 31	2007	2008	2009	2010	2011
Total revenue (Mil yen)	2,049,101	1,593,722	664,511	1,356,751	1,385,492
Net revenue (Mil yen)	1,091,101	787,257	312,627	1,150,822	1,130,698
Income (loss) before income taxes (Mil yen)	318,502	(64,910)	(780,265)	105,247	93,255
Net income (loss) attributable to Nomura Holdings, Inc. (NHI) shareholders (Mil yen)	175,828	(67,847)	(708,192)	67,798	28,661
Comprehensive income (loss) attributable to NHI shareholders (Mil yen)	213,459	(145,571)	(755,518)	77,103	8,097
Total equity (Mil yen)	2,222,959	2,001,102	1,551,546	2,133,014	2,091,636
Total assets (Mil yen)	35,577,511	25,236,054	24,837,848	32,230,428	36,692,990
Shareholders equity per share (Yen)	1,146.23	1,042.60	590.99	579.70	578.40
Net income (loss) attributable to NHI common shareholders per share basic (Yen)	92.25	(35.55)	(364.69)	21.68	7.90
Net income (loss) attributable to NHI common shareholders per share diluted (Yen)	92.00	(35.57)	(366.16)	21.59	7.86
Total NHI shareholders equity as a percentage of total assets (%)	6.1	7.9	6.2	6.6	5.7
Return on shareholders equity (%)	8.28	(3.25)	(40.15)	3.70	1.36
Price/earnings ratio (times)	26.61			31.78	55.06
Cash flows from operating activities (Mil yen)	(1,627,156)	(647,906)	(712,629)	(1,500,770)	(235,090)
Cash flows from investing activities (Mil yen)	(533,813)	(102,019)	(98,905)	(269,643)	(423,214)
Cash flows from financing activities (Mil yen)	1,568,703	942,879	999,760	2,176,530	1,284,243
Cash and cash equivalents at end of the year (Mil yen)	410,028	507,236	613,566	1,020,647	1,620,340
Number of staffs	16,854	18,026	25,626	26,374	26,871
[Average number of temporary staffs, excluded from above]	[3,766]	[4,576]	[4,997]	[4,728]	[4,199]

(Notes)

1 The selected financial data were stated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

2 *Shareholders equity per share, Total NHI shareholders equity as a percentage of total assets, Return on shareholders equity* are calculated with Total NHI shareholders equity.

3 Due to the retroactive application of Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 210-20 *Balance Sheet Offsetting* (ASC 210-20), we have reclassified the Total assets and Total NHI shareholders equity as a percentage of total assets for the years ended March 31, 2007 and 2008. The amounts previously reported are as follows:

Year ended March 31	2007	2008
Total assets (Mil yen)	35,873,374	26,298,798

Total NHI shareholders equity as a percentage of total assets (%)	6.1	7.6

4 Price/earnings ratio (times) is not stated for the years ended March 31, 2008 and 2009 due to net loss.

5 The consumption tax and local consumption tax on taxable transaction are accounted for based on the tax exclusion method.

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6 Certain contract employees who were previously included in temporary staff are included in Number of staffs for the year ended March 31, 2008. Such numbers previously reported have been reclassified to conform to the current year presentation. The numbers previously reported are as follows:

Year ended March 31	**2007**
Number of staffs	16,145
[Average number of temporary staffs, excluded from above]	[4,434]

7 With the application of ASC 946, *Financial Services Investment Companies*, all investments made by investment companies within the scope of the guide are carried at fair value, with changes in fair value recognized through earnings commencing from the fiscal year ended March 31, 2008.

8 In accordance with the updated guidance for accounting and reporting of noncontrolling interests in financial statements, included in ASC 810, *Consolidation* (ASC 810), (updated noncontrolling interests guidance), the consolidated balance sheets and consolidated statements of operations as of and for the years ended March 31, 2007, 2008 and 2009 have been reclassified. Such reclassification has been made in *Income (loss) before income taxes* and *Total equity*. The amounts previously reported are as follows:

Year ended March 31	**2007**	**2008**	**2009**
Income (loss) before income taxes (Mil yen)	321,758	(64,588)	(779,046)
Total equity (Mil yen)	2,185,919	1,988,124	1,539,396

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(2) Selected stand alone financial data for the latest five fiscal years

Year ended March 31,	**2007**	**2008**	**2009**	**2010**	**2011**
Operating revenue (Mil yen)	340,886	419,649	340,071	220,873	219,875
Ordinary income (Mil yen)	207,221	246,231	127,181	29,121	11,690
Net income (loss) (Mil yen)	158,235	53,985	(393,712)	12,083	(15,094)
Common stock (Mil yen)	182,800	182,800	321,765	594,493	594,493
Number of issued shares (1,000 shares)	1,965,920	1,965,920	2,661,093	3,719,133	3,719,133
Shareholders equity (Mil yen)	1,475,328	1,423,661	1,244,082	1,806,307	1,764,894
Total assets (Mil yen)	4,438,039	4,449,810	3,681,507	4,566,078	5,278,581
Shareholders equity per share (Yen)	772.51	740.17	466.99	485.62	481.23
Dividend per share (Yen)	44.00	34.00	25.50	8.00	8.00
The first quarter	8.00	8.50	8.50		
The second quarter	8.00	8.50	8.50	4.00	4.00
The third quarter	8.00	8.50	8.50		
The end of a term (the fourth quarter)	20.00	8.50		4.00	4.00
Net income (loss) per share (Yen)	82.97	28.27	(202.62)	3.86	(4.16)
Net income per share diluted (Yen)	82.59	28.07		3.83	
Shareholders equity as a percentage of total assets (%)	33.2	31.7	33.1	39.0	32.8
Return on shareholders equity (%)	10.84	3.74	(29.95)	0.81	(0.86)
Price/earnings ratio (times)	29.59	52.71		178.36	
Payout ratio (%)	53.03	120.27		213.61	
Dividend on shareholders equity (%)	5.69	4.60	4.00	1.45	1.66
Number of staffs	21	52	52	50	65
[Average number of temporary staffs, excluded from above]	[ ]	[ ]	[ ]	[ ]	[ ]

(Notes)

1 The consumption tax and local consumption tax on taxable transactions are accounted for based on the tax exclusion method.

2 Nomura Holdings, Inc. (hereinafter the Company) paid quarterly dividend payments in the years ended March 31, 2007, 2008 and 2009.

3 No dividend per share information is provided at the end of term (the fourth quarter) of the year ended March 31, 2009, as there was no dividend.

4 Number of staffs represents staffs who work at the Company.

5 No net income per share diluted information was provided, as there was net loss per share, although there are dilutive shares for the years ended March 31, 2009 and 2011.

6 No payout ratio or dividend on shareholder s equity information was provided due to the net loss for the years ended March 31, 2009 and 2011.

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3. Business Overview.

The Company and its 687 consolidated subsidiaries and variable interest entities primarily operate investment and financial services business focusing on securities business as their core business. Nomura provides wide-ranging services to customers for both of financing and investment through the operations in Japan and other major financial capital markets in the world. Such services include securities trading and brokerage, underwriting and distribution, arrangement of public offering and secondary distribution, arrangement of private placement, principal investment, asset management and other broker-dealer and financial business. There are also 18 companies accounted for under the equity method as at March 31, 2011.

The reporting of the business operations and results of the Company and its consolidated subsidiaries are based on business segments referred in Note 21 *Segment and geographic information* in our consolidated financial statements included in this annual report. Please refer to the table below on the organizational structure listing the main companies by business segments.

Organizational Structure

The following table lists Nomura Holdings, Inc. and its significant subsidiaries and affiliates by business segments.

Nomura Holdings, Inc.

Retail Division

(Domestic)

Nomura Securities Co., Ltd. and others

Asset Management Division

(Domestic)

Nomura Asset Management Co., Ltd. and others

Wholesale Division

(Domestic)

Nomura Securities Co., Ltd. and others

(Overseas)

Nomura Holding America Inc.

Nomura Securities International, Inc.

Nomura America Mortgage Finance, LLC

Instinet, Inc.

Nomura Europe Holdings plc

Nomura International plc

Nomura Bank International plc

Nomura Principal Investment plc

Nomura Capital Markets plc

Nomura Asia Holding N.V.

Nomura International (Hong Kong) Limited

Nomura Singapore Limited and others

Others

(Domestic)

The Nomura Trust and Banking Co., Ltd.

Nomura Facilities, Inc.

Nomura Research Institute, Ltd.*

JAFCO Co., Ltd.*

Nomura Land and Building Co., Ltd.* and others

*Affiliates

(Note) Nomura Land and Building Co., Ltd became a consolidated subsidiary of the Company on May 24, 2011. For further information, please refer to Note 10, Business combinations in our consolidated financial statements included in this annual report.

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Item 2. Operating and Financial Review

1. Operating Results.

You should read the following discussion of our operating and financial review and prospects together with Item 1 Selected Financial Data of this annual report and our consolidated financial statements included elsewhere in this annual report. Operating results for the year ended March 31, 2009 are based on our consolidated financial information submitted on June 30, 2009, and certain reclassifications of reported amounts have been made to conform to the current year presentation. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those under Risk Factors and elsewhere in this annual report.

Business Environment

Japan

The Japanese economy entered a recovery phase in the fiscal year ended March 31, 2010 supported by stimulus measures taken by the Japanese government and rebounding exports amid robust growth in emerging economies and a recovery in Europe and the U.S. These conditions continued through the first half of the fiscal year ended March 31, 2011, but the recovery lost momentum in the second half with benefits from government policy measures fading and growth in overseas economies slowing as Europe s sovereign debt problems spread. In addition, the East Japan Earthquake hit before the end of the fiscal year, leading to rapid deterioration in operations and distribution, particularly in the manufacturing industry. Against this backdrop, real gross domestic product (GDP) in the fiscal year ended March 31, 2011 showed the first positive growth in three years, of 2.3%, after having fallen 2.4% in the prior fiscal year. Meanwhile until the East Japan Earthquake, the employment environment steadily improved supported by the economic recovery through the first half of the fiscal year.

Amid ongoing and widespread cost-cutting efforts, corporate earnings continued to expand in the fiscal year ended March 31, 2011 on a recovery in sales from the second half of the prior fiscal year underpinned by domestic and overseas economies. We estimate that recurring profits at major companies (NOMURA 400 companies) rose by around 50% in the fiscal year ended March 31, 2011 supported by strong profit growth in the first half of the fiscal year, despite the effects of the East Japan Earthquake late in the fiscal year. The overall improvement in earnings was driven by the manufacturing industry, which benefited from firm exports.

The stock market declined after maintaining a rising trend through April 2010, with stock prices falling over the fiscal year as a whole. Economic stimulus measures taken by many countries from 2008 supported stock price gains, but global stock markets turned down from April 2010 as risk aversion gained momentum around the world amid spreading concerns over sovereign debt prompted by deteriorating public finances in Europe. Thereafter, stock markets rallied in response to stepped-up monetary easing in the U.S., though Japanese stocks fell at the end of the fiscal year in the wake of the East Japan Earthquake. The Tokyo Stock Price Index (TOPIX), after reaching its high for the fiscal year in April 2010, declined through November, then rose through February 2011, before falling back to its low for the year immediately after the East Japan Earthquake. The TOPIX had advanced from 773.66 points at the end of March 2009 to 978.81 points at the end of March 2010, an increase of 26.5% over the fiscal year, then declined to 869.38 points at the end of March 2011, a fall of 11.2%. The Nikkei Stock Average also declined over the fiscal year as a whole, by 12.0%, from ¥11,089.94 at the end of March 2010 to ¥9,755.10 at the end of March 2011.

Yields on newly issued 10-year Japanese government bonds were at the 1.3% level in early April 2010, the point at which share prices turned up, but fell to the 0.8% level in October 2010 against a backdrop of ongoing stock price declines. Thereafter, yields rose to around 1.3% in February 2011 in tandem with the stock market rally, ending March at around that level. Despite concerns over Japan s expanding sovereign debt, interest rates stayed low amid expectations of further monetary easing by the Bank of Japan and other factors.

On the foreign exchange markets, the yen was influenced by changes in U.S. monetary policy and concerns over the euro currency system. At the end of March 2010, the yen was trading at the ¥93 level against the U.S. dollar and the ¥125 level against the euro. From July 2010, the U.S. dollar weakened against the yen as the view spread that concerns over sovereign debt in Europe would adversely affect the U.S. economy, with the yen at one stage reaching around ¥80 against the dollar at the end of October 2010. Thereafter, yen appreciation halted as the Bank of Japan took additional monetary easing steps, and although it rose to the ¥76 level against the U.S. dollar at one point following the East Japan Earthquake, it ended March 2011 at the ¥83 level. Against the euro, the yen appreciated as the Greek sovereign debt crisis worsened and concerns surfaced over the euro currency system and European economies. The yen then depreciated over January March 2011 reflecting expectations of interest rates being raised on inflationary concerns, moving from around ¥110 against the euro in January 2011 to around ¥117 at the end of March 2011.

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Overseas

The economies of the leading industrialized nations have been continuing to recover, but whereas in the U.S. additional monetary easing provided ongoing economic support, in Europe concerns have surfaced of inflation triggered by rising commodity prices, while fears have emerged of sovereign debt problems as a side effect of economic stimulus measures. In international commodity markets, too, prices have continued to rise supported by U.S. monetary easing and expectations of strong, sustained recoveries in emerging economies. In emerging economies, meanwhile, growing numbers of countries have been implementing monetary tightening prompted by inflationary concerns, while in China curbing rises in real estate prices and prices generally has become an issue as aggressive fiscal policy measures are maintained.

U.S. real GDP contracted by 2.6% year-on-year in 2009 then recovered to expand by 2.9% in 2010. Corporate earnings improved, underpinned by buoyant emerging-market economies and policy support measures, with increasingly buoyant corporate activity providing a following wind for recovery. Monetary policy tools continued to underpin the economy owing to delayed recovery in real estate markets and employment conditions.

The Federal Reserve Board (FRB) sought to shift gradually to a neutral policy stance, but found itself having again to take easing measures to provide further support. The FRB held the federal funds rate target at 0 0.25%, effectively maintaining a zero interest rate policy. Faced with widening concerns that European sovereign debts could derail financial markets and that this could adversely affect the real economy through weakness in real estate markets and a delayed recovery in the employment environment, the FRB strengthened its quantitative easing from November 2010, increasing the supply of funds through purchases of U.S. Treasuries in the bond market. The U.S. stock market declined in tandem with the spread of Europe s sovereign debt problems, but then saw a clear rise as the FRB stepped up its monetary easing. The Dow Jones Industrial Average stood at $10,856.63 at the end of March 2010 but rallied to $12,319.73 at the end of March 2011. The yield on 10-year U.S. Treasuries was at the 3.9% level in March 2010, fell to around 2.4% in October 2010 as the stock market declined and in expectation of FRB policy measures, then rose to around 3.5% in March 2011 amid the stock market rally and spreading concerns over a widening fiscal deficit.

European economies saw a mixed environment, with concerns over economic recovery, sovereign debt problems, and inflation. In the Eurozone, real GDP expanded 1.8% year-on-year in 2010 after contracting 4.1% in 2009. The European Central Bank (ECB) s monetary easing aided export recovery via depreciation of the euro, and fiscal stimulus measures by various countries governments contributed to gradual economic recovery. Concerns over sovereign debt problems as a side effect of fiscal stimulus disrupted financial markets, and were highlighted as having an adverse economic impact. Concerns over inflation also grew amid rising crude oil prices, and the view gained ground that the ECB would raise its policy rate. Stock prices rallied in parallel with advances in U.S. stock markets, with the benchmark German stock index (DAX) rising approximately 14% during the fiscal year ended March 31, 2011.

Asia ex-Japan economies also saw growing inflationary concerns as recovery continued. Real GDP growth in China in 2010 was 10.3%, versus 8.7% in 2009. Domestic demand continues to expand centering on investment, sustaining a strong recovery, but with consumer prices rising faster than the Chinese government s target, monetary policy has been tightened in phases along with measures to restrain increases in real estate prices. The key question is whether the government can follow a path of sustainable economic management that achieves a balance between economic growth and inflation curbs.

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Executive Summary

In the beginning of the fiscal year ended March 31, 2011, emerging countries drove economic activity in Japan and throughout the world. In April 2010, the TOPIX hit 998 points, the highest level of the period, while the S&P500 Index topped 1,200 points. In May 2010, bond markets became unstable in the face of sovereign debt problems in Greece and other countries in Europe. This resulted in a significant decline in liquidity, creating an adverse business environment. In the second half of the year, the market settled down and client-flow businesses recovered. In the U.S., the FRB continued its quantitative easing measures and otherwise tried to spur the economy in response to the delay in recovery of the employment situation and continued weakness in the housing market. The economy responded by showing signs of recovery, which helped the S&P500 Index rebound from a low of 1,022 points in July 2010 to 1,325 points at the end of March 2011. During this time, China and other emerging countries continued to enjoy strong economic growth on the back of robust domestic demand and enhanced economic partnerships within Asia. A few countries, including India and China, shifted to a monetary tightening policy upon sensing some economic overheating. Meanwhile, sovereign debt problems continued to be a cause of concern in certain European countries. The East Japan Earthquake in March 2011 negatively impacted business sentiment in Japan. The TOPIX temporarily dropped below 800 points, but subsequently rebounded to the end of the fiscal year at 869 points. The yen-dollar exchange rate also fell to a post-war high in the ¥76 range at one point, but then closed the fiscal year in the ¥83 range. Concerning financial regulations, the outline for Basel III (new capital requirement regulations for financial institutions) has become clearer as regulations on and oversight of financial institutions is becoming more stringent. Going forward, we must continue to carefully address related developments. Amid this environment, in line with our client-focused business strategy, the Retail division promoted consulting services and diversified its product offering, while the Asset Management division made efforts to expand assets under management and enhance investment performance, both in Japan and overseas. In the Wholesale division, created in April 2010, collaboration between businesses was bolstered, while initiatives were undertaken to increase revenues from client-flow businesses as well as to diversify the products and solutions offered. Investments aimed at building up the business platform, along with initiatives to manage costs, allowed us to post an overall profit for the eighth consecutive quarter, as well as to record profits in all three segments. We posted net revenue of ¥1,130.7 billion for the fiscal year ended March 31, 2011, a 2% decline from the previous year. Non-interest expenses decreased 1% from the previous year to ¥1,037.4 billion, income before income taxes was ¥93.3 billion, and net income attributable to the shareholders of Nomura was ¥28.7 billion. Consequently, ROE for the full fiscal year was 1.4%.

In Retail, net revenue for the year ended March 31, 2011 increased by 1% from the previous year to ¥392.4 billion, and income before income taxes decreased by 11% from the previous year to ¥101.2 billion. We continued to focus on providing clients consulting services to accommodate client needs. Consulting services resulted in balanced business growth, centered on equities, bonds, investment trusts and insurance products. There was a ¥3.9 trillion net inflow in retail client assets during the fiscal year. Due to the impact of the East Japan Earthquake on the stock market, total retail client assets dropped to ¥70.6 trillion at the end of the fiscal year, from ¥73.5 trillion at the end of the previous fiscal year. However, the number of client accounts increased by 50,000 to the end of the fiscal year at 4.94 million accounts, indicating steady growth in the business base.

In Asset Management, net revenue for the year ended March 31, 2011 increased by 15% from the previous year to ¥80.7 billion, due primarily to growth of assets under management. Non-interest expenses increased by 8% from the previous year to ¥55.7 billion and income before income taxes increased by 35% from previous year to ¥25.1 billion. Asset under management increased by ¥1.3 trillion from the end of March 2010 to ¥24.7 trillion at the end of March 2011. In the investment trust business, we saw an inflow of money, particularly from multi-currency funds. In the investment advisory business, there was an increase in mandates mainly from overseas clients.

In Wholesale, net revenue for the year ended March 31, 2011 decreased by 20% from the previous year to ¥630.5 billion. Our performance was most challenged in the first quarter, due primarily to the financial market turmoil related to Greece and the European sovereign crisis. As we shifted our strategy, our performance stabilized and improved from the second quarter to the fourth quarter, demonstrating good business momentum. Non-interest expenses increased by 2% to ¥623.8 billion, mostly as a result of international business expansion in the first half of the fiscal year. As a result, income before income taxes was ¥6.7 billion. The formal establishment of the Wholesale Division from April 2010 led to closer collaboration between business lines and as a result, we executed a number of cross-divisional transactions between Global Markets and Investment Banking.

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Results of Operations

Overview

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

The information for the fiscal year ended March 31, 2009 (from April 1, 2008 to March 31, 2009) was derived from the Annual Securities Report to the Financial Instruments and Exchange Act filed on June 30, 2009 and the amounts previously reported have been reclassified to conform to the fiscal year ended March 31, 2011 (from April 1, 2010 to March 31, 2011) presentation.

	Year Ended March 31			
	2009	2010	2011	
	(in millions of yen, except percentages)			
Non-interest revenues:				
Commissions	¥ 306,803	¥ 395,083	¥ 405,463	$ 4,899
Fees from investment banking	54,953	121,254	107,005	1,293
Asset management and portfolio service fees	140,166	132,249	143,939	1,739
Net gain (loss) on trading	(128,339)	417,424	336,503	4,066
Gain (loss) on private equity investments	(54,791)	11,906	19,292	233
Gain (loss) on investments in equity securities	(25,500)	6,042	(16,677)	(202)
Other	39,863	37,483	43,864	531
Total Non-interest revenues	333,155	1,121,441	1,039,389	12,559
Net interest revenue	(20,528)	29,381	91,309	1,103
Net revenue	312,627	1,150,822	1,130,698	13,662
Non-interest expenses	1,092,892	1,045,575	1,037,443	12,535
Income (loss) before income taxes	(780,265)	105,247	93,255	1,127
Income tax expense (benefit)	(70,854)	37,161	61,330	741
Net income (loss)	¥ (709,411)	¥ 68,086	¥ 31,925	$ 386
Less: Net income (loss) attributable to noncontrolling interests	(1,219)	288	3,264	40
Net income (loss) attributable to NHI shareholders	¥ (708,192)	¥ 67,798	¥ 28,661	$ 346
Return on equity	(40.2)%	3.7%	1.4%	

Net revenue decreased by 2% from ¥1,150.8 billion for the year ended March 31, 2010 to ¥1,130.7 billion for the year ended March 31, 2011. Commissions increased by 3%, due primarily to an increase in commissions for the distribution of investment trusts. As there were a number of large equity finance transactions with Japanese clients in the previous year compared with this year, fees from investment banking decreased by 12% for the year ended March 31, 2011. Asset management and portfolio service fees increased by 9%, due primarily to an increase in assets under management mainly driven by continuing cash inflows. Net gain on trading fell to ¥336.5 billion for the year ended March 31, 2011, due primarily to a decrease in equity trading. Gain on private equity investments was ¥19.3 billion for the year ended March 31, 2011 due primarily to realized gains on disposal of certain investments and unrealized gains on equity securities of certain investee companies.

Net revenue increased by 268% from ¥312.6 billion for the year ended March 31, 2009 to ¥1,150.8 billion for the year ended March 31, 2010. Commissions increased by 29%, due primarily to an increase in commissions for the distribution of investment trusts, reflecting the recovery from the overall market slump triggered by the turmoil in the global financial markets. Fees from investment banking increased by 121%, due primarily to an increase in transaction volume in equity finance for Japanese companies. Net gain on trading was ¥417.4 billion for the year ended March 31, 2010, due primarily to the recovery from the turmoil in the global financial markets. Gain on private equity investments was ¥11.9 billion for the year ended March 31, 2010 due primarily to realized and unrealized gains on equity securities of certain investee companies.

Net interest revenue was negative ¥20.5 billion for the year ended March 31, 2009, ¥29.4 billion for the year ended March 31, 2010 and ¥91.3 billion for the year ended March 31, 2011. Net interest revenue is a function of the level and mix of total assets and liabilities, which includes trading assets and financing and lending transactions, and the level, term structure and volatility of interest rates. Net interest revenue is an integral component of trading activity. In assessing the profitability of our overall business and of our Global Markets business in particular, we view net interest revenue and non-interest revenues in aggregate. For the year ended March 31, 2011, interest revenue increased by 47% due mainly to expansion of securitized product trading in our U.S. region and interest expense increased 24% due mainly to an increase in repo transaction. As a result, net interest revenue for the year ended March 31, 2011 increased by ¥61.9 billion from the year ended March 31, 2010. For the year ended March 31, 2010, interest revenue and interest expense decreased 29% and 41%, respectively, due primarily to decline of short-term interest rates of repurchase and reverse repurchase transactions. As a result, net interest revenue for the year ended March 31, 2010 increased by ¥49.9 billion from the year ended March 31, 2009.

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In our consolidated statements of operations, we include gains and losses on investments in equity securities within revenue. We recorded gains and losses on such investments in the amount of negative ¥25.5 billion for the year ended March 31, 2009, ¥6.0 billion for the year ended March 31, 2010 and negative ¥16.7 billion for the year ended March 31, 2011. This line item includes both realized and unrealized gains and losses on investments in equity securities held for operating purposes. These investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships.

Non-interest expenses decreased by 1% from ¥1,045.6 billion for the year ended March 31, 2010 to ¥1,037.4 billion for the year ended March 31, 2011. The decrease in non-interest expenses was caused by the decrease in other expenses by 12% from ¥142.5 billion for the year ended March 31, 2010 to ¥125.4 billion for the year ended March 31, 2011, due to, among other factors, impairment losses against affiliated companies were lower for the year ended March 31, 2011. The decrease in non-interest expenses was offset by a 7% increase in commissions and floor brokerage from ¥86.1 billion for the year ended March 31, 2010 to ¥92.1 billion for the year ended March 31, 2011.

Non-interest expenses decreased by 4% from ¥1,092.9 billion for the year ended March 31, 2009 to ¥1,045.6 billion for the year ended March 31, 2010. The decrease in non-interest expenses was caused by a decrease in other expenses by 46% from ¥262.6 billion for the year ended March 31, 2009 to ¥142.5 billion for the year ended March 31, 2010, primarily because impairment losses against affiliated companies were lower for the year ended March 31, 2010. The decrease in non-interest expenses was offset by the full-year recognition of compensation and benefits, information processing and communications, and occupancy and depreciation related to the acquisition of Lehman in October 2008 for the year ended March 31, 2010, while such expenses were recognized for a six month period in the year ended March 31, 2009.

Loss before income taxes was ¥780.3 billion for the year ended March 31, 2009, and income before income taxes was ¥105.2 billion for the year ended March 31, 2010 and ¥93.3 billion for the year ended March 31, 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. Since April 1, 2004, our domestic statutory tax rate has been approximately 41%. 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.

Income tax expense for the year ended March 31, 2011 was ¥61.3 billion, representing an effective tax rate of 65.8%. The significant factor causing the difference between the effective tax rate of 65.8% and the statutory tax rate of 41% were different tax rates applicable for foreign subsidiaries which increased the effective tax rate by 10.8%, taxable items to be added to financial profit and non-deductible expenses which increased the effective tax rate by 5.3% and 16.6%, respectively for the year ended March 31, 2011. The significant factor reducing the effective tax rate was non-taxable revenue which decreased the effective tax rate by 8.4%.

Income tax expense for the year ended March 31, 2010 was ¥37.2 billion, representing an effective tax rate of 35.3%. The significant factor causing the difference between the effective tax rate of 35.3% and the statutory tax rate of 41% was due to different tax rates applicable for foreign subsidiaries which decreased the effective tax rate by 26.9%. Other significant factors causing the difference were taxable items to be added to financial profit and non-deductible expenses which increased the effective tax rate by 10.8% and 10.5%, respectively for the year ended March 31, 2010.

Income tax benefit for the year ended March 31, 2009 was ¥70.9 billion, representing an effective tax rate of 9.1% which was significantly below the statutory tax rate of 41%. The most significant factor causing the difference was an increase in the valuation allowance, mainly relating to non-recoverability of losses in certain U.S. and U.K. subsidiaries and also future realizable losses in Japan as a result of the review of the future realizable value of the deferred tax assets. Although the increase in the valuation allowance generally has the effect of increasing the effective tax rate, this had the effect of decreasing the rate by approximately 27.6% due to losses from continuing operations. Other significant factors included tax benefits recognized on the devaluation of investments in foreign subsidiaries which increased the effective tax rate by approximately 7.5% and also the different tax rates applicable for foreign subsidiaries which decreased the effective tax rate by 9.9% for the year ended March 31, 2009.

Net loss attributable to NHI shareholders was ¥708.2 billion for the year ended March 31, 2009, and net income attributable to NHI shareholders was ¥67.8 billion for the year ended March 31, 2010 and ¥28.7 billion for the year ended March 31, 2011. Our return on equity was negative 40.2% for the year ended March 31, 2009, 3.7% for the year ended March 31, 2010, and 1.4% for the year ended March 31, 2011.

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Results by Business Segment

In April 2010, we established the Wholesale Division, encompassing the operations previously conducted by the Global Markets, the Investment Banking, and the Merchant Banking divisions. Also we realigned our reportable segments to reflect how we operate and manage our business. Accordingly, our operating management and management reporting are prepared based on the Retail, the Asset Management and the Wholesale segments. We disclose business segment information in accordance with this structure from the first quarter commencing on April 1, 2010. Gain (loss) on investments in equity securities, our share of equity in the earnings (losses) of affiliates, impairment losses on long-lived assets, corporate items and other financial adjustments are included as Other operating results outside of business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for operating purposes is classified as reconciling items outside of our segment information. The performance results by business segments are disclosed in Note 21 *Segment and geographic information* to our consolidated financial statements included in this annual report. The reconciliation of our segment results of operations and consolidated financial statements is also set forth in Note 21 *Segment and geographic information*. Certain reclassifications of reported amounts have been made to conform to the current year presentation.

Retail

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

Operating Results of Retail

	Year Ended March 31			
	2009	2010	2011	
	(in millions of yen)			
Non-interest revenues	¥ 287,750	¥ 384,816	¥ 389,404	$ 4,705
Net interest revenue	4,107	3,456	3,029	37
Net revenue	291,857	388,272	392,433	4,742
Non-interest expenses	273,620	274,915	291,245	3,519
Income before income taxes	¥ 18,237	¥ 113,357	¥ 101,188	$ 1,223

Net revenue for the year ended March 31, 2011 was ¥392.4 billion, increasing 1% from ¥388.3 billion for the year ended March 31, 2010, due primarily to increasing revenues from bond related products and commissions for distribution of investment trusts.

Net revenue for the year ended March 31, 2010 was ¥388.3 billion, increasing 33% from ¥291.9 billion for the year ended March 31, 2009, due primarily to increasing commissions for distribution of investment trusts.

Non-interest expenses for the year ended March 31, 2011 were ¥291.2 billion, increasing 6% from ¥274.9 billion for the year ended March 31, 2010, due primarily to an increase in compensation and benefits.

Non-interest expenses for the year ended March 31, 2010 were ¥274.9 billion, at a consistent level with ¥273.6 billion for the year ended March 31, 2009.

Income before income taxes was ¥18.2 billion for the year ended March 31, 2009, ¥113.4 billion for the year ended March 31, 2010, and ¥101.2 billion for the year ended March 31, 2011.

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The graph below shows the revenue composition by instrument in terms of Retail non-interest revenues for the years ended March 31, 2009, 2010, and 2011.

As described above, revenue composition of investment trusts and asset management was 59% for the year ended March 31, 2011, at a consistent level with the previous year. Revenue composition of equities decreased from 26% for the year ended March 31, 2010 to 22% for the year ended March 31, 2011. Revenue composition of bonds increased from 15% for the year ended March 31, 2010 to 18% for the year ended March 31, 2011, due primarily to an increase in revenue reflecting the increase in the sales of bonds. Revenue composition of variable annuity insurance unchanged from the previous year at 1%.

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Retail Client Assets

The following graph shows amounts and details regarding the composition of retail client assets at March 31, 2009, 2010, and 2011. Retail client assets consist of clients   assets held in our custody and assets relating to variable annuity insurance products.

Retail Client Assets

Retail client assets decreased from ¥73.5 trillion as of March 31, 2010 to ¥70.6 trillion as of March 31, 2011, due to the impact of the East Japan Earthquake on the stock market. The balance of our clients   investment trusts increased by 8% from ¥12.9 trillion as of March 31, 2010 to ¥13.9 trillion as of March 31, 2011, reflecting net cash inflows by clients of ¥1.4 trillion and market depreciation of ¥0.4 trillion.

Retail client assets increased by ¥14.2 trillion from ¥59.3 trillion as of March 31, 2009 to ¥73.5 trillion as of March 31, 2010, due primarily to market appreciation of equity securities. The balance of our clients   investment trusts increased by 25% from ¥10.4 trillion as of March 31, 2009 to ¥12.9 trillion as of March 31, 2010, reflecting net cash inflows by clients of ¥0.8 trillion and market appreciation of ¥1.7 trillion.

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Asset Management

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

Operating Results of Asset Management

	Year Ended March 31			
	2009	2010	2011	
	(in millions of yen)			
Non-interest revenues	¥ 56,463	¥ 68,280	¥ 76,269	$ 922
Net interest revenue	3,326	2,085	4,475	54
Net revenue	59,789	70,365	80,744	976
Non-interest expenses	52,409	51,771	55,691	673
Income before income taxes	¥ 7,380	¥ 18,594	¥ 25,053	$ 303

Net revenue increased by 15% from ¥70.4 billion for the year ended March 31, 2010 to ¥80.7 billion for the year ended March 31, 2011, due primarily to the increase in assets under management mainly driven by continuing cash inflows.

Net revenue increased by 18% from ¥59.8 billion for the year ended March 31, 2009 to ¥70.4 billion for the year ended March 31, 2010, due primarily to the increase in assets under management mainly driven by the stock market appreciation.

Non-interest expenses increased by 8% from ¥51.8 billion for the year ended March 31, 2010 to ¥55.7 billion for the year ended March 31, 2011.

Non-interest expenses decreased by 1% from ¥52.4 billion for the year ended March 31, 2009 to ¥51.8 billion for the year ended March 31, 2010.

Income before income taxes was ¥7.4 billion for the year ended March 31, 2009, ¥18.6 billion for the year ended March 31, 2010 and ¥25.1 billion for the year ended March 31, 2011.

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

	March 31 2009	March 31 2010	March 31 2011
	(in billions of yen)		
Nomura Asset Management Co., Ltd.	¥ 19,993	¥ 23,292	¥ 27,034
Nomura Funds Research and Technologies Co., Ltd.	1,634	1,525	2,824
Nomura Corporate Research and Asset Management Inc.	1,049	1,107	1,841
Private Equity Funds Research and Investments Co., Ltd.	600	578	538
Nomura Funds Research and Technologies America, Inc.	216	240	196
Nomura Asset Management Deutschland KAG mbH.	172	220	294
Combined total	¥ 23,663	¥ 26,962	¥ 32,727
Overlapping asset accounts among group companies	(3,432)	(3,518)	(8,014)
Total	¥ 20,231	¥ 23,444	¥ 24,713

Assets under management were ¥24.7 trillion as of March 31, 2011, a ¥4.5 trillion increase from March 31, 2009, and a ¥1.3 trillion increase from March 31, 2010.

In our investment trust business, we have continuing cash inflows mainly from currency selection type funds. In the investment advisory business, there was an increase in mandates mainly from overseas clients. Investment trust assets included in assets under management by Nomura Asset Management Co., Ltd. (NAM) were ¥15.9 trillion as of March 31, 2011, up ¥1.3 trillion, or 9%, from the previous year, reflecting net cash inflows by clients of ¥1.7 trillion and market depreciation of ¥0.5 trillion. The balance of investment trusts such as Nomura Global High Yield Bond Fund (Basket Currency Selection Type), Nomura US High Yield Bond Fund (Currency Selection Type) and Nomura Japan Brand Stock Investment Fund (Currency Selection Type) increased. For the year ended March 31, 2010, the balance of investment trusts managed by NAM were ¥14.7 trillion as of March 31, 2010, up ¥1.7 trillion, or 13%, from the previous year, reflecting net cash outflows by clients of ¥0.4 trillion and market appreciation of ¥2.1 trillion.

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

NAM s share of the fund market in Japan

	As of March 31 2009	As of March 31 2010	As of March 31 2011
Total of publicly offered investment trusts	22%	20%	22%
Stock investment trusts	16%	15%	17%
Bond investment trusts	44%	43%	43%

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Wholesale

The formal establishment of the Wholesale Division from April 2010 led to closer collaboration between business lines and as a result we executed a number of cross-divisional transactions between Global Markets and Investment Banking.

Operating Results of Wholesale

	Year Ended March 31			
	2009	2010	2011	
	(in millions of yen)			
Non-interest revenues	¥ (146,522)	¥ 763,567	¥ 534,094	$ 6,454
Net interest revenue	(17,108)	25,964	96,442	1,165
Net revenue	(163,630)	789,531	630,536	7,619
Non-interest expenses	553,695	614,349	623,819	7,538
Income (loss) before income taxes	¥ (717,325)	¥ 175,182	¥ 6,717	$ 81

Net revenue decreased by 20% from ¥789.5 billion for the year ended March 31, 2010 to ¥630.5 billion for the year ended March 31, 2011, due primarily to the financial market turmoil related to Greece and the European sovereign crisis.

Non-interest expenses increased by 2% from ¥614.3 billion for the year ended March 31, 2010 to ¥623.8 billion for the year ended March 31, 2011 as a result of international business expansion in the first half of the fiscal year, while controlling compensation and benefits based on performance.

Loss before income taxes was ¥717.3 billion for the year ended March 31, 2009 and income before income taxes was ¥175.2 billion for the year ended March 31, 2010 and ¥6.7 billion for the year ended March 31, 2011.

Global Markets

We have a proven track record in sales and trading of bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to domestic and overseas institutional investors. In response to the increasingly diverse and complex needs of our clients, we are building up our trading and product origination capabilities to offer superior products not only to domestic and overseas institutional investors but also to the Retail and the Asset Management. This cross-divisional approach also extends to the Investment Banking, where close collaboration leads to high value-added solutions for our clients.

We continue to develop extensive ties with institutional investors in Japan and international markets; wealthy and affluent investors, public-sector agencies, and regional financial institutions in Japan; and government agencies, financial institutions, and corporations around the world. These ties enable us to identify the types of products of interest to investors and then to develop and deliver products that meet their needs.

	Year Ended March 31			
	2009	2010	2011	
	(in millions of yen)			
Net revenue	¥ (157,254)	¥ 658,441	¥ 518,788	$ 6,268
Non-interest expenses	417,387	486,433	499,300	6,033
Income (loss) before income taxes	¥ (574,641)	¥ 172,008	¥ 19,488	$ 235

Net revenue decreased from ¥658.4 billion for the year ended March 31, 2010 to ¥518.8 billion for the year ended March 31, 2011. In Fixed Income, net revenue decreased from ¥308.0 billion for the year ended March 31, 2010 to ¥259.8 billion for the year ended March 31, 2011. In

Equities, net revenue decreased from ¥352.8 billion for the year ended March 31, 2010 to ¥227.3 billion for the year ended March 31, 2011. Despite the overall drop in revenues amid difficult market conditions, client revenues increased as our investments in our client franchise and a broader product offering continued to produce results. In Fixed Income, we successfully diversified our revenue mix between products and regions. From a regional point of view, we saw a big jump in contribution from the Americas (in our first full year of operation), and Asia revenues also rose year on year. In terms of products, securitized products showed the largest revenue increase with foreign exchange products also reflecting an increase in revenue, while rates and credit performed relatively well. In Equities, we continued to round out our research and execution platforms overseas, and execution services again provided the largest revenue contribution. We also responded effectively to client needs and provided substantial liquidity to clients after the East Japan Earthquake, thus capturing a higher market share in Japan.

Net revenue increased from negative ¥157.3 billion for the year ended March 31, 2009 to ¥658.4 billion for the year ended March 31, 2010. In Fixed Income, net revenue increased from negative ¥217.2 billion for the year ended March 31, 2009 to ¥308.0 billion for the year ended March 31, 2010. In Equities, net revenue increased from ¥98.9 billion for the year ended March 31, 2009 to ¥352.8 billion for the year ended March 31, 2010. Over the past year we have seen positive results from our expanded business platform following the acquisition of certain Lehman Brothers operations in October 2008. In addition to growth in client equity and fixed income trading in Japan, we also saw an increase in such businesses in both Europe and Asia. In Equities, we expanded our client franchise by enhancing services related to European and Asian equities in addition to our existing Japanese equity-related business and by serving clients with our advanced technologies. In Fixed Income, we became a Primary Dealer in the U.S. as we continued our platform build out aimed at delivering world-class products and services. In Global Markets, we are working to build a regionally-balanced earnings structure with a focus on client trades.

Non-interest expenses increased by 3% from ¥486.4 billion for the year ended March 31, 2010 to ¥499.3 billion for the year ended March 31, 2011, due primarily to increases in infrastructure cost for business expansion.

Non-interest expenses increased by 17% from ¥417.4 billion for the year ended March 31, 2009 to ¥486.4 billion for the year ended March 31, 2010, due primarily to increases in commissions, floor brokerage and compensation and benefits.

Loss before income taxes was ¥574.6 billion for the year ended March 31, 2009 and income before income taxes was ¥172.0 billion for the year ended March 31, 2010 and ¥19.5 billion for the year ended March 31, 2011.

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Investment Banking

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

	Year Ended March 31			
	2009	2010	2011	2011
	(in millions of yen)			
Investment Banking (Gross)	¥ 87,559	¥ 196,076	¥ 185,011	$ 2,236
Allocation to Other divisions	(24,060)	(77,154)	(82,623)	(998)
Investment Banking (Net)	63,499	118,922	102,388	1,238
Other	(69,875)	12,168	9,360	113
Net revenue	(6,376)	131,090	111,748	1,351
Non-interest expenses	136,308	127,916	124,519	1,505
Income (loss) before income taxes	¥ (142,684)	¥ 3,174	¥ (12,771)	$ (154)

Net revenue decreased from ¥131.1 billion for the year ended March 31, 2010 to ¥111.7 billion for the year ended March 31, 2011. Net revenue of investment banking (net) decreased from ¥118.9 billion for the year ended March 31, 2010 to ¥102.4 billion for the year ended March 31, 2011. Net revenue of other decreased from ¥12.2 billion for the year ended March 31, 2010 to ¥9.4 billion for the year ended March 31, 2011. In the year ended March 31, 2011, realized gains from investments in Japan were ¥11.1 billion. Realized losses from the Terra Firma Investments were ¥3.4 billion and unrealized gains from the Terra Firma Investments were ¥14.6 billion. Realized and unrealized gains arose primarily on residential real estate, leisure and utilities sectors while realized losses are related to the exit of a media business.

Net revenue increased from negative ¥6.4 billion for the year ended March 31, 2009 to ¥131.1 billion for the year ended March 31, 2010. Net revenue of investment banking (net) increased from ¥63.5 billion for the year ended March 31, 2009 to ¥118.9 billion for the year ended March 31, 2010, due primarily to increased transaction volume in equity finance by major Japanese financial institutions and corporations. Net revenue of other increased from negative ¥69.9 billion for the year ended March 31, 2009 to ¥12.2 billion for the year ended March 31, 2010, due primarily to realized and unrealized gains on equity securities of certain investee companies. In the year ended March 31, 2010, unrealized gains from investments in Japan were ¥4.8 billion. Realized gains from the Terra Firma Investments were ¥0.6 billion and unrealized gains from the Terra Firma Investments were ¥8.4 billion. Realized and unrealized gains arose from improving markets, primarily in residential real estate, renewable energy and utilities sectors. In the year ended March 31, 2009, realized gains from investments in Japan were ¥42.0 billion and unrealized losses from investments in Japan were ¥78.0 billion. Realized gains from the Terra Firma Investments were ¥6.7 billion and unrealized losses from the Terra Firma Investments were ¥15.7 billion. Realized gains resulted from the exit of certain retail and service industry investments. Unrealized losses resulted from underperformance of investments in the media, aircraft leasing, waste management and renewable energy sectors.

Non-interest expenses decreased by 3% from ¥127.9 billion for the year ended March 31, 2010 to ¥124.5 billion for the year ended March 31, 2011 as a result of our controlling compensation and benefits based on performance.

Non-interest expenses decreased by 6% from ¥136.3 billion for the year ended March 31, 2009 to ¥127.9 billion for the year ended March 31, 2010, due primarily to a decrease of professional fees.

Loss before income taxes was ¥142.7 billion for the year ended March 31, 2009, income before income taxes was ¥3.2 billion for the year ended March 31, 2010 and loss before income taxes was ¥12.8 billion for the year ended March 31, 2011.

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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. Please refer to Note 21 *Segment and geographic information* to our consolidated financial statements included in this annual report.

Loss before income taxes in other operating results was ¥65.4 billion for the year ended March 31, 2009, ¥211.3 billion for the year ended March 31, 2010 and ¥22.8 billion for the year ended March 31, 2011.

Other operating results for the year ended March 31, 2011 include the gains 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 of ¥9.3 billion ($0.11 billion), the negative impact of our own creditworthiness on derivative liabilities which resulted in gains of ¥20.5 billion ($0.25 billion) and the losses from changes in counterparty credit spreads of ¥6.6 billion ($0.08 billion).

Summary of Regional Contribution

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

Cash flows

Please refer to Item 2. Operating and Financial Review, 6. Operating and Financial Analysis, (4) Liquidity and Capital Resources.

(2) Trading Activities

Assets and liabilities for trading purposes

For disclosures relating to the assets and liabilities for trading purposes, please refer to Item 5. Financial Information, 1. Consolidated Financial Statements and Other, Note 3, Fair value of financial instruments as well as Note 4, Derivative instruments and hedging activities .

Risk management of trading activity

Value at Risk (VaR) is the tools we use to measure market risk of our trading related business.

1) Assumption on VaR

- 2.33 standard deviations 99% confidence level
- Holding period: One day
- Consider correlation of price movement among the products

2) Records of VaR

	March 31, 2010 (Bil Yen)	March 31, 2011 (Bil Yen)

Equity	2.6	1.8
Interest rate	4.4	4.1
Foreign exchange	10.5	4.5
Sub-total	17.5	10.4
Diversification benefit	(5.0)	(4.1)
Value at Risk (VaR)	12.5	6.3

	Year ended March 31, 2011		
	Maximum (Bil Yen)	**Minimum (Bil Yen)**	**Average (Bil Yen)**
Value at Risk (VaR)	13.6	6.0	9.1

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2. Current Challenges.

Although the global economy was moving gradually toward normality supported by emerging markets, it is facing uncertainty due to the unstable political situation in the Middle East, sovereign crisis in Europe and the East Japan Earthquake in March. In this environment, we plan to address the needs of our clients globally by taking advantage of our strengthened business platform and to grow our client base and improve our market share. We will continue to strategically allocate management resources towards social responsibility to contribute to a stable forum for providing steady liquidity through properly functioning markets.

In addition, we will continue to proceed with our plans to reduce costs by reengineering businesses to fit the market environment and increase operational efficiency.

To achieve our strategic goals, we will implement the following initiatives:

Retail Division

In the Retail Division, we will continue to enhance our products and service offerings, which are provided through Financial Advisors, online or via call centers to accommodate increasingly sophisticated and diverse client needs. We aim to enhance investment consultation services and to continue being a trusted partner to our clients by providing world-class products and services that meet their individual needs.

Asset Management Division

In our investment trust business, we aim to provide individual clients with a diverse range of investment opportunities to meet investors needs and in investment advisory business, we aim to provide institutional clients globally with value-added investment service. Together, we intend to increase assets under management and expand our client base.

We aim to increase our world-class competitive advantage in Japan and the rest of Asia by making continuous efforts to improve investment performance and to gain trust from investors worldwide.

Wholesale Division

Global Markets will enhance our product development expertise to continue acting as our product supply hub and also work to expand profitability. We will focus on delivering high value-added products and solutions to our clients by leveraging our global trading infrastructure and making full use of our strengthened business franchise. In Fixed Income, we will strengthen not only our global marketing structure but also our trading and product development capabilities. In Equities, we will continue to act as a world-class liquidity provider. Through even closer co-operation between Fixed Income and Equities we will aim for synergies in structuring, research, distribution, and risk management.

In Investment Banking, we are expanding our M&A advisory and corporate finance businesses to diversify sources of profit by providing high value-added solutions to meet the individual needs of each client. We aim to enhance our presence as a global investment bank headquartered in Asia that provides world-class services, while continuing to build our business in Japan.

In implementing the initiatives outlined above, we will enhance collaboration between divisions. We aim to bring together the collective strengths of our domestic and international operations to realize our management objectives and to maximize shareholder value by enhancing profitability across our businesses, while helping to strengthen the global financial and capital markets.

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

With respect to regulatory tightening, we will continue to closely monitor global regulatory trends, namely with respect to regulatory capital and move forward with measures for preparedness. We have been closely monitoring developments concerning Basel III regulations since it was first announced at the end of 2010.

We understand that it is necessary to further strengthen our global risk management system. By adopting a proactive risk management approach, senior management has directly engaged in risk management-related decision making. We will continue to strengthen this system.

The East Japan Earthquake heightened our awareness of the importance of a crisis management structure and business continuity plans. We will work to further enhance our existing crisis management scheme including our system infrastructure and business recovery system.

As our business becomes increasingly international, we recognize the growing importance of compliance. In addition to complying with laws and regulations, we view compliance in a wider context. We will further enhance Nomura Group s overall compliance system.

We view talented personnel as key assets. In line with our basic client-oriented business approach, we have established globally-uniform personnel policies firmly rooted in the belief that employees should be rewarded for their overall performance. We will continue to build a professional organization capable of delivering a comprehensive range of services that satisfy our clients.

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3. Risk Factors.

Risk Factors

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

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

In the past several years, financial markets and economic conditions in Japan and elsewhere around the world have changed rapidly and, for a period of time, very negatively. In particular, in 2008 and through to early 2009, the financial services industry, global securities markets and real economies, especially in developed countries, were materially and adversely affected by a world-wide market crisis and dislocation. While the world economy grew in 2010 due to stimuli from expansive monetary and fiscal policies, the global markets face new challenges arising out of concerns over economic and structural issues in the peripheral countries of the Eurozone as well as political instability in certain regions such as the Middle East, and the economic outlook in the medium to long term remains uncertain.

In addition, not only purely economic factors but also future war, acts of terrorism, economic or political sanctions, disease pandemics, geopolitical risks and events, natural disasters or other similar events could have a material adverse effect on economic and financial market conditions. For example, with respect to our home market of Japan, the economic downturn has prolonged and may worsen in the future due to the economic consequences resulting from direct and indirect negative effects of the East Japan Earthquake in March 2011, including damages to nuclear power plant and resulting power shortages, and supply line disruptions. A sustained market/economic downturn can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market/economic downturn, we may incur substantial losses due to market volatility. Also, governmental fiscal and monetary policy changes in Japan and other jurisdictions where we conduct business and other business environmental changes may adversely affect our business, financial condition and results of operations. The following are certain risks related to the financial markets and economic conditions on our specific businesses.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

Changes in financial or economic conditions would likely to affect the number and size of transactions for which we provide securities underwriting, financial advisory and other investment banking services. Our investment banking revenues, which include fees from these services, are directly related to the number and size of the transactions in which we participate and would therefore decrease if there are financial and market changes unfavorable to our investment banking business and our clients.

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in fixed income, equity and other markets, both for our own account and for the purpose of facilitating our clients trades. Our positions consist of various types of assets, including financial derivatives transactions in equity, interest rate, currency, credit, commodity and other markets, as well as in loans and real estate. Fluctuations in the markets where these assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets we do not own, or have short positions, an upturn in the prices of the assets could expose us to potentially significant losses. Although we have worked to mitigate these position risks with a variety of hedging techniques, these market movements could result in losses. We can incur losses if the financial system is overly stressed and the markets move in a way we have not anticipated, as a result of specific events such as the global financial and credit crisis in the autumn of 2008.

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

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

In addition, if we are the party providing collateral in a transaction, significant declines in the value of the collateral can increase our costs and reduce our profitability; and if we are the party receiving collateral, such declines can reduce our profitability by reducing the level of business done with our clients and counterparties.

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

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

Extended market declines can reduce liquidity and lead to material losses

Extended market declines can reduce the level of market activity and the liquidity of the assets traded in the market for our business, which may make it difficult to sell, hedge or value such assets. If we cannot properly close out or hedge our associated positions in a timely manner or in full, particularly with respect to over-the-counter derivatives, we may incur substantial losses. Further, the inability or difficulty of monitoring prices in a less liquid market could lead to unanticipated losses.

Our hedging strategies may not prevent losses

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

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

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

Market risk may increase other risks that we face

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

Also, if we incur substantial trading losses caused by our exposure to market risk, our need for liquidity could rise sharply while our access to cash may be impaired as a result of market perception of our credit risk. Furthermore, in a market downturn, our clients and counterparties could incur substantial losses of their own, thereby weakening their financial condition and, as a result, increasing our credit risk exposure to them.

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

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

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

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

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

We may be unable to access the debt capital markets

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

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

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

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

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

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We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

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

Further, other factors which are not specific to us may increase our funding cost, such as negative market perception of Japanese fiscal soundness.

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

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

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

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

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

Credit risk may also arise from:

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

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

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

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

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

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

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

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

The financial services industry is intensely competitive and rapidly consolidating

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

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

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

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

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have consolidated with other financial institutions in Japan and overseas. Through such business alliances and consolidations, these other securities companies and commercial banks have the ability to offer a wide range of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services within their group. This diversity of services offered may enhance their competitive position compared with us. They also have the ability to supplement their investment banking and brokerage businesses with commercial banking, insurance and other financial services revenues in an effort to gain market share. Our policy to remain independent from commercial banks may result in a loss of market share as these large, consolidated firms expand their businesses.

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

We believe that significant opportunities and challenges will arise for us outside of Japan. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the U.S., Europe and Asia. Some of these financial services firms are larger, better capitalized and have a stronger local presence and a longer operating history in these markets. As a means to bolster our international operations, we acquired certain Lehman operations in Europe, the Middle East and Asia in 2008 and we have been rebuilding and expanding our operations in these regions and the U.S. We believe that expansion and strengthening of our international business will be important to our global success, and failure to expand and strengthen our international operations may materially and adversely affect our global strategy.

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

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

- failure to execute, confirm or settle securities transactions,
- failure by officers or employees to perform proper administrative activities prescribed in our regular procedures, such as placing erroneous orders to securities exchanges,
- suspension or malfunction of internal or third party systems, or unauthorized access, misuse and computer viruses affecting such systems,
- the destruction of our facilities or systems or impairment of our ability to do business arising from the impacts of disasters or acts of terrorism, which are beyond anticipation and may not be covered by our contingency plan or
- the disruption of our business due to pandemic diseases or illnesses, such as avian and swine flu.

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

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

Our exposure to legal liability is significant

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

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

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

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

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

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. For example, to improve the stability and transparency of Japan s financial system and to ensure the protection of investors, a bill to amend the FIEA was passed by the Diet, which became effective on April 1, 2011, excluding certain sections. The amendment strengthened supervision through introducing corporate group regulations, which we are subject to, such as consolidated capital adequacy regulations on financial instruments business operators the size of which exceeds specified parameters and on certain parent companies, and by requiring reports on the financial status of such companies. In addition, the Financial Services Agency (the FSA) amended the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. which became effective on April 1, 2011. Such amendment includes, among others, restrictions on the compensation systems of corporate groups of specified parent company, including Nomura Group, which are designed to reduce excessive risk taking by their executives and employees. For more information about such amendments, see *Regulation Japan* under Item 4.B. of this annual report.

In addition, in response to the financial markets crisis in the autumn of 2008, various reforms to the financial regulatory framework at a national level and by international agreements, such as the agreements reached at the Group of Twenty (G-20) Summit, are undergoing to restore financial stability and to enhance financial industry s resilience against future crises. Such proposals for reform include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) in the U.S. and various proposals to strengthen financial regulation in the European Union and the United Kingdom (U.K.). The impact of these proposals (including bank levy) on us and our industry may be significant. However, policy responses to such proposals and amendment of existing systems are still ongoing and are difficult to precisely predict at this point. For more information about such regulations, see *Regulation Overseas* under Item 4.B. of this annual report.

The changes in regulations on accounting standards, consolidated regulatory capital adequacy rules and liquidity ratio could also have a material adverse affect on our business, financial condition, and results of operations. For example, we currently calculate our consolidated regulatory capital adequacy ratio in accordance with the FSA s notice on Basel II based consolidated capital adequacy rules applicable to the Ultimate Designated Parent Company as defined in *Regulation-Japan* under Item 4.B. below. Although specific rules to implement the Basel III measures announced by the Basel Committee on Banking Supervision (the Basel Committee) are yet to be finalized in Japan by the FSA, the implementation of those new measures may cause our capital adequacy ratio to decrease or may require us to liquidate assets, raise additional capital or otherwise restrict our business activities in a manner that could adversely increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders. In addition to the Basel III, the Financial Stability Board and the Basel Committee are considering proposals to impose additional regulatory capital requirements to global systemically important financial institutions (G-SIFIs), identified by financial regulators. The costs and its impact upon us as described above may further increase if we are identified as the G-SIFIs. For more information about such measures, see *Consolidated Regulatory Requirements* under Item 5.B. of this annual report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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6. Operating and financial analysis.

(1) Operating and financial analysis

Please refer to Item 2. Operating and Financial Review 1. Operating Results . See also 2. Current Challenges and 3. Risk Factors .

(2) Critical accounting policies and estimates

Use of estimates

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

Fair value of financial instruments

A significant amount of Nomura s financial assets and financial liabilities are carried at fair value, with changes in fair value recognized through the consolidated statements of operations. Use of fair value is either specifically required under U.S. GAAP or Nomura makes an election to use fair value for certain eligible items under the fair value option.

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

In accordance with 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 inputs used to establish fair value.

Level 1:

Unadjusted quoted prices in active markets for identical assets or liabilities accessible by us at the measurement date.

Level 2:

Quoted prices in inactive markets or 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.

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

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

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

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Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 5% as of March 31, 2011 as listed below:

	Billions of yen March 31, 2011					
	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)	7,715	7,509	723		15,947	5%
Derivative, Assets	698	15,664	557	(15,428)	1,491	
Derivative, Liabilities	757	15,903	573	(15,577)	1,656	

Please refer to Item 5. Financial Information, 1. Consolidated Financial Statements and Other, Note 3, *Fair value of financial instruments* for further information.

Private equity business

Please refer to Item 5. Financial Information, 1. Consolidated Financial Statements and Other, (1). Consolidated Financial Statements, Notes to the Consolidated Financial Statements, Note 2, *Summary of accounting policies: Private equity business* and Note 5, Private equity business .

Derivative contracts

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

Fair value amounts recognized for derivative instruments entered into under a legally enforceable master netting agreement are offset in the consolidated balance sheets and fair value amounts recognized for the right to reclaim cash collateral (a receivable) and the obligation to return cash collateral (a payable) are also offset against net derivative liabilities and net derivative assets, respectively.

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

	Billions of yen		Translation into billions of U.S. dollars	
	March 31, 2011			
	Assets	Liabilities	Assets	Liabilities
Listed derivatives	¥ 224	¥ 334	$ 3	$ 4
OTC derivatives	1,267	1,322	15	16
	¥ 1,491	¥ 1,656	$ 18	$ 20

	Billions of yen March 31, 2010	
	Assets	Liabilities
Listed derivatives	¥ 901	¥ 990
OTC derivatives	1,135	1,170
	¥ 2,036	¥ 2,160

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The fair value of OTC derivative assets and liabilities as of March 31, 2011 and 2010 by remaining contractual maturity are shown below:

	Billions of yen March 31, 2011						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(1)	Total fair value
OTC derivative assets	¥ 512	¥ 598	¥ 717	¥ 575	¥ 1,424	¥ (2,559)	¥ 1,267
OTC derivative liabilities	713	768	612	681	1,369	(2,821)	1,322

	Billions of yen March 31, 2010						
	Years to Maturity						
	Less than 1 year	1 to 3 years	3 to 5 years	5 to 7 years	More than 7 years	Cross-maturity netting(1)	Total fair value
OTC derivative assets	¥ 720	¥ 621	¥ 727	¥ 428	¥ 1,426	¥ (2,787)	¥ 1,135
OTC derivative liabilities	1,157	689	733	505	1,250	(3,164)	1,170

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

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

We realize gains or losses relating to changes in credit risk on our derivative contracts together with the movements of trading positions, which include derivatives, that are expected to mitigate the above mentioned impact of changes in credit risk. We have various derivative contracts with exposure to credit risk including those with monoline insurers (financial guarantors). See *Monoline insurers (financial guarantors)* below for further information.

The impact of changes in our own creditworthiness on derivative liabilities was a gain of ¥20 billion ($0.25 billion) for the year ended March 31, 2011.

Goodwill

Under U.S. GAAP, goodwill must be allocated to reporting units and tested for impairment at least annually. The assumptions used in the valuations of the reporting units include estimates of future cash flows and the cost of equity used to discount those cash flows to a present value.

Goodwill impairment testing is performed at a level below the business segments.

In the global capital markets there exist uncertainties due to, but not limited to, economic and market conditions. Deterioration in economic and market conditions may result in declines in business performance. Such declines in business performance, or increase in the estimated cost of equity, could cause the estimated fair values of the reporting units or associated goodwill to decline, which could result in an impairment charge to earnings in a future period related to some portion of the associated goodwill.

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 exposures. We also have exposures to Special Purpose Entities (SPEs) and monoline insurers (financial guarantors).

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 location of the underlying collateral as of March 31, 2011.

	March 31, 2011				
	Japan	Asia	Europe (in millions)	Americas	Total
Commercial mortgage-backed securities[2]	¥ 11,437	¥	¥ 13,474	¥ 82,438	¥ 107,349
Residential mortgage-backed securities[3]	12,419		20,854	329,479	362,752
Commercial real estate-backed securities	27,665				27,665
Other securitization products[4]	88,507	315	7,180	92,011	188,013
Total	¥ 140,028	¥ 315	¥ 41,508	¥ 503,928	¥ 685,779

(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 ¥26,753 million exposure, as whole loans and commitments, to U.S. CMBS-related business as of March 31, 2011.

(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) Other securitization products mainly include collateralized loan obligations (CLO), collateralized debt obligations (CDO) and asset-backed securities (ABS) (eg. credit card loans, auto loans, student loans and etc.)

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The following table provides our exposure to CMBS by geographical region and the external credit ratings of the underlying collateral as of March 31, 2011.

	March 31, 2011 (in millions)								
	AAA	AA	A	BBB	BB	B	Not rated	GSE(1)	Total
Japan	¥ 5,332	¥ 1,610	¥	¥ 580	¥ 1,271	¥	¥ 2,644	¥	¥ 11,437
Europe	1,165	680	3,366	2,173	1,484	2,967	1,639		13,474
Americas	12,270	1,411	16,469	18,861	12,356	4,775	16,256	40	82,438
Total	¥ 18,767	¥ 3,701	¥ 19,835	¥ 21,614	¥ 15,111	¥ 7,742	¥ 20,539	¥ 40	¥ 107,349

(1) GSE (Government Sponsored Enterprises).

(2) Rating based on the lowest rating given by Standard & Poor s, Moody s Investors Service, Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of March 31, 2011.

Monoline Insurers (financial guarantors)

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

	March 31, 2011				
Monoline Insurers by Credit Rating(1)	Notional(2)	Gross Exposure(3)	Counterparty Risk Reserves and Other Adjustments	Net Exposure	CDS Protection(4)(5)
	(in millions)				
Non-investment grade	$ 5,192	$ 1,116	$ 850	$ 266	$ 167
Total	$ 5,192	$ 1,116	$ 850	$ 266	$ 167

(1) Rating based on the lower of either Standard & Poor s or Moody s Investors Service as of March 31, 2011. Unrated monoline exposures are included in non-investment grade.

(2) The gross notional value of the credit derivative contract. There is no exposure related to U.S. RMBS as reference assets.

(3) Gross exposure represents the estimated fair value prior to Counterparty Risk Reserves and Other Adjustments.

(4) Notional of CDS protection less estimated fair value of CDS protection acquired against the monoline insurers.

(5) Other than above, we also sell protection primarily to facilitate transactions for our clients referencing a basket of names including monoline insures. As of March 31, 2011, our exposure arising from such trades was $34 million.

Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic location of the target company as of March 31, 2011.

	March 31, 2011			
	Millions of yen			Translation into millions of U.S. dollars
	Funded	Unfunded	Total	Total
Japan	¥ 3,276	¥	¥ 3,276	$ 40
Europe	62,208	6,008	68,216	824
Americas		1,220	1,220	15
Total	¥ 65,484	¥ 7,228	¥ 72,712	$ 879

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Special Purpose Entities

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

For further discussion on Nomura s involvement with Variable Interest Entities (VIEs), see Note 8, *Securitization and Variable Interest Entities* in our consolidated financial statements included in this annual report.

Accounting Developments

See Note 2, *Summary of accounting policies: New accounting pronouncements recently adopted* , in our consolidated financial statements included in this annual report.

(3) Quantitative and Qualitative Disclosures about Market Risk

Risk Management

The business activities of Nomura are exposed to various risks such as market risk, credit risk, operational risk and other risks caused by external factors. We have established a risk management framework to provide comprehensive controls, monitoring and reporting of these risks in order to maintain financial soundness and our corporate values.

Global Risk Management Structure

Governance

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

Basic Principles of Risk Management

We define risks as (i) the potential erosion of Nomura Group s capital base due to unexpected losses from business operations, (ii) the potential lack of access to funds due to deterioration of the Nomura Group s creditworthiness or deterioration in market conditions, and (iii) the potential failure of revenues to cover expenses due to the deterioration of the 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 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, we practice 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, each and all.

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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 impregnate 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 is a 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.

Risk Management Organizations

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

Executive Management Board

The EMB deliberates on and determines our management strategy, allocation of management resources and important management matters of Nomura by promoting the effective use of management resources and execution of business with the unified objective to contribute to increasing of shareholder value.

Group Integrated Risk Management Committee

The GIRMC deliberates on and determines important matters concerning integrated risk management of Nomura 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 our risk appetite and the framework of integrated risk management in accordance with the risk appetite.

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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 Nomura. The CRO not only regularly reports on the status of our 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 Unit

The Risk Management Unit 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 Department is responsible for establishing and operating risk management processes, establishing and enforcing risk management policies and regulations, verifying the effectiveness of risk management methods, gathering reports from Nomura 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.

Classification and Definition of Risk

We classify and define risks as follows and have 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 liabilities (including off balance sheet items) due to fluctuations in market risk factors (interest rates, foreign exchange rates, prices of securities and others).
Credit Risk	Risk of losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deteriorations in creditworthiness or default of an obligor or counterparty.
Country Risk	Risk caused 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, decrease in predictability and stability of political measures, economic downturn or social turmoil.
Operational Risk	Risk of loss associated with inadequate or failed internal processes, people and systems or from external events.
System Risk	Within Operational Risk, risk of losses due to system defects including, but not limited to computer crash or malfunction, or risk of losses due to unauthorized use of computers.
Liquidity Risk	Risk of losses arising from difficulty in securing necessary funding or from a significantly higher cost of funding than normal levels due to deterioration of our creditworthiness or deterioration in market conditions.
Business Risk	Risk of failure of revenues to cover costs due to deterioration in the earnings environment or deteriorations in the efficiency or effectiveness of business operations.

Market Risk

We define market risk as 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. Our principle statistical measurement tool to assess and limit market risk on an ongoing basis is Value-at-Risk (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 scenario analysis to measure and analyze our market risk. Market risk is monitored against a set of approved limits, with daily reports delivered to senior management.

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Value-at-Risk

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

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

Trading Portfolio Risk

Back-Testing

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

Other Measures

In some business lines or portfolios we use additional measures to control or limit risk taking activity. These measures include sensitivity analysis which show the potential changes to a portfolio due to standard moves in market risk factors. Metrics and limits of this type are typically specific to asset types, businesses or strategies and are used to complement VaR and economic capital measures.

Stress Testing

Stress testing represents the potential loss on a portfolio due to the impact of applying a severe yet feasible scenario. We have a comprehensive program of stress testing in place ranging from global cross risk class scenarios, such as the Severe Market and Economic Downturn and Severe Rates Rise used to limit risks against risk appetite at the overall group level, to desk level scenarios/grids designed to limit risks within individual business lines. Stress results are compared and used in conjunction with our economic capital measures. We continue to invest in the development of analysis tools, systems and global team of Risk and Risk IT professionals dedicated to stress testing.

Model Review

Pricing models are used to generate trade valuations and the risk measurement metrics for the management of positions. The Global Model Validation Group validates the appropriateness and consistency of these models, independent of those who design and build the models. As part of this process, the Global Model Validation Group analyzes a number of factors to assess the model s suitability for the valuation and risk management of a particular product.

Non-Trading Risk

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

We use regression analysis covering the previous 90 days which tracks and compares fluctuations in the TOPIX and the market value of our 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 ¥13,196 million as of March 31, 2010 and ¥14,051 million as of March 31, 2011. The TOPIX closed at 978.81 points as of March 31, 2010 and at 869.38 points as of March 31, 2011. 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

Nomura 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.

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For controlling credit risk appropriately, we have established basic principles in our Credit Risk Management Policy, a basic policy concerning credit risk management, which are important to meet the various needs of our clients whilst taking appropriate risks and ensuring sufficient returns to increase our corporate values. Under these basic principles, we have established a robust and comprehensive credit risk management framework.

We have been applying the Foundation Internal Rating-Based Approach in calculating credit risk weighted assets for regulatory capital calculations since the end of March 2011. However, the Standardized Approach is still 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 Nomura and accordingly has established important principles concerning credit risk management as described in the Credit Risk Management Policy and other documents. The Global Risk Management Committee, upon delegation by the GIRMC, deliberates on and determines important matters concerning our credit risk management based on strategic risk allocation and risk appetite as determined by the GIRMC.

We have established an organizational structure with an appropriate mutual supervision system of check-and-balances under the CRO. 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 (the CRCU), also independent from the business units and Credit Department, establishes and maintains procedures and standards, monitoring operations, validation and others items for the Internal Rating System.

The Internal Audit Department, independently from these departments, audits the adequacy of credit risk management.

Method of Credit Risk Management

Internal Rating System

We have established an Internal Rating System to be a unified, exhaustive and objective framework to reasonably evaluate credit risk. Internal ratings consist of obligor ratings, which represent an assessment of an obligor s creditworthiness and facility ratings, which represent an assessment of potential unrecoverable loss for a facility in default. Internal ratings are classified into 20 grades, which consist of 17 non-default grades and 3 default grades based on creditworthiness.

Obligor ratings are assigned in principle to obligors who 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 a 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. 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 Department, independent from all other divisions 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

Our 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, basing upon credit analysis of individual obligors. For risk monitoring after transactions, 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

We enter 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.

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Scope of Credit Risk Management

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

Integrated Management

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

Credit Risk Reporting

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

Credit Risk Measurement

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

Credit Risk to counterparties to derivatives transaction

We measure our credit risk to counterparties 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 units.

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 as of March 31, 2011 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.

Credit Rating	Years to Maturity Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years	Cross-Maturity Netting[1]	Total Fair Value (a)	Collateral Obtained (b)	Replacement Cost (a)-(b)
	(in billions of Yen)								
AAA	¥ 2	¥ 14	¥ 30	¥ 14	¥ 79	¥ (67)	¥ 72	¥ 0	¥ 72
AA	133	214	252	177	409	(894)	291	30	261
A	189	285	308	245	580	(1,197)	410	125	285
BBB	63	44	72	89	175	(194)	249	11	238
BB	13	14	13	18	112	(16)	154	23	131
Other[2]	112	27	42	32	69	(191)	91	65	26
Sub-total	512	598	717	575	1,424	(2,559)	1,267	254	1,013
Listed	367	216	45	5	1	(410)	224		224
Total	¥ 879	¥ 814	¥ 762	¥ 580	¥ 1,425	¥ (2,969)	¥ 1,491	¥ 254	¥ 1,237

(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 is below investment grade.

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Operational Risk

Overview of Operational Risk Management

Nomura defines operational risk as the risk of loss associated with 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.

The GIRMC has approved the Nomura Global Operational Risk Management Policy, which defines the fundamental policy and framework for operational risk management across 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

We adopt the industry standard Three Lines of Defence for the management of operational risk, comprising the following elements:

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

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

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

4) The Governing Body: The GIRMC, with delegated authority from the EMB, 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): 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

Operational Risk Classification

We use 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

We use The Standardized Approach (TSA) for calculating regulatory capital for operational risk. This involves using the three years 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.

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We use consolidated net revenue 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%

Nomura 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.

(4) Liquidity and Capital Resources.

Liquidity

Overviews

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; (5) Contingency Funding Plan (CFP).

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.

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2. Appropriate Funding and Diversification of Funding Sources and Maturities Commensurate with the Composition of Assets. We seek to maintain a surplus of long term debt and equity above the cash capital requirements of our assets. This enables us to fund our operations for at least one year in a 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 routinely issue long term-debt in various maturities and currencies to maintain a long-term funding surplus, and to also achieve both cost-effective funding and a maturity profile where the average duration of our debt is sufficient to meet our long-term cash capital requirements. We therefore seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. The average maturity (for debt securities and borrowings with maturities longer than one year) was 4.32 years as of March 31, 2011. Approximately 80% of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. Conditions for calls by indices are individually set. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are 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 10.92 years as of March 31, 2011. The average maturity of our entire long term debt portfolio, including plain vanilla debt securities and borrowings, was 7.03 years as of March 31, 2011. The graph below shows the distribution of maturities of our outstanding long-term debt securities and borrowings.

(1) Redemption schedule is individually estimated by considering of probability of redemption. Due to structure bias, we use probability adjusted by a certain stress factor.

We typically fund our trading activities on a secured basis through secured borrowings and repurchase agreements. 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.

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