

NOMURA HOLDINGS INC
Form 20-F
June 29, 2004
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:1-15270

Nomura Horudingusu Kabushiki Kaisha

(Exact name of registrant as specified in its charter)

Nomura Holdings, Inc.

(Translation of registrant's name into English)

Japan
(Jurisdiction of incorporation or organization)

9-1, Nihonbashi 1-chome
Chuo-ku, Tokyo 103-8645
Japan
(Address of principal executive offices)

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

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
Common Stock*	New York Stock Exchange

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

None
(Title of Class)

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

None
(Title of Class)

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

As of March 31, 2004, 1,941,656,029 shares of Common Stock were outstanding, including 43,157,292 shares represented by 43,157,292 American Depositary Shares.

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

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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

Table of Contents**TABLE OF CONTENTS**

	Page
<u>PART I</u>	
Item 1. <u>Identity of Directors, Senior Management and Advisors</u>	2
Item 2. <u>Offer Statistics and Expected Timetable</u>	2
Item 3. <u>Key Information</u>	2
Item 4. <u>Information on the Company</u>	13
Item 5. <u>Operating and Financial Review and Prospects</u>	23
Item 6. <u>Directors and Senior Management and Employees</u>	55
Item 7. <u>Major Shareholders and Related Party Transactions</u>	75
Item 8. <u>Financial Information</u>	77
Item 9. <u>The Offer and Listing</u>	77
Item 10. <u>Additional Information</u>	79
Item 11. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	94
Item 12. <u>Description of Securities Other Than Equity Securities</u>	99
<u>PART II</u>	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	100
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	100
Item 15. <u>Controls and Procedures</u>	100
Item 16A. <u>Audit Committee Financial Expert</u>	100
Item 16B. <u>Code of Ethics</u>	100
Item 16C. <u>Principal Accountant Fees and Services</u>	101
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	101
Item 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	102
<u>PART III</u>	
Item 17. <u>Financial Statements</u>	102
Item 18. <u>Financial Statements</u>	102
Item 19. <u>Exhibits</u>	102
<u>Index to the Consolidated Financial Statements</u>	F-1

Table of Contents

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

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

*As used in this annual report, **U.S. GAAP** means accounting principles generally accepted in the United States of America, and **Japanese GAAP** means accounting principles generally accepted in Japan. Data derived from U.S. GAAP financial statements are rounded to the nearest applicable digit, while data derived from Japanese GAAP financial statements are truncated.*

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

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

PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data.

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The following selected financial data as of March 31, 2001, 2002, 2003 and 2004 and for the years ended March 31, 2000, 2001, 2002, 2003 and 2004 has been derived from our consolidated financial statements included in this annual report and the annual reports for the years ended March 31, 2002 and 2003. The following selected financial data as of March 31, 2000 has been derived from our consolidated financial statements included in our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. These financial statements were prepared in accordance with U.S. GAAP.

Table of Contents

You should read the following selected financial data in conjunction with Item 5, Operating and Financial Review and Prospects, of this annual report and our consolidated financial statements included in this annual report.

	Year Ended March 31,					
	2000	2001	2002	2003	2004	2004(4)
	(in millions, except per share data)					
Income statement data:						
Revenue	¥ 1,499,781	¥ 1,469,298	¥ 1,825,399	¥ 840,919	¥ 1,099,546	\$ 10,554
Interest expense	437,131	553,643	504,048	274,645	296,443	2,845
Net revenue	1,062,650	915,655	1,321,351	566,274	803,103	7,709
Non-interest expenses	690,430	759,483	1,148,379	518,865	520,427	4,996
Income before income taxes	372,220	156,172	172,972	47,409	282,676	2,713
Income tax expense	168,671	98,762	4,926	37,295	110,347	1,059
Income before cumulative effect of accounting change	203,549	57,410	168,046	10,114	172,329	1,654
Cumulative effect of accounting change				109,799		
Net income	¥ 203,549	¥ 57,410	¥ 168,046	¥ 119,913	¥ 172,329	\$ 1,654
Balance sheet data (period end):						
Total assets	¥ 14,610,868	¥ 17,146,024	¥ 17,758,273	¥ 21,169,446	¥ 29,752,966	\$ 285,592
Shareholders' equity	1,410,976	1,436,428	1,604,929	1,642,328	1,785,688	17,140
Common stock	182,796	182,797	182,800	182,800	182,800	1,755
Number of shares issued (in thousands)	1,962,977	1,962,978	1,965,920	1,965,920	1,965,920	
Return on equity(1):	15.3%	4.0%	11.1%	7.4%	10.1%	
Per share data:						
Income before cumulative effect of accounting change - basic(2)	¥ 103.71	¥ 29.25	¥ 85.57	¥ 5.17	¥ 88.82	\$ 0.85
Net income - basic(2)	103.71	29.25	85.57	61.26	88.82	0.85
Income before cumulative effect of accounting change - diluted(2)	103.17	29.25	85.32	5.17	88.82	0.85
Net income - diluted(2)	103.17	29.25	85.32	61.26	88.82	0.85
Shareholders' equity(3)	719.93	731.77	816.48	846.40	919.67	8.83
Cash dividends(3)	15.00	17.50	15.00	15.00	15.00	0.14

Notes:

- (1) Calculation method: Net income divided by average Shareholders' equity.
- (2) Calculated using the weighted average number of shares outstanding for the year (excluding treasury shares held by us).
- (3) Calculated using the number of shares outstanding (excluding treasury shares held by us) at year end.
- (4) Calculated using the yen-dollar exchange rate of \$1.00 = ¥104.18, 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, 2004.

Table of Contents**Foreign Exchange**

Fluctuations in exchange rates between the Japanese yen and U.S. dollar will affect the U.S. dollar equivalent of the yen price of our shares and ADSs and the U.S. dollar amounts received on conversion of cash dividends. We have translated some Japanese yen amounts presented in this annual report into U.S. dollars solely for your convenience. The rate we used for the translations was ¥104.18 equal to \$1.00, which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2004. These translations do not imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

<u>Year ended March 31,</u>	<u>High</u>	<u>Low</u>	<u>Average*</u>	<u>Year end</u>
2000	¥ 124.45	¥ 101.53	¥ 110.02	¥ 102.73
2001	125.54	104.19	111.64	125.54
2002	134.77	115.89	125.64	132.70
2003	133.40	115.71	121.10	118.07
2004	120.55	104.18	112.75	104.18
<u>Calendar year 2003</u>	<u>High</u>	<u>Low</u>		
December	109.61	106.93		
<u>Calendar year 2004</u>	<u>High</u>	<u>Low</u>		
January	107.17	105.52		
February	109.59	105.36		
March	112.12	104.18		
April	110.37	103.70		
May	114.30	108.50		
June (through June 25)	111.27	107.10		

* Average rate represents the average of rates available on the last day of each month during the period.

The noon buying rate for Japanese yen on June 25, 2004 was \$1.00 = ¥107.82

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. 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 or results of operations could be adversely affected. In that event, the trading prices of our shares and ADSs could decline, and you may lose all or part of your investment. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

Market fluctuations could harm our businesses

Our businesses are materially affected by conditions in the financial markets and economic conditions in Japan and elsewhere around the world. Market downturns can occur not only as a result of purely economic factors, but also as a result of war, act of terrorism, natural disasters or other similar events. A sustained market

Table of Contents

downturn can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market downturn, we may incur substantial losses due to market volatility.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in the fixed income and equity markets, both for our own account and for the purpose of facilitating our customers' trades. Our positions consist of various types of asset, including financial derivatives transactions in the interest rate, credit, equity, currency, commodity, real estate and other markets. Market fluctuations 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, a market upturn could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market. We utilize various hedging techniques to mitigate these position risks. We can incur losses if the markets move in a way we have not anticipated, as a result of specific events such as the terrorist attack on September 11, 2001 or the Russian economic crisis in 1998. Also, we face losses if the level of market volatility differs from our expectation, which may occur particularly in the emerging markets. In addition, we commit capital to take relatively large positions for underwriting or warehousing assets to facilitate certain capital market transactions. We may incur significant losses from these activities.

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

Concentration of risk can expose us to large losses in our market-making, block trading and underwriting businesses. 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. For example, we previously held a large inventory for commercial mortgage-backed securities in our U.S. operations, the value of which seriously deteriorated after bond investors took flight from these investments in August 1998.

Extended market decline can reduce liquidity and lead to material losses

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

Our hedging strategies may not prevent losses

We use a variety of instruments and strategies to hedge our exposure to various types of risk. If our hedging strategies are not effective, we may incur losses. We base many of our hedging strategies on historical trading

Table of Contents

patterns and correlations. For example, if we hold a long position in an asset, we may hedge this position by taking a short position in an asset where the short position has, historically, moved in a direction that would offset a change in value in the long position. However, historical trading patterns and correlations may not continue, and these hedging strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

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 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 information 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.

Market risk may increase the other risks that we face

In addition to the potentially adverse effects on our businesses described above, market risk could exacerbate other risks that we face. For example, the risks associated with new products through financial engineering/innovation may be increased by market risk. Also, if we incur substantial trading losses, our need for liquidity could rise sharply while our access to cash may be impaired. Furthermore, if there is a market downturn, our customers and counterparties could incur substantial losses of their own, thereby weakening their financial condition and, as a result, increasing our credit risk exposure to them. Our liquidity risk and credit risk are described below.

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

Liquidity, or having ready access to cash, is essential to our businesses. In addition to maintaining a readily available cash position, we seek to enhance our liquidity through repurchase and securities lending transactions, access to long-term debt, 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 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 because of their assessment of our long-term or short-term financial prospects:

if we incur large trading losses,

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

if regulatory authorities take significant action against us.

Our ability to borrow in the debt markets also could be impaired by factors that are not specific to us, such as a severe disruption of the financial markets or negative views about the prospects for the investment banking, securities or financial services industries generally. For example, in 1998 and 1999, as a result of concerns regarding asset quality and the failure of several large Japanese financial institutions, some international lenders charged an additional risk premium to Japanese financial institutions for short-term borrowings in the interbank

Table of Contents

market and restricted the availability of credit they were willing to extend. As concern about banks and other financial institutions in Japan continues, this additional risk premium, commonly known as *Japan premium*, may be imposed again.

In particular, we may be unable to access the short-term debt markets

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

We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. Rating agencies may reduce or withdraw their ratings or place us on *credit watch* with negative implications. A reduction in our credit ratings, or being placed on *credit watch* with negative implications, 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. For example, in 1998, after a series of credit rating downgrades, we experienced an increase in borrowing costs and reduced access to short-term funding sources particularly in connection with our operations in Europe and the United States.

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 moves. These include not only the events such as the terrorist attack on September 11, 2001 and the Russian economic crisis in 1998 that resulted in losses to our business but also the following types of events that could cause losses on our trading and investment assets:

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

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

the failure of corporate actions such as M&A with respect to our trading and investment assets.

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

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

Table of Contents

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

holding securities of third parties,

entering into swap or other derivative contracts under which counterparties have obligations to make payments to us,

executing securities, futures, currency or derivative trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, or

extending credit to our clients through bridge or margin loans or other arrangements.

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, 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. We may suffer financially if major Japanese financial institutions fail or experience severe liquidity or solvency problems.

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

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

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

Country, regional and political risks are components of credit risk, as well as market risk. Economic or political 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.

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

We face the following types of operational risk, and if such risk materializes, we could suffer financial losses, disruption in our business, litigation from relevant parties, regulatory intervention or reputational damage:

suffering damages due to failure to settle securities transactions,

suffering damages due to failure by officers or employees to perform proper administrative activities prescribed in regular procedures,

Table of Contents

suffering damages due to suspension or malfunction of systems, most of which are developed and maintained by our affiliate, Nomura Research Institute, Ltd., or

suffering as a result of the destruction of our facilities or systems due to large-scale disasters or criminal actions.

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

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

Our exposure to legal liability is significant

We face significant legal risks in our businesses. These risks include liability under securities or other laws for materially false or misleading statements made in connection with securities underwriting and other transactions, potential liability for advice we provide in corporate transactions and disputes over the terms and conditions of complex trading arrangements. We also face the possibility that counterparties will claim that we failed to inform them of the risks or that they were not authorized or permitted to enter into a transaction with us and that their obligations to us are not enforceable. During a prolonged market downturn, we would expect claims against us to increase. We may also face significant litigation. The cost of defending such litigation may be substantial and our involvement in litigation may damage our reputation. 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

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

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

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. For example, in September 2002, the Financial Services Agency of Japan abolished restrictions on sharing common office space between banks and their affiliated securities companies. Also, in accordance with the amendments to the Securities and Exchange Law which will become effective on December 1, 2004, banks and certain other financial institutions may be able to act as agents of

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securities companies in the securities brokerage business and therefore increasing competition. Furthermore, we may face additional regulations on trading or other activities that may lead to a reduction of the market liquidity, trading volume or market participants. Such regulatory action may damage the Japanese markets as our main revenue source.

Table of Contents

Misconduct by an employee, Director or Executive Officer could harm us and is difficult to detect and deter

We face the risk that misconduct by an employee, Director or Executive Officer could occur. Misconduct by an employee, Director or Executive Officer could bind us to transactions that exceed authorized limits or present unacceptable risks, or hide from us unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Misconduct by an employee, Director or Executive Officer could also involve the improper use or disclosure of confidential information, which could result in regulatory sanctions, legal liability and serious reputational or financial damage to us. We may not always be able to deter misconduct by an employee, Director or Executive Officer and the precautions we take to prevent and detect misconduct may not be effective in all cases.

The financial services industry is intensely competitive and rapidly consolidating

The businesses we are in 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 in brokerage, underwriting and other businesses. There has also been increased competition in terms of delivery of value-added services to customers, such as corporate advisory services, especially from non-Japanese firms entering or expanding operations in the Japanese market.

Competition with on-line brokers and non-Japanese firms in Japan is increasing

Since the late 1990s, the financial services sector in Japan has been deregulated. Banks and other types of financial institutions can compete with us to a greater degree than they could before deregulation in the areas of financing and investment trusts. Moreover, since the full deregulation of stock brokerage commission rates in October 1999, competition in the domestic brokerage market has intensified. A number of securities companies in Japan, especially small and medium-sized firms, including those that specialize in on-line securities brokerage, are offering securities brokerage services at low commission rates. In response to commission deregulation, we also restructured our stock brokerage commissions to offer lower commissions depending on the trading amount and the type of customer account. We may continue to experience pricing pressures in the future.

Competition with non-Japanese firms in the Japanese market is increasing

Competition from non-Japanese firms has also increased through their presence in Japan, especially in the areas of securities underwriting and corporate advisory services.

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

In recent years, there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions in Japan and overseas. Many of these firms have the ability to offer a wide range

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of products, including loans, deposit-taking, insurance, brokerage, asset management and investment banking services. This diversity of services offered may enhance their competitive position. They also have the ability to supplement their investment banking and securities business with commercial banking, insurance and other financial services revenues in an effort to gain market share. We may lose our market share as these large, consolidated firms expand their business.

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

We believe that significant challenges and opportunities will arise for us outside of Japan. In order to take advantage of these opportunities, we will have to compete successfully with financial institutions based in

Table of Contents

important non-Japanese markets, including the United States, Europe and Asia. Some of these financial institutions are larger, better capitalized and have a stronger local presence and a longer operating history in these markets.

We may not be able to realize gains we expect on our private equity investments

We hold substantial private equity investments in Europe, as discussed in *Private Equity Investments* under Item 5.A of this annual report. These investments are in the residential real estate, consumer finance, retail and service sectors. We hold these investments at fair value, which is typically based on projected future cash flows, discounted at a weighted average cost of capital. Projected future cash flows will reflect the business drivers specific to each investment, which in turn will be affected by market conditions, thus any deterioration in the market conditions of these sectors in Europe could have a material impact on our future financial statements. This is especially the case if market conditions deteriorate in the European residential real estate sector, given the overall weighting of risk to this sector. Furthermore, given their large size and illiquid nature, the general partner of the fund controlling these investments may not be able to realize the value of the underlying investments at a level, at the time or in a way the general partner may wish. Inability to dispose of the underlying investments could have a material impact on our future financial statements.

Also, we have a growing private equity business in Japan. As the size of this business increases, any deterioration in market conditions and/or our inability to dispose of our private equity investments in Japan at a level, at the time or in a way we may wish, could give rise to material losses which could have a material impact on our future financial statements.

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

As discussed in more detail in *Results of Operations* under Item 5.A of this annual report, we hold substantial amounts of 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 income statement. Depending on the conditions of the Japanese equity markets, we may not be able to dispose of these equity securities when we would like to do so or as quickly as we may wish.

Our investments in publicly-traded shares of affiliates accounted for under the equity method in our consolidated financial statements may decline significantly over a period of time and result in our incurring an impairment loss

We have equity investments in affiliates accounted for under the equity method in our consolidated financial statements whose shares are publicly traded. Under U.S. GAAP, if there is a decline in the fair value, i.e., the market price, of the shares we hold in such affiliates over a period of time, and we determine, based on the guidance of Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, that the decline is other than temporary, then we must record an impairment loss for the applicable fiscal period. We discuss our investment in JAFCO Co., Ltd., one of our affiliates, in *Results of Operations* under Item 5.A of this annual report.

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

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We offer many types of product to meet various needs of our customers with different risk profiles. Cash reserve funds, such as money management funds and money reserve funds, and Long-term Bond Investment Trusts (Nomura Bond Fund) are categorized as low-risk products. Such cash reserve funds may fall below par value as a result of defaults on bonds contained in the portfolio. In addition, bonds that we offer may default or

Table of Contents

experience delays in their obligation to pay interest and/or principal. Such losses in the products we offer may result in the loss of customer confidence and lead to an outflow of customer assets from our custody.

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

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

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

Pursuant to the Commercial Code of Japan relating to joint stock corporations and certain related legislation, our Articles of Incorporation provide that 1,000 shares of our stock constitute one unit. The Commercial Code imposes significant restrictions and limitations on holdings of shares that constitute less than a whole unit. Holders of shares constituting less than one unit do not have the right to vote or any other right relating to voting. The transferability of shares constituting less than one unit is significantly limited. Under the unit share system, holders of shares constituting less than a unit have the right to require us to purchase their shares. Also, holders of shares constituting less than a unit may request us to the effect that we sell shares which become a full unit of shares, together with the less than a unit shares owned by the registered shareholders. However, holders of ADSs are unable to withdraw underlying shares representing less than one unit. Therefore, as a practical matter, they cannot require us to purchase these underlying shares. As a result, holders of ADSs representing shares in lots of less than one unit may not have access to the Japanese markets to sell their shares through the withdrawal mechanism.

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

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

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

Our Articles of Incorporation, our Regulations of the Board of Directors and the Japanese Commercial Code govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors' and executive officers' fiduciary duties and shareholders

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rights may be different from those that would apply if we were a non-Japanese company. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the laws of jurisdictions within the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in a jurisdiction within the United States.

Table of Contents

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

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

Special Note Regarding Forward-looking Statements

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

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

Item 4. Information on the Company

A. History and Development of the Company.

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

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

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

Table of Contents

In recent years, we have sought to take advantage of new opportunities presented by deregulation of the Japanese financial market and by developments in information technology. For example, to increase retail customers' access to our services, we have taken advantage of the Internet to offer on-line brokerage and related services.

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

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

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

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

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

In September, 2003, we sold 4,650 thousand shares of treasury shares at a value of ¥7,967million (\$76 million) by a secondary offering.

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

B. Business Overview.

Overview

We are the leading securities and investment banking firm in Japan and have worldwide operations. Nomura is a holding company. As of March 31, 2004, we operated offices in more than 20 countries and regions including Japan, the United States, the United Kingdom, Singapore and Hong Kong through its subsidiaries.

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

Our businesses consist of the following three business segments:

Domestic Retail principally investment consultation services to retail customers; and

Global Wholesale principally fixed income and equity trading, investment banking, and merchant banking in and outside Japan; and

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

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

Table of Contents

Our Business Strategy

Our Corporate Goals and Principles

We seek to establish ourselves firmly as a globally competitive Japanese financial institution. We believe that the Japanese securities market has the potential to grow rapidly, and we will seek to realize our vision by strengthening our base in the domestic securities businesses and by focusing our group resources both in Japan and abroad on our key businesses.

We attach great importance to management of our business with a focus on shareholder value. We intend to maintain an average return on equity of 10 to 15% on a consolidated basis over the medium- to long-term.

In executing our business strategy, we focus on business segments, which are linked along global business lines, not on individual legal entities. We seek to establish a competitive business base by enhancing the professional competence of each of these business lines, while at the same time strengthening the linkages among these business lines.

Our Current Challenges

While Japan's economy and securities markets are recovering steadily, we are facing a more competitive environment than ever before. In this environment, we will analyze the markets and customers, deal with diverse customer needs promptly and flexibly, and expand our field to global markets so that we can provide creative solutions to customers both at home and abroad and maximize our opportunities.

In the Domestic Retail segment, we seek to provide various high-quality financial services based on the specific needs of each customer and to accumulate client assets. In addition, we will continue our efforts to stimulate Japan's securities markets that are becoming ever more important for the revitalization of Japan, through investor education programs and other means.

In the Global Wholesale segment, as the financial condition of many Japanese companies improves, we will flexibly respond to changes in customer and market needs by focusing on our financing business, globally increasing M&A business and continuously expanding our corporate revitalization business. In April 2004, we reorganized the Global Wholesale segment in order to enhance specialty services and strengthen our global structure. It now consists of three business lines: Global Markets, which is composed of Fixed Income and Equity, Investment Banking, and Merchant Banking.

In the Asset Management segment, we continue to seek to enhance performance by offering a variety of investment opportunities, and increasing our assets under management by maintaining a strong sales support system and deliver new products to meet customer needs. With regard to the defined contribution pension plan business, we will seek to enhance our integrated services, including consulting for plan implementation and investment education to product supply.

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We are committed to strengthening our base in the securities businesses and increasing our own corporate value utilizing our combined strengths and making quick decisions to seek to achieve the goals above, as well as actively contributing to the development of the Japanese economy and the securities market.

Domestic Retail

In Domestic Retail, we conduct business activities mainly for individuals and corporations in Japan through a network of 129 branches nationwide as of the end of March 2004. We offer investment consultation service and maintenance services to meet the medium- to long-term needs of our customers. The aggregate market value of our retail client assets was ¥35.2 trillion as of the end of March 2004. We discuss retail client assets in **Operating Results** under Item 5.A of this annual report.

Table of Contents

In order to execute our business strategy described above in *Our Current Challenges*, we employ various methods to deliver our services to our clients. These include face-to-face meetings with our staff, either in our branch offices or by visiting our customers, and communications through Nomura Home Trade, an Internet-based trading service or our call center. In December 2003, we launched the *Hotto Direct* Department to meet the needs of asset builders by providing Internet and telephone services in order to strengthen our service structure for individual investors, who consist primarily of salaried employees of Japanese companies.

We capitalize on the linkages among the Domestic Retail, Global Wholesale and Asset Management segments to offer to our customers various financial instruments such as stocks, bonds, investment trusts and variable annuity insurance products, for the short, medium, and long terms, with different risk levels. We seek to provide information that can only come from Nomura to customers through various media such as our investor reports, direct mailing and internet-based trading services (Nomura Home Trade).

Global Wholesale

We facilitate customer transactions and trade for our own account by market-making and trading fixed income and equity securities, including related derivatives, in Japan and overseas. We also provide a broad range of investment banking services, including underwriting and financial advisory. In addition, we conduct proprietary transactions, including arbitrage and merchant banking transactions.

Fixed Income

We offer clients global access to the fixed income markets and solutions to their financing needs.

In our trading operations, our offices in Tokyo, Hong Kong, London and New York work closely with one another to ensure that clients receive access to coverage across the globe. We have a number of client-focused trading teams, with particular expertise in trading domestic and international debt and other fixed income related products, including government securities, agency securities, municipal securities, credit products, money market products, foreign exchange and asset backed securities. In the field of interest rate, credit and other derivatives trading, we utilize our risk management capabilities and risk tolerance capacity to provide services that respond to the investment requirements of our clients.

We recognize that investors possess differing investment needs. Through our global sales and trading network, including our capital markets, syndication, securitization and asset finance teams, we provide investors around the world with the services and products that match their investment needs in a timely manner. We are seeking to strengthen our track record in euro bonds by leveraging from our leadership in the yen bond market for over a decade.

Our research team covers Japan's domestic economy and markets, and the global economy. In our research activities, analysts specializing in economic, credit and quantitative research provide investors with timely up-to-the-minute research and insights on the major issues of the moment. By combining our research power with our sales, trading, origination and syndication capabilities, we seek to provide tailor-made services to our clients.

Equity

Our equity sales, trading and market-making activities cover domestic and foreign equity and equity-related products such as convertible debt, warrants, equity index products, equity swaps, options and other structured products. We also deal with large block orders arising from the liquidation of cross-shareholdings or basket transactions from the reallocation of pension funds' asset portfolios utilizing our execution and distribution capabilities. We are members of major stock exchanges around the world. In addition, we deal in stock borrowing and stock loan transactions in support of our domestic and international trading, asset management and custody services.

Table of Contents

Global Markets

Global Markets was created which is composed of Fixed Income and Equity in April 2004. The purpose of establishing a Global Markets division was primarily to strengthen our derivatives trading operation. As financial products become increasingly diversified across various asset types, we are implementing a trading system better suited to hybrid products with both debt and equity characteristics, such as convertible bonds and preferred stocks. Also, we are trying to strengthen our position in domestic credit markets, and have been improving our capability to offer market-based credit products such as domestic securitization instruments. Furthermore we are expanding our asset finance business, primarily in the real estate market.

Investment Banking

We provide a broad range of investment banking services, including underwriting and financial advisory.

Underwriting. We manage and participate in the underwriting of offerings of debt, equity and other securities in Japan and other major financial markets. We also arrange private placements and engage in other capital raising activities. We are one of the leading equity and fixed income securities underwriters in Japan. We are also one of the leading yen Eurobond underwriters. In addition, we are active in underwriting fixed income securities of supranational, governments, government agencies and corporate issuers in Europe.

Financial Advisory Services. We provide financial advisory services on business transactions including mergers and acquisitions, divestitures, spin-offs, restructurings, capital structuring and leverage buyouts. Our involvement in initial public offerings, reorganizations and other corporate restructurings enhance our opportunities to offer customers other advisory and investment banking services.

Structured Finance. We engage in the structured finance business, which involves, among other things, arranging the issuance of securities backed by assets such as real estate, leases, loans and other financial products.

Merchant Banking

We have a growing private equity business in Japan, which we operate through a wholly owned subsidiary, Nomura Principal Finance Co., Ltd. (NPF). Since its inception in July 2000, NPF 's main focus has been targeting investment opportunities for capital appreciation that will offer attractive returns to us and which will also help contribute to the revitalization of the Japanese economy. Since its inception, NPF has made 13 investments for an aggregate value of ¥ 71,250 million and has successfully exited from two investments. Given the attraction of private equity opportunities in Japan as the economy improves and the speed of corporate restructuring increases, NPF 's investment portfolio is set to increase. NPF is close to finalizing plans to inject capital into Huis Ten Bosch, a theme park in the south of Japan, and has recently announced that it has reached agreement to boost the capital of the Millennium Retailing Group, a major Japanese department store chain, in which NPF will make a ¥50 billion equity investment.

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In Europe, our private equity investments are now managed by Terra Firma, an independent asset management group. Terra Firma was established following the reorganization in March 2002 of our UK principal finance business, and is operated by former Nomura employees. For a further description of our private equity business, see Private Equity Investments under Item 5.A of this annual report.

Asset Management

In Asset Management, we conduct asset management business and defined contribution pension plan business.

Table of Contents

Asset Management Business

We conduct our asset management business primarily through Nomura Asset Management, the largest asset management company in Japan in terms of assets under management in investment trusts. Nomura Asset Management manages various investment trusts, ranging from low risk/low return products to high risk/high return products, and develops new products to respond to various investor needs. Investment trusts are distributed to investors through our network in the Domestic Retail segment, as well as through financial institutions such as securities companies (including those outside our group) and banks. Investment trusts are also offered as instruments in defined contribution pension plans. We also provide investment advisory services to public pensions, private pensions, governments and their agencies, central banks and institutional investors.

In addition to Nomura Asset Management, we have other subsidiaries that engage in asset management business, including Nomura Corporate Research and Asset Management Inc., or NCRAM, which mainly manages high yield bonds and high yield loans in the United States, and Nomura Main trust GmbH and Main trust KAGmbH in Germany.

Defined Contribution Pension Plan Business

We also provide services relating to defined contribution pension plans, such as support for plan implementation (plan design), product selection, provision of information to subscribers, trust services, product supply, and investor education. In January 2004, we consolidated our defined contribution pension telephone services, administrative service for defined contribution pension plans, and pension-related and other consulting services under one subsidiary, to provide improved services to customers.

Our Research Activities

We provide fundamental research on the macro economies of different countries and international capital flows, financial markets, industries and companies.

We produce industry-wide, company-specific and other research reports based on our research activities. We distribute these research reports to our retail customers in Japan and to our institutional customers in and outside Japan.

Our Information Technology

We believe that information technology is one of the key factors to the success of our overall business and intend to develop and maintain a technology platform to fill the various needs of our clients.

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We provide our customers with electronic access to our products and services through the technology platform. For our retail customers, we have introduced Nomura Home Trade, at www.nomura.co.jp/hometrader, which provides our retail customers with on-line trading capabilities and current status reports on asset portfolios, investments and transactions and investment information, including our research reports through the internet or mobile phones. For institutional customers, we have introduced BondNavigator, a web site at www.bondnavi.com, through which we provide on-line information and trading tools on the fixed income market. In addition to these, we have made many strategic investments and participate in a number of institutional trading networks.

Competition

We encounter intense competition in all aspects of our business and compete on a global basis with other securities firms and financial institutions, in particular, other leading globally integrated financial services firms. A number of competitive factors affect our business, including:

the quality, range and prices of our services,

our ability to originate innovative financial products and services,

Table of Contents

our ability to maintain and develop customer relationships,

our general reputation, and

our ability to commit capital resources and to retain qualified employees.

Our competitive position is also affected by a variety of factors that influence the overall condition of the global financial markets, such as:

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

political, economic and regulatory developments in Japan, the United States and other major industrialized countries, as well as in developing countries.

In Japan, we compete with other domestic securities companies and non-Japanese securities companies. Since the late 1990s, competition with leading global securities and investment banking firms with substantial operations in Japan has become more intense as the financial services sector in Japan has become increasingly deregulated, the level of participation by overseas investors in the Japanese securities market has risen, and some of our domestic competitors have consolidated or formed alliances with other financial institutions in Japan or overseas securities and investment banking firms. We also compete with other types of financial institutions in Japan, such as banks with securities company subsidiaries, with respect to both providing financing and the investment opportunities to customers.

Since stock brokerage commission rates were deregulated in October 1999, competition in the domestic stock brokerage market has intensified. A number of securities companies in Japan, especially small and medium-sized firms, are offering securities brokerage services at low commission rates. We seek to compete against these companies not on the basis of commission rates but by offering high-value added services such as our research, consultation and trading execution. At the same time, we realize that there is no assurance that we will be able to maintain our current commission rates on a long-term basis, and for that reason we continue to monitor market trends carefully.

We compete with Japanese and non-Japanese asset management companies. We are a leading provider of asset management services in Japan. Recognizing the opportunities available in Japan for asset management business, new entrants, in particular major non-Japanese asset management companies, and asset management companies with operations in Japan are allocating more resources to expand their operations. This is causing competition in this business to intensify.

Overseas, we compete with major investment banking firms. Some of our competitors in the overseas markets have a stronger local presence and longer operating history in these markets than we do. We are competitive with respect to Japan-related financial products, such as global sales and trading activities and underwriting activities in Japanese equity securities and fixed income products denominated in yen, and in certain non-Japan-related areas.

Regulation

Japan

Regulation of Securities Industry. The Securities and Exchange Law regulates most aspects of securities transactions and the securities industry, including the public offering, private placement and secondary trading of securities, the on-going disclosure by securities issuers, tender offers for securities, the organization and operations of securities exchanges and self-regulatory associations, and the registration of securities companies. The Financial Services Agency, which was established in July 2000, is generally delegated the authority of the Prime Minister under the Securities and Exchange Law. The Securities and Exchange Surveillance Commission, an external agency of the Financial Services Agency which is independent from the Agency's other bureaus, is vested with authority to conduct day-to-day monitoring of the securities market and to investigate irregular

Table of Contents

activities that hinder the fair trading of securities. Furthermore, the Financial Services Agency delegates certain authority delegated to it by the Prime Minister to the Local Finance Bureau. In addition, securities companies are subject to extensive regulations regarding the scope of business in which they may engage under the Securities and Exchange Law. Securities companies are also subject to the rules and regulations of the Japanese stock exchanges and the Japan Securities Dealers Association, a self-regulatory association of securities companies.

Under the Securities and Exchange Law, a securities company may conduct, in addition to businesses incidental to the securities business, certain businesses specified under the Securities and Exchange Law, such as investment advisory business, investment trust management business and financial futures trading.

Business practices of securities companies are also subject to various regulatory requirements. In addition, the Financial Services Agency or the Local Finance Bureau regularly conducts inspections and examinations of securities companies. A violation of applicable laws and regulations can result in various administrative sanctions, including the revocation of registration or authorization, the suspension of business and an order to discharge a director or executive officer who has not complied with applicable laws and regulations.

Securities companies are not allowed to directly conduct banking and other financial services, except for those specified in the Securities and Exchange Law. Securities companies may, however, own a majority of shares in banks and other financial services institutions. Such subsidiaries conducting banking and financial services are also regulated by relevant laws and regulations. The Nomura Trust and Banking Co., Ltd. is a subsidiary of Nomura and conduct banking and certain financial services.

Historically, the Securities and Exchange Law has generally prohibited banks and other financial institutions from engaging directly in the securities business, with limited exceptions including dealing in, and underwriting of, government, government-guaranteed and municipal bonds and offering and selling of investment trust certificates; provided, however, that banks and certain other financial institutions may engage in the securities business through their securities company subsidiaries. In addition, in accordance with the amendments to the Securities and Exchange Law which will become effective on December 1, 2004, banks and certain other financial institutions will be able to act as agents of securities companies in the securities brokerage business, which may further encourage bank financial groups to promote their securities business.

To enhance investor protection, Japanese securities companies must segregate customer assets and are required to be a member of one of two investor protection funds approved by the government under the Securities and Exchange Law. Each investor protection fund is funded through assessments on securities companies that are members of the fund. The investor protection fund of which Nomura Securities is a member provides protection of up to ¥10 million per customer, in the event of failure of a securities company that is a member of the fund. The investor protection fund covers claims related to customer securities deposited with the failed securities company and certain other claims of customers.

Overseas

Our overseas offices and subsidiaries are also subject to various laws and governmental rules and regulations applicable in those countries where such offices and subsidiaries carry on their respective operations, including those promulgated and enforced by the Securities and Exchange Commission, the New York Stock Exchange and the National Association of Securities Dealers, Inc. in the United States, and by the Financial Services Authority and the London Stock Exchange in the United Kingdom. Failure to comply with such laws, rules or regulations could result in fines, suspension or expulsion, which could have a material adverse effect upon us.

Table of Contents

Regulatory Capital Rules

Japan

Under the Securities and Exchange Law, securities companies are required to maintain adjusted capital at specified levels as compared with the quantified total of their business risks on a non-consolidated basis. Article 52 of the Securities and Exchange Law requires securities companies to file month-end reports regarding their capital adequacy ratio, *i.e.*, the ratio of adjusted capital to a quantified total of business risks, to the Financial Services Agency, or the Local Finance Bureau, and to disclose their capital adequacy ratio to the public on a quarterly basis. A securities company must also file a report on a daily basis with the Financial Services Agency or the Local Finance Bureau if its capital adequacy ratio falls below 140%. Article 56-2 of the Securities and Exchange Law determines the actions which the Prime Minister through the Financial Services Agency may take if the ratio falls further: if the ratio falls below 120%, the Prime Minister may order the securities company to change its method of business or to deposit its property in trust, or order other measures for the public interest and investor protection if necessary. A securities company whose ratio falls below 100% may be subject to additional proceedings, including temporary suspension of its business and revocation of its registration as a securities company if there is no prospect that the ratio will recover three months after the suspension came into effect.

Adjusted capital is defined as shareholders' equity less illiquid assets. Shareholders' equity mainly consists of stated capital, additional paid-in capital, legal reserve, retained earnings, reserve for securities transactions and certain other reserves, certain allowances for doubtful accounts, net unrealized gain/loss in the market value of investment securities, and subordinated debt. The illiquid assets generally include non-current assets, certain deposits and advances and prepaid expenses. The business risks are divided into three categories: (i) market risks (*i.e.*, risks of asset values being eroded when they are liquidated due to decline in their market value), (ii) counterparty risks (*i.e.*, risks of loss that may be caused by the default of a counterparty on its commitment) and (iii) basic risks (*i.e.*, risks to be monitored in carrying out daily business routines, such as administrative problems with securities transaction and clerical mistakes), each quantified in the manner specified in a ministerial ordinance under the Securities and Exchange Law.

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

Overseas

In the United States, Nomura Securities International is a registered broker-dealer, registered futures commission merchant and a member firm of the New York Stock Exchange. As such, Nomura Securities International is subject to the minimum net capital requirements of the United States Securities and Exchange Commission, the New York Stock Exchange and the Commodity Futures Trading Commission. These requirements specify minimum levels of capital that United States broker-dealers are required to maintain and limit the amount of leverage that such broker-dealers may use in their businesses. As a primary dealer in United States government securities, Nomura Securities International is also subject to the capital adequacy requirements under the Government Securities Act of 1986.

Nomura International in the United Kingdom is regulated by the Financial Services Authority and is subject to capital requirements of that authority.

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

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

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

Name	Country	Ownership Interest
		(%)
Nomura Holdings, Inc.	Japan	
Nomura Securities Co., Ltd.	Japan	100
Nomura Asset Management Co., Ltd.	Japan	100
The Nomura Trust & Banking Co., Ltd.	Japan	100
Nomura Babcock & Brown Co., Ltd.	Japan	100
Nomura Capital Investment Co., Ltd.	Japan	100
Nomura Investor Relations Co., Ltd.	Japan	100
Nomura Principal Finance Co., Ltd.	Japan	100
Nomura Funds Research and Technologies Co., Ltd.	Japan	51
Nomura Pension Support & Service Co., Ltd.	Japan	100
Nomura Research & Advisory Co., Ltd.	Japan	100
Nomura Business Services Co., Ltd.	Japan	100
Nomura Satellite Communications Co., Ltd.	Japan	100
Nomura Institute of Capital Markets Research	Japan	100
Nomura Holding America Inc.	United States	100
Nomura Securities International, Inc.	United States	100
Nomura Corporate Research and Asset Management Inc.	United States	100
Nomura Asset Capital Corporation	United States	100
The Capital Company of America, LLC	United States	100
Nomura Derivative Products, Inc.	United States	100
Nomura Global Financial Products, Inc.	United States	100
Nomura Securities (Bermuda) Ltd.	Bermuda	100
Nomura Europe Holdings plc	United Kingdom	100
Nomura International plc	United Kingdom	100
Nomura Bank International plc	United Kingdom	100
Banque Nomura France	France	100
Nomura Bank (Luxembourg) S.A.	Luxemburg	100
Nomura Bank (Deutschland) GmbH	Germany	100
Nomura Bank (Switzerland) Ltd.	Switzerland	100
Nomura Italia S.I.M. p.A.	Italy	100
Nomura Funding Facility Corporation Limited	Ireland	100
Nomura Global Funding plc	United Kingdom	100
Nomura Europe Finance N.V.	The Netherlands	100
Nomura Principal Investment plc	United Kingdom	100
Nomura Asia Holding N.V.	The Netherlands	100
Nomura Investment Banking (Middle East) E.C.	Bahrain	100
Nomura International (Hong Kong) Limited	Hong Kong	100
Nomura Singapore Limited	Singapore	100
Nomura Advisory Services (Malaysia) Sdn. Bhd.	Malaysia	100
Nomura Australia Limited	Australia	100
PT Nomura Indonesia	Indonesia	80

Table of Contents

D. Property, Plants and Equipment.

Our Properties

As of March 31, 2004, our principal head office is located in Tokyo, Japan and occupies 845,973 square feet of office space. Our other major offices in Japan are our Osaka branch office, which occupies 131,150 square feet, our Nagoya branch office, which occupies 77,338 square feet, and the head office of Nomura Asset Management in Tokyo, which occupies 160,773 square feet. We lease most of our other office space in Japan. Nomura Land and Building Co., Ltd., which is accounted for under the equity method of accounting in our consolidated financial statements, is the lessor of a substantial portion of our leased office space in Japan, including our Tokyo headquarters and Nagoya branch office.

As of March 31, 2004, our major offices outside Japan are the London head office of Nomura International, which occupies 380,851 square feet, and the New York head office of Nomura Securities International, which occupies 283,845 square feet. We own the land and building for the London head office of Nomura International. We lease most of our other overseas office space.

As of March 31, 2004, the aggregate book value of the land and buildings we owned was ¥82.3 billion, and the aggregate book value of equipment we owned, including communications and data processing facilities, was ¥34.5 billion. We lease other equipment we use in our operations.

Item 5. Operating and Financial Review and Prospects

A. Operating Results.

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

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

Business Environment

Japan

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The Japanese economy, after breaking free of the IT slump in early 2002 and heading toward recovery, became stagnant again in mid-2002, due to a combination of weaker domestic and external demand. The chances of a recovery thus seemed poor, but since around summer 2003, the economic outlook has rapidly brightened, assisted by brisk exports to Asia and an upturn in private-sector capital expenditure, which have been driven in turn by recovering corporate earnings. While in April 2003 the International Monetary Fund was forecasting 0.8% GDP growth in Japan, its forecast as of April 2004 was 2.7%.

Despite the lack of vigor in Japan's macro economy, many Japanese companies reported improved results in the year ended March 31, 2003, reflecting their efforts to fundamentally reform their earnings structures. That positive tone looks to have been sustained in the fiscal year ended March 31, 2004, due to the robust economies in the United States and China and improvement in the macro environment later in the year in the form of a domestic economic turnaround. We expect corporate earnings to increase for the third consecutive year in the fiscal year ending March 31, 2005, albeit at a more moderate pace.

Share prices in Japan continued to fall in 2002 despite a sharp rebound in corporate earnings, as the market suffered from adverse supply-demand conditions. From the latter half of 2003, however, share prices increased

Table of Contents

substantially. The key TOPIX index, for example, had dropped from 1,060.19 points as at the end of March 2002, to 788.00 points a year later (a 26% decline), but by the end of March 2004 had surged 50%, to 1,179.23 points. Similarly, the Nikkei average, which had fallen 28% between March 2002 and March 2003 (from 11,024.94 points to 7,972.71 points), stood at 11,715.39 points as at the end of March 2004 (up 47% year on year).

The yield on newly issued 10-year Japanese Government bonds, or JGBs, which in early 2002 was around 1.5%, shrank to just above 0.4% at one point in June 2003, driven down by a combination of weak domestic demand for funds, a series of quantitative monetary easing measures by the Bank of Japan, or BOJ, and market recognition worldwide of deflationary risk. Subsequently, however, the yield on newly issued 10-year JGBs increased rapidly, topping 1.6% at one point in September 2003, on heightened expectations of a global economic recovery and rising share prices. JGB yields have been anchored in the 1.2-1.6% zone since then, reflecting the Bank of Japan's commitment to monetary easing even as the economic recovery takes clearer shape. In June 2004, however, yields moved out of this range and since then have been around 1.9%.

Since 2002, the prevailing trend in foreign exchange markets has been the depreciation of the U.S. dollar, with the yen/dollar rate going from US\$1=¥130-135 in early 2002 to as far as US\$1=¥105-110 at the start of 2004, and the dollar/euro rate moving in a similar direction, from EUR1=\$0.85-0.90 to EUR1=\$1.25-1.30 over the same period. In 2002, the defining factor pushing down the dollar was the issue of corporate accounting scandals in the United States, while in 2003, it was the so-called twin deficits (current account and fiscal). Since April 2004, however, the dollar has regained ground, with employment figures in the United States improving and increased expectations of the Federal Reserve Board raising interest rates.

Overseas

Coming out of a prolonged slowdown beginning in the latter half of 2002, the leading industrialized nations' economies have gained considerable ground since the second half of 2003. Of particular note has been the sustained uptrend in the Chinese economy, and the US economy's resurgence. Global commodity prices continued to rise, supported by demand growth in China. The war in Iraq that began in March 2003 was over by May 2003, although the situation there remains unstable.

Powered by an increase in personal spending and housing investment which was fueled in turn by falling interest rates and tax cuts the U.S. economy turned upward from 2002, with real GDP growth rate rising from 0.5% in 2001 to 2.2%. In 2003, real GDP growth rate in the United States reached 3.1%, as improved earnings led companies to increase capital investment, which gave a further boost to the economy. Even employment figures, the only indicator to show little sign of improvement in 2003, have been gaining momentum since March 2004.

Concerned about the risk of inflation becoming undesirably low, the Federal Open Market Committee, or FOMC, lowered the Federal funds rate to 1.00% in June 2003. Just prior to the FOMC action, the yield on 10-year U.S. Treasury notes briefly approached 3%. Subsequently, however, the yield on 10-year notes rose sharply, and for a while was moving between 3.5% and 4.5%. Sharply improved employment figures in the United States during the spring of 2004 have led to heightened expectations of an interest rate hike, which would drive up bond yields. The Dow Jones Industrial Average, which from the second half of 2002 through the first half of 2003 languished in the 7,500-9,000 range, recovered to the 10,000 level in December 2003, reflecting the resurgent economy. For a while, the Dow was moving around the 10,500 mark, but amid rising expectations of an interest rate hike, it dropped back to roughly 10,000 in May 2004.

The European economies, too, faltered in the second half of 2002, before bouncing back in the latter half of 2003. In comparison with the U.S. and Japanese economies, however, the rate of recovery has been moderate. The European Central Bank lowered its benchmark interest rate to

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2% in June 2003, around which time share prices started moving upward. Since the beginning of 2004, however, they remained range bound.

Table of Contents

Asian economies, particularly China, have remained robust since 2003. We anticipate a slowing effect, however, from the Chinese government's monetary tightening policies, geared toward cooling the overheated national economy.

Executive Summary

Against a background of recovering domestic and global economies, with especially strong growth in China and a recovery in domestic capital investment, the economic recovery in Japan remained solid throughout the year ended March 31, 2004. In 2003, Japan's real GDP grew in excess of 2% in all four quarters, and a recovery trend emerged, driven by demand from the United States and China and rising capital spending in the private sector. Individual investors showed signs of gradually moving their financial assets into securities, as evidenced by their strong interest in Japanese government bonds and investment trusts. The percentage of stocks owned by individual investors, which had fallen steadily since the 1980s, bottomed out in March 2000 and has been rising for the past three years. Reflecting this favorable environment, the average daily trading volume on the First Section of the Tokyo Stock Exchange in 2003 set a new record of more than 1.2 billion shares, exceeding the previous high of 1 billion shares in a day in 1988. In this environment, we were able to expand our business by offering our customers a variety of creative financial solutions or investment opportunities through the capital markets and by diversifying our revenue sources. As a result, income before income taxes increased by 496% from ¥47.4 billion for the year ended March 31, 2003 to ¥282.7 billion for the year ended March 31, 2004. Net income increased by 44% from ¥119.9 billion for the year ended March 31, 2003 to ¥172.3 billion for the year ended March 31, 2004. This allowed us to improve our return on equity (ROE) from 7.4% to 10.1%.

In Domestic Retail, net revenue for the year ended March 31, 2004 was ¥305.8 billion, up 23% from the previous year, and income before income taxes was ¥79.5 billion, up 123% from the previous year, as we responded to customers' investment needs by offering stocks, investment trusts, foreign currency bonds, Japanese government bonds for individuals, and a variety of other financial products. These results reflect our efforts to create a service delivery structure that is focused on core values, or the values that customers regard as the most important, and that enables us to provide high-quality financial services appropriate for each of our customers. Client assets (including those of financial institutions) in Domestic Retail totaled a record ¥40.8 trillion, and we are exerting our utmost efforts to further expand our customer base.

In Global Wholesale, net revenue for the year ended March 31, 2004 was ¥365.7 billion, up 23% from the previous year, and income before income taxes was ¥138.5 billion, up 52% from the previous year. In Fixed Income, underwritings and distributions of foreign bonds were strong due to our efforts to match top-tier overseas bond issuers, which were drawn by the amount of individual financial assets in Japan, with individual investors looking for attractive investments. Trading profits in Equity rose substantially as a result of our successful efforts to generate customer order flow. In Investment Banking, underwritings of initial, primary, and secondary equity offerings were strong.

In Asset Management, net revenue for the year ended March 31, 2004 was ¥36.0 billion, down 3% from the previous year, due to a decline in asset management fees stemming from a reduction in assets in bond investment trusts. Loss before income taxes was ¥1.0 billion as a result of an increase in non-interest expenses, such as special premiums paid in conjunction with Nomura Asset Management's withdrawal from the Japan Securities Dealers Employees' Pension Fund. The balance of assets in bond investment trusts continued to fall. The outstanding balance of Long-term Bond Investment Trusts (Nomura Bond Fund) fell to ¥2.6 trillion as of March 31, 2004, from ¥6.3 trillion as of March 2002, 31. However, Nomura Asset Management's total assets under management turned around due primarily to growth in investment advisory assets, increasing to ¥15.7 trillion as of March 31, 2004, from ¥14.2 trillion as of March 31, 2003.

Over the past five years, we have increased the size of our balance sheet, while ensuring high liquidity and maintaining sufficient equity capital. The primary drivers of the increase in the balance sheet are the growth of

Table of Contents

trading activities, mainly highly liquid government bonds, notes and bills. This growth has been mainly funded through secured financing, long-term debt, and equity. Total equity capital increased by ¥374.7 billion from ¥1,411.0 billion as of March 31, 2000 to ¥1,785.7 billion as of March 31, 2004. We monitor the size, composition and growth of our balance sheet, diversify funding sources, and review equity capital base, its allocation and business mix to ensure it delivers return on equity commensurate to risk profile, the market circumstances, and our peer group. Liquidity is of critical importance, and we have created a robust set of liquidity policies to withstand market shocks for periods lasting over one year without raising additional unsecured financing or forcing the liquidation of assets.

Results of Operations*Overview*

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

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Non-interest revenues:				
Commissions	¥ 140,001	¥ 141,640	¥ 210,216	\$ 2,018
Fees from investment banking	75,255	81,847	86,994	835
Asset management and portfolio service fees	109,985	79,290	66,193	635
Net gain on trading	162,228	172,308	229,042	2,199
(Loss) gain on investments in equity securities	(55,860)	(41,288)	55,888	536
Gain from changes in equity of an affiliated company	3,504			
PFG entities product sales	294,931			
PFG entities rental income	177,053			
Gain on sales of PFG entities	116,324			
Gain (loss) on private equity investments	232,472	(14,391)	13,138	126
Other	68,965	19,589	41,205	396
Total Non-interest revenues	¥ 1,324,858	¥ 438,995	¥ 702,676	\$ 6,745
Net interest revenue	(3,507)	127,279	100,427	964
Net revenue	1,321,351	566,274	803,103	7,709
Non-interest expenses	1,148,379	518,865	520,427	4,996
Income before income taxes	172,972	47,409	282,676	2,713
Income tax expense	4,926	37,295	110,347	1,059
Cumulative effect of accounting change ⁽¹⁾		109,799		
Net income	¥ 168,046	¥ 119,913	¥ 172,329	\$ 1,654
Return on equity	11.1%	7.4%	10.1%	

(1)

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Cumulative effect of accounting change represents the write-off of the remaining unamortized negative goodwill associated with the acquisition of additional shares of Nomura Asset Management Co., Ltd.

Net revenue increased by 42% from ¥566,274 million for the year ended March 31, 2003 to ¥803,103 million for the year ended March 31, 2004. The increase in net revenue was primarily due to three factors: an increase in commissions, higher net gains from trading, and an increase in the valuation of our investments in equity securities. Commissions increased by 48% as Domestic Retail boosted their products and services to take advantage of increased demand. Net gain from equity trading increased by 109% from the previous year, given stronger equity markets. Net gain from fixed income and other trading grew by 14% as investor demand for fixed income products remained high. We recorded gains on our investments in equity securities given the

Table of Contents

improvement in the Japanese stock market, compared to losses in the previous financial year, when stock markets were declining.

Net interest revenue was ¥127,279 million and ¥100,427 million for the years ended March 31, 2003 and 2004, respectively. We had net interest expenses for the year ended March 31, 2002. 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 Wholesale business in particular, we view net interest revenue and non-interest revenues in aggregate.

Net revenue decreased by 57% from ¥1,321,351 million for the year ended March 31, 2002 to ¥566,274 million for the year ended March 31, 2003. The decline in net revenue was primarily due to the fact that the results of operations for the year ended March 31, 2002 included the consolidated results of the Principal Finance Group, (the PFG entities), as explained in Private Equity Investments below. We began to account for our investments in the PFG entities at fair value on March 27, 2002 and, accordingly, they were not consolidated with our results of operations for the year ended March 31, 2003. PFG entities product sales and PFG entities rental income accounted for ¥471,984 million of net revenue for the year ended March 31, 2002. Also, net revenue for the year ended March 31, 2002 included a gain on private equity investments in the amount of ¥232,472 million, relating to the deconsolidation of the PFG entities. This gain was derived mainly from the difference between the fair value of our investments in the PFG entities and their historical cost balance sheet value at that date. In addition, we recorded a gain on sales of PFG entities in the amount of ¥116,324 million for the year ended March 2002, which was derived from sales of certain PFG entities. For the year ended March 31, 2003, the decline in net revenue on account of the PFG entities as discussed above more than offset increases in commissions, fees from investment banking, net gains on trading and net interest for that year compared with the previous year.

In our consolidated income statement, we include under Revenue gain (loss) on investments in equity securities. We recorded losses on such investments in the amount of ¥55,860 million and ¥41,288 million for the years ended March 31, 2002 and 2003, respectively, and gains on such investments in the amounts of ¥55,888 million for the year ended March 31, 2004. This line item includes unrealized gains and losses on operating investments, and gains and losses realized upon disposition of operating investments. Operating investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships. In our consolidated financial statements, operating investments are recorded at market value, with unrealized gains and losses on these investments recognized currently in income.

Non-interest expenses increased by 0.3% from ¥518,865 million for the year ended March 31, 2003 to ¥ 520,427 million for the year ended March 31, 2004. Compensation and benefits costs increased by 6%, but this was largely offset by cost reductions relating to commissions and floor brokerage, occupancy and business development.

Non-interest expenses decreased by 55% from ¥1,148,379 million for the year ended March 31, 2002 to ¥ 518,865 million for the year ended March 31, 2003. The decrease in non-interest expenses was mainly due to the deconsolidation of the PFG entities, whose expenses, such as the PFG entities cost of goods sold of ¥200,871 million and PFG entities expenses associated with rental income of ¥111,529 million, were included in the non-interests expenses for the year ended March 31, 2002. This decrease was partially offset by an impairment loss in the amount of ¥21,165 million on our investment in JAFCO, one of our affiliates, as discussed below.

Income before income taxes was ¥172,972 million for the year ended March 31, 2002, ¥ 47,409 million for the year ended March 31, 2003 and ¥282,676 million for the year ended March 31, 2004.

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We are subject to a number of different taxes in Japan which, in the aggregate, represented a statutory tax rate of approximately 42% for the year ended March 31, 2002. For the year ended March 31, 2003, we adopted a

Table of Contents

consolidation tax system as permitted under the Japanese tax law. In addition to the basic corporate tax rate, a 2% surtax was imposed until the year ended March 31, 2004. Our foreign subsidiaries are subject to income taxes of the countries in which they operate. Reflecting the surtax, the tax rate was approximately 44% for the year ended March 31, 2003 and 2004.

Income tax expense for the year ended March 31, 2004 was ¥110,347 million, representing an effective tax rate of 39.0%. The effective tax rate was below our statutory tax rate of 44% mainly due to two reasons. First, in reviewing our capital base and our business mix (see Item 5. B of this annual report) in each of our three overseas regions (Americas, Europe, Asia and Oceania) as part of our strategy to establish ourselves firmly as a globally competitive Japanese financial institution (see Item 4. B of this annual report), we determined that we would not repatriate undistributed earnings of our three regional holding companies (Nomura Holding America Inc., Nomura Europe Holdings plc and Nomura Asia Holding N.V.) within the foreseeable future. As a result, we have reversed ¥ 8.5 billion of previously provided deferred tax liabilities. This decreased the effective tax rate for the year ended March 31, 2004 by approximately 3%. The second reason was the different tax rate applicable to income (loss) of foreign subsidiaries. This decreased the effective tax rate for the year ended March 31, 2004 by approximately 1.6%.

Income tax expense for the year ended March 31, 2003 was ¥37,295 million, representing an effective tax rate of 78.7%. The effective tax rate was significantly above the statutory tax rate of 44% mainly due to two reasons. First, new Japanese tax legislation was issued in March 2003, reducing the standard enterprise tax rate and creating new taxes on capital and certain expenses defined in the law. This legislation became effective on April 1, 2004, and resulted in a domestic statutory tax rate of approximately 40%. As a result of the future lower statutory tax rate, deferred tax assets were reduced and, accordingly, this increased the effective tax rate for the year ended March 31, 2003 by approximately 16%. Second, deferred tax assets were decreased with respect to the movement of valuation allowances related to the operating loss carry forwards for tax purposes of certain foreign subsidiaries and, accordingly, this increased the effective tax rate for the year ended March 31, 2003 by approximately 12%.

Income tax expenses for the year ended March 31, 2002 was ¥4,926 million, representing an effective tax rate of 2.8%. The effective tax rate was significantly below our statutory tax rate of 42% mainly due to the following two reasons. First, the 2002 effective tax rate was affected by the change in accounting for PFG entities following the change in our PFG business structure. As discussed in Private Equity Investments below, on March 27, 2002, we ceased to control the PFG entities. As a result, we deconsolidated the PFG entities and recorded a corresponding gain on private equity investments of ¥232,472 million. There was no net tax effect related to this gain, and accordingly this reduced the effective tax rate for the year ended March 31, 2002 by approximately 25%. Second, the lower tax rate applicable to income of our foreign operations (mainly our U.K. operation which recorded a material gain on the sale of certain PFG entities) reduced the effective tax rate by approximately 14%.

We wrote off negative goodwill arising with respect to Nomura Asset Management Co., Ltd. from a previous business combination upon adoption of SFAS No. 142 and recorded, as a cumulative effect of accounting change, a gain of ¥109,799 million for the year ended March 31, 2003. For further information on this gain, see Note 3 to our consolidated financial statements included in this annual report.

Net income was ¥168,046 million for the year ended March 31, 2002, ¥119,913 for the year ended March 31, 2003 and ¥172,329 for the year ended March 31, 2004. Our return on equity was 11.1% for the year ended March 31, 2002, 7.4% for the year ended March 31, 2003 and 10.1% for the year ended March 31, 2004.

Results by Business Segment

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As discussed in [Overview](#) under Item 4.B of this annual report, we operate three business segments: Domestic Retail, Global Wholesale and Asset Management. Gain (loss) on investment securities, corporate items

Table of Contents

and other financial adjustments are included as Other operating results outside these business segments in our segment information. Unrealized gain (loss) on investments in equity securities held for relationship purposes and the effects of consolidation and deconsolidation of private equity investee companies are classified as reconciling items outside our segment information. You should read the following segment information in conjunction with Item 4.B of this annual report and Note 18 to our consolidated financial statements included in this annual report. Reconciliation of our segment results of operations and consolidated financial statements is set forth in Note 18.

Domestic Retail

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

Operating Results of Domestic Retail

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Non-interest revenues	¥ 226,156	¥ 246,938	¥ 304,035	\$ 2,919
Net interest revenue	2,949	2,313	1,722	16
Net revenue	229,105	249,251	305,757	2,935
Non-interest expenses	208,621	213,562	226,213	2,171
Income before income taxes	¥ 20,484	¥ 35,689	¥ 79,544	\$ 764

Net revenue for the year ended March 31, 2004 reached ¥305,757 million, increasing 23% from ¥249,251 million for the year ended March 31, 2003. This was due to the fact that commissions and fees in securities brokerage and investment trusts distribution increased, while asset management fees decreased. The decrease in asset management fees was caused by decreases in trust fees primarily related to a change of the appraisal method for composite bonds for Long-Term Bond Investment Trusts. These decreases in asset management fees were offset by an increase in revenue reflecting the increase in commissions and fees in stock brokerage and sales of investment trusts due to the favorable conditions in the Japanese securities markets.

Net revenue for the year ended March 31, 2003 reached ¥249,251 million, increasing 9% from ¥229,105 million for the year ended March 31, 2002. This was due to the fact that the placements and sales of bonds increased, while commissions and fees in stock brokerage and asset management fees decreased. The decrease in commissions and fees in stock brokerage was caused by the decline in sales amounts mainly due to the downturn in the stock market. Additionally, the reduction in asset management fees was caused by decreases in the balances for Long-Term Bond Investment Trusts, decreases in trust fees due to a drop in distribution ratios for Long-Term Bond Investment Trusts and a decline in the balances for stock investment trusts due to the downturn in the stock market. These decreases in commissions and fees were offset by an increase in revenue reflecting the increase in the placements and sales of foreign bonds.

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Non-interest expenses for the year ended March 31, 2004 were ¥226,213 million, increasing 6% from ¥213,562 million for the year ended March 31, 2003 mainly due to increases in compensation and benefits.

Non-interest expenses for the year ended March 31, 2003 were ¥213,562 million, increasing 2% from ¥208,621 million for the year ended March 31, 2002 mainly due to increases in compensation and benefits.

Table of Contents

Income before income taxes were ¥20,484 million for the year ended March 31, 2002, ¥35,689 million for the year ended March 31, 2003 and ¥79,544 million for the year ended March 31, 2004.

The graph below shows the revenue breakdown by instrument in terms of Domestic Retail non-interest revenues for the years ended March 31, 2002, 2003, and 2004.

As described above, asset management fees and the commissions for variable annuity insurance decreased for the year ended March 31, 2004. This was offset by increased revenue from equities, bonds and investment trusts. Revenue from bonds represented 40% of total Domestic Retail non-interest revenue for the year ended March 31, 2003. However, this figure declined to 34% for the year ended March 31, 2004. On the other hand, revenue from equities increased from 28% for the year ended March 31, 2003 to 40% for the year ended March 31, 2004, due to the stronger performance of the Japanese equity markets. Revenue from investment trusts slightly increased to 16% from 15%, due primarily to increased investment trust distribution.

The increase in revenues in Domestic Retail resulted primarily from the increases in client assets as our strategy of providing value-added investment consultation services and diversification of products progressed.

Table of Contents

Client assets

The following graph shows amounts and details regarding client assets relating to Domestic Retail at March 31, 2002, 2003, and 2004. Our client assets consist of customers' assets, excluding assets of financial institutions, held in our custody, and assets relating to the variable annuity insurance products.

Client Assets

(Note) The data above includes assets relating to corporate employees' investment plans and assets of regional corporations, excluding assets of financial institutions, in our custody, and assets relating to variable annuity insurance products. Accordingly, the data for the year ended March 31, 2002 presented as Retail customer assets held in custody in the annual report for the year ended March 31, 2002, is shown as adjusted in the above graph. For each of the three years shown in the above graph, an insignificant portion of client assets was attributable to other instruments. Because of its insignificant size, this portion is not shown in the above graph. The amount for this portion was ¥0.03 trillion, ¥0.22 trillion and ¥0.33 trillion for the years ended March 31, 2002, 2003 and 2004, respectively.

Client assets increased by ¥8.1 trillion from ¥27.1 trillion at March 31, 2003 to ¥35.2 trillion at March 31, 2004, due to the increase in the balances of equity securities and bonds.

Due to a recovery in the domestic stock markets (47% rise in the Nikkei Stock Average) and the incentive created by revisions to the Japanese tax system for taxpayers to place equity positions in the custody of securities companies, equity assets increased by ¥6.5 trillion to ¥16.0 trillion at March 31, 2004 from ¥9.5 trillion at March 31, 2003.

Also due to continuing extremely low interest rates, growing needs for asset diversification and the start of distribution of Japanese Government bonds for individuals, the needs regarding domestic and foreign bonds have been high, for both individuals and corporations. This has caused a steady expansion of bond assets held in custody. Bond assets held in custody increased by ¥1.4 trillion and reached ¥9.8 trillion at March 31, 2004, from ¥8.4 trillion at March 31, 2003.

Table of Contents**Global Wholesale**

In Global Wholesale, we earn fees, commissions and other revenues by providing sales and trading services, and investment banking services mainly to global institutional customers. In our sales and trading activities, we facilitate customer transactions and trade for our own account by market-making and trading fixed income and equity securities. We also provide a broad range of investment banking services, including underwriting and financial advisory services. Also, we conduct proprietary transactions, including arbitrage and principal finance transactions. Our investments in the PFG entities (through March 27, 2002) and the private equity investments made by Nomura Principal Finance Co., Ltd. are treated as private equity positions for business segment information purposes.

Operating Results of Global Wholesale

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Non-interest revenues	¥ 385,430	¥ 196,675	¥ 290,845	\$ 2,792
Net interest revenue	54,505	101,794	74,891	719
Net revenue	439,935	298,469	365,736	3,511
Non-interest expenses	248,657	207,436	227,227	2,182
Income before income taxes	¥ 191,278	¥ 91,033	¥ 138,509	\$ 1,329

Net revenue was ¥439,935 million, ¥298,469 million and ¥365,736 million for the years ended March 31, 2002, 2003 and 2004, respectively.

Non-interest expenses were ¥248,657 million, ¥207,436 million and ¥227,227 million for the years ended March 31, 2002, 2003 and 2004, respectively.

As discussed in *Business Overview* under Item 4.B of this annual report, our Global Wholesale consists of four business lines as of March 31, 2004: Fixed Income, Equity, Investment Banking and Merchant Banking.

Fixed Income

We cover fixed income related products, including government securities, agency securities, municipal securities, credit products, money market products, foreign exchange, asset backed securities and various derivatives products. Our strategy is to enhance customer-driven transactions and focus on maintaining our presence as a market leader in yen bond markets globally. We have enhanced our execution capabilities for trading in structured medium-term notes to meet strong demand from our high-net-worth clients and regional institutions in Domestic Retail.

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

	Year Ended March 31,		
	2002	2003	2004
Nomura's Share in Japanese Government bond auctions	15%	15%	16%
Nomura's Share in secondary bond trading	15%	14%	16%

Table of Contents*Operating Results of Fixed Income*

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Net revenue	¥ 90,753	¥ 153,966	¥ 173,994	\$ 1,670
Non-interest expenses	66,739	76,759	91,810	882
Income before income taxes	¥ 24,014	¥ 77,207	¥ 82,184	\$ 788

Net revenue increased by 13% from ¥153,966 million for the year ended March 31, 2003 to ¥173,994 million for the year ended March 31, 2004, mainly due to the steady increase in demand for foreign currency bonds from high-net-worth clients in Domestic Retail and an increase in net gain on trading related to medium-term notes.

Net revenue increased by 70% from ¥90,753 million for the year ended March 31, 2002 to ¥153,966 million for the year ended March 31, 2003, mainly due to an increase in net gain on trading related to medium-term notes and foreign currency bonds.

Non-interest expenses increased by 20% from ¥76,759 million for the year ended March 31, 2003 to ¥91,810 million for the year ended March 31, 2004, mainly due to performance related compensation and benefit costs.

Non-interest expenses increased by 15% from ¥66,739 million for the year ended March 31, 2002 to ¥76,759 million for the year ended March 31, 2003, mainly due to increases in performance related compensation and benefit costs.

Income before income taxes was ¥24,014 million for the year ended March 31, 2002, ¥77,207 million for the year ended March 31, 2003 and ¥82,184 million for the year ended March 31, 2004.

Equity

We focus on generating customer order flow as well as arbitrage trading for our own account. In recent years, many Japanese corporations, which needed to restructure their balance sheets have accelerated their liquidation of cross-shareholdings of other Japanese corporations. Utilizing our strong client base, solution providing services and execution capabilities, we have been handling large block orders resulting from such liquidations.

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Furthermore, through our global sales network we often handle orders for baskets of various stocks from large domestic and foreign corporations and public pension funds. In the year ended March 31, 2004, we continued to strengthen our sales network into a global organization, which enables us to meet the 24-hour demand from large global customers through the Tokyo, London and New York offices.

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

<u>Stock Market Index</u>	<u>March 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
TOPIX	1,060.19	788.00	1,179.23
	-17.0%	-25.7%	49.6%
Nikkei 225 (Nikkei Stock Average)	11,024.94	7,972.71	11,715.39
	-15.2%	-27.7%	46.9%

Table of Contents

In the Japanese stock market, share prices continued to fall in 2002, as the market suffered from adverse supply-demand conditions. From the latter half of 2003 until March 31, 2004, share prices recovered and experienced large gains. The key TOPIX index, for example, had surged upward by 50% from 788.00 points as of the end of March 2003, to 1,179.23 points as of the end of March 31, 2004. Similarly, the Nikkei Stock Average had surged upward by 47% from 7,972.71 points as of the end of March 2003, to 11,715.39 points as of the end of March 2004. The following table shows our market share of Japanese equity trading for the years indicated.

Nomura's Share in	Year Ended March 31,		
	2002	2003	2004
Total equity trading market in Japan	10%	9%	8%
Off-floor/off-exchange equity trading market in Japan	19%	20%	16%

Operating Results of Equity

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Net revenue	¥ 125,076	¥ 82,025	¥ 110,153	\$ 1,058
Non-interest expenses	66,475	65,675	71,494	686
Income before income taxes	¥ 58,601	¥ 16,350	¥ 38,659	\$ 372

Net revenue increased by 34% from ¥82,025 million for the year ended March 31, 2003 to ¥110,153 million for the year ended March 31, 2004, mainly due to an increase in customers' order flow, such as block trading, resulting from a favorable Japanese equity market.

Net revenue decreased by 34% from ¥125,076 million for the year ended March 31, 2002 to ¥82,025 million for the year ended March 31, 2003, mainly due to a decrease in customers' order flow, such as block trading, resulting from a stagnant Japanese equity market.

Non-interest expenses increased by 9% from ¥65,675 million for the year ended March 31, 2003 to ¥71,494 million for the year ended March 31, 2004, mainly due to increases in compensation and benefits.

Non-interest expenses decreased by 1% from ¥66,475 million for the year ended March 31, 2002 to ¥65,675 million for the year ended March 31, 2003 mainly due to decreases in compensation and benefits in line with lower revenues.

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Income before income taxes was ¥58,601 million for the year ended March 31, 2002, ¥16,350 million for the year ended March 31, 2003 and ¥38,659 million for the year ended March 31, 2004.

Investment Banking

We offer various investment banking services, such as underwriting and advisory activities. We underwrite offerings of bonds, stocks, and other instruments in the major global markets of Japan, Europe, and the U.S. The following table shows changes in our market share in the underwriting market for bonds and stocks in Japan.

	Year Ended March 31,		
	2002	2003	2004
Nomura's Share in Japanese IPOs	36%	49%	25%
Nomura's Share in Japanese Public Offerings	34%	44%	35%
Nomura's Share in Japanese Straight Bonds	21%	23%	19%
Nomura's Share in Japanese Samurai Bonds	38%	14%	16%

Table of Contents

We have been enhancing our M&A and financial advisory capabilities for cross border deals as well as Japanese deals. According to Thomson Financial, the amounts of announced M&A deals which involved Japanese parties was \$87,283 million and our share was 20.6% for the year ended December 31, 2003.

Operating Results of Investment Banking

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Net revenue	¥ 88,349	¥ 69,125	¥ 70,869	\$ 680
Non-interest expenses	57,406	56,374	53,703	516
Income before income taxes	¥ 30,943	¥ 12,751	¥ 17,166	\$ 164

Net revenue increased by 3% from ¥69,125 million for the year ended March 31, 2003 to ¥70,869 million for the year ended March 31, 2004, due primarily to an increase in fees we earned underwriting public stock offerings.

Net revenue decreased by 22% from ¥88,349 million for the year ended March 31, 2002 to ¥69,125 million for the year ended March 31, 2003, partly due to a decrease in order flow relating to the Japanese equity market. Public offering activities were stagnant during the year ended March 31, 2003 in the Japanese capital market, although the number of M&A deals increased.

Non-interest expenses decreased by 5% from ¥56,374 million for the year ended March 31, 2003 to ¥53,703 million for the year ended March 31, 2004, due primarily to decrease in commissions and floor brokerage.

Non-interest expenses decreased by 2% from ¥57,406 million for the year ended March 31, 2002 to ¥56,374 million for the year ended March 31, 2003.

Income before income taxes was ¥30,943 million for the year ended March 31, 2002, ¥12,751 million for the year ended March 31, 2003 and ¥17,166 million for the year ended March 31, 2004.

Merchant Banking

In October 2001, we established the Merchant Banking division within Global Wholesale, which combines our principal finance business in Japan and Europe, and other private equity businesses in Japan and Europe.

In Japan, Nomura Principal Finance Co., Ltd. has been active in the field of buy-outs and corporate revitalization, targeting investment opportunities that offer scope for capital appreciation and attractive returns to us. The Japanese private equity business has also been developed through investments in funds managed by the Nomura Research & Advisory Co., Ltd. Since March 27, 2002, our principal finance investments in Europe have been managed by Terra Firma, as explained in Private Equity Investments below.

Operating Results of Merchant Banking

	Year Ended March 31,			
	2002	2003	2004	
	(in millions)			
Net revenue	¥ 135,757	¥ (6,647)	¥ 10,720	\$ 103
Non-interest expenses	58,037	8,628	10,220	98
Income before income taxes	¥ 77,720	¥ (15,275)	¥ 500	\$ 5

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Net revenue decreased by 3% from ¥37,060 million for the year ended March 31, 2003 to ¥35,957 million for the year ended March 31, 2004, due primarily to decreases in asset management and portfolio service fees reflecting declines in the outstanding balance of bond investment trusts.

Net revenue decreased by 21% from ¥47,207 million for the year ended March 31, 2002 to ¥37,060 million for the year ended March 31, 2003, due primarily to decreases in asset management and portfolio service fees reflecting declines in the outstanding balance of our Long-term Bond Investment Trusts.

Non-interest expenses increased by 9% from ¥33,866 million for the year ended March 31, 2003 to ¥37,004 million for the year ended March 31, 2004, due primarily to a special withdrawal charge paid to the Japan Securities Dealers Employees Pension Fund by Nomura Asset Management in September 2003.

Table of Contents

Non-interest expenses decreased by 9% from ¥37,031 million for the year ended March 31, 2002 to ¥33,866 million for the year ended March 31, 2003, partly due to a decrease in compensation and benefits.

Income before income taxes was ¥10,176 million for the year ended March 31, 2002 and ¥3,194 million for the year ended March 31, 2003, and loss before income taxes was ¥1,047 million for the year ended March 31, 2004.

Nomura Asset Management's assets under management

	As of March 31,		
	2002	2003	2004
	(in billions)		
Publicly offered stock investment trusts	¥ 3,199	¥ 3,168	¥ 4,484
Publicly offered bond investment trusts	10,388	7,253	6,345
Privately placed investment trusts	181	238	428
Investment advisory	4,447	3,578	4,423
Total	¥ 18,214	¥ 14,237	¥ 15,681

(Note) There are some assets that are calculated in a partially overlapping manner, due to funds of funds.

Asset Management Business of Nomura Asset Management

The assets under management of Nomura Asset Management was ¥15.7 trillion as of the year ended March 31, 2004, reflecting a decrease of ¥2.5 trillion from the year ended March 31, 2002, and an increase of ¥1.4 trillion from the year ended March 31, 2003. As of March 31, 2004, the assets under management of Nomura Asset Management included publicly offered stock investment trusts in the aggregate principal amount of ¥4.5 trillion, publicly offered bond investment trusts in the aggregate principal amount of ¥6.3 trillion, privately placed investment trusts in the aggregate principal amount of ¥0.4 trillion, and investment advisory activities covering assets in the amount of ¥4.4 trillion.

With respect to publicly offered stock investment trusts, in a trend that started in the year ended March 31, 2003 and continued through the year ended March 31, 2004, a number of Exchange Traded Funds, to which Japanese financial institutions contributed stocks, as a means to unwind their cross-shareholdings, were established. During the year ended March 31, 2004, the Nikkei Stock Average had surged to 11,715.39 points as of the end of March 2004 from 7,972.71 points as of the end of March 2003, representing an appreciation of 47%. As a result, the total net assets of stock investment trusts managed by Nomura Asset Management as of March 31, 2004 amounted to ¥4,484 billion, representing an increase of ¥1,316 billion, or 42%, from ¥3,168 billion as of March 31, 2003. Investment advisory assets of Nomura Asset Management increased to ¥4,423 billion as of March 31, 2004 from ¥3,578 billion as of March 31, 2003, due primarily to an increase of assets from overseas investors.

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With respect to publicly offered bond investment trusts, net assets declined in each of the years ended March 31, 2003 and 2004. For the year ended March 31, 2003, the aggregate principal amount of MMFs decreased by ¥500 billion, representing a 26% change. Due to a change of the appraisal method for composite bonds and general declines in interest rates, the net assets for the publicly offered bond investment trusts, whose targeted distribution amounts dropped substantially, decreased by ¥2,269.5 billion from ¥6,299.5 billion at March 31, 2002 to ¥4,030.0 billion at March 31, 2003. At the same time, the net assets for publicly offered bond investment trusts decreased to ¥7.3 trillion as of March 31, 2003, compared with ¥10.4 trillion at March 31, 2002. The net assets for the publicly offered bond investment trusts also decreased by ¥1,389.8 billion from ¥4,030.0 billion at March 31, 2003 to ¥2,640.2 billion at March 31, 2004. At the same time, the net assets for publicly offered bond investment trusts decreased to ¥6.3 trillion as of March 31, 2004, compared with ¥7.3 trillion at March 31, 2003.

Table of Contents

The following table shows Nomura Asset Management's share, in terms of net asset value, in the Japanese asset management market as of the dates indicated. Nomura Asset Management's market share in publicly offered investment trusts declined to 28% as of March 31, 2004 because of an overall increase in the market size of publicly offered stock investment trusts.

The share of Nomura Asset Management in the fund market of Japan

	As of March 31,		
	2002	2003	2004
Total of publicly offered investment trusts	33%	30%	28%
Stock investment trusts	21%	19%	19%
Bond investment trusts	40%	40%	40%

Defined contribution pension plan business in Japan

In connection with the defined contribution pension plan business in Japan, we offer various services. Among other things, we provide consulting and support for plan implementation (plan design), product selection, provision of information to subscribers, trust services, product supply, and investor education. As of the end of March 2004, there were 59 plans with respect to which we, through Nomura Pension Support & Service Co., Ltd., were entrusted with the administration and management of defined contribution pension plans, and the total number of participants in those plans was about 185,000 persons, which was the largest in Japan.

Other Operating Results

Other operating results include gain (loss) on investment securities, our share of equity in earnings (losses) of affiliates, impairment loss on long-lived assets, corporate items and other financial adjustments. We introduced a new methodology to allocate Headquarters' expenses to our three business segments effective April 1, 2002. Had we not applied the current allocation methodologies for the year ended March 31, 2003, income before income taxes for Domestic Retail, Global Wholesale and Asset Management would have been ¥ 42,758 million, ¥ 99,734 million and ¥ 3,883 million, respectively. Please refer to Note 18 to our consolidated financial statements included in this annual report for a reconciliation of segment results to income statement information.

Loss before income taxes in other operating results was ¥143,397 million and ¥40,705 million for the years ended March 31, 2002 and 2003, respectively, and income before income taxes in other operating results was ¥8,499 million for the year ended March 31, 2004.

Among our listed affiliates that are accounted for under the equity method in our consolidated financial statements, JAFCO, which is in the business of investing in and enhancing the equity value of non-listed companies, currently comprises a substantial portion of the aggregate carrying amount of our equity investments. During the years ended March 31, 2002 and 2003, the overall decline in market conditions in Japan led to a decrease in revenues relating to JAFCO-backed initial public offerings, and this contributed to a substantial decline in JAFCO's share price. As a result, we determined that there was an other-than-temporary loss on our investment in JAFCO, and we recorded an impairment loss on that investment of ¥92,441 million and ¥21,165 million for the year ended March 31, 2002 and 2003, respectively. This loss is included in

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Non-interest expenses Other in our consolidated income statement for these years. For further information on these losses, see Note 16 to our consolidated financial statements included in this annual report.

Investments in Equity Securities Held for Relationship Purposes

In our consolidated financial statements, 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, are treated in accordance with U.S. GAAP for broker-dealers they are recorded at market value, with unrealized gains and losses on these investments being recognized in income.

Table of Contents

Our operating investments share the following characteristics, which are based on customary business practices in Japan:

We primarily acquire operating investments for business relationship purposes, and not for generating capital gains. We do so in order to promote existing and potential business relationships with Japanese financial institutions and corporations.

We generally hold these investments for the long term, commensurate with our longstanding business relationships with the investees. We generally do not dispose of these investments for the purpose of realizing short-term capital gains.

We do not, as a matter of business practice, generally dispose of these investments without consulting with the investees beforehand. We have a business incentive in not disposing of an operating investment without such prior consultation, because an investee may interpret the disposal as an indication that we were placing less value on our business relationship with the investee and might, as retaliation, reduce or terminate the business it brings to us, thereby causing substantial harm to our business.

In pursuing our business strategy, we continuously review our business relationships with Japanese companies that are the investees of our operating investments.

In light of the characteristics of our operating investments as explained above, we do not include the unrealized profit/ (loss) on these investments in our segment information.

Effect of Consolidation/Deconsolidation of the PFG Entities

Prior to March 27, 2002, the PFG entities were owned by an operating unit of Nomura and their financial position and results of operations were included in our consolidated financial statements. As described in *Private Equity Investments* below, on March 27, 2002, we contributed most of our interests in certain of the PFG entities to Terra Firma Capital Partners I (*TFCPI*), a limited partnership involved in the private equity business, in exchange for a limited partnership interest. The general partner of the limited partnership manages these investments, together with one other PFG entity, Annington, which was not transferred to the partnership. We ceased consolidating the PFG entities at that time and commenced accounting for the investments at fair value. The effects of consolidation and deconsolidation of the PFG entities were reflected in our consolidated financial statements but not in our segment information. This is because we view and treat our PFG businesses as private equity investments made for capital appreciation and manage them based on management's estimate of fair value. Our financial exposure is limited to the fair value of our direct investments. For a further discussion of this accounting treatment, see Note 18 to our consolidated financial statements included in this annual report.

Summary of Regional Contribution

For a summary of our net revenue, income before income taxes and identifiable assets by geographic region, see Note 18 to our consolidated financial statements included in this annual report.

Regulatory Capital Requirements

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

In Japan, we are subject to the capital adequacy rule of the Financial Services Agency. This rule requires the maintenance of a capital adequacy ratio of not less than 120%. The calculation of a capital adequacy ratio is described in *Regulatory Capital Rules Japan* under Item 4.B of this annual report. As of March 31, 2004, we had a capital adequacy ratio of 230.2% compared to 260.2% as of March 31, 2003.

Table of Contents

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

Translation Exposure

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

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

Fair value of financial instruments is based on quoted market prices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. Fair value of exchange-traded securities and certain exchange-traded derivative contracts are generally based on quoted market prices or broker/dealer quotations. Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process.

Trading assets and trading liabilities, including derivative contracts, are recorded at fair value, and unrealized gains and losses are reflected in trading revenues. Fair values are based on quoted market prices or broker/dealer quotations where possible. If quoted market prices or broker/dealer quotations are not available or if the liquidation of our positions would reasonably be expected to impact quoted market prices, fair value is determined based on valuation pricing models that take into consideration time value and volatility factors underlying the financial instrument.

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Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different valuation models or underlying assumptions could produce different financial results. Changes in the fixed income, equity, foreign exchange and commodity markets will impact our estimates of fair value in the future, potentially affecting trading revenues. To the extent financial contracts have extended maturity dates, our estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base underlying modeling assumptions.

Table of Contents

In determining fair value, we set forth five categories of financial instruments as described below:

	Billions of yen		Translation into billions of U.S. dollars	
	Assets	Liabilities	Assets	Liabilities
March 31, 2004				
Trading securities, including securities pledged as collateral ⁽¹⁾	¥ 13,026	¥ 5,498	\$ 125	\$ 53
Non-trading debt securities	203		2	
Investments in equity securities	169		2	
Private equity investments	292		3	
Derivative contracts ⁽¹⁾	520	479	5	5

	Billions of yen	
	Assets	Liabilities
March 31, 2003		
Trading securities, including securities pledged as collateral ⁽¹⁾	¥ 8,474	¥ 3,375
Non-trading debt securities	270	
Investments in equity securities	138	
Private equity investments	271	
Derivative contracts ⁽¹⁾	541	514

(1) Securities options are classified as derivative contracts.

The following table sets forth the valuation of trading securities, non-trading debt securities, investment in equity securities and private equity investments by level of price transparency:

	Billions of yen		
	With price transparency	With little or no price transparency	Total
March 31, 2004			
Trading securities inventory	¥ 12,380	¥ 646	¥ 13,026
Trading securities sold but not yet purchased	5,493	5	5,498
Non-trading debt securities	183	20	203
Investments in equity securities	139	30	169
Private equity investments		292	292

	Billions of yen		
	March 31, 2003		
	With price transparency	With little or no price transparency	Total
Trading securities inventory	¥ 7,883	¥ 591	¥ 8,474
Trading securities sold but not yet purchased	3,366	9	3,375
Non-trading debt securities	94	176	270
Investments in equity securities	93	45	138
Private equity investments		271	271

The fair value of trading securities, non-trading debt securities, and investments in equity securities is generally obtained from quoted market prices or broker/dealer quotations with reasonable level of price transparency, or priced with reference to comparable financial instruments whose parameters can be directly observed.

Table of Contents

The types of instruments valued in this manner include listed equity, major sovereign government and agency bonds, supranational bonds, municipal bonds, corporates, liquid mortgage backed securities and money market instruments.

Certain trading and non-trading debt securities are less liquid and priced using management's best estimate of fair value. These type of instruments include non-investment grade and distressed corporates debt, emerging market debts, mortgage and commercial loans, mortgage derivatives, non-investment grade piece of structured notes, and notes with embedded exotic option.

Private equity investments

Private equity investments primarily are carried at fair value. Corresponding changes in the fair value of these investments are included in Gains/losses on private equity investments. The determination of fair value is significant to our financial condition and results of operations and requires management to make judgments based on complex factors. As the underlying investments generally are in non-publicly listed companies, there are no externally quoted market prices available. In estimating fair value, we estimate the price that would be obtained between a willing buyer and a willing seller dealing at arm's length. Valuations are typically based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital. The cost of capital is estimated, where possible, by reference to quoted comparables with a similar risk profile. Cash flows are derived from bottom up, detailed projections prepared by management of each respective investment. See Private Equity Investments discussed below.

Derivative contracts

Derivative contracts consist of listed derivatives and OTC derivatives. The fair values 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	
	Assets	Liabilities	Assets	Liabilities
March 31, 2004				
Listed derivatives	¥ 16	¥ 9	\$ 0	\$ 0
OTC derivatives	504	470	5	5
	¥ 520	¥ 479	\$ 5	\$ 5
Billions of yen				
March 31, 2003				

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	<u>Assets</u>	<u>Liabilities</u>
Listed derivatives	¥ 21	¥ 14
OTC derivatives	520	500
	<u>¥ 541</u>	<u>¥ 514</u>

Table of Contents

The fair values of OTC derivative assets and liabilities at March 31, 2003 and 2004 by remaining contractual maturity are shown below:

Billions of yen							
March 31, 2004							
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	¥ 135	¥ 159	¥ 112	¥ 117	¥ 225	¥ (244)	¥ 504
OTC derivative liabilities	78	117	118	67	122	(32)	470

Billions of yen							
March 31, 2003							
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	¥ 108	¥ 145	¥ 70	¥ 100	¥ 254	¥ (157)	¥ 520
OTC derivative liabilities	80	91	126	58	249	(104)	500

Note: (1) This column shows the amount, which represents the netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are netted within the maturity category.

(2) Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

Fair values for OTC derivatives are estimated using price models based on net present value of estimated future cash flows. Price transparency for OTC derivative varies depending on product type, maturity and the complexity of the contract. Foreign exchange forwards, interest rate swaps and cross currency swaps in major currencies are the types of derivative contracts with high degree of price transparency as they are valued with model with readily observable market parameters. Long dated foreign exchange options, credit basket default swaps, swaps with multiple call feature and other complex derivatives often valued with correlations and volatilities that needs some estimates and judgment, and they are less transparent in pricing.

Accounting Developments

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) 46. FIN 46 provides guidance on what constitutes a variable interest entity (VIE) and the circumstances under which it is to be consolidated. VIEs are entities which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or in which equity investors do not

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have the characteristics of a controlling financial interest. VIEs are required to be consolidated by the primary beneficiaries of a VIE, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. In accordance with the original provisions, we adopted FIN 46 immediately for all VIEs created after January 31, 2003. For VIEs created before February 1, 2003, we were initially required to adopt FIN 46 in the period beginning after June 15, 2003, i.e., July 1, 2003 in our case.

In October, 2003, the FASB deferred the effective date for applying the provisions of FIN 46 to VIEs created before February 1, 2003, until the end of the period ending after December 15, 2003, i.e., December 31, 2003 in our case. The FASB also deferred the effective date for applying FIN 46 to non-registered investment companies until the AICPA finalizes its proposed Statement of Position (SOP) on the clarification of the scope of the Audit Guide (AICPA Audit and Accounting Guide Audits of Investment Companies) and accounting by parent companies and equity method investors for investments in investment companies. In

Table of Contents

December 2003, the FASB issued a revision to FIN 46 (FIN 46-R), which incorporated October 2003 deferral provisions and clarified and revised the accounting guidance for VIEs. We applied FIN 46-R to all VIEs other than non-registered investment companies created before February 1, 2003, in which it held a variable interest as of December 2003. The implementation of FIN 46-R did not have a material impact on our consolidated financial statements for the year ended March 31, 2004.

In April 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group (DIG) process that effectively required amendments to SFAS No. 133, and decisions made in connection with other FASB projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative and characteristics of a derivative that contains financing components. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The implementation of SFAS No. 149 did not have a material impact on our consolidated financial statements for the year ended March 31, 2004.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 requires an issuer to classify certain financial instruments with characteristics of both liabilities and equity as liabilities (or an asset in some circumstances). Many of those instruments were previously classified as equity. Under SFAS No. 150, certain financial instruments issued in the form of shares that are mandatorily redeemable, that embody an obligation to repurchase the issuer's equity shares, and that the issuer must or may settle by issuing a variable number of its equity shares, are classified as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation of SFAS No. 150 did not have a material impact on our consolidated financial statements for the year ended March 31, 2004.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employers' Disclosure about Pensions and Other Postretirement Benefits. SFAS No. 132 revises employers' disclosure about pension plans and other postretirement benefits by requiring additional disclosures such as description of the type of plan assets, investment strategies, measurement dates, plan obligations, cash flows and components of net periodic benefit costs recognized during the periods. The statement does not change the measurement or recognition of the plans. Additional required annual disclosures are effective for the year ended March 31, 2004.

Private Equity Investments

We had been actively involved in the private equity business, through our UK based Principal Finance Group (PFG). As a result of a review to determine the optimum structure to run this business going forward, on March 27, 2002, we restructured PFG and, as a result, contributed its investments in certain of its remaining investee companies (the PFG entities) to Terra Firma Capital Partners I (TFCP I), a limited partnership which is engaged in the private equity business, in exchange for a limited partnership interest. Terra Firma Investments (GP) Limited (Terra Firma), the general partner of TFCP I, which is independent of us, assumed management of these investments, together with one investment, Annington Holdings plc, which was not transferred to the partnership. With effect from March 27, 2002, we ceased consolidating the PFG entities and account for these investments managed by Terra Firma (collectively referred to as Terra Firma investments) at fair value in accordance with the accounting practices for broker-dealers and applicable to investment companies. This accounting treatment is effective only for periods on and after March 27, 2002. Thus, operating results for the years ended March 31, 2003 and 2004 are not directly comparable to prior years regarding the PFG entities.

Table of Contents

A summary of the principal PFG entities as of March 27, 2002, immediately prior to the reorganization described below, was as follows:

Name of Company	Activity	Location
Carmelite Capital Limited	Rental and sale of consumer Electronics	United Kingdom
Thresher Wines Capital Limited	Sale of beer, wine and spirits	United Kingdom
Annington Holdings plc	Investment in properties	United Kingdom
Deutsche Annington Holdings Limited	Investment in properties	Germany
Meridien Capital Limited	Hotels	United Kingdom

We recognized revenue amounting to ¥232,472 million through the deconsolidation of the PFG entities during the fiscal year ended March 31, 2002. This gain was as a result of the March 31, 2002 estimated fair value exceeding the carrying value of the investment. The carrying value was the cost of the investment less book losses incurred during the period of ownership. In other words, the 2002 gain is primarily the reversal of losses that had previously been consolidated. The fair value of the Terra Firma investments was derived from their projected future cash flows discounted at their weighted average cost of capital and, in some cases, real estate property valuations received from independent valuation specialists. The estimated fair value of Terra Firma investments was ¥265,742 million and ¥287,246 million (\$2,757 million) at March 31, 2003 and 2004, respectively. Of this, the respective percentages at March 31, 2003 and 2004 are 64 % and 65% for Real Estate, 6% and 12% for the Services Sector and the remaining balance of 30% and 23% is in Consumer Businesses, which includes Retail and Consumer Finance.

Terra Firma Capital Partners Limited (TFCPL) has been established by former employees of us to advise Terra Firma in relation to the management of TFCP I as well as the raising and investing of additional capital. We also agreed to be a 10% founder investor in a new private equity fund (TFCP II), which has been raised by TFCPL. At March 31, 2004, TFCP II closed commitments of ¥251 billion (\$2.4 billion) and we have a commitment of ¥25,073 million (\$241 million), of which ¥3,996 million (\$38 million) had been drawn down for investments. We also accounts for our investment in TFCP II at fair value.

We also have a growing private equity business in Japan, which it operates through a wholly owned subsidiary, Nomura Principal Finance Co., Ltd. (NPF). Since its inception, NPF has made 13 investments for an aggregate value of ¥ 71,250 million (\$684 million) and exited from 2 of these investments. During the year ended March 31, 2004, NPF acquired three businesses in separate transactions. These acquisitions were not significant individually. The purchase price, net of cash acquired was ¥29,491 million (\$283 million). The NPF investments are accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries, depending on the attributes of each investment pending a determination of whether investment company accounting is appropriate for NPF. The AICPA is expected to issue in 2004 a Statement of Position (SOP) Clarification of the Scope of the Audit and Accounting Guide Audits of Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies. When the SOP is issued, we will make a determination under the guidance provided by the SOP as to whether NPF qualifies as an investment company. If NPF qualifies as an investment company, these investments will be carried at fair value.

We do not apply FIN 46-R to entities that are non-registered investment companies that account for their investments in accordance with the investment Company Audit Guide (the Audit Guide). As discussed in Note 1, the FASB has deferred application of FIN 46 to non-registered investment companies until the Investment Company SOP is finalized. The most significant of the entities currently excluded from FIN46-R are the Terra Firma investments. Our interest in these investments totals ¥287 billion (\$2.8 billion), which is already recorded on the consolidated balance sheet at March 31, 2004. This amount represents our maximum exposure to

Table of Contents

loss at that date. When the SOP is issued, we will determine whether it remains appropriate to continue to carry the Terra Firma investments at fair value. Depending on the terms of the final SOP and the results of our review, it is possible that either all or some of the Terra Firma investments could require re-consolidation, thus FIN 46-R could have a material impact on our consolidated financial statements in the future. However, adopting FIN 46-R will not materially change our economic exposure with respect to these investments.

As stated above, Terra Firma investments are carried at fair value. Corresponding changes in the fair value of these investments are included in *Gains/losses on private equity investments*. The determination of fair value is significant to our financial condition and results of operations and requires management to make judgments based on complex factors.

As the underlying investments are in non-publicly listed companies, there are no externally quoted market prices available. As a result, our Risk Management unit meets with TFCPL and the management teams of the underlying investments to discuss, among other things, Terra Firma's valuation of the investments, current business performance, actual versus budgeted results, revised full year projections and the status of major initiatives to boost sales, or reduce operating costs. Terra Firma also provides regular performance reports for each investment. The information obtained from these meetings and reports, together with comparisons made to similar quoted businesses and, in the case of any property based investments, input from external advisors allows us to produce its own estimates of the fair value for each underlying investment.

In estimating fair value, we estimate the price that would be obtained between a willing buyer and a willing seller dealing at arm's length.

Valuations are typically based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital. The cost of capital is estimated, where possible, by reference to quoted comparables with a similar risk profile. Cash flows are derived from bottom up, detailed projections prepared by management of each respective investment. These projections will reflect the business drivers specific to each investment.

Examples of the factors affecting the business valuations are set out in the table below:

Sector	Valuation Factors
Hotels	Room rate achieved and occupancy, which in turn are driven by business and leisure travel. Revenue from conference facilities and food and beverage sales. Staff and other costs and central overheads.
Real Estate	Sales values, leaseback and open market rental values achieved, driven by underlying demand for housing in both the homeowner and rental markets. Property holding and refurbishment and head office costs. Profit share payable to third parties. Availability and cost of finance.
Consumer Finance	Number of rental agreements outstanding, average revenue per rental agreement (taking into account arrears), rental acquisition costs, rental maintenance costs, as well as overheads and head office costs.

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Retail	Market share, changes in market size, underlying trends in consumer behavior.
	Gross margin and operating costs, including outlet overheads and head office costs.
Services	Contract terms negotiated at beginning of contract. Initial contract set up costs and capital expenditure. Ongoing servicing costs, including staff costs and central overheads. Additional contracts and additional non-contracted works. Availability and cost of finance.

Table of Contents

Where possible these valuations are compared with price/earnings data for comparable quoted companies or recent market price data for comparable transactions. Any significant differences are analyzed and consideration given to whether this analysis indicates an adjustment to the Discounted Cash Flow valuation is required. While it is likely that certain potential purchasers may have special interests in the relevant investments that would allow them to justify a premium price, such as synergy or strategic benefits, no such premium has been included within the valuation models. Conversely, no discounts have been taken for the fact that there may only be a limited number of potential purchasers of the investments. These valuations are then stress tested to assess the impact of particular risk factors. Examples of such stress tests include:

Stressing exit assumptions, either by altering the timing or the exit multiple used. In particular, using exit multiples in line with 5-year lows of trading multiples for similar companies are considered.

Stressing growth assumptions, to assume lower growth. Where possible, the impact of a mild recession is considered.

Removing or curtailing any assumptions about increases in operating margins.

An assessment of the results of the fair value exercise and the stress tests allows the final estimated valuation to be established. The fair value of Terra Firma investments represents the sum of the fair values of the individual investments less any performance bonuses that may be payable, either to the management team of a particular business or to Terra Firma.

For recently acquired investments (i.e., those acquired within 12 months, such as the investment in TFCP II), fair value is equal to acquisition cost unless there has been a material change to the operating performance of the specific investment or a significant event has occurred in the marketplace.

The use of different valuation models, methodologies or assumptions could produce materially different estimates of fair value, which could materially affect the results of operations or statement of financial condition.

In April 2004, NPF has entered into an agreement to strengthen the capital base of Millennium Retailing Group (MRG), a major Japanese department store chain. Under the agreement, NPF will acquire ¥20 billion (\$0.2 billion) of new shares to be issued by MRG around July 2004 and additional ¥30 billion (\$0.3 billion) around the end of January 2005, giving NPF a majority stake.

B. Liquidity and Capital Resources.

Liquidity

Overview

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Liquidity is of critical importance to companies in the financial services sector. We seek to withstand market shocks for periods lasting over one year without relying on additional unsecured financing or forcing the liquidation of trading assets. We achieve this primarily by maintaining sufficient long-term debt and equity to meet the cash capital requirements of all our assets and by maintaining a portfolio of cash and highly liquid securities that can be converted to cash through sale or pledge in order to meet our immediate liquidity requirements.

Table of Contents*Cash Flow*

Our cash flows are primarily related to the operating and financing activities undertaken in connection with our trading and market-making businesses. The following is the summary information on our consolidated cash flows for the years ended March 31, 2003 and 2004:

	Year ended March 31, 2003	Year ended March 31, 2004
	(in billions)	
Net cash provided by (used in) operating activities	¥ 34.1	¥ (1,825.9)
Net income	119.9	172.3
Trading assets and private equity investments	(1,167.7)	(2,836.9)
Trading liabilities	1,242.3	2,152.2
Other, net	(160.4)	(1,313.5)
Net cash provided by (used in) investing activities	134.1	45.5
Decrease in non-trading debt securities, net	152.2	61.7
Other, net	(18.1)	(16.2)
Net cash provided by (used in) financing activities	(24.6)	1,945.5
Long-term borrowings, net	330.2	160.7
Short-term borrowings, net	(290.8)	1,824.5
Other, net	(64.0)	(39.7)
Effect of exchange rate changes	(9.0)	(19.0)
Net increase in cash and cash equivalents	¥ 134.6	¥ 146.1

Please refer to our consolidated statements of cash flows included in this annual report for more detailed information.

In the year ended March 31, 2004, our cash and cash equivalents increased by ¥146.1 billion to ¥637.4 billion. We used ¥1,825.9 billion in net cash for operating activities. This was largely due to the increase of our trading assets, mainly highly liquid government bonds, notes and bills. We raised ¥1,945.5 billion in net cash from financing activities. Short-term borrowings include secured loan from the Bank of Japan, which we utilized as an alternative financing tool to repurchase agreements and explain most of the change in the category.

In the year ended March 2003, net cash of ¥34.1 billion was provided by operating activities. Although we have used ¥1,167.7 billion for trading assets, the cash usage was offset by ¥1,242.3 billion increase in trading liabilities. Net cash used in financing activities was ¥24.6 billion. We have increased ¥330.2 billion of long-term borrowings and reduced ¥290.8 billion of short-term borrowings.

Liquidity Objective

We maintain a highly liquid balance sheet comprised primarily of marketable securities matched with a liability structure which ensures that liquidity is available regardless of market conditions. We seek to withstand market shocks for periods lasting over one year without raising

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additional unsecured financing or forcing the liquidation of assets, although we may from time to time decide to sell assets in the course of normal business or for strategic purposes. Our management establishes our overall liquidity policies.

Liquidity Policies

In order to meet our liquidity objective described above, we have designed the following liquidity policies:

Diversify Funding Sources. We seek to reduce refinancing risk by maintaining diversified sources of unsecured funding. We diversify funding by product and market. We benefit by distributing a significant portion of our liabilities through our own sales force to a large diversified client base.

Table of Contents

As of March 31, 2003 and 2004, our unsecured funding sources were as follows:

	March 31,		March 31,	
	2003		2004	
	(in billions, except percentages)			
Short-Term Unsecured Debt Total ⁽¹⁾⁽²⁾	¥ 914.0	20.3%	¥ 892.2	18.3%
Short-Term Bank Borrowing	117.1		126.4	
Other Loans	15.8		4.8	
Commercial Paper	251.2		283.0	
Deposit at Banking Entities	233.5		229.9	
Certificate of Deposits	22.7		25.8	
Bonds and Notes maturing within one year	273.7		222.3	
Long-Term Unsecured Debt Total	1,955.4	43.3%	2,186.1	45.0%
Long-Term Bank Borrowing	296.4		359.1	
Other Loans	155.4		149.5	
Bonds and Notes	1,503.6		1,677.5	
Shareholders' Equity	1,642.3	36.4%	1,785.7	36.7%

(1) Short-Term Unsecured Debt does not include secured loan from the Bank of Japan and secured call loans.

(2) Includes the current portion of long-term unsecured debt.

Ensure Appropriate Funding Mix. We seek to maintain sufficient long-term debt and equity to meet the cash capital requirements of all our assets. Liquidity is measured by our ability in a stress condition to finance those assets using secured funding, including repurchase agreements and securities lending transactions. We finance the cash capital needs of our assets with long-term debt and equity, and we calculate such needs using conservative estimates of the assets' secured borrowing power.

Consistent with our aim of maintaining an appropriate funding mix, we have reduced our reliance on short-term unsecured financing, thereby reducing the effect of a potential liquidity event. As of March 31, 2004, our long-term unsecured financing totaled ¥2,186.1 billion, well over the short-term unsecured financing in the amount of ¥892.2 billion (which excludes secured loans from the Bank of Japan and secured call loans but includes the current portion of long-term unsecured debt). For the most part, our long-term debt is issued on a variable rate basis, or issued on a fixed rate basis and swapped into variable-rate debt, and is thus linked to short-term money market indices to avoid interest rate risk arising from a change in the shape or level of the yield curve. All of our structured notes are hedged with financial instruments in order to realize a scheduled cash flow.

Maintain a Liquidity Portfolio. We seek to maintain a portfolio of cash and highly liquid securities that can be converted to cash through sale or pledge so that we can satisfy our immediate liquidity requirements. As of March 31, 2004, we maintained a ¥1,775.1 billion liquidity portfolio that consisted of cash, cash equivalents and government securities, mostly denominated in Japanese yen and U.S. dollar, as shown below:

	March 31,	
	2003	
	2004	
	(in billions)	
Liquidity Portfolio	¥ 1,629.1	¥ 1,775.1
Cash, Cash Equivalent and Deposits	913.8	886.1

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Overnight Call Loans	113.6	41.5
Government Securities	601.7	847.5

Table of Contents

We have structured our liquidity portfolio under the assumption that, in some instances, legal and regulatory requirements can restrict the flow of funds between entities in our consolidated group, and that funds or securities might not be freely available from a subsidiary to the parent company. The cost and availability to a company of unsecured funding are generally dependent on credit ratings and could be adversely affected by a debt rating downgrade or deterioration in certain of the company's financial ratios or other measures of financial performance. For example, the cost of issuing commercial paper may rise due to a downgrade of our short-term debt ratings. Accordingly, the structure of our liquidity portfolio takes into consideration the following:

upcoming maturities of unsecured debt;

potential buy backs of our outstanding debt;

collateral outflows related to derivatives transactions;

market halt due to a large-scale disaster; and

difficulty in issuing new debt due to downgrade of our short-term and/or long-term debt ratings.

In addition to the liquidity portfolio, we had other unencumbered assets whose estimated net liquidity value as of March 31, 2004 was ¥1,125.5 billion.

As of March 31, 2004, the estimated net liquidity value of other unencumbered assets alone represented 126% of our total short-term unsecured debt. The aggregate value of the liquidity portfolio and the estimated net liquidity value of other unencumbered assets was ¥2,900.6 billion, which represented 325% of our total short-term unsecured debt.

	March 31,	March 31,
	2003	2004
	<u> </u>	<u> </u>
	(in billions)	
Net Liquidity Value of Other Unencumbered Assets	¥ 1,085.3	¥ 1,125.5
Liquidity Portfolio	1,629.1	1,775.1
	<u> </u>	<u> </u>
Total	¥ 2,714.4	¥ 2,900.6
	<u> </u>	<u> </u>

Maintain Committed Bank Facilities. We maintain undrawn syndicated and bilateral committed credit facilities with a group of globally recognized banks in order to provide contingent financing sources. The maturity dates of these facilities are distributed evenly in order to prevent excessive maturities of facilities in any given period. We do not believe that any of the covenant requirements in the facilities will impair our ability to draw them.

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The undrawn portion of these facilities amounted to ¥805.8 billion as of March 31, 2004. The decrease of ¥115.6 billion from the previous year reflects a commensurate increase in the value of our liquidity portfolio, which we consider more usable in a liquidity event.

	March 31, 2003	March 31, 2004
	(in billions)	
Undrawn Committed Facilities	¥ 921.4	¥ 805.8

Reduce Refinancing Risk. In order to manage refinancing risk, we set limits for the amount of debt maturing each year and during any quarter. We maintain a detailed contingency funding plan that is updated periodically to assure sufficient liquidity in the event that our access to financing is impaired.

Table of Contents**Credit Ratings**

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

As of March 31, 2004, the credit ratings of Nomura Holdings and Nomura Securities provided by such credit rating agencies were as follows:

<u>Nomura Holdings Inc.</u>	<u>Short-term Debt</u>	<u>Senior Debt</u>
Standard & Poor's	A2	BBB
Moody's Investors Service		Baa2
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA

<u>Nomura Securities Co.</u>	<u>Short-Term</u>	<u>Senior Debt</u>
Standard & Poor's	A2	BBB+
Moody's Investors Service	P2	Baa1
Rating and Investment Information, Inc.	a-1	A+
Japan Credit Rating Agency, Ltd.		AA

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

Capital Resources*Capital Adequacy*

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

Table of Contents

Our capital was ¥1,785.7 billion as of March 31, 2004 compared with ¥1,642.3 billion as of March 31, 2003. Our leverage ratio as of March 31, 2004 has increased to 16.7 times from 12.9 times as of March 31, 2003, largely due to the increase of our trading assets, mainly highly liquid government bonds, notes and bills.

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

	March 31,	
	2003	2004
	(in billions, except ratios)	
Shareholders' equity	¥ 1,642.3	¥ 1,785.7
Total assets	21,169.4	29,753.0
Adjusted assets ⁽¹⁾	12,566.2	16,871.2
Leverage ratio ⁽²⁾	12.9x	16.7x
Adjusted leverage ratio ⁽³⁾	7.7x	9.4x

- (1) Adjusted assets represent total assets less securities purchased under agreements to resell and securities borrowed transactions.
(2) Leverage ratio equals total assets divided by shareholders' equity.
(3) Adjusted leverage ratio equals adjusted assets divided by shareholders' equity.

During the year ended March 31, 2004, we repurchased 3 million shares of our common stock.

Capital Policy

Capital adequacy is an important strategic objective of our financial management. We have devised a global risk management methodology that seeks to ensure that our capital is adequate to cover the economic risks inherent to our businesses, including market risk, credit risk, event risk and market liquidity risk. Under this methodology, we calculate the required capital levels of our businesses based on our trading strategies. To determine our required aggregate capital level, we take a portfolio approach that is based on conservative diversification assumptions. Adequacy on a legal entity basis is driven by a combination of regional economic needs together with regulatory requirements and rating agency guidelines. At the same time, in order to achieve a maximum return on our aggregate capital, efficient allocation of capital becomes another important strategic objective. We constantly review our capital base, its allocation and our business mix to ensure it delivers return on equity commensurate to our risk profile, the market circumstances, and our peer group.

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

Not applicable.

Table of Contents

D. Trend Information.

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

E. Off-Balance Sheet Arrangements.

In connection with our operating activities, we enter into various off-balance sheet arrangements, which may require future payments. We utilize special purpose entities, or SPEs, to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Our involvement with SPEs includes structuring SPEs and acting as administrator of SPEs, as well as underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. We derecognize financial assets transferred in securitizations provided that we have relinquished control over such assets. We may obtain an interest in the financial assets, including residual interests in the SPEs, subject to prevailing market conditions. Any such interests are accounted for at fair value and included in *Securities inventory* within our consolidated balance sheets, with the change in fair value included in revenues. In the normal course of business, we act as transferor of financial assets to VIEs, administrator of VIEs, and underwriter, distributor and seller of asset-repackaged financial instruments issued by VIEs in connection with our securitization activities. We purchase and sell variable interests in VIE, in connection with our market-making and investing activities. For further information about off-balance arrangements with SPEs and VIEs, see Note 6 to the consolidated financial statements included in this annual report. Our other types of off-balance sheet arrangements include guarantee agreements, derivative contracts, commitments to extend credit, commitments in connection with merchant banking activities and lease commitments.

In the normal course of our banking/financing activities, we enter into various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date. We enter into derivative contracts in connection with our trading activities to manage our interest rate, market price and currency exposures, and our non-trading activities to manage our interest rate and currency exposures or to modify the interest rate characteristics of certain non-trading assets and liabilities. We generally enter into International Swaps and Derivatives Association, Inc. master agreements or their equivalents (master netting agreements) with each of its counterparties. Master netting agreements provide protection in the event of a counterparty's bankruptcy under certain circumstances, and mitigate the credit risk exposure from these transactions. In some cases, they enable unrealized gains and losses arising from our dealings in over-the-counter derivatives to be presented on a net-by-counterparty basis in accordance with FIN No. 39, *Offsetting of Amounts Related to Certain Contracts*. Contracts with counterparties which are in a net loss position at fair value are recorded as liabilities.

In the normal course of our banking/financing activities, we enter into contractual commitments to extend credit, which generally have a fixed expiration date. In connection with our investment banking activities, we have entered into agreements with customers under which we have committed to underwrite notes that may be issued by the customers. The outstanding commitments under these agreements are included in Commitments to extend credit.

We have commitments to invest in partnership interests, primarily in connection with our merchant banking activities and also have commitments to provide financing for partnership related to such investments. The outstanding commitments under these agreements are included in Commitments in connection with merchant banking activities.

Table of Contents

The following table shows our significant off-balance sheet arrangements at March 31, 2004:

	Total contractual amount	
	(in millions)	
Standby letters of credit and other guarantees	¥ 29,424	\$ 282
Derivative contracts ⁽¹⁾	478,849	4,596
Operating lease commitments	32,996	317
Commitments to extend credit	102,508	984
Commitments in connection with merchant banking activities	57,581	553

(1) This item represents the liability balance of derivative contracts at March 31, 2004. Securities options are classified as derivative contracts.

Contractual amounts of these commitments as well as the future expiration at March 31, 2004 were as follows:

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Commitments to extend credit	¥ 102,508	¥ 30,019	¥ 54,550	¥	¥ 17,939
Commitments in connection with merchant banking activities	57,581	298	22,204	13,159	21,920

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Commitments to extend credit	\$ 984	\$ 288	\$ 524	\$	\$ 172
Commitments in connection with merchant banking activities	553	3	213	126	211

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

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We have commitments to enter into resale and repurchase agreements of ¥2,527 billion (\$ 24 billion) and ¥3,538 billion (\$34 billion) at March 31, 2004, respectively.

F. Tabular Disclosure of Contractual Obligations.

In connection with our operating activities, we enter into various contractual obligations and contingent commitments, which may require future payments. We issue Japanese yen and non-Japanese yen denominated long-term borrowings with variable and fixed interest rate in accordance with our funding policy. We lease our office space and certain employees' residential facilities in Japan under cancelable lease agreements which are customarily renewed upon expiration. We also lease certain equipment and facilities under noncancelable lease agreements.

Table of Contents

The following table shows our contractual obligations and contingent commitments as well as the future expiration at March 31, 2004:

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Long-term borrowings	¥ 2,385,469	¥ 199,349	¥ 385,480	¥ 517,193	¥ 1,283,447
Operating lease commitments	32,996	5,963	9,185	7,402	10,446
Commitments to extend credit	102,508	30,019	54,550		17,939
Commitments in connection with merchant banking activities	57,581	298	22,204	13,159	21,920

	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Long-term borrowings	\$ 22,898	\$ 1,914	\$ 3,700	\$ 4,964	\$ 12,320
Operating lease commitments	317	57	88	72	100
Commitments to extend credit	984	288	524		172
Commitments in connection with merchant banking activities	553	3	213	126	211

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

Item 6. Directors and Senior Management and Employees**A. Directors and Senior Management.****Directors**

The following table provides information about Nomura's Directors as of June 25, 2004. With respect to the information under "Business Experience" below, some of the Directors changed their titles upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

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Name	Current Positions and Principal		
(Date of Birth)	Positions outside the Company		Business Experience
Junichi Ujiie (Oct. 12, 1945)	Chairman of the Board of Directors	Nov. 1975	Joined Nomura
	Chairman of the Nomination Committee	Jun. 1990	Director
	Chairman of the Compensation Committee	Jun. 1992	Director and Head of Americas Division
	Senior Managing Director	Jun. 1995	Managing Director and Head of Americas Division
	Director and President & Chief Executive Officer of Nomura Institute of Capital Markets Research	Jun. 1996	Managing Director in charge of Risk Analysis Division
		May 1997	President & CEO
		Apr. 2003	Chairman of the Board of Directors
Nobuyuki Koga (Aug. 22, 1950)		Jun. 2003	Chairman of the Board of Directors and Senior Managing Director
	Director	Apr. 1974	Joined Nomura
	President & Chief Executive Officer	Jun. 1995	Director in charge of Human Resources
	Representative Executive Officer	May 1997	Director in charge of Planning

Table of Contents

Name	Current Positions and Principal		
(Date of Birth)	Positions outside the Company	Business Experience	
	Director and President & Chief Executive Officer of Nomura Securities Co., Ltd.	Jun. 1998	Director in charge of Planning Division
		Apr. 1999	Managing Director in charge of Planning Division
		Jun. 2000	Executive Vice President
		Apr. 2003	President & CEO
		Jun. 2003	Director and President & CEO
Hiroshi Toda (Sep. 12, 1951)	Director Deputy President & Chief Operating Officer Representative Executive Officer	Apr. 1975 Jun. 1997 Oct. 1998	Joined Nomura Director in charge of Fixed Income Division Director in charge of Global Fixed Income
	Director and Deputy President & Chief Operating Officer of Nomura Securities Co., Ltd. Director of Nomura Asset Management Co., Ltd.	Jun. 2000 Oct. 2001	Executive Managing Director in charge of Investment Banking Unit Director
		Apr. 2003 Jun. 2003	Executive Vice President & COO Director and Deputy President & COO
Kazutoshi Inano (Sep. 4, 1953)	Director Deputy President & Co-Chief Operating Officer Representative Executive Officer	Apr. 1976 Jun. 1997 Apr. 1999	Joined Nomura Director in charge of Human Resources Director in charge of Marketing Division
	Director and President & Chief Executive Officer of Nomura Asset Management Co., Ltd.	Jun. 1999	Director in charge of Marketing Division and Business Development & IPO Department
	Co-Chairman of Nomura BlackRock Asset Management Co., Ltd.	Jun. 2000 Oct. 2001 Apr. 2003 Jun. 2003	Executive Managing Director in charge of Retail Business Unit Director Executive Vice President & Co-COO Director and Deputy President & Co-COO
Nobuyuki Shigemune (Aug. 7, 1949)	Director Director of Nomura Securities Co., Ltd.	Apr. 1972 Jun. 1993 Jun. 1995 May 1997 Dec. 1997 Apr. 1999 Jun. 1999	Joined Nomura Director in charge of Chubu and Kinki Area of Marketing Division Director in charge of Kinki Area of Marketing Division Managing Director stationed in Osaka and Osaka Branch Manager Managing Director stationed in Osaka Retired from Managing Director President of The Nomura Trust & Banking Co., Ltd.

Table of Contents

Name	Current Positions and Principal	
(Date of Birth)	Positions outside the Company	Business Experience
Shozo Kumano (Jul. 28, 1947)	Director Director of Nomura Asset Management Co., Ltd.	Jun. 2003 Director and President of The Nomura Trust & Banking Co., Ltd.
		Mar. 2003 Retired from Director and President of The Nomura Trust & Banking Co., Ltd.
		Apr. 2004 Advisor
		Jun. 2004 Director
		Apr. 1970 Joined Nomura
		Jun. 1994 Director in charge of Nomura Group Department
		Jun. 1997 Statutory Auditor
		Jun. 2000 Retired from Statutory Auditor
		Jun. 2000 Statutory Auditor of Nomura Real Estate Development Co., Ltd.
		Jun. 2002 Retired from Nomura Real Estate Development Co., Ltd.
Masaharu Shibata (Feb. 21, 1937)	Director Member of the Nomination Committee Member of the Compensation Committee Director of Nomura Securities Co., Ltd. Chairman & CEO of NGK Insulators, Ltd. Chairman & CEO of NGK Technica, Ltd.	Jun. 2002 Statutory Auditor of Nomura
		Jun. 2003 Asset Management Co., Ltd. (currently, Director of Nomura Asset Management Co., Ltd.) Director
		Jun. 1994 President & CEO of NGK Insulators, Ltd.
Hideaki Kubori (Aug. 29, 1944)	Director Member of the Nomination Committee Member of the Compensation Committee Director of Nomura Securities Co., Ltd. Chairman of Hibiya Park Law Offices	Oct. 2001 Director
		Jun. 2002 Chairman & CEO of NGK Insulators, Ltd.
		Apr. 1971 Registered as attorney at law and joined Mori Sogo Law Offices
		Mar. 1998 Left Mori Sogo Law Offices
		Apr. 1998 Chairman of Hibiya Park Law Offices
		Apr. 2001 President of Daini Tokyo Bar Association and Vice President of Japan Federation of Bar Associations
		Oct. 2001 Director
		Mar. 2002 Retired from President of Daini Tokyo Bar Association and Vice President of Japan Federation of Bar Associations

Table of Contents

Name	Current Positions and Principal		
(Date of Birth)	Positions outside the Company	Business Experience	
Haruo Tsuji (Dec. 6, 1932)	Director	Jun. 1986	President of Sharp Corporation
	Chairman of the Audit Committee	Jun. 1998	Corporate Advisor of Sharp Corporation
	Director of Nomura Securities Co., Ltd.	Jun. 2001	Statutory Auditor
Fumihide Nomura (Apr. 13, 1934)	Corporate Advisor of Sharp Corporation	Jun. 2003	Director
	Director	Apr. 1957	Joined Nomura
	Member of the Audit Committee	Dec. 1976	Director
	President of Nomura Shokusan Co., Ltd.	Dec. 1979	Managing Director
		Dec. 1982	Statutory Auditor
Koji Tajika (Jan. 7, 1936)		Jun. 2003	Director
	Director	Jun. 1993	CEO of Tohmatsu & Co.
	Member of the Audit Committee	Jun. 1997	Chairman & CEO of Tohmatsu & Co.
	Director of Nomura Securities Co., Ltd.	May 1999	Retired from Chairman & CEO of Tohmatsu Co.
	Trustee of International Accounting Standards Committee Foundation	Jun. 1999	Chairman of Deloitte Touche Tohmatsu
		May 2000	Retired from Chairman of Deloitte Touche Tohmatsu
	Professor of Chuo Graduate School of Accounting Director of Murata Manufacturing Co., Ltd.	Jun. 2000	Trustee of International Accounting Standards Committee Foundation
	Statutory Auditor of Sumitomo Corporation	Jun. 2001	Advisor of Tohmatsu & Co.
		Apr. 2002	Professor of Chuo Graduate School of Accounting
		May 2002	Retired from Advisor of Tohmatsu & Co.
	Jun. 2002	Director of Murata Manufacturing Co., Ltd.	
	Jun. 2003	Director	
	Jun. 2003	Statutory Auditor of Sumitomo Corporation	

Among the above listed Directors, Masaharu Shibata, Hideaki Kubori, Haruo Tsuji and Koji Tajika satisfy the requirements for an outside director under the Commercial Code of Japan. The Commercial Code defines an outside director of a company as a non-executive director (i) who has never assumed the position of executive director, manager or employee of the company or its subsidiaries and (ii) who does not currently assume the position of executive director, manager or employee of the company or its subsidiaries.

Table of Contents**Executive Officers**

The following table provides information about Nomura's Executive Officers as of June 25, 2004. With respect to the information under "Business Experience" below, some of the Executive Officers changed their titles or positions upon our adoption of the holding company structure on October 1, 2001 and the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Name	Current Positions	Business Experience	
(Date of Birth)			
Junichi Ujiie (Oct. 12, 1945)	Chairman of the Board of Directors Senior Managing Director	See	Directors under this Item 6.A.
Nobuyuki Koga (Aug. 22, 1950)	Director	See	Directors under this Item 6.A.
Hiroshi Toda (Sep. 12, 1951)	President & Chief Executive Officer Representative Executive Officer Director	See	Directors under this Item 6.A.
Kazutoshi Inano (Sep. 4, 1953)	Deputy President & Chief Operating Officer Representative Executive Officer Director	See	Directors under this Item 6.A.
Takashi Tsutsui (Jul. 3, 1950)	Deputy President & Co-Chief Operating Officer Representative Executive Officer Head of Asset Management Senior Managing Director	Apr. 1974 Jun. 1995	Joined Nomura President of Nomura International plc and Nomura Option International plc and Head of Europe Equity Division Jun. 1997 Director Jun. 2000 Managing Director Sep. 2001 Retired from Managing Director Oct. 2001 Managing Director of Nomura Securities Co., Ltd. (currently, Executive Vice President of Nomura Securities Co., Ltd.) Jun. 2002 Director Jun. 2003 Retired from Director Jun. 2003 Senior Managing Director
Takashi Yanagiya (Nov. 3, 1951)	Senior Managing Director Head of Global Wholesale	Apr. 1975 May 1997	Joined Nomura General Manager of Corporate Finance & Services Department II and Financial

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Jun. 1997	Technology Information Department Director
Jun. 2000	Managing Director
Sep. 2001	Retired from Managing Director
Oct. 2001	Managing Director of Nomura Securities Co., Ltd. (currently, Executive Vice President of Nomura Securities Co., Ltd.)

Table of Contents

Name			
(Date of Birth)	Current Positions		Business Experience
		Apr. 2002	Head of Domestic Retail
		Jun. 2002	Director
		Jun. 2003	Retired from Director
		Jun. 2003	Senior Managing Director
		Apr. 2004	Head of Global Wholesale
Kenichi Watanabe (Oct. 28, 1952)	Senior Managing Director Head of Domestic Retail	Apr. 1975	Joined Nomura
		Jun. 1997	General Manager of Controller's Department
		Jun. 1998	Director
		Jun. 2000	Managing Director
		Oct. 2001	Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd. (currently, Executive Vice President of Nomura Securities Co., Ltd.)
		Apr. 2002	Head of Global Risk Management, Treasury, Controller, IR and IT & Operations
		Jun. 2003	Retired from Director
		Jun. 2003	Senior Managing Director and Head of Global Risk Management, IR and IT & Operations
		Apr. 2004	Head of Domestic Retail
Takumi Shibata (Jan. 8, 1953)	Senior Managing Director Head of Corporate	Apr. 1976	Joined Nomura
		Jun. 1997	President of Nomura International plc and Nomura Option International plc
		Jun. 1998	Director
		Jun. 2000	Managing Director
		Sep. 2001	Retired from Managing Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd. (currently, Director and Executive Vice President of Nomura Securities Co., Ltd.)
		Apr. 2002	Head of Global Investment Banking
		Apr. 2003	Head of Global Wholesale
		Jun. 2003	Senior Managing Director
		Apr. 2004	Head of Corporate
Hiromi Yamaji (Mar. 8, 1955)	Senior Managing Director Regional Management of Europe Region	Apr. 1977	Joined Nomura
		Jun. 1997	General Manager of Personnel Department
		Jun. 1998	Director
		Jun. 2000	Managing Director
		Sep. 2001	Retired from Managing Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd.

Table of Contents

Name			
(Date of Birth)	Current Positions		Business Experience
		Apr. 2002	President of Nomura Europe Holdings plc
		Oct. 2002	Regional Management of Europe Region
		Jun. 2003	Retired from Managing Director of Nomura Securities Co., Ltd.
		Jun. 2003	Senior Managing Director
		Apr. 2004	Chairman of Nomura Europe Holdings plc
Manabu Matsumoto (Jun. 19, 1950)	Senior Managing Director	Apr. 1975	Joined Nomura
		Jun. 1995	General Manager of Corporate Finance & Services Department III
		Jun. 1998	Director
		Jun. 2001	Managing Director
		Sep. 2001	Retired from Managing Director
		Oct. 2001	Managing Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Jun. 2003	Senior Managing Director
Yoshifumi Kawabata (Nov. 3, 1952)	Senior Managing Director Head of Global Merchant Banking	Apr. 1975	Joined Nomura
		Dec. 1997	General Manager of Corporate Finance & Business Development Department
		Jun. 1998	Director
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Apr. 2002	Head of Global Merchant Banking
		Jun. 2003	Senior Managing Director
Shogo Sakaguchi (May 27, 1953)	Senior Managing Director	Apr. 1976	Joined Nomura
		Jun. 1996	Sapporo Branch Manager
		Jun. 1998	Director
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Jun. 2003	Senior Managing Director
Masanori Itatani (Oct. 13, 1953)	Senior Managing Director Head of Internal Audit	Apr. 1976	Joined Nomura
		Jun. 1994	General Manager of Corporate Planning Department
		Jun. 1998	Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)

Table of Contents

Name			
(Date of Birth)	Current Positions		Business Experience
		Apr. 2002	Head of Global Corporate Communications
		Jun. 2003	Retired from Director
		Jun. 2003	Senior Managing Director
		Apr. 2004	Head of Internal Audit
Yoshimitsu Oura (Jul. 8, 1954)	Senior Managing Director	Apr. 1977	Joined Nomura
		Jun. 1997	Umeda Branch Manager
		Apr. 1999	In charge of Marketing Division
		Jun. 1999	Director
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Jun. 2003	Senior Managing Director
Yusuke Yamada (Dec. 26, 1953)	Senior Managing Director	Apr. 1977	Joined Nomura
		May 1997	Chiba Branch Manager
		Apr. 1999	In charge of Marketing Division
		Jun. 1999	Director
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Jun. 2003	Senior Managing Director
Hitoshi Tada (Jun. 29, 1955)	Senior Managing Director	Apr. 1978	Joined Nomura
		Dec. 1997	General Manager of Business Conduct Advisory Department and Ethics & Discipline Department
		Apr. 1999	In charge of Marketing Division
		Jun. 1999	Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Mar. 2003	Retired from Director
		Jun. 2003	Senior Managing Director
Yasuo Agemura (Feb. 19, 1954)	Senior Managing Director Head of Global Markets	Apr. 1976	Joined Nomura
		Jun. 1997	General Manager of Fixed Income Department
		Jun. 2000	Director
		Sep. 2001	Retired from Director
		Oct. 2001	Director of Nomura Securities Co., Ltd. (currently, Executive Managing Director of Nomura Securities Co., Ltd.)
		Apr. 2002	Head of Global Fixed Income
		Jun. 2003	Senior Managing Director
		Apr. 2004	Head of Global Markets

Table of Contents

Name	Current Positions	Business Experience
(Date of Birth)		
Akihiko Nakamura (Apr. 14, 1954)	Senior Managing Director Head of Global IT & Operations	Apr. 1978 Joined Nomura Jun. 2000 General Manager of Retail Strategy Dept. Jun. 2001 Director Sep. 2001 Retired from Director Oct. 2001 Director of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.) Apr. 2004 Senior Managing Director and Head of Global IT & Operations
Hideyuki Takahashi (Jan. 10, 1956)	Senior Managing Director Regional Management of Americas Region	Apr. 1979 Joined Nomura Nov. 2000 President of Nomura Securities International, Inc. Apr. 2002 Director of Nomura Securities Co., Ltd. Apr. 2002 President & CEO of Nomura Holding America Inc. Oct. 2002 Regional Management of Americas Region Jun. 2003 Retired from Director of Nomura Securities Co., Ltd. Jun. 2003 Senior Managing Director
Hiroshi Tanaka (May 13, 1956)	Senior Managing Director Head of Global Corporate Communications	Apr. 1980 Joined Nomura Apr. 1999 General Manager of Equity Department Apr. 2002 Head of Global Equity Apr. 2002 Director of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.) Jun. 2003 Senior Managing Director Apr. 2004 Head of Global Corporate Communications
Noriyuki Ushiyama (Aug. 16, 1953)	Senior Managing Director Head of Global Investment Banking	Apr. 1978 Joined Nomura Jul. 2001 General Manager of Public Sector Institutions Department Apr. 2003 Head of Global Investment Banking Apr. 2003 Director of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.) Jun. 2003 Senior Managing Director
Noriyasu Yoshizawa (Oct. 25, 1956)	Senior Managing Director Regional Management of Asia & Oceania Region	Apr. 1980 Joined Nomura Jun. 2001 President of Nomura International (Hong Kong) Limited and Nomura Securities Philippines, Inc.

Table of Contents

Name			
(Date of Birth)	Current Positions		Business Experience
		Apr. 2003	Director of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.)
		Apr. 2003	President of Nomura Asia Holding N.V.
		Apr. 2003	Regional Management of Asia & Oceania Region
		Jun. 2003	Senior Managing Director
Yasuo Yoshihara (Aug. 28, 1956)	Senior Managing Director	Apr. 1981	Joined Nomura
		Jul. 2001	Fukuoka Branch Manager
		Apr. 2003	Director of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.)
		Jun. 2003	Senior Managing Director
Akira Maruyama (Mar. 21, 1957)	Senior Managing Director Chief Financial Officer	Apr. 1979	Joined Nomura
		Jul. 2001	General Manager of Controller's Department and Finance Department
	Head of Global Risk Management, Treasury, Controller and IR		
		Apr. 2003	Director of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.)
		Jun. 2003	Senior Managing Director, Chief Financial Officer and Head of Global Treasury and Controller
		Apr. 2004	Head of Global Risk Management, Treasury, Controller and IR
Akihito Watanabe (May 24, 1957)	Senior Managing Director Head of Global Research	Apr. 1981	Joined Nomura
		Oct. 2001	General Manager of Corporate Planning Department of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.)
		Apr. 2004	Senior Managing Director and Head of Global Research
Tetsu Ozaki (Jan. 16, 1958)	Senior Managing Director Head of Global Equity	Apr. 1982	Joined Nomura
		Apr. 2002	General Manager of Equity Department of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.)
		Apr. 2004	Senior Managing Director and Head of Global Equity

Table of Contents

Name	Current Positions	Business Experience	
(Date of Birth)			
Shigesuke Kashiwagi (Nov. 13, 1959)	Senior Managing Director Head of Global Fixed Income	Apr. 1982 Apr. 2002 Apr. 2004 Apr. 1979 Apr. 2003 Apr. 2004	Joined Nomura General Manager of Fixed Income Department of Nomura Securities Co., Ltd. (currently, Senior Managing Director of Nomura Securities Co., Ltd.) Senior Managing Director and Head of Global Fixed Income Joined Nomura Regional Head of Europe Equity Senior Managing Director, Co-Regional Management of Europe Region and President of Nomura Europe Holdings plc
Yugo Ishida (Jan. 1, 1957)	Senior Managing Director Co-Regional Management of Europe Region	Apr. 1974 Jun. 1993 Jun. 1995 Apr. 1999 Sep. 2001 Oct. 2001 Mar. 2003 Apr. 2003 Jun. 2003	Joined Nomura General Manager of Market Planning & Sales Promotion Department Director Managing Director Retired from Managing Director Managing Director of Nomura Securities Co., Ltd. Retired from Managing Director of Nomura Securities Co., Ltd. Director & Principal Executive Officer of Nomura Asset Management Co., Ltd. (currently, Executive Vice President of Nomura Asset Management Co., Ltd.) Senior Managing Director
Kamezo Nakai (Jul. 30, 1950)	Senior Managing Director	Apr. 1975 Feb. 1988 Oct. 1997 Jun. 2003	Joined Nomura Transferred to Nomura Investment Management Co., Ltd. Director of Nomura Asset Management Co., Ltd. (currently, Executive Vice President of Nomura Asset Management Co., Ltd.) Senior Managing Director
Takahide Mizuno (Apr. 17, 1952)	Senior Managing Director	Apr. 1978 Jun. 1997 Jun. 2000 Sep. 2001 Oct. 2001	Joined Nomura President of Nomura Securities International, Inc. Director Retired from Director Director of Nomura Securities Co., Ltd.
Atsushi Yoshikawa (Apr. 7, 1954)	Senior Managing Director		

Table of Contents

Name	Current Positions	Business Experience
<u>(Date of Birth)</u>		
		Jun. 2003 Senior Managing Director of Nomura Securities Co., Ltd.
		Mar. 2004 Retired from Senior Managing Director of Nomura Securities Co., Ltd.
		Apr. 2004 Senior Managing Director
		Executive Managing Director of Nomura Asset Management Co., Ltd.

B. Compensation.

Compensation Policy

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

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

introduce equity-based compensation to enhance our long term incentives for our Directors and Executive Officers.

Compensation of our Directors and Executive Officers consists of base salary, cash bonus and stock bonus.

Base Salary

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

the amount reflecting his or her career;

the amount reflecting his or her post and responsibilities; and

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

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

Consolidated ROE (X)	X(less than)0%	0%(less-or-equal)X(less than)5%	5%(less-or-equal)X(less-or-equal)10%	10%(less than)X(less-or-equal)15%	15%(less than)X
Amount	0	1/3 of Standard Amount	2/3 of Standard Amount	Standard Amount	4/3 of Standard Amount

Cash Bonus

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

our consolidated net income;

our consolidated return on equity; and

our segment/business line results.

Table of Contents

Qualitative factors include:

the degree of achievement of our strategic business objectives;

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

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

Under our compensation policy, the aggregated cash bonus amount paid to our Directors and Executive Officers will not exceed 3% of our consolidated net income.

Stock Bonus

In determining stock bonus payable to our Directors and Executive Officers, the Compensation Committee considers not only our consolidated net income and return on equity but also the proportion of base salary, cash bonus, stock bonus as well as the anticipated cost and effect of awarding such stock bonus.

Cash Compensation

The aggregate cash compensation paid by us to our Directors and Statutory Auditors during the period from April 1, 2003 to June 25, 2003, the date before the adoption of the Committee System as described in Item 6.C of this annual report, was ¥523 million and ¥67 million, respectively. The aggregate cash compensation paid by us to our non-executive Directors and Executive Officers during the period from June 26, 2003 to March 31, 2004 was ¥181 million and ¥1,224 million, respectively. Those Directors who are also Executive Directors are paid as executive officers but not as directors. In accordance with customary Japanese business practice, a retiring Director or Statutory Auditor had been eligible to receive a lump-sum retirement payment. In June 2002, we abolished the lump-sum retirement payment system, but each of the Directors and Statutory Auditors who were in office as of September 30, 2001 is eligible to receive lump-sum retirement payments based on the length of their tenure of office as of that date, generally when he retires. In the year ended March 31, 2004, retirement payments in the aggregate amount of ¥103 million were made to our Statutory Auditors. All of our Statutory Auditors retired, as our Board of Statutory Auditors was abolished when we adopted the Committee System on June 26, 2003, as described in Item 6.C of this annual report.

Equity-Based Compensation

In July 2000, we introduced a stock option plan under which our Directors and Statutory Auditors, as well as our employees in Japan, have been granted options in the form of stock subscription warrants. These warrants are exercisable between February 26, 2001 and August 23, 2004. The current exercise price is ¥2,303.40 per share. Subject to adjustments, a total of 663,800 shares will be issuable upon full exercise of all the warrants granted to the Directors and Statutory Auditors (in office as of August 24, 2000, the date of issuance).

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In accordance with the resolution of the general meeting of shareholders held on June 26, 2002, we issued stock subscription warrants as stock options. On August 5, 2002, the warrants to subscribe for 2,227,000 shares were granted to Nomura's Directors, then Statutory Auditors and employees, as well as those of our subsidiaries in and outside Japan without consideration. The current exercise price is ¥1,806 per share, and the warrants are exercisable from July 1, 2004 to June 30, 2009. Subject to adjustments, a total of 375,000 shares will be issuable upon full exercise of all the warrants granted to the Directors and Statutory Auditors (in office as of August 5, 2002, the date of issuance). The number of the stock subscription warrants (each of which represents the right to subscribe for 1,000 shares) granted on August 5, 2002 to each Director and Executive Officer, as of June 25, 2004, is set forth in the tables below.

In accordance with the resolution of the general meeting of shareholders held on June 26, 2003, we issued two types of stock subscription warrants as stock options under Stock Option A and Stock Option B. On

Table of Contents

July 22, 2003, the warrants under the Stock Option A to subscribe for 2,252,000 shares were granted to Nomura's Directors, Executive Officers and employees, as well as those of our subsidiaries in and outside Japan. The current exercise price is ¥1,630 per share and the warrants under the Stock Option A are exercisable from July 1, 2005 to June 30, 2010. Subject to adjustments, a total of 735,000 shares will be issuable upon full exercise of all the warrants under the Stock Option A granted to the Directors and Executive Officers (in office as of July 22, 2003, the date of issuance). The number of stock subscription warrants (each of which represents the right to subscribe for 1,000 shares) under Stock Option A granted on July 22, 2003 to each Director and Executive Officer, as of June 25, 2004, is set forth in the tables below.

On June 4, 2004, the warrants under the Stock Option B to subscribe for 1,363,000 shares were granted to our Directors, Executive Officers and employees, as well as those of our subsidiaries in and outside Japan. The exercise price is ¥1 per share, and the warrants under the Stock Option B are exercisable from June 5, 2006 to June 4, 2011. Subject to adjustments, a total of 428,000 shares will be issuable upon full exercise of all the warrants under the Stock Option B granted to the Directors and Executive Officers (in office as of June 4, 2004, the date of issuance). In accordance with the Commercial Code of Japan, we plan to disclose the number of stock subscription warrants (each of which represents the right to subscribe for 1,000 shares) under Stock Option B granted in June 2004 to each of the current Directors and Executive Officers by June 2005 in Japan.

Directors

Name	Number of Stock	
	Subscription Warrants Granted	Subscription Warrants under
	on August 5, 2002	Stock Option A Granted
		on July 22, 2003
Nobuyuki Shigemune	15	15
Shozo Kumano	6	10
Masaharu Shibata	15	10
Hideaki Kubori	15	10
Haruo Tsuji	10	10
Fumihide Nomura	10	10
Koji Tajika		10
Total	71	75

Table of Contents**Executive Officers**

Name	Number of Stock	
	Subscription Warrants Granted	Subscription Warrants under Stock Option A Granted
	on August 5, 2002	on July 22, 2003
Junichi Ujiie	80	60
Nobuyuki Koga	40	80
Hiroshi Toda	30	40
Kazutoshi Inano	30	40
Takashi Tsutsui	30	30
Takashi Yanagiya	30	30
Kenichi Watanabe	30	30
Takumi Shibata	20	30
Hiromi Yamaji	20	20
Manabu Matsumoto	20	20
Yoshifumi Kawabata	20	20
Shogo Sakaguchi	20	20
Masanori Itatani	20	20
Yoshimitsu Oura	15	20
Yusuke Yamada	15	20
Hitoshi Tada	15	20
Yasuo Agemura	15	15
Akihiko Nakamura	15	15
Hideyuki Takahashi	15	15
Hiroshi Tanaka	15	15
Noriyuki Ushiyama	3	15
Yoriyasu Yoshizawa	3	15
Yasuo Yoshihara	3	15
Akira Maruyama	3	15
Akihito Watanabe	3	3
Testu Ozaki	3	3
Shigesuke Kashiwagi	3	3
Yugo Ishida	3	3
Kamezo Nakai	20	15
Takahide Mizuno	12	15
Atsushi Yoshikawa	15	15
Total	566	677

Also, at the general meeting of shareholders held on June 25, 2004, we were authorized to grant two types of stock options, Stock Option A and Stock Option B, in the form of stock subscription warrants, to our Directors, Executive Officers and employees, as well as those of our subsidiaries in and outside Japan. These stock options are exercisable during a period to fall within seven years of the issuing date, which is to be decided by our Board of Directors or an Executive Officer designated by our Board of Directors. The exercise price of Stock Option A will be determined by reference to the market price of our common stock while that of Stock Option B will be ¥1 per share. Subject to adjustments, a total of 5,000,000 shares will be issuable upon full exercise of all the stock options granted in this round, 2,500,000 shares of which will be issued for Stock Option A and 2,500,000 shares of which will be issuable for Stock Option B.

Table of Contents

C. Board Practices.

Information Concerning Our Directors

Under the recent amendments to the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Joint Stock Companies, which became effective on April 1, 2003, certain large joint stock companies in Japan have the option of introducing a new committee-based corporate governance system, which is referred to as the *Committee System* in this annual report, instead of the traditional corporate governance system that consists of directors and statutory auditors. The amendments have been enacted to promote efficient, flexible and transparent management of joint stock companies in Japan by separating the supervisory and operational functions of corporate governance, both of which belong to directors in the traditional governance system. In order to be eligible for the *Committee System*, a company must establish three committees: a nomination committee, an audit committee and a compensation committee. The members of each committee are chosen from the company's directors. A majority of each committee must be outside directors who are not executive officers of the company. The company must then appoint executive officers and representative executive officers by a resolution of the board of directors. Under the *Committee System*, the executive officers manage the business affairs of a company. While the board of directors is entitled to establish the basic management policy for the company and has decision-making authority over certain prescribed matters, all other decisions related to business affairs may be made by executive officers. When an eligible company adopts the *Committee System*, its board of statutory auditors is abolished.

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

Our Articles of Incorporation provide for not more than 20 Directors. Directors are elected at a general meeting of shareholders, and the normal term of office of Directors is one year, although they may serve any number of consecutive terms. From among its members, our Board of Directors elects the Chairman. Our Board of Directors met 8 times during the year ended March 31, 2004. As a group, our Directors attended approximately 87% of the total number of meetings of our Board of Directors.

Compensation Committee

Our Compensation Committee is authorized to determine the policy with respect to the determination of the particulars of the compensation for each Director and Executive Officer, and the particulars of the compensation for each Director and Executive Officer. This committee's current members are Junichi Ujiie, Masaharu Shibata and Hideaki Kubori. Junichi Ujiie is the Chairman of this committee. Our Compensation Committee met 4 times during the year ended March 31, 2004. As a group, the member Directors attended approximately 92% of the total number of meetings of our Compensation Committee.

Nomination Committee

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Our Nomination Committee is authorized to determine the particulars of proposals concerning the election and dismissal of Directors to be submitted to a general meeting of shareholders by our Board of Directors. This committee's current members are Junichi Ujiie, Masaharu Shibata and Hideaki Kubori. Junichi Ujiie is the Chairman of this committee. Our Nomination Committee met 2 times during the year ended March 31, 2004. As a group, the member Directors attended 100% of the total number of meetings of our Nomination Committee.

Table of Contents

Audit Committee

We have an Audit Committee that, according to our Articles of Incorporation, is authorized to (i) audit the execution by the Directors and the Executive Officers of their duties and (ii) determine the particulars of proposals concerning the election and dismissal of the independent auditor for domestic reporting purposes and the non-retention of such independent auditor to be submitted to a general meeting of shareholders by our Board of Directors. With respect to financial reporting, our Audit Committee has the statutory duty to examine our financial statements and business reports to be prepared by Executive Officers designated by our Board of Directors and to report its opinion to the ordinary general meeting of shareholders. In addition, pursuant to our Regulations of the Audit Committee or resolutions of the Board of Directors concerning matters to be necessary for the performance of functions of the Audit Committee, our Audit Committee has the authority to (i) pre-approve audit or non-audit services provided by the independent auditor for SEC reporting purposes, as required by the U.S. auditor independence rules, (ii) oversee the work of such independent auditor (including resolution of disagreements between management and such independent auditor regarding financial reporting) regarding such independent auditor's audit report for financial statements filed with the SEC, (iii) retain legal counsel, consultants or other outside advisers, and (iv) establish the procedures for (a) the receipt, retention, and treatment of complaints received by us regarding accounting, internal controls, or auditing matters and (b) the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters.

This committee is currently composed of Haruo Tsuji, Fumihide Nomura and Koji Tajika. Haruo Tsuji is the Chairman of this committee. Our Audit Committee met 14 times during the year ended March 31, 2004. As a group, the member Directors attended approximately 95% of the total number of meetings of our Audit Committee.

Limitation of Liabilities of Some Directors

We have entered into agreements with four of our Directors, Masaharu Shibata, Hideaki Kubori, Haruo Tsuji and Koji Tajika, that limit their liabilities to us for damages suffered by us due to their acts taken in good faith and without gross negligence, up to the higher of (a) ¥20 million or (b) the amount specified in the agreements. The amount specified in each of these agreements is generally the aggregate amount of two years remunerations and other compensation received or entitled to be received by the respective Director.

Information Concerning Our Executive Officers

Our Executive Officers have the authority to determine the matters delegated by the resolutions of our Board of Directors and execute our business activities. Our Articles of Incorporation provide for not more than 45 Executive Officers. Executive Officers are elected at a meeting of our Board of Directors meeting, and the normal term of Executive Officers is one year, although they may serve any number of consecutive terms. Some of the Executive Officers appointed by our Board of Directors are members of our Executive Management Board where they discuss or determine important matters concerning our group management.

Corporate Governance Practices

Companies listed on the NYSE must comply with certain standards regarding corporate governance under Section 303A of the NYSE Listed Company Manual. However, listed companies that are foreign private issuers, such as Nomura, are permitted to follow home country practice in lieu of certain provisions of Section 303A.

Table of Contents

The following table shows the significant differences between the corporate governance practices followed by U.S. listed companies under Section 303A of the NYSE Listed Company Manual and those followed by Nomura. The information set forth below is current as of June 25, 2004.

Corporate Governance Practices Followed

by NYSE-listed U.S. Companies	Corporate Governance Practices Followed by Nomura
<p>A NYSE-listed U.S. company must have a majority of directors meeting the independence requirements under Section 303A of the NYSE Listed Company Manual.</p>	<p>In accordance with the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Joint Stock Companies of Japan, Nomura has elected to adopt the Committee System, under which, among other things, it has established an Audit Committee, a Nomination Committee and a Compensation Committee under its Board of Directors. Under the Commercial Code of Japan, Nomura is not required to have outside directors comprise a majority of its Directors, but is required to have on each committee at least three Directors, a majority of whom must be outside Directors. Nomura has eleven Directors, four of whom are outside Directors. An outside director of a corporation is defined under the Commercial Code of Japan as a non-executive director (i) who has never assumed the position of executive director, manager or employee of the company or its subsidiaries and (ii) who does not currently assume the position of executive director, manager or employee of the company or its subsidiaries.</p>
<p>The non-management directors of a NYSE-listed U.S. company must meet at regularly scheduled executive sessions without management.</p>	<p>Nomura provides an alternative forum to such executive sessions for its outside Directors where its outside Directors will discuss Nomura's corporate governance practices or procedures with the Chairman of the Board of Directors. Such forum was held once during the year ended March 31, 2004 and also held in May 2004. Such forum will be held at least once a year.</p>
<p>A NYSE-listed U.S. company must have an audit committee with responsibilities described under Section 303A of the NYSE Listed Company Manual, including those imposed by Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The audit committee must be composed entirely of independent directors and have at least three members.</p>	<p>Nomura has an Audit Committee consisting of three Directors, two of whom are outside Directors under the Commercial Code of Japan and all of whom are independent directors under the Rule 10A-3 under the U.S. Securities Exchange Act of 1934. The Audit Committee is charged with the responsibility to monitor the performance of the Directors and Executive Officers of Nomura and to propose the appointment or dismissal of its accounting firm. The Audit Committee satisfies the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, although such requirements do not become effective against Nomura until July 31, 2005.</p>
<p>A NYSE-listed U.S. company must have a nominating/corporate governance committee with responsibilities described under Section 303A of the NYSE Listed</p>	<p>Nomura has a Nomination Committee consisting of three Directors, two of whom are outside Directors. The Nomination Committee is charged with the</p>

Table of Contents**Corporate Governance Practices Followed****by NYSE-listed U.S. Companies**

Company Manual. The nominating/ corporate governance committee must be composed entirely of independent directors.

A NYSE-listed U.S. company must have a compensation committee with responsibilities described under Section 303A of the NYSE Listed Company Manual. The compensation committee must be composed entirely of independent directors.

A NYSE-listed U.S. company must generally obtain shareholder approval with respect to any equity compensation plan.

Corporate Governance Practices Followed by Nomura

responsibility to propose to the general meeting of shareholders the election or dismissal of Directors.

Nomura has a Compensation Committee consisting of three Directors, two of whom are outside Directors. The Compensation Committee is charged with the responsibility to determine the compensation of each Director and Executive Officer of Nomura.

Under the Commercial Code of Japan, if Nomura desires to adopt an equity compensation plan under which stock acquisition warrants are granted with specially favorable conditions, except where such warrants are granted to all of its shareholders on a *pro rata* basis, then such a plan must be approved by a special resolution adopted at a general meeting of shareholders. A special resolution requires as a quorum one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting.

The rights of ADR holders, including their rights to corporate governance practices, are governed by the Deposit Agreement which is an exhibit to this annual report. See also Rights of Holders of ADSs under Item 10.B of our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. The information contained in that part of the Registration Statement is incorporated in Item 10.B of this annual report by reference.

D. Employees

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

	As of March 31,		
	2002	2003	2004
Japan	11,874	11,244	11,063
Europe	1,381	1,389	1,403
Americas	827	797	866
Asia (other than Japan) and Oceania	468	616	655
Total	14,550	14,046	13,987

Japan

In Japan, as of March 31, 2004, we had 11,063 employees, of which 7,594 were engaged in Domestic Retail, 1,301 were engaged in Global Wholesale and 577 were engaged in Asset Management.

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Most of our employees, excluding registered representatives who are engaged in retail activities on annual contracts, receive compensation on the basis of fixed annual salaries and twice-a-year bonuses. Registered representatives, who numbered 1,915 as of March 31, 2004, receive mostly performance-linked compensation.

As of March 31, 2004, 7,744 of Nomura Securities employees in Japan were members of Nomura employees union, with which we have a labor contract. Pursuant to this contract, salaries and bonuses are

Table of Contents

negotiated with the labor union based on our overall performance during the relevant fiscal period and our financial position. Similar to other major companies in Japan, we grant our employees annual basic wage increases.

We emphasize and reward individual skills and performance.

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

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

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

Overseas

As of March 31, 2004, we had 2,924 employees overseas, including 1,403 in Europe, 866 in the Americas and 655 in Asia (excluding Japan) and Oceania.

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

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

NPF entities

Nomura Principal Finance Co., Ltd. (NPF) engages in private equity business in Japan. As of March 31, 2004, NPF investments accounted for as consolidated subsidiaries (NPF entities) had 2,711 employees mainly in Japan.

	<u>As of March 31,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
NPF entities		339	2,711

E. Share Ownership.

The following table shows the number of shares owned by our Directors and Executive Officers as of June 25, 2004. As of that date, none of them owned 1% or more of our issued and outstanding shares.

Directors

<u>Name</u>	<u>Number of Shareholdings</u>
Junichi Ujiie	67,735
Nobuyuki Koga	23,053
Hiroshi Toda	21,000
Kazutoshi Inano	36,000
Nobuyuki Shigemune	16,000
Shozo Kumano	8,031
Masaharu Shibata	5,000
Hideaki Kubori	0
Haruo Tsuji	4,000
Fumihide Nomura	188,626
Koji Tajika	0
Total	369,445

Table of Contents**Executive Officers**

<u>Name</u>	<u>Number of Shareholdings</u>
Junichi Ujiie	See above
Nobuyuki Koga	See above
Hiroshi Toda	See above
Kazutoshi Inano	See above
Takashi Tsutsui	13,000
Takashi Yanagiya	16,000
Kenichi Watanabe	5,066
Takumi Shibata	20,002
Hiromi Yamaji	12,000
Manabu Matsumoto	25,163
Yoshifumi Kawabata	9,212
Shogo Sakaguchi	12,309
Masanori Itatani	17,822
Yoshimitsu Oura	11,154
Yusuke Yamada	6,000
Hitoshi Tada	11,000
Yasuo Agemura	13,069
Akihiko Nakamura	6,000
Hideyuki Takahashi	5,000
Hiroshi Tanaka	4,000
Noriyuki Ushiyama	6,000
Noriyasu Yoshizawa	9,081
Yasuo Yoshihara	11,021
Akira Maruyama	4,030
Akihito Watanabe	2,000
Tetsu Ozaki	5,000
Shigesuke Kashiwagi	9,000
Yugo Ishida	13,399
Kamezo Nakai	15,000
Takahide Mizuno	2,089
Atsushi Yoshikawa	12,120
Total	423,325

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

As of March 31, 2004, to our knowledge, no person beneficially held, directly or indirectly, more than 5% of Nomura's then outstanding common stock. To our knowledge, we are not directly or indirectly owned or controlled by another corporation, by any government or by any other natural or legal person severally or jointly. We know of no arrangements the operation of which may at a later time result in a change of control of Nomura. Also as of March 31, 2004, there were 208 record shareholders of Nomura with addresses in the United States, and those

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U.S. holders held 328,046,447 shares of Nomura's common stock, representing 16.9% of Nomura's then outstanding common stock. As of March 31, 2004, there were 43,157,292 ADSs outstanding, representing 43,157,292 shares of Nomura's common stock or 2.2% of Nomura's then outstanding common stock.

Table of Contents

B. Related Party Transactions.

Nomura Land and Building Co., Ltd.

Nomura Land and Building (NLB), of which Nomura held 9.4% directly and 19.9% indirectly through Nomura Asset Management as of March 31, 2004, owns a substantial portion of Nomura's leased space in Japan. Other major shareholders of NLB were Nomura Welfare Cooperative Association, holding 23.5%, Nomura Research Institute, Ltd.(NRI), holding 14.9%, and Obayashi Corporation, holding 14.8%.

For the years ended March 31, 2002, 2003 and 2004, Nomura paid ¥24,556 million, ¥22,203 million and ¥21,429 million in rent to NLB, respectively. As of March 31, 2003 and 2004, Nomura had ¥52,448 million and ¥49,408 million of lease deposits, respectively, with NLB. Nomura has made long-term loans to NLB amounting to ¥72,500 million, as of March 31, 2004. The interest rates of the long-term loans vary from 1.00% to 1.63% per annum, and the repayment dates will be between 2005 and 2007.

During the year ended March 31, 2003, Nomura acquired an additional 3.6% equity interest in JAFCO and an additional 1.0% equity interest in NRI from NLB.

Nomura Research Institute, Ltd.

NRI develops and manages computer systems and provides investigation/research services and management consulting services. One of the major customers of NRI is Nomura.

NRI completed an initial public offering and issued 2 million shares of common stock to third parties at a price of ¥11,000 per share in December 2001. Nomura recognized a pretax gain of ¥3,504 million due to the price exceeding Nomura's carrying value per share. Deferred taxes have been provided on the gain. As a result of this issuance, Nomura's equity interest in NRI declined from 25.2% to 24.1%. NLB's equity interest in NRI declined from 49.9% to 31.0% due to this issuance and the sale of the shares.

During the year ended March 31, 2003, Nomura acquired an additional 1.0% equity interest in NRI from NLB. As a result of this issuance, Nomura's equity interest in NRI increased to 25.1% and NLB's equity interest in NRI declined to 30.0%.

In August 2003, NLB sold 5.6 million shares of NRI by the secondary offering. NLB's equity interest in NRI declined to 17.6% due to this issuance.

On May 18, 2004, Nomura acquired an additional 17.2% equity interest in NRI for ¥81,214 million at quoted market price from NLB through Nomura Realty Capital Management Co., Ltd., our wholly-owned subsidiary. As a result of this issuance, Nomura's equity interest in NRI increased to 42.2% and NLB's equity interest in NRI declined to 0.4%.

For the years ended March 31, 2002, 2003 and 2004, Nomura purchased ¥26,013 million, ¥27,946 million and ¥25,389 million of software and computer equipment, respectively, and paid NRI ¥24,887 million, ¥27,644 million and ¥29,480 million for other services, respectively.

C. Interests of Experts and Counsel.

Not applicable.

Table of Contents

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information.

Financial Statements

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

Legal or Arbitration Proceedings

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

In 1998, one of our European subsidiaries, Nomura Principal Investment plc, acquired approximately 46% of the issued share capital of Investicni a postovni banka, a.s. (IPB), a Czech bank. On June 16, 2000, the Czech National Bank (CNB) placed IPB into forced administration. On June 19, 2000, the administrator appointed by the CNB transferred IPB's entire business to Ceskoslovenska obchodni banka (CSOB), another Czech bank. Nomura Principal Investment and Nomura International plc are involved in both bringing and defending a number of legal claims arising out of the circumstances surrounding Nomura Principal Investment's acquisition of its interest in IPB, the imposition of forced administration, and the immediate sale by the administrator of IPB's entire business to CSOB. The legal disputes include international arbitration proceedings in which the Czech Republic is seeking damages of \$3-8 billion. CSOB is also pursuing a legal action before the Czech courts seeking damages of \$629 million against Nomura Principal Investment, Nomura International and others arising out of IPB's sale of a Czech brewery. We believe that all such claims brought against us are without merit and we are vigorously defending them.

Dividend Policy

We determine the cash dividend amount, broadly considering such factors as the dividend-on-equity ratio (DOE), the level of profits and the maintenance of capital sufficient to capture business opportunities. According to this policy, we paid a year-end cash dividend of ¥7.5 and interim dividend of ¥7.5 per share in respect of the year ended March 31, 2004; accordingly the annual cash dividend per share was ¥15.0.

B. Significant Changes.

Except as disclosed in this annual report, there have been no significant changes since March 31, 2004.

Item 9. The Offer and Listing

A. Offer and Listing Details.

Price History

Table of Contents

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

Calendar Year	Tokyo Stock Exchange Price Per Share of Common Stock		New York Stock Exchange Price Per Share of ADS	
	High	Low	High	Low
Annual highs and lows				
1999	¥ 1,958	¥ 883		
2000	3,510	1,785		
2001 (for the ADSs, starting on December 17, 2001)	2,890	1,451	\$ 13.05	\$ 11.35
2002	2,190	1,190	17.40	8.91
2003	2,125	1,087	19.11	9.07
Quarterly highs and lows				
2002				
First Quarter	1,964	1,190	15.00	8.91
Second Quarter	2,190	1,651	17.40	12.25
Third Quarter	1,845	1,353	15.60	11.80
Forth Quarter	1,615	1,221	13.07	10.20
2003				
First Quarter	1,547	1,205	13.12	10.31
Second Quarter	1,542	1,087	13.05	9.07
Third Quarter	1,953	1,480	16.97	12.35
Forth Quarter	2,125	1,608	19.11	14.85
Monthly highs and lows				
2003				
December	1,830	1,637	17.10	15.11
2004				
January	1,881	1,728	17.83	16.40
February	1,743	1,616	16.48	14.93
March	1,930	1,743	18.66	15.95
April	1,966	1,790	18.60	16.18
May	1,818	1,570	16.75	13.60
June (through June 25)	1,690	1,585	15.70	14.65

B. Plan of Distribution.

Not applicable.

C. Markets.

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

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In December 2001, we listed our Common Stock on New York Stock Exchange in the form of ADSs evidenced by ADRs. Each ADS represents one share of Common Stock.

Also, our Common Stock has been listed on Euronext Amsterdam Stock Market N.V. (previously the Amsterdam Stock Exchange) in the form of Continental Depositary Receipts since 1973, the Luxembourg Stock Exchange in the form of European Depositary Receipts since 1981 and the Singapore Stock Exchange since 1994.

Table of Contents

D. Selling Shareholders.

Not applicable.

E. Dilution.

Not applicable.

F. Expenses of the Issue.

Not applicable.

Item 10. Additional Information

A. Share Capital.

Not applicable.

B. Memorandum and Articles of Association.

Objects and Purposes in Nomura's Articles of Incorporation

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

Provisions Regarding Our Directors

There is no provision in our Articles of Incorporation as to a Director's power to vote on a proposal or arrangement in which the Director is materially interested, but, under the Commercial Code and the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of

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Joint Stock Companies of Japan (together, hereinafter referred to as the Commercial Code) and our Regulations of the Board of Directors, a director must abstain from voting on such matters at meetings of the Board of Directors.

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

Pursuant to the Commercial Code, under the Committee System, the board of directors may delegate to executive officers powers regarding the incurrence by a company of a significant loan from a third party. However, our Board of Directors has retained such powers.

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

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

Pursuant to the Commercial Code and our Articles of Incorporation, we may, by resolution of our Board of Directors, release the liabilities of any Directors or Executive Officers to us for damages suffered by us due to their acts taken in good faith and without gross negligence, to the extent permitted by law and our Articles of Incorporation. In addition, we may execute with outside Directors agreements that limit their liabilities to us for

Table of Contents

damages suffered by us due to their acts in good faith and without gross negligence, to the extent permitted by law and our Articles of Incorporation. See Item 6. C. Board Practices, Limitation of Liabilities of Some Directors above.

Holding of Our Shares by Foreign Investors

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

Rights of Our Shareholders

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

General

Our authorized share capital is 6,000,000,000 shares, of which 1,941,656,029 shares were issued and outstanding as of March 31, 2004. Under the Commercial Code, shares must be registered and are transferable by delivery of share certificates. In order to assert shareholders' rights against us, a shareholder must have its name and address registered on our register of shareholders, in accordance with our Share Handling Regulations.

A holder of shares may choose, at its discretion, to participate in the central clearing system for share certificates under the Law Concerning Central Clearing of Share Certificates and Other Securities of Japan. Participating shareholders must deposit certificates representing all of the shares to be included in this clearing system with the Japan Securities Depository Center. If a holder is not a participating institution in the Securities Center, it must participate through a participating institution, such as a securities company or bank having a clearing account with the Securities Center. All shares deposited with the Securities Center will be registered in the name of the Securities Center on our register of shareholders. Each participating shareholder will in turn be registered on our register of beneficial shareholders and be treated in the same way as shareholders registered on our register of shareholders. For the purpose of transferring deposited shares, delivery of share certificates is not required. Entry of the share transfer in the books maintained by the Securities Center for participating institutions, or in the book maintained by a participating institution for its customers, has the same effect as delivery of share certificates. The registered beneficial owners may exercise the rights attached to the shares, such as voting rights, and will receive dividends (if any) and notices to shareholders directly from us. The shares held by a person as a registered shareholder and those held by the same person as a registered beneficial owner are aggregated for these purposes. Beneficial owners may at any time withdraw their shares from deposit and receive share certificates, subject to the limitations caused by the Japanese unit share system described below.

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

Dividends

Under our Articles of Incorporation, our financial accounts will be closed on March 31 of each year and dividends, if any, will be distributed to shareholders (or pledgees) appearing in the register of shareholders as of the close of business on that date following resolution of our Board of Directors. The Commercial Code permits a joint stock company to distribute profits by way of interim dividends if the articles of incorporation of a company so provide. Our Articles of Incorporation permit us to distribute interim dividends to the shareholders (or pledgees) appearing in the register of shareholders as of September 30 of each year by a resolution of our Board

Table of Contents

of Directors. Dividends will be distributed in cash. Under our Articles of Incorporation, we are not obliged to pay any dividends that are left unclaimed for a period of three years after the date on which they first became payable.

The Commercial Code provides that, until the aggregate amount of our legal reserve and additional paid-in capital is at least one-quarter of our stated capital, we may not make any distribution of profits by way of annual cash dividends or interim dividends unless we set aside in our legal reserve an amount equal to at least one-tenth of any amount that we pay out as an appropriation of retained earnings, including any payment by way of annual and interim dividends. The Commercial Code will permit us to distribute profits by way of dividends out of the excess of the net assets, on a non-consolidated basis, over the aggregate of:

- (1) the stated capital;
- (2) the additional paid-in capital;
- (3) the accumulated legal reserve;
- (4) the legal reserve to be set aside in respect of the dividends concerned an proposed payment by way of appropriation of retained earnings; and
- (5) other matters specified in the Implementation Ordinance of the Commercial Code.

In the case of interim dividends, the net assets are calculated by reference to the non-consolidated balance sheet as at the last closing of our accounts, but adjusted, subject to the Implementation Ordinance of the Commercial Code, to subtract: (i) any subsequent payment by way of appropriation of retained earnings and transfer to the legal reserve in respect thereof; (ii) any subsequent transfer of retained earnings to stated capital; and (iii) if the purchase of its own shares by the company has been authorized pursuant to a resolution of a general meeting of shareholders or a resolution of a meeting of the board of directors in accordance with the authorization by the articles of incorporation (see *Repurchase by Us of Shares*) below) the aggregate total amount of the purchase price of such shares so authorized by such resolutions; , and to add any subsequent reduction of the stated capital or the legal reserve minus the aggregate of any amount paid to shareholders, any amount used to cancel shares and any amount appropriated to supplement capital loss. Interim dividends may not be paid where there is a risk that at the end of the fiscal year net assets might not exceed the aggregate of the amounts referred to in (1) through (5) above.

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

Stock Splits

In accordance with the Commercial Code, our Board of Directors has by resolution delegated to our Executive Management Board powers to make stock splits, regardless of the value of net assets (as appearing in our latest non-consolidated balance sheet) per share. Under the Commercial Code, when we issue new shares in the future, the entire amount of issue price of those new shares is required to be accounted for as stated capital, although we may account for an amount not exceeding one-half of the issue price as additional capital. By resolution of our Executive Management Board, we may make a stock split within an amount of stated capital or by transferring the whole or any part of additional paid-in capital and legal reserve to stated capital.

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

Table of Contents

Japanese Unit Share System

Our Articles of Incorporation provide that 1,000 shares of common stock constitute one unit. The Commercial Code permits us, by resolution of our Board of Directors, to reduce the number of shares which constitutes one unit or abolish the unit share system, and amend our Articles of Incorporation to this effect without the approval of a shareholders meeting.

Transferability of Shares Representing Less Than One Unit. We may not issue share certificates for a number of shares not constituting an integral number of units, except in limited circumstances. Because the transfer of shares normally requires delivery of the share certificates for the shares being transferred, shares constituting a fraction of a unit and for which no share certificates are issued may not be transferable. Because transfer of ADRs does not require a change in the ownership of the underlying shares, holders of ADRs evidencing ADSs that constitute less than one unit of shares are not affected by these restrictions in their ability to transfer the ADRs. However, because transfers of less than one unit of the underlying shares are normally prohibited under the unit share system, the deposit agreement provides that the right of ADR holders to surrender their ADRs and withdraw the underlying shares for sale in Japan may only be exercised as to whole units.

Right of a Holder of Shares Representing Less Than One Unit to Require Us to Purchase Its Shares. A holder of shares representing less than one unit may at any time request us to purchase its shares. These shares will be purchased at (a) the closing price of the shares reported by the Tokyo Stock Exchange, Inc. (hereinafter referred to as the Tokyo Stock Exchange) on the day when the request to purchase is made or (b) if no sale takes place on the Tokyo Stock Exchange on that day, then the price at which sale of shares is effected on such stock exchange immediately thereafter. In such case, we will request payment of an amount equal to the brokerage commission applicable to the shares purchased pursuant to our Share Handling Regulations. However, because holders of ADSs representing less than one unit are not able to withdraw the underlying shares from deposit, these holders will not be able to exercise this right as a practical matter.

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

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

A holder of shares representing less than one unit does not have any rights related to voting, such as the right to participate in a demand for the resignation of a director, the right to participate in a demand for the convocation of a general meeting of shareholders and the right to join with other shareholders to propose an agenda item to be addressed at a general meeting of shareholders. In addition, a holder of shares constituting less than one unit does not have the right to require us to issue share certificates for those shares.

However, a holder of shares constituting less than one unit has all other rights of a shareholder in respect of those shares, including the following rights:

to receive annual and interim dividends,

to receive shares and/or cash by way of retirement, consolidation, subdivision, conversion, exchange or transfer of shares, corporate separation or merger,

Table of Contents

to be allotted rights to subscribe for new shares and other securities when such rights are granted to shareholders,

to participate in any distribution of surplus assets upon liquidation,

to institute a representative action by shareholders, and

to demand that an executive officer suspend illegal and certain other acts.

Ordinary General Meeting of Shareholders

We normally hold our ordinary general meeting of shareholders in June of each year in Chuo-ku, Tokyo or in a neighboring area. In addition, we may hold an extraordinary general meeting of shareholders whenever necessary by giving at least two weeks advance notice. Under the Commercial Code, notice of any shareholders meeting must be given to each shareholder having voting rights or, in the case of a nonresident shareholder, to his resident proxy or mailing address in Japan in accordance with our Share Handling Regulations, at least two weeks prior to the date of the meeting.

Voting Rights

A shareholder is generally entitled to one vote per one unit of shares as described in this paragraph and under *Japanese Unit Share System* above. In general, under the Commercial Code, a resolution can be adopted at a general meeting of shareholders by a majority of the shares having voting rights represented at the meeting. The Commercial Code and our Articles of Incorporation require a quorum for the election of directors and statutory auditors of not less than one-third of the total number of outstanding shares having voting rights. Our shareholders are not entitled to cumulative voting in the election of directors. A corporate shareholder whose outstanding shares having voting rights are in turn more than one-quarter directly or indirectly owned by us does not have voting rights. Shareholders may exercise their voting rights through proxies, provided that those proxies are also shareholders who have voting rights.

The Commercial Code and our Articles of Incorporation provide that a quorum of not less than one-third of outstanding shares with voting rights must be present at a shareholders meeting to approve any material corporate actions such as:

a reduction of stated capital,

amendment of the articles of incorporation (except amendments which the board of directors (or under the Committee System, executive officers) are authorized to make under the Commercial Code as described in *Stock Splits* and *Japanese Unit Share System* above),

the removal of a director,

establishment of a 100% parent-subsidary relationship by way of share exchange or share transfer,

a dissolution, merger or consolidation,

a corporate separation,

the transfer of the whole or an important part of our business,

the taking over of the whole of the business of any other corporation,

any issuance of new shares at a specially favorable price, bonds or debentures with warrants to subscribe for new shares with specially favorable conditions or warrants to subscribe for new shares with specially favorable conditions to persons other than shareholders, and

release of part of directors or executive officers liabilities to their corporation.

At least two-thirds of the outstanding shares having voting rights present at the meeting must approve these actions.

Table of Contents

The voting rights of holders of ADSs are exercised by the depositary based on instructions from those holders.

Subscription Rights

Holders of shares have no preemptive rights under our Articles of Incorporation when we issue new shares. Under the Commercial Code, our Executive Management Board, which has been delegated by our Board of Directors with the authority to issue new shares, may, however, determine that shareholders be given subscription rights in connection with a particular issue of new shares. In this case, such rights must be given on uniform terms to all shareholders as of a specified record date by at least two weeks prior public notice to shareholders of the record date. Public or individual notice must be given to each of these shareholders at least two weeks prior to the date of expiration of the subscription rights.

We may issue warrants to subscribe for new shares (hereinafter referred to as subscription warrants) as warrants on their own or attached to bonds or debentures to any persons. Holders of shares have no preemptive rights under our Articles of Incorporation when we issue subscription warrants. Under the Commercial Code, our Executive Management Board, which has been delegated by our Board of Directors with the authority to issue subscription warrants, may, however, determine that shareholders be given subscription rights in connection with a particular issue of subscription warrants. In the case of an issue of subscription warrants, public or individual notice must be given to each of the shareholders at least two weeks prior to the date for payment (or issuance of the subscription warrants if such subscription warrants are issued without consideration).

Rights to subscribe for new shares, subscription warrants or rights to subscribe for subscription warrants, may be transferable or nontransferable by our Executive Management Board and may be made at or substantially below the market price of shares. Accordingly, rights offerings can result in substantial dilution or can result in rights holders not being able to realize the economic value of those rights for subscription warrants.

A special resolution of our ordinary general meeting of shareholders held on June 25, 2004 authorizes us to issue up to 5,000 subscription warrants, each of which represents a right to subscribe for 1,000 shares of common stock, for 5,000,000 shares of common stock, to Nomura and its subsidiaries directors, executive officers and employees. See Item 6. Directors and Senior Management and Employees, B. Compensation, Equity Based Compensation above.

Liquidation Rights

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

Liability to Further Calls or Assessments

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

Transfer Agent

UFJ Trust Bank, Limited is the transfer agent for our shares. UFJ Trust's office is located at 4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005 Japan. UFJ Trust maintains our register of shareholders and records transfers of record ownership upon presentation of share certificates.

Record Date

The close of business on March 31 is the record date for our year-end dividends, if paid. The close of business on September 30 is the record date for our interim dividends, if paid. A holder of shares constituting one

Table of Contents

or more whole units, who is registered as a holder on our register of shareholders at the close of business as of March 31, is also entitled to exercise shareholders' voting rights at the ordinary general meeting of shareholders with respect to the year ended on March 31. In addition, we may set a record date for determining the shareholders entitled to other rights and for other purposes by giving at least two weeks' public notice.

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

Repurchase by Us of Shares

Under the amended Commercial Code which became effective on April 1, 2004, we may acquire our shares for any purposes either by obtaining the authorization of shareholders at an ordinary general shareholders' meeting or, if our Articles of Incorporation so provide, by resolution of our Board of Directors. In accordance with the amended Commercial Code, we amended our Articles of Incorporation at the ordinary general meeting held on June 25, 2004 to authorize us to acquire our shares for any purposes by resolution of our Board of Directors. This acquisition is subject to the condition that the aggregate amount of the purchase price must not exceed the amount of the retained earnings available for annual dividend payments at the last closing of our accounts less the sum of any amount paid or to be paid by way of appropriation of retained earnings and any transfer of retained earnings to stated capital.

A resolution of our ordinary general meeting of shareholders held on June 26, 2003 authorizes us to acquire up to 100 million shares (representing approximately 5.0% of shares issued and outstanding) for up to ¥150 billion by the closing of our ordinary general meeting of shareholders held in 2004. We did not repurchase any shares in accordance with this resolution.

In the case of shares listed on a Japanese stock exchange or traded in the over-the-counter market, acquisition shall be made through the market or by way of tender offer by the close of the following ordinary general meeting, unless acquisition of the shares from a specified person is authorized by the approval of two-thirds of outstanding shares having voting rights present at the shareholders' meeting at which a quorum of not less than one-third of outstanding shares having voting rights must be present.

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

Report of Substantial Shareholdings

The Securities and Exchange Law of Japan requires any person who has become a holder of more than 5% of the total issued shares of a company listed on any Japanese stock exchange or whose shares are traded on the over-the-counter market to file with the relevant Local Finance Bureau, within five business days, a report concerning those shareholdings. A similar report must also be filed to reflect any change of 1% or more in the above shareholding. Copies of any reports must also be furnished to the company and to all Japanese stock exchanges on which the company's shares are listed or, in the case of shares traded on the over-the-counter market, the Securities Dealers Association of Japan. For this purpose, shares issuable to a 5% or greater shareholder upon exercise of subscription warrants are taken into account in determining both the number of shares held by that holder and the company's total issued share capital.

Daily Price Fluctuation Limits under Japanese Stock Exchange Rules

Stock prices on Japanese stock exchanges are determined on a real-time basis by the equilibrium between bids and offers. These exchanges are order-driven markets without specialists or market makers to guide price

Table of Contents

formation. To prevent excessive volatility, these exchange set daily upward and downward price fluctuation limits for each stock, based on the previous day's closing price. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to sell the shares at such price on a particular trading day, or at all.

On June 25, 2004, the closing price of our shares on the Tokyo Stock Exchange was ¥1,613 per share. The following table shows the daily price limit for a stock on the Tokyo Stock Exchange with a closing price of between ¥1,500 and ¥1,999 per share, as well as the daily price limit if our per share price were to rise to between ¥2,000 and ¥2,999, or fall to between ¥1,000 and ¥1,499. Other daily price limits would apply if our per share price moved to other ranges.

Selected Daily Price Limits

	Previous Day's Closing Price or Special Quote			Maximum Daily Price Movement	
Over	¥ 1,000	Less than	¥ 1,499	¥	200
Over	1,500	Less than	1,999		300
Over	2,000	Less than	2,999		400

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

Rights of Holders of ADSs

For a description of rights of holders of ADSs, see "Rights of Holders of ADSs" under Item 10.B. of our Registration Statement on Form 20-F (File No. 1-15270), which we filed with the Securities and Exchange Commission on December 13, 2001. The information contained in that part of the Registration Statement is incorporated in this Item 10.B. by reference.

C. Material Contracts.

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

D. Exchange Controls.

Acquisition or Disposition of Shares or ADSs

Under the Foreign Exchange and Foreign Trade Law, all aspects of regulations on foreign exchange and foreign trade transactions are, with minor exceptions relating to inward direct investments (which are not generally applicable to our shares), only subject to post transaction reporting requirements. Non-residents of Japan (including foreign corporations not resident in Japan) who acquire or dispose of shares of common stock or ADSs are generally not required to submit such post transaction reports. However, the Minister of Finance has the power to impose a licensing requirement for transactions in limited circumstances.

Dividends and Proceeds of Sale

Under the Foreign Exchange and Foreign Trade Law, dividends paid on, and the proceeds of sales in Japan of, shares held by non-residents of Japan may in general be converted into any foreign currency and repatriated abroad. Under the terms of the deposit agreement pursuant to which our ADSs will be issued, the depository is

Table of Contents

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

E. Taxation.

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

a dealer in securities,

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

a tax-exempt organization,

a life insurance company,

a person liable for alternative minimum tax,

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

a U.S. holder (as defined below) that holds shares or ADSs as part of a straddle or a hedging, conversion, integrated or constructive sale transaction, or

a U.S. holder as defined below whose functional currency is not the U.S. dollar.

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

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

a citizen or resident of the United States,

a domestic corporation,

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

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

A non-U.S. holder is a beneficial owner of shares or ADSs that is not a United States person for United States federal income tax purposes.

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

This discussion addresses only United States federal income taxation and Japanese income taxation, gift and inheritance taxation.

Table of Contents

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

United States Federal Income Taxation

Under the United States federal income tax laws, and subject to the passive foreign investment company, or PFIC, rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a noncorporate U.S. holder, dividends paid to you in taxable years beginning after December 31, 2002 and before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the shares or ADSs for more than 60 days before the ex-dividend date and meet other holding period requirements. The IRS has announced that it will permit taxpayers to apply a proposed legislative change to the holding period requirement described in the preceding sentence as if such change were already effective. This legislative technical correction would change the minimum required holding period, retroactive to January 1, 2003, to more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. Dividends we pay with respect to the shares or ADSs generally will be qualified dividend income. You must include any Japanese tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is taxable when you, in the case of shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Japanese yen payments made, determined at the spot Japanese yen/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Japanese tax withheld in accordance with the Treaty and paid over to Japan will be creditable against your United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% rate.

Dividends will be income from sources outside the United States, but generally will be passive income or financial services income, which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you.

A transfer of retained earnings or legal reserve to stated capital is treated as a dividend payment for Japanese tax purposes subject to withholding tax. In addition, if we purchase our shares for the purpose of cancellation with retained earnings and we cancel the shares after March 31, 2002 selling shareholders will be deemed to have received a dividend payment. If we purchase the shares pursuant to a tender offer non-selling shareholders will be deemed to have received a dividend whether we purchase the shares by tender offer or otherwise. Such a transfer or dividends is not generally a taxable event for United States federal income tax purposes (though a selling U.S. shareholder would be subject to U.S. federal income tax on capital gains realized on a sale of shares to us, as described below) and therefore would not give rise to foreign source income, and you would not be able to use the foreign tax credit arising from any Japanese withholding tax imposed on such distribution unless you can apply the credit (subject to limitations) against U.S. tax due or other foreign source income in the appropriate category for foreign tax credit purposes.

Table of Contents

Distributions of additional shares or ADSs or rights to you with respect to shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax. Your basis in the new shares or ADSs or rights received will be determined by allocating your basis in the shares or ADSs you held at the time of the distribution between the new shares or ADSs or rights and the shares or ADSs you held at the time of the distribution based on their relative fair market value on the date of the distribution. However, the basis of rights you receive will generally be zero if (i) at the time of the distribution the fair market value of the rights is less than 15% of the fair market value of the shares or ADSs you held at the time of the distribution and you do not elect to allocate a portion of the basis in the shares or ADS you held at the time of the distribution according to the method described in the previous sentence or (ii) the rights are not exercised and therefore expire.

Non-U.S. Holders

If you are a non-U.S. holder, dividends paid to you in respect of shares or ADSs will not be subject to United States federal income tax unless the dividends are effectively connected with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis. In such cases you generally will be taxed in the same manner as a U.S. holder. If you are a corporate non-U.S. holder, effectively connected dividends may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a noncorporate U.S. holder that is recognized on or after May 6, 2003 and before January 1, 2009 is generally taxed at a maximum rate of 15% where the property is held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxation of Capital Gain Non-U.S. Holders

If you are a non-U.S. holder, you will not be subject to United States federal income tax on gain recognized on the sale or other disposition of your shares or ADSs unless:

the gain is effectively connected with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis, or

you are an individual, you are present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist.

If you are a corporate non-U.S. holder, effectively connected gains that you recognize may also, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower

rate.

PFIC Rules

We do not expect our shares and ADSs to be treated as stock of a PFIC for United States federal income tax purposes for 2003, but this conclusion is a factual determination that is made annually and thus may be subject to change. Moreover, the application of the PFIC rules to a corporation, such as Nomura, that is primarily engaged in an active business as a securities dealer is not entirely clear.

Table of Contents

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

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

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

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

Dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

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

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

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

Under these rules:

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

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

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

the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

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Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

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

Table of Contents

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

Backup Withholding and Information Reporting.

If you are a noncorporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

dividend payments or other taxable distributions made to you within the United States, and

the payment of proceeds to you from the sale of shares or ADSs effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if you are a noncorporate U.S. holder that:

fails to provide an accurate taxpayer identification number,

is notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or

in certain circumstances, fails to comply with applicable certification requirements.

If you are a non-U.S. holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

dividend payments made to you outside the United States by us or another non-United States payor and

other dividend payments and the payment of the proceeds from the sale of shares or ADSs effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished the payor or broker:

an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person, or

other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or

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you otherwise establish an exemption.

Payment of the proceeds from the sale of shares or ADSs effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of shares or ADSs that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of shares or ADSs effected at a foreign office of a broker will be subject to information reporting if the broker is:

a United States person,

a controlled foreign corporation for United States tax purposes,

Table of Contents

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

Japanese Taxation

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

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

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

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

Generally, a non-resident shareholder is subject to Japanese withholding tax on dividends on the shares paid by us. A stock split is not subject to Japanese income or corporation tax, as it is characterized merely as an increase of number of shares (as opposed to an increase of value of shares) from Japanese tax perspectives. Due to the 2001 Japanese tax legislation effective from April 1, 2001, a conversion of retained earnings or legal reserve (but other than additional paid-in capital, in general) into stated capital on a non-consolidated basis is not characterized as a deemed dividend for Japanese tax purposes, and therefore such a conversion does not trigger Japanese withholding taxation (Article 2 (17) (n) of the Japanese Corporation Tax Law).

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Under the 2001 tax legislation, deemed dividend taxation system has been drastically changed. Under the new rule, if we purchase our listed shares by way of a tender offer for the purpose of cancellation with retained earnings, the selling shareholders (both individuals and corporations) are in general required to recognize (i) deemed dividend corresponding to a distribution of retained earnings proportionally computed by a statutory formula on a pro rata basis allocating the purchase price into share capital portion (including additional paid-in capital) and retained earnings portion on a non-consolidated basis, and (ii) capital gain or loss computed as a difference between the basis of the shares subject to the tender offer at the shareholders level and the amount of the consideration for the tender offer (deducting the amount corresponding to the deemed dividend computed as (i) above). On the other hand, in the case of individual shareholders, no deemed dividend is required to recognize until March 31, 2005 due to the operation of a temporary measurement (Article 9-4 of the Japanese Special Tax Measurement Law) and therefore they are only required to recognize capital gain or loss of the shares subject to the tender offer. In the meantime, when shares are acquired by us (whether by way of a tender offer or otherwise) for the purpose of cancellation with retained earnings, the shareholders (both individuals and corporations) whose shares were not canceled were previously deemed to have received a dividend corresponding to the

Table of Contents

increase of share value by the share cancellation, under the old tax law before the 2001 tax legislation. However, under the 2001 tax legislation, no deemed dividend taxation occurs for the remaining shareholders (both individuals and corporations) whose shares are not canceled.

Unless an applicable tax treaty, convention or agreement reducing the maximum rate of withholding tax, the rate of Japanese withholding tax applicable to dividends on the listed shares such as those paid by us to non-resident shareholders is currently 7% which is applicable for the period from January 1, 2004 to March 31, 2008 (15% rate will apply thereafter) except for dividends paid to any individual shareholder who holds 5% or more of the issued shares for which the applicable rate is 20%. Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 15% for portfolio investors, with, among others, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Under the new tax treaty between United States and Japan of which withholding tax treatments is applicable effective from July 1, 2004 on an accelerative basis, the withholding tax rate on dividends is 10% for portfolio investors, if they are qualified US residents eligible to enjoy treaty benefits. Non-resident shareholders who are entitled to a reduced treaty rate of Japanese withholding tax on payment of dividends on the shares by us are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax on Dividends in advance through us to the relevant tax authority before payment of dividends. A standing proxy for non-resident shareholders may provide such application service. See *Rights of Our Shareholders* under Item 10.B of this annual report. Non-resident shareholders who do not submit an application in advance will be entitled to claim the refund of withholding taxes withheld in excess of the rate of an applicable tax treaty from the relevant Japanese tax authority. For Japanese tax purpose, the treaty rate normally applies superseding the tax rate under the domestic law. However, due to the so-called preservation doctrine, if the tax rate under the domestic tax law is lower than that promulgated under the applicable income tax treaty, then the domestic tax rate is still applicable. If the domestic tax rate still applies, no treaty application is required to be filed, consequently.

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

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

F. Dividends and Paying Agents.

Not applicable.

G. Statement by Experts.

Not applicable.

H. Documents on Display.

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We are subject to the informational requirements of the Securities Exchange Act of 1934 and, in accordance therewith, we will file annual reports on Form 20-F within six months of our fiscal year-end and other reports and information on Form 6-K with the Securities and Exchange Commission. These reports and other information can be inspected at the public reference room at the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of such material by mail from the public reference room of the Securities and Exchange Commission at prescribed fees. You may obtain information on the operation of the Securities and Exchange Commission public reference room by calling the Securities and Exchange Commission in the United States at 1-800-SEC-0330. You can also access to the documents filed via the Electronic Data Gathering, Analysis, and Retrieval system on the SEC's website (<http://www.sec.gov>).

Table of Contents

I. Subsidiary Information.

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Risk Management

Our business is subject to various risks. These risks include market, credit, event, market liquidity, operational, system and legal risks. The process of managing those risks is an integral part of management's responsibilities. Financial innovation in global business activities can lead to complex interactions among risks. We recognize the importance of identifying, evaluating, monitoring and managing our risk profile.

We manage market, credit, event and market liquidity risks using a global risk management structure described below. We manage operational, system and legal risks primarily on a regional basis.

Global Risk Management Structure

We have an independent global risk management unit headquartered in Tokyo to support risk management which takes place at each level of our business. The global risk management unit also monitors and manages market, credit, event and market liquidity risks with regard to our trading and investment portfolios on a worldwide basis.

Our current global management structure places primary risk control responsibility with the Head of Global Wholesale together with the Head of each Global Business Line under Global Wholesale. This structure enhances the coordination of our global business while satisfying the regional-based requirements of each legal entity. Concurrently, our global risk management organization monitors, controls and supports our business segments. Our global risk manager who is based in Tokyo is the overall controller for global risk management, and coordinates the efforts of our regional risk managers.

Our Executive Management Board is responsible for establishing global risk policies, and monitoring and managing the various risks that we face in our business activities.

Our Board of Executive Officers and Executive Management Board also determine our strategic direction and allocate resources and capital to each of our businesses. Our Executive Management Board reviews our business plans, budgets and risk-adjusted performance to ensure proper diversification of risks and revenues. Our Board of Executive Officers is made up of all of our Executive Officers. Our Executive Management Board is made up of Representative Executive Officers and some of our Executive Officers appointed by our Board of Directors. Our President and Chief Executive Officer is the Chairman of both of the organizations.

Our Board of Executive Officers and Executive Management Board set the overall risk limit that applies across business segments to all of our trading and investment portfolios for our global business. Our global risk manager monitors the extent of risk exposure at each of our trading units relative to the in-house risk limit assigned to that unit and reports it to senior management daily. In addition, our regional operations employs its own position limits and stop-loss limits, which may be stricter than the in-house risk limit.

In April 2004, in addition to the above structure, the Commitment Committee was set up in order to control risks relating to the less liquid asset investments in Global Wholesale. Our Commitment Committee is made up of Representative Executive Officers and some of the Executive Officers appointed by our President and Chief Executive Officer. Our Executive Deputy President and Chief Operating Officer is the Chairman of the Commitment Committee.

Table of Contents

Our global risk management headquartered in Tokyo provides risk information to our Executive Management Board and quantifies risk for each of our businesses.

The role of our global risk manager in Tokyo is to monitor risk, ensure compliance with risk limits and recommend action to management as market conditions and our portfolio changes. To this end, daily reports on the monitoring and management of our worldwide risks are produced by our global risk management unit. Reports from our global risk manager enable our senior management to identify and control risk across the entire organization.

Regional risk managers located in Europe, the United States, Asia outside Japan, and in Tokyo, report on a daily basis to both regional management and risk management headquarters.

We have made a significant commitment to the development and continuous enhancement of an appropriate risk management system and procedures. This system enables us to produce various analyses of global-based exposure to counterparties under the unified obligor identification, as well as to calculate risk amounts, including Value-at-Risk amounts discussed below, based upon our position and sensitivity data sets provided from our regional risk management. The system, which senior management, global risk manager and regional risk managers access, integrates global market data, counterparty, position, exposure and other risk information worldwide. This enables us to achieve more efficient risk monitoring and more effective risk control. Especially we can monitor and control concentration of credit exposure on a daily basis against any credit events, which we now experience in the markets worldwide.

We maintain standardized methodologies for all our global operations. With this standardized framework, we can evaluate and compare the risk-adjusted profitability of our existing businesses in a consistent manner. Senior management can use this information to enhance our performance by diversifying revenues and controlling exposures.

Our global risk management employs an in-house risk limit, which we have developed as a tool to comprehensively measure our market, credit, event and market liquidity risks. We group our traders based on the type of trading strategy they use and the type of financial instruments in which they trade, and we assign to each group a specific in-house risk limit. Our traders may execute their transactions until the aggregate risk value associated with the positions they have built reaches the assigned in-house risk limit.

Types of Risks Managed

The seven principal categories of risk that we face in our daily business operations are market, credit, event, market liquidity, operational, system and legal risks.

Market Risk

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. We are exposed to this type of risk primarily in connection with our trading activities. Effective monitoring and

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management of this risk requires an ability to analyze a complex and constantly changing capital market environment worldwide and to highlight any problematic trends quickly.

VaR. The statistical technique known as Value-at-Risk, or VaR, is one of the tools we use to assess market risk exposure of our trading portfolio. VaR is the potential loss in the value of our trading positions due to adverse movements in markets over a defined time horizon with a specified confidence level.

For our VaR, which we report below, we use a one-day time horizon and a 99% confidence level. This means that, statistically, there is one day out of every 100 days on which the actual trading loss exceeds the VaR.

Table of Contents

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

We use a historical simulation approach to estimate VaR using a 99% confidence level and a one-day time horizon for our trading portfolio. Market risks that are incorporated in the VaR model include equity prices, interest rates, foreign exchange rates, and associated volatilities and correlations. The historical data to calculate volatilities and correlations are weighted to give greater importance to more recent observations. Given our reliance on historical data, VaR is most effective in estimating risk exposures in markets in which there are no sudden changes in market environments. An inherent limitation of VaR is that past changes in market risk factors, even when weighted toward more recent observations, may not produce accurate predictions of future market risk. Also, VaR using a one-day time horizon may not capture the market risk of positions that cannot be liquidated or hedged within one day.

There are other limitations of VaR. For example, our VaR computation assumes normal distribution for the returns on trading portfolios, while non-linear risk exposures on options would likely produce a non-normal distribution for the returns on those portfolios. Different distributional assumptions could produce a materially different VaR.

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

	As of												
	Mar. 31, 2003	Apr. 30, 2003	May 30, 2003	Jun. 30, 2003	Jul. 31, 2003	Aug. 29, 2003	Sep. 30, 2003	Oct. 31, 2003	Nov. 28, 2003	Dec. 31, 2003	Jan. 30, 2004	Feb. 27, 2004	Mar. 31, 2004
	(in millions)												
Equity	\$ 12.7	\$ 12.9	\$ 12.5	\$ 17.9	\$ 26.5	\$ 25.4	\$ 20.4	\$ 27.7	\$ 25.3	\$ 27.1	\$ 39.7	\$ 42.5	\$ 31.5
Interest Rate	18.8	16.7	18.6	21.0	25.6	15.2	21.2	19.5	19.9	23.1	25.5	19.5	18.7
Foreign Exchange	1.6	1.9	3.3	2.1	1.8	1.4	2.6	2.3	2.0	2.8	2.7	3.3	4.4
Sub-total	33.1	31.5	34.4	41.0	53.9	42.0	44.2	49.5	47.2	53.0	67.9	65.3	54.6
Less:													
Diversification Benefit	(7.6)	(8.1)	(9.5)	(12.4)	(14.6)	(13.2)	(12.0)	(13.1)	(13.9)	(17.2)	(17.6)	(17.4)	(18.1)
Value at Risk	\$ 25.5	\$ 23.4	\$ 24.9	\$ 28.6	\$ 39.3	\$ 28.8	\$ 32.2	\$ 36.4	\$ 33.3	\$ 35.8	\$ 50.3	\$ 47.9	\$ 36.5
Value at Risk (maximum)	\$51.7 : February 2, 2004												
Value at Risk (average)	34.7 : Average for the period from April 1, 2003 to March 31, 2004												
Value at Risk (minimum)	23.4 : April 30, 2003												

VaR relating to equity risk increased from \$12.7 million at the end of March 2003 to \$31.5 million at the end of March 2004 mainly due to the increased position of convertible bond and equity derivatives. VaR relating to foreign exchange risk increased from \$1.6 million at the end of March 2003 to \$4.4 million at the end of March 2004 mainly due to the increased position of foreign exchange derivatives. We manage the position size according to the market environment.

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Non-trading Risk. A major market risk in our non-trading portfolio relates to operating equity investments held for relationship 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.

Table of Contents

We used regression analysis for the period of the past 90 days between fluctuation in TOPIX and the market value of our operating equity investments held for relationship purposes. Our simulation indicates that, for each 10% change in TOPIX, the market value of our operating equity investments held for relationship purposes can be expected to change by ¥9,098 million as of March 31, 2003 and ¥12,486 million as of March 31, 2004. The difference in simulated numbers between March 31, 2003 and March 31, 2004 is due mainly from market value increase in our operating equity investments held for relationship purposes, despite the fact that the number of shares for those investments has been decreased. On March 31, 2003, TOPIX closed at 788.00 points and on March 31, 2004, TOPIX closed at 1,179.23 points. This simulation analyzes data for our entire operating equity investments held for relationship 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

Credit risk refers to the potential loss in the value of a transaction because of a counterparty or issuer failing to perform its contractual commitment. This type of risk is reduced through diversification, effective credit analysis of counterparties, enforcement of credit limits by country and by counterparty, management of credit exposure through netting arrangements, and the maintenance of adequate collateral to secure the commitments of counterparties. We also use credit derivatives to reduce our exposure or hedge our credit risk with respect to issuers. Our regional credit officers monitor on a daily basis all credit risk and limits, and communicate credit information and concerns to our global risk management headquarters in Tokyo.

We measure our credit risk to derivatives transaction counterparties 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 centrally controlled through our global risk management headquarters in Tokyo.

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

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

The credit quality of our trading-related derivatives as of March 31, 2004 is summarized in the table below, showing the fair value of the related assets by counterparty credit rating. The actual credit ratings are determined by our internally determined public rating agency equivalents.

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

Credit Rating	Years to Maturity					Cross-Maturity Netting ⁽¹⁾	Total Fair Value	Collateral Obtained	Replacement Cost	Replacement Cost
	Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 7 Years	More than 7 Years					
							(a)	(b)	(a)-(b)	
	(in billions of Yen and millions of U.S. dollars)									
AAA	¥ 10	¥ 25	¥ 17	¥ 4	¥ 38	¥ (27)	¥ 67	¥ 14	¥ 53	\$ 509
AA	53	84	54	46	91	(85)	243	107	136	1,305
A	50	34	34	42	36	(96)	100	27	73	701
BBB	17	10	7	24	8	(13)	53	2	51	490
BB	0	0	0			0	0		0	0
Other ⁽²⁾	5	6		1	52	(23)	41	6	35	335
Sub-total	135	159	112	117	225	(244)	504	156	348	3,340
Listed	13	3				0	16		16	154
Total	¥ 148	¥ 162	¥ 112	¥ 117	¥ 225	¥ (244)	¥ 520	¥ 156	¥ 364	\$ 3,494

Notes:

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

Event Risk

Event risk refers to the potential loss in value that we may suffer through unpredictable events that cause large unexpected market price moves. Event risk can be caused by changes in political or economic factors. For example, our global risk management unit collects information on current developments in the political and economic situations in the emerging countries in which we conduct business and report them to our senior management on a weekly basis. We also monitor event risk associated with the possible failure of expected mergers and acquisitions and other corporate transactions with respect to which we have made strategic investments in parties involved in these transactions.

Through our Merchant Banking activities, we have significant exposure to private equity assets. Under our risk management framework, we treat them as private equity investments.

By their nature, these assets are less liquid than other trading assets, and as a result, valuation is more uncertain. In addition, our exposure is in some cases more concentrated than is the case for other trading assets. They also exhibit a high degree of asset-specific risk. Given these characteristics, the market risk approach which is derived from day-to-day movement of market variables cannot capture the risk of private equity, and therefore we believe it is appropriate to characterize private equity risk as event risk.

We have developed modeling techniques to help us quantify the scale of our private equity risk and to allow us to calibrate these risks to the same confidence level that we apply to other trading activities. These techniques allow us to reflect the high levels of specific risk attached to private equity .

Market Liquidity Risk

Market liquidity risk refers to the additional risk that we face when we have large positions which cannot be disposed of in the course of normal market trading turnover. The longer we are exposed to these large positions,

Table of Contents

the greater the risk we face from fluctuations in the market price and other volatile market conditions. Funding risk is discussed in [Liquidity and Capital Resources](#) under Item 5.B. of this annual report.

Operational Risk

Operational risk refers to the potential cost associated with criminal or other improper actions taken by our executives and employees, or failure or malfunction of our system management, or the occurrence of external phenomena such as natural disasters. Due to the increased sophistication in security transactions and the outsourcing or systemization of our operations for efficiency purposes, reduction of operational risk has become increasingly essential. We manage our operational risk primarily by periodic evaluation and enhancement, as necessary, of our internal controls.

System Risk

System risk is a type of operational risk. It is defined as risk in which we suffer damages due to system defects, such as the shutdown or malfunction of computer systems. System risk also includes the risk that we may suffer damages due to unauthorized uses of computers.

In order to deal with system risk, we have internal regulations on information security management that set out our security policy. We make it a first priority to make these regulations well known and understood by our employees, including the importance of compliance. Also, our users cooperate with system developers such as Nomura Research Institute in developing new systems since the early stage of the development, and we aim to structure these systems that operate in line with our actual business operations. Our users participate in comprehensive tests at the time of releasing important systems. We endeavor to mitigate system risk through appropriate inspections. Furthermore, for important systems, we have a surveillance system which operates 24 hours a day, 365 days a year, and we implement early inspection and recovery from failures.

Legal Risk

Legal risk refers to the risk of non-compliance with applicable legal and regulatory requirements, and potential loss from the inability to recover payments due from a counterparty owing to the non-enforceability of a contract. Professional expertise in the applicable regulatory environment where we conduct business, and an ability to develop cross-border products and services that meet divergent and often conflicting requirements of various regulatory regimes, are essential for managing this type of risk. We manage our legal risk primarily at the level of our regional operations. We have an Internal Controls Committee which is charged with the task of promoting proper corporate behavior throughout our group and enhancing our internal controls and procedures. The members of this committee are the President and Chief Executive Officer, some of our Executive Officers and non-executive Directors including a member of the Audit Committee. In addition, for our Japanese securities operations, the Compliance Committee in Nomura Securities, which consists of the President and Chief Executive Officer and some of the Executive Officers of Nomura Securities as well as two outside lawyers, considers major compliance matters. As part of our efforts to address legal risks for our global business, global legal and compliance conferences are held regularly to discuss issues relating to cross-border business.

Item 12. Description of Securities Other Than Equity Securities

Not applicable.

Table of Contents

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

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

None.

Item 15. Controls and Procedures

Our Disclosure Committee is charged with the maintenance and evaluation of our disclosure controls and procedures. As of March 31, 2004, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, and the Disclosure Committee, of the effectiveness of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on that evaluation, these officers concluded that, as of March 31, 2004, the disclosure controls and procedures were effective. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) occurred during the year ended March 31, 2004 that has materially affected, or is reasonably likely to affect, our internal control financial reporting.

Item 16A. Audit Committee Financial Expert

Our Board of Directors has determined that Koji Tajika, a member of the Audit Committee, is an audit committee financial expert as such term is defined by Item 16A of Form 20-F. For a description of his business experience, please see Item 6.A of this annual report.

Item 16B. Code of Ethics

On March 5, 2004, we adopted the Code of Ethics of Nomura Group that includes the Code of Ethics for Financial Professionals, which applies to our financial professionals including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The Code of Ethics for Financial Professionals is attached as an exhibit to this annual report. There have been no amendments to, or waivers from, the Code of Ethics for Financial Professionals since its adoption.

Table of Contents**Item 16C. Principal Accountant Fees and Services**

Ernst & Young ShinNihon has been our principal accountants for SEC reporting purposes for the last two fiscal years as described in Item 18 of this annual report. The table set forth below contains the aggregate fees billed for each of the last two fiscal years by our principal accountants in each of the following categories: (i) Audit Fees, which are fees for professional services for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years, (ii) Audit-Related Fees, which are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported as Audit Fees, (iii) Tax Fees, which are fees for professional services rendered for tax compliance, tax advice and tax planning, and (iv) All Other Fees, which are fees for products and services other than Audit Fees, Audit-Related Fees and Tax-Fees, such as advisory work for risk management and regulatory matters.

	For the year ended March 31,		
	2003	2004	2004
	(in millions)		
Audit Fees	¥ 624	¥ 766	\$ 7.4
Audit-Related Fees	15	40	0.4
Tax Fees	76	86	0.8
All Other Fees	37	21	0.2
Total	¥ 752	¥ 913	\$ 8.8

In accordance with the regulations of the Securities and Exchange Commission issued pursuant to Sections 202 and 208 of the Sarbanes-Oxley Act of 2002, our Audit Committee has adopted a pre-approval policy regarding the engagements of our principal accountants. Under the pre-approval policy, there are two types of pre-approval procedures, General Pre-Approval and Specific Pre-Approval.

Under the pre-approval procedure for General Pre-Approval, our Chief Financial Officer in conjunction with our principal accountants must make a proposal to our Audit Committee for the types of services and estimated fee levels of each category of services to be generally pre-approved. Such proposal must be made no less frequently than annually. The Audit Committee will discuss the proposal and if necessary consult with outside professionals as to whether the proposed services would impair the independence of our principal accountants. If such proposal is accepted, our Audit Committee will inform our CFO and principal accountants of the services that have generally been pre-approved and included in a General Pre-Approved List.

Under the pre-approval procedure for Specific Pre-Approval, if any proposed services are not on the General Pre-Approved List, our CFO must submit an application to our Audit Committee for such services. After reviewing the details and estimated fee levels for each engagement and if necessary consulting with outside professionals as to whether the proposed services would impair the independence of our principal accountants, our Audit Committee may make a specific pre-approval decision on these services. Also, if any approved services in the General Pre-Approved List exceed the fee levels prescribed on the List, our CFO must submit an application to our Audit Committee for new fee levels for such services. Our Audit Committee may make a pre-approval decision after reviewing the details of the services and the estimated fee levels for each engagement.

None of the services described in the first paragraph under this Item 16C were waived from the pre-approval requirement pursuant to Rule 2-01(c)(7)(i)(C) of Regulation S-X.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Table of Contents

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

PART III

Item 17. Financial Statements

In lieu of responding to this item, we have responded to Item 18 of this annual report.

Item 18. Financial Statements

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

In July 2002, we decided to engage Ernst & Young ShinNihon (formerly known as Shin Nihon & Co.), member firm in Japan of Ernst & Young, as our new independent auditor with respect to our U.S. GAAP consolidated financial statements, replacing ChuoAoyama PricewaterhouseCoopers (formerly known as ChuoAoyama Audit Corporation), a participating member of PricewaterhouseCoopers network of firms. The engagement of Ernst & Young ShinNihon as our U.S. GAAP independent auditor is effective for the year ended March 31, 2003.

Through the year ended March 31, 2002, for domestic reporting purposes, we used Ernst & Young ShinNihon as the independent auditor with respect to our Japanese GAAP non-consolidated financial statements, and Ernst & Young ShinNihon and ChuoAoyama PricewaterhouseCoopers as independent auditors with respect to our Japanese GAAP consolidated financial statements. Starting with the year ended March 31, 2003, we are permitted under Japan's recently revised regulations on consolidated financial statements, to prepare and publicly disclose, for domestic reporting purposes, U.S. GAAP consolidated financial statements. We have elected to do so with respect to the year ended March 31, 2003 and thereafter. In light of our decision to discontinue preparing Japanese GAAP consolidated financial statements for domestic reporting purposes, we reviewed and assessed the manner and process under which our U.S. GAAP consolidated financial statements for domestic reporting and SEC-reporting purposes were audited, and determined that it would be appropriate to engage a single independent auditor, Ernst & Young ShinNihon, for such purposes.

Item 19. Exhibits

**Exhibit
Number**

Description

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- 1.1 Articles of Incorporation of the registrant (English translation)
- 1.2 Share Handling Regulations of the registrant (English translation)
- 1.3 Regulations of the Board of Directors of the registrant (English translation)
- 1.4 Regulations of the Nomination Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003)
- 1.5 Regulations of the Audit Committee (English translation)
- 1.6 Regulations of the Compensation Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003)
- 2.1 Specimen common stock certificates of the registrant (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003)

Table of Contents

Exhibit Number	Description
2.2	Form of Deposit Agreement among the registrant, The Bank of New York as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14178) filed on December 10, 2001)
4.1	Liabilities Limitation Agreement (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003) (*)
8.1	Subsidiaries of the registrant
11.1	Code of Ethics
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350

(*) Nomura and each of Masaharu Shibata, Hideaki Kubori, Haruo Tsuji and Koji Tajika entered into a Liabilities Limitation Agreement, dated June 26, 2003, in the form of this exhibit.

We have not included as exhibits certain instruments with respect to our long-term debt. The amount of debt authorized under each such debt instrument does not exceed 10% of our total assets. We will furnish a copy of any such instrument to the SEC upon request.

Table of Contents

NOMURA HOLDINGS, INC.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Page
Consolidated Financial Statements:	
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Report of Independent Registered Public Accounting Firm</u>	F-3
<u>Consolidated Balance Sheets as of March 31, 2003 and 2004</u>	F-4
<u>Consolidated Income Statements for the Years Ended March 31, 2002, 2003 and 2004</u>	F-6
<u>Consolidated Statements of Shareholders' Equity for the Years Ended March 31, 2002, 2003 and 2004</u>	F-7
<u>Consolidated Statements of Comprehensive Income for the Years Ended March 31, 2002, 2003 and 2004</u>	F-8
<u>Consolidated Statements of Cash Flows for the Years Ended March 31, 2002, 2003 and 2004</u>	F-9
<u>Notes to the Consolidated Financial Statements</u>	F-10

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Nomura Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Nomura Holdings, Inc. and subsidiaries (the Company) as of March 31, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nomura Holdings, Inc. and subsidiaries at March 31, 2003 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in the year ended March 31, 2003 the Company changed its method of accounting for goodwill amortization to conform to Statements of Financial Accounting Standards No. 141, Business Combinations and No. 142, Goodwill and Other Intangible Assets.

Ernst & Young ShinNihon

Tokyo, Japan

May 18, 2004,

Except for Note 12, as to which the date is June 25, 2004

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Nomura Holdings, Inc.

In our opinion, the accompanying consolidated income statement and consolidated statements of shareholders' equity, comprehensive income and cash flows present fairly, in all material respects, the results of operations and cash flows of Nomura Holdings, Inc. (formerly, The Nomura Securities Co., Ltd.) and its subsidiaries for the year ended March 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan

June 26, 2002

F-3

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents	¥ 491,237	¥ 637,372	\$ 6,118
Time deposits	422,570	248,737	2,388
Deposits with stock exchanges and other segregated cash	41,702	44,528	427
	<u>955,509</u>	<u>930,637</u>	<u>8,933</u>
Loans and receivables:			
Loans receivable	436,371	543,894	5,221
Receivables from customers	404,388	10,744	103
Receivables from other than customers	311,665	464,776	4,461
Receivables under resale agreements and securities borrowed transactions	8,603,170	12,881,752	123,648
Securities pledged as collateral	3,359,807	5,232,640	50,227
Allowance for doubtful accounts	(15,159)	(5,778)	(55)
	<u>13,100,242</u>	<u>19,128,028</u>	<u>183,605</u>
Trading assets and private equity investments:			
Securities inventory	5,152,393	7,837,663	75,232
Derivative contracts	503,417	479,659	4,604
Private equity investments	270,890	291,774	2,801
	<u>5,926,700</u>	<u>8,609,096</u>	<u>82,637</u>
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥177,374 million in 2003 and ¥182,449 million (\$1,751 million) in 2004)	184,868	200,700	1,926
Lease deposits	65,211	64,764	622
Non-trading debt securities	270,120	202,896	1,948
Investments in equity securities	138,084	169,459	1,627
Investments in and advances to affiliated companies	223,970	207,668	1,993
Deferred tax assets	112,313	105,901	1,017
Other	192,429	133,817	1,284
	<u>1,186,995</u>	<u>1,085,205</u>	<u>10,417</u>

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Total assets	<u>¥ 21,169,446</u>	<u>¥ 29,752,966</u>	<u>\$ 285,592</u>
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The accompanying notes are an integral part of these consolidated financial statements.

F-4

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS (Continued)**

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004
LIABILITIES AND SHAREHOLDERS EQUITY			
Short-term borrowings	¥ 1,183,535	¥ 3,024,341	\$ 29,030
Payables and deposits:			
Payables to customers	180,565	772,964	7,420
Payables to other than customers	384,910	355,429	3,412
Payables under repurchase agreements and securities loaned transactions	10,952,135	14,780,541	141,875
Time and other deposits received	256,184	255,703	2,454
	<u>11,773,794</u>	<u>16,164,637</u>	<u>155,161</u>
Trading liabilities:			
Securities sold but not yet purchased	3,401,715	5,559,598	53,365
Derivative contracts	487,005	417,368	4,006
	<u>3,888,720</u>	<u>5,976,966</u>	<u>57,371</u>
Other liabilities:			
Accrued income taxes	28,608	93,538	898
Accrued pension and severance costs	86,582	86,439	830
Other	296,509	235,888	2,264
	<u>411,699</u>	<u>415,865</u>	<u>3,992</u>
Long-term borrowings	2,269,370	2,385,469	22,898
Total liabilities	<u>19,527,118</u>	<u>27,967,278</u>	<u>268,452</u>
Commitments and contingencies (Note 17)			
Shareholders' equity:			
Common stock			
Authorized 6,000,000,000 shares			
Issued 1,965,919,860 shares at March 31, 2003 and 2004	182,800	182,800	1,755
Additional paid-in capital	151,328	154,063	1,479
Retained earnings	1,407,028	1,550,231	14,880
Accumulated other comprehensive (loss) income:			
Minimum pension liability adjustment	(41,558)	(34,221)	(328)

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Cumulative translation adjustments	(22,329)	(34,380)	(331)
	(63,887)	(68,601)	(659)
	1,677,269	1,818,493	17,455
Less Common stock held in treasury, at cost 25,556,340 shares and 24,263,831 shares at March 31, 2003 and 2004, respectively	(34,941)	(32,805)	(315)
Total shareholders' equity	1,642,328	1,785,688	17,140
Total liabilities and shareholders' equity	¥ 21,169,446	¥ 29,752,966	\$ 285,592

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

F-5

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED INCOME STATEMENTS**

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Revenue:				
Commissions	¥ 140,001	¥ 141,640	¥ 210,216	\$ 2,018
Fees from investment banking	75,255	81,847	86,994	835
Asset management and portfolio service fees	109,985	79,290	66,193	635
Net gain on trading	162,228	172,308	229,042	2,199
Interest and dividends	500,541	401,924	396,870	3,809
(Loss) gain on investments in equity securities	(55,860)	(41,288)	55,888	536
Gain from changes in equity of an affiliated company	3,504			
PFG entities product sales	294,931			
PFG entities rental income	177,053			
Gain on sales of PFG entities	116,324			
Gain (loss) on private equity investments	232,472	(14,391)	13,138	126
Other	68,965	19,589	41,205	396
Total revenue	1,825,399	840,919	1,099,546	10,554
Interest expense	504,048	274,645	296,443	2,845
Net revenue	1,321,351	566,274	803,103	7,709
Non-interest expenses:				
Compensation and benefits	379,540	244,167	259,336	2,489
Commissions and floor brokerage	20,962	20,844	19,169	184
Information processing and communications	87,252	77,389	80,031	768
Occupancy and related depreciation	73,787	57,152	54,221	520
Business development expenses	26,652	24,361	23,100	222
PFG entities cost of goods sold	200,871			
PFG entities expenses associated with rental income	111,529			
Other	247,786	94,952	84,570	813
	1,148,379	518,865	520,427	4,996
Income before income taxes and cumulative effect of accounting change	172,972	47,409	282,676	2,713
Income tax expense (benefit):				

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Current	61,898	25,519	108,434	1,041
Deferred	(56,972)	11,776	1,913	18
	<u>4,926</u>	<u>37,295</u>	<u>110,347</u>	<u>1,059</u>
Income before cumulative effect of accounting change	168,046	10,114	172,329	1,654
Cumulative effect of accounting change		109,799		
Net income	<u>¥ 168,046</u>	<u>¥ 119,913</u>	<u>¥ 172,329</u>	<u>\$ 1,654</u>
		Yen		Translation into U.S. dollars
Per share of common stock:				
Basic				
Income before cumulative effect of accounting change	¥ 85.57	¥ 5.17	¥ 88.82	\$ 0.85
Cumulative effect of accounting change		56.09		
Net income	<u>¥ 85.57</u>	<u>¥ 61.26</u>	<u>¥ 88.82</u>	<u>\$ 0.85</u>
Diluted				
Income before cumulative effect of accounting change	¥ 85.32	¥ 5.17	¥ 88.82	\$ 0.85
Cumulative effect of accounting change		56.09		
Net income	<u>¥ 85.32</u>	<u>¥ 61.26</u>	<u>¥ 88.82</u>	<u>\$ 0.85</u>

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Common Stock				
Balance at beginning of year	¥ 182,797	¥ 182,800	¥ 182,800	\$ 1,755
Exercise of warrants	3			
Balance at end of year	¥ 182,800	¥ 182,800	¥ 182,800	\$ 1,755
Additional paid-in capital				
Balance at beginning of year	¥ 146,133	¥ 150,979	¥ 151,328	\$ 1,453
Gain on sales of treasury stock			1,807	17
Issuance of common stock options		349	928	9
Common stock issued for business combinations	4,843			
Exercise of warrants	3			
Balance at end of year	¥ 150,979	¥ 151,328	¥ 154,063	\$ 1,479
Retained earnings				
Balance at beginning of year	¥ 1,177,660	¥ 1,316,221	¥ 1,407,028	\$ 13,506
Net income	168,046	119,913	172,329	1,654
Cash dividends	(29,485)	(29,106)	(29,126)	(280)
Balance at end of year	¥ 1,316,221	¥ 1,407,028	¥ 1,550,231	\$ 14,880
Accumulated other comprehensive income:				
Minimum pension liability adjustment				
Balance at beginning of year	¥ (19,083)	¥ (24,972)	¥ (41,558)	\$ (399)
Net change during the year	(5,889)	(16,586)	7,337	71
Balance at end of year	¥ (24,972)	¥ (41,558)	¥ (34,221)	\$ (328)
Cumulative translation adjustments				
Balance at beginning of year	¥ (51,021)	¥ (19,685)	¥ (22,329)	\$ (215)
Transfer to income statement on sales and contribution of PFG entities	2,627			

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Other change during the year, net	28,709	(2,644)	(12,051)	(116)
Balance at end of year	¥ (19,685)	¥ (22,329)	¥ (34,380)	\$ (331)
Common stock held in treasury				
Balance at beginning of year	¥ (58)	¥ (414)	¥ (34,941)	\$ (336)
Repurchase of common stock		(34,527)	(4,084)	(39)
Sale of common stock	387		6,220	60
Other net change in treasury stock	(743)			
Balance at end of year	¥ (414)	¥ (34,941)	¥ (32,805)	\$ (315)
Number of shares issued				
Balance at beginning of year	1,962,977,841	1,965,919,860	1,965,919,860	
Common stock issued for business acquisitions	2,939,416			
Exercise of warrants	2,603			
Balance at end of year	1,965,919,860	1,965,919,860	1,965,919,860	

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Net income	¥ 168,046	¥ 119,913	¥ 172,329	\$ 1,654
Other comprehensive (loss) income:				
Change in cumulative translation adjustments, net of tax	31,336	(2,644)	(12,051)	(116)
Minimum pension liability adjustment:				
Changes in minimum pension liability during the year	(10,154)	(27,460)	12,445	120
Deferred income taxes	4,265	10,874	(5,108)	(49)
Total	(5,889)	(16,586)	7,337	71
Total other comprehensive (loss) income	25,447	(19,230)	(4,714)	(45)
Comprehensive income	¥ 193,493	¥ 100,683	¥ 167,615	\$ 1,609

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

Table of Contents**NOMURA HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Cash flows from operating activities:				
Net income	¥ 168,046	¥ 119,913	¥ 172,329	\$ 1,654
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Cumulative effect of accounting change		(109,799)		
Depreciation and amortization	70,042	31,249	33,706	324
Loss (gain) on investments in equity securities	55,860	41,288	(55,888)	(536)
Gain from changes in equity of an affiliated company	(3,504)			
(Gain) loss on sales of office buildings, land, equipment and facilities	(17,087)	467	318	3
Loss on devaluation of office buildings, land, equipment and facilities	20,180	3,175	3,083	30
Amortization of negative goodwill	(3,889)			
Provision for (reversal of) allowance for doubtful accounts	5,002	(3,661)	13	0
Gain on sales of PFG entities	(116,324)			
Gain on private equity investments	(232,472)			
Deferred income tax (benefit) expense	(56,972)	11,776	1,913	18
Changes in operating assets and liabilities:				
Time deposits	(97,592)	(36,585)	174,331	1,673
Deposits with stock exchanges and other segregated cash	10,695	(6,271)	(7,485)	(72)
Trading assets and private equity investments	(854,907)	(1,167,700)	(2,836,906)	(27,231)
Trading liabilities	(264,355)	1,242,333	2,152,243	20,659
Receivables under resale agreements and securities borrowed transactions	(379,434)	(2,315,743)	(4,812,090)	(46,190)
Payables under repurchase agreements and securities loaned transactions	363,754	3,236,698	4,533,150	43,513
Loans, receivables and securities pledged as collateral, net of allowance	(107,129)	(590,802)	(1,838,725)	(17,650)
Time and other deposits received and other payables	3,326	(477,756)	592,779	5,690
Accrued income taxes, net	6,058	(31,738)	80,273	771
Other, net	127,318	87,269	(18,938)	(182)
Net cash (used in) provided by operating activities	(1,303,384)	34,113	(1,825,894)	(17,526)
Cash flows from investing activities:				
Payments for purchases of office buildings, land, equipment and facilities	(92,168)	(45,235)	(39,303)	(377)
Proceeds from sales of office buildings, land, equipment and facilities	25,762	690	1,341	13
Payments for purchases of investments in equity securities	(3,017)	(10,299)	(61)	(1)
Proceeds from sales of investments in equity securities	36,621	30,067	24,309	233
Business combinations, net of cash acquired	(258,987)		(29,491)	(283)
Cash contributed to private equity investments	(95,720)			
Proceeds from sales of PFG entities	129,469			
Decrease in non-trading debt securities	178,869	152,209	61,705	592
Decrease in other investments and other assets	26,989	6,621	26,971	259

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Net cash (used in) provided by investing activities	(52,182)	134,053	45,471	436
Cash flows from financing activities:				
Increase in long-term borrowings	1,499,309	654,407	712,675	6,841
Decrease in long-term borrowings	(966,131)	(324,232)	(551,897)	(5,298)
Increase (decrease) in short-term borrowings, net	696,681	(290,775)	1,824,501	17,513
Proceeds from sales of common stock			8,027	77
Payments for repurchases of common stock		(34,527)	(4,084)	(39)
Payments for cash dividends	(34,352)	(29,485)	(43,686)	(419)
Net cash provided by (used in) financing activities	1,195,507	(24,612)	1,945,536	18,675
Effect of exchange rate changes on cash and cash equivalents	13,018	(8,952)	(18,978)	(182)
Net (decrease) increase in cash and cash equivalents	(147,041)	134,602	146,135	1,403
Cash and cash equivalents at beginning of the year	503,676	356,635	491,237	4,715
Cash and cash equivalents at end of the year	¥ 356,635	¥ 491,237	¥ 637,372	\$ 6,118
Supplemental disclosure (see also Note 5):				
Cash paid during the year for				
Interest	¥ 460,538	¥ 253,098	¥ 281,756	\$ 2,705
Income tax payments, net	¥ 65,335	¥ 57,257	¥ 28,160	\$ 270
Non cash investing activities				
Common stock issued for business acquisitions	¥ 4,843	¥	¥	\$

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

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of accounting policies:

Description of business

Nomura Holdings, Inc. (the Company) and its broker-dealer, banking and other financial services subsidiaries provide investment, financing and related services to individual, institutional and government customers on a global basis. The Company and other entities in which it has a controlling financial interest are collectively referred to as Nomura.

Nomura structures its business segments based upon the nature of specific products and services, its main customer base and its management structure. Nomura reports operating results in three business segments: Domestic Retail, Global Wholesale and Asset Management.

In Domestic Retail business, Nomura provides principally investment consultation services mainly to individual customers in Japan. In Global Wholesale business, Nomura provides principally fixed income and equity trading services and investment banking services mainly to institutions on a global basis. Also, Nomura conducts merchant banking business. In Asset Management business, Nomura provides principally development and management of investment trusts, and investment advisory services.

On October 1, 2001, the Company adopted a holding company structure, via a corporation separation. Such restructuring had been approved at the annual meeting of shareholders on June 28, 2001. This was effected through The Nomura Securities Co., Ltd. changing its name to Nomura Holdings, Inc. and becoming a holding company. At the same time, its wholly-owned subsidiary, Nomura Securities Spin-off Preparation Company, Limited changed its name to Nomura Securities Co., Ltd. and assumed the operations of the registered securities company. The consolidated financial statements have been presented on this basis.

Basis of presentation

The consolidated financial statements include the accounts of the Company and other entities in which it has a controlling financial interest. Because the usual condition for a controlling financial interest in an entity is ownership of a majority of the voting interest, the Company consolidates its wholly-owned and majority-owned subsidiaries. In accordance with Financial Accounting Standards Board (FASB) Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46) and the revised Interpretation, the Company also consolidates any variable interest entities for which Nomura is the primary beneficiary (see Note 1. Summary of accounting policies: New accounting pronouncements). Investments in entities in which Nomura has significant influence over operating and financial decisions (generally defined as 20 to 50 percent of voting interest) are accounted for using the equity method of accounting and are reported in *Investments in and advances to affiliated companies*. Investments in which Nomura has neither control nor significant influence are carried at fair value.

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The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States (U.S. GAAP) as applicable to broker-dealers.

The Company's principal subsidiaries include Nomura Securities Co., Ltd., Nomura Securities International, Inc. and Nomura International plc. In addition, the consolidated financial statements include the accounts of the investee companies (PFG entities) of the Principal Finance Group (PFG) through March 27, 2002 (See Note 5. Private equity investments).

All material intercompany transactions and balances have been eliminated on consolidation.

Certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

F-10

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Use of estimates

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

Fair value of financial instruments

Fair value of financial instruments is based on quoted market prices, broker or dealer quotations or an estimation by management of the amounts expected to be realized upon settlement under current market conditions. Fair value of exchange-traded securities and certain exchange-traded derivative contracts are generally based on quoted market prices or broker/dealer quotations. Where quoted market prices or broker/dealer quotations are not available, prices for similar instruments or valuation pricing models are considered in the determination of fair value. Valuation pricing models consider time value, volatility and other statistical measurements for the relevant instruments or for instruments with similar characteristics. These models also incorporate adjustments relating to the administrative costs of servicing future cash flow and market liquidity adjustments. These adjustments are fundamental components of the fair value calculation process.

Trading assets and trading liabilities, including derivative contracts, are recorded at fair value, and unrealized gains and losses are reflected in trading revenues. Fair values are based on quoted market prices or broker/dealer quotations where possible. If quoted market prices or broker/dealer quotations are not available or if the liquidation of Nomura's positions would reasonably be expected to impact quoted market prices, fair value is determined based on valuation pricing models that take into consideration time value and volatility factors underlying the financial instrument.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Changes in the fixed income, equity, foreign exchange and commodity markets will impact Nomura's estimates of fair value in the future, potentially affecting trading revenues. To the extent financial contracts have extended maturity dates, Nomura's estimates of fair value may involve greater subjectivity due to the lack of transparent market data available upon which to base underlying modeling assumptions.

Private equity investments

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Private equity investments primarily are carried at fair value. Corresponding changes in the fair value of these investments are included in *Gain (loss) on private equity investments*. The determination of fair value is significant to Nomura's financial condition and results of operations and requires management to make judgments based on complex factors. As the underlying investments generally are in non-publicly listed companies, there are no externally quoted market prices available. In estimating fair value, Nomura estimates the price that would be obtained between a willing buyer and a willing seller dealing at arm's length. Valuations are typically based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital. The cost of capital is estimated, where possible, by reference to quoted comparables with a similar risk profile. Cash flows are derived from bottom up, detailed projections prepared by management of each respective investment. See Note 5 for further discussion of private equity investments and their valuation.

F-11

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Transfers of financial assets

Nomura accounts for the transfer of financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140). This statement requires that Nomura account for the transfer of financial assets, as a sale when Nomura relinquishes control over the asset. SFAS 140 deems control to be relinquished when the following conditions are met: (a) the assets have been isolated from the transferor (even in bankruptcy or other receivership), (b) the transferee has the right to pledge or exchange the assets received and (c) the transferor has not maintained effective control over the transferred assets.

In connection with its securitization activities, Nomura utilizes special purpose entities, or SPEs to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Nomura's involvement with SPEs includes structuring SPEs and acting as an administrator of SPEs and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets. Nomura may obtain an interest in the financial assets, including residual interests in the SPEs subject to prevailing market conditions. Any such interests are accounted for at fair value and included in *Securities inventory* within Nomura's consolidated balance sheets, with the change in fair value included in revenues.

Foreign currency translation

The financial statements of the Company's subsidiaries outside Japan are measured using their functional currency. All assets and liabilities of foreign subsidiaries are translated into Japanese yen at exchange rates in effect at the balance sheet date; all revenue and expenses are translated at the average exchange rates for the respective years and the resulting translation adjustments are accumulated and reported as *Cumulative translation adjustments* in shareholders' equity.

Foreign currency assets and liabilities are translated at exchange rates in effect at the balance sheet date and the resulting translation gains or losses are currently credited or charged to income.

Fee revenue

Commissions charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. Fees from investment banking include securities underwriting fees and other corporate financing services fees. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognized when related services are performed. Asset management fees are accrued as earned.

PFG entities revenue

Product sales revenue, representing sales of beer, wine and spirits, and consumer electronics, was recognized upon the exchange of merchandise with customers or upon delivery of beer to pubs. Rental income under operating leases for tenanted pubs and residential properties was recognized over the lease term, generally on a straight-line basis. Rental income under operating leases for consumer electronics was recognized when earned under the terms of rental agreements, generally on a straight-line basis.

Trading assets and trading liabilities

Trading assets and trading liabilities, including contractual commitments arising pursuant to derivative transactions, are recorded on the consolidated balance sheets on a trade date basis at fair value with the related gains and losses recorded in *Net gain on trading* in the consolidated income statements.

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Securities financing transactions

Repurchase and reverse repurchase transactions (Repo transactions) principally involve the buying or selling of Government and Government agency securities under agreements with customers to resell or repurchase these securities to or from those customers. Nomura takes possession of securities purchased under agreements to resell while providing collateral to counterparties to collateralize securities sold under agreements to repurchase. Nomura monitors the value of the underlying securities on a daily basis relative to the related receivables and payables, including accrued interest, and requests or returns additional collateral when deemed appropriate. Repo transactions are accounted for as collateralized financing transactions and are recorded on the consolidated balance sheets at the amount at which the securities will be repurchased or resold, as appropriate.

Repo transactions are presented on the accompanying consolidated balance sheets net-by-counterparty, where net presentation is consistent with Financial Accounting Standards Board Interpretation (FIN) No. 41, Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements.

Securities borrowed and securities loaned are accounted for as financing transactions. Securities borrowed and securities loaned that are cash collateralized are recorded on the accompanying consolidated balance sheets at the amount of cash collateral advanced or received. Securities borrowed transactions generally require Nomura to provide the counterparty with collateral in the form of cash or other securities. For securities loaned transactions, Nomura generally receives collateral in the form of cash or other securities. Nomura monitors the market value of the securities borrowed or loaned and requires additional cash or securities, as necessary, to ensure that such transactions are adequately collateralized.

Historically, Nomura engaged in Gensaki transactions which originated in the Japanese financial markets. Gensaki transactions involved the selling of commercial paper, certificates of deposit, Japanese government bonds and various other debt securities to an institution wishing to make a short-term investment, with Nomura agreeing to reacquire them from the institution on a specified date at a specified price. The repurchase price reflects the current interest rates in the money markets and any interest derived from the securities. There are no margin requirements for Gensaki transactions nor is there any right of security substitution. As such, Gensaki transactions are recorded as sales in the consolidated income statements and the related securities and obligations to repurchase such Gensaki securities are not reflected in the accompanying consolidated balance sheets.

New Gensaki transactions (Gensaki Repo transactions) started in the Japanese financial markets in 2001. Gensaki Repo transactions contain margin requirements, rights of security substitution, or restrictions on the customer's right to sell or repledge the transferred securities. Accordingly, Gensaki Repo transactions are accounted for as collateralized financing transactions and are recorded on the consolidated balance sheets at the amount that the securities will be repurchased or resold, as repurchase and reverse repurchase transactions.

On the consolidated balance sheets, all Nomura-owned securities pledged to counterparties where the counterparty has the right to sell or repledge the securities, including Gensaki Repo transactions, are classified as *Securities pledged as collateral* in accordance with SFAS 140.

Derivatives

Trading

Nomura uses a variety of derivative financial instruments, including futures, forwards, swaps and options, in its trading activities and in the management of its interest rate, market price and currency exposures.

F-13

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Those derivative financial instruments used in trading activities are valued at market or estimated fair value with the related gains and losses recorded in *Net gain on trading*. Unrealized gains and losses arising from Nomura's dealings in over-the-counter derivative financial instruments are presented in the accompanying consolidated balance sheets on a net-by-counterparty basis where net presentation is consistent with FIN No. 39, *Offsetting of Amounts Related to Certain Contracts*.

Non-trading

In addition to its trading activities, Nomura, as an end user, uses derivative financial instruments to manage its interest rate and currency exposures or to modify the interest rate characteristics of certain non-trading assets and liabilities.

These derivative financial instruments are linked to specific assets or specific liabilities and are designated as hedges as they are effective in reducing the risk associated with the exposure being hedged, and they are highly correlated with changes in the market or fair value of the underlying hedged item, both at inception and throughout the life of the hedge contract. Nomura applies fair value hedge accounting to these hedging transactions, and the relating unrealized profit and losses are recognized together with those of the hedged assets and liabilities as interest revenue or expenses.

Derivatives that do not meet these criteria are carried at market or fair value and with changes in value included currently in earnings.

Allowance for loan losses

Loans receivable consist primarily of margin transaction loans related to broker dealers (*margin transaction loans*), loans receivable in connection with banking/financing activities (*banking/financing activities loans*) and loans receivable from financial institutions in the inter-bank money market used for short-term financing (*inter-bank money market loans*).

Allowances for loan losses on margin transactions loans and inter-bank money market loans are provided for based primarily on historical loss experience.

Allowances for loan losses on banking/financing activities loans reflect management's best estimate of probable losses. The evaluation includes an assessment of the ability of borrowers to pay by considering various factors such as changes in the nature of the loan, volume of the loan, deterioration of pledged collateral, delinquencies and the current financial situation of the borrower.

Office buildings, land, equipment and facilities

Office buildings, land, equipment and facilities, which consist mainly of computer installations and software, are stated at cost, net of accumulated depreciation and amortization, except for land, which is stated at cost. Significant renewals and additions are capitalized at cost. Maintenance, repairs and minor renewals are charged currently to income.

Depreciation is generally computed by the declining-balance method and at rates based on estimated useful lives of each asset according to general class, type of construction and use. Amortization is generally computed by the straight-line method over the estimated useful lives. The estimated useful lives are generally as follows:

Office buildings	15 to 50 years
Equipment and installations	3 to 6 years
Software	5 years

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation and amortization is included in *Information processing and communications* in the amount of ¥23,381 million, ¥25,570 million and ¥28,595 million (\$274 million), and is included in *Occupancy and related depreciation* in the amount of ¥5,732 million, ¥5,678 million and ¥5,111 million (\$49 million) for the years ended March 31, 2002, 2003 and 2004, respectively.

Depreciation and amortization of the PFG entities buildings, equipment and furniture and fixtures was included in *Occupancy and related depreciation* in the amount of ¥3,075 million, and was included in *PFG entities expenses associated with rental income* in the amount of ¥37,854 million for the year ended March 31, 2002.

Long-lived assets

In August 2001, the FASB released SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. SFAS No. 144 provides guidance on the financial accounting and reporting for the impairment or disposal of long-lived assets. Nomura adopted the provisions of SFAS No. 144 on April 1, 2002.

As required by SFAS No. 144, long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the estimated future undiscounted cash flow is less than the carrying amount of the assets, a loss would be recognized to the extent the carrying value exceeded its fair value.

Nomura recorded non-cash impairment charges of ¥18,341 million, ¥305 million and ¥538 million (\$5 million) substantially related to write-downs of office buildings, land, equipment, facilities, and other assets for the years ended March 31, 2002, 2003 and 2004, respectively. These losses are included in consolidated income statements under *Non-interest expenses Other*.

These charges were incurred as a result of Nomura's analysis to determine if there was any impairment of long-lived assets and significant decreases in the market or fair value of certain assets were identified. The revised carrying values of these assets were based on the market or fair value of the assets.

Investments in equity securities and non-trading debt securities

Nomura's investments in equity securities consist of marketable and non-marketable equity securities that have been acquired for Nomura's operating purposes and other than operating purposes. For Nomura's operating purposes, Nomura holds such investments for the long-term in

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order to promote existing and potential business relationships. In doing so, Nomura is following customary business practices in Japan which, through cross-shareholdings, provide a way for companies to manage their shareholder relationships. Such investments consist mainly of equity securities of various financial institutions such as Japanese commercial banks, regional banks and insurance companies. Nomura also holds equity securities such as stock exchange memberships for other than operating purposes. In accordance with U.S. GAAP for broker-dealers, investments in equity securities for Nomura's operating purposes and other than operating purposes are recorded at fair value and unrealized gains and losses are recognized currently in income.

Investments in equity securities for Nomura's operating purposes recorded as *Investments in equity securities* in the consolidated balance sheets are comprised of listed equity securities and unlisted equity securities in the amounts of ¥93,176 million and ¥44,908 million at March 31, 2003 and ¥139,049 million (\$1,335 million) and ¥30,410 million (\$292 million) at March 31, 2004, respectively.

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investments in equity securities for other than operating purposes are included in the consolidated balance sheets in *Other assets - Other* and such investments are mainly comprised of unlisted equity securities.

Non-trading debt securities are recorded at market or fair value together with the related hedges and the related gains and losses are recorded in *Revenue - Other* in the consolidated income statements.

Accounting for changes in equity of affiliated companies

An affiliated company may issue shares to third parties in a public offering at amounts per share that are in excess of or less than Nomura's average per share carrying value. With respect to such transactions, the resulting gains or losses arising from the change in interest are recorded in income for the year when the change in interest transaction occurs.

Income taxes

In accordance with SFAS No. 109, *Accounting for Income Taxes*, deferred tax assets and liabilities are recorded for the expected future tax consequences of tax loss carryforwards and temporary differences between the carrying amounts and the tax bases of the assets and liabilities based upon enacted tax laws and rates. Nomura recognizes deferred tax assets to the extent it believes that it is more likely than not that a benefit will be realized. A valuation allowance is provided for tax benefits available to Nomura that are not deemed more likely than not to be realized.

Stock-based compensation

Prior to April 1, 2002, Nomura accounted for its stock-based compensation plan under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. Effective April 1, 2002, Nomura adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* and applied the modified prospective method under the provisions of SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. SFAS No. 123 requires that compensation cost for all stock awards be calculated and recognized over the service period, generally equal to the vesting period. The compensation cost is determined using option pricing models intended to estimate the fair value of the awards at the grant date. Compensation cost recognized in the year ended March 31, 2003 was the same as that which would have been recognized had the recognition provisions of SFAS No. 123 been applied from its original effective date. Results for prior years have not been restated.

Earnings per share

In accordance with SFAS No. 128, Earnings per Share, the computation of basic earnings per share is based on the average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilutive effect of convertible bonds, warrants and stock acquisition rights.

Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposits with banks.

Goodwill, intangible assets and negative goodwill

In June 2001, the FASB issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that negative goodwill that arises in a business combination

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

completed after June 30, 2001 be written off immediately. SFAS No. 141 also requires that any unamortized negative goodwill arising from business combinations completed before July 1, 2001 be written off and recognized as a cumulative effect of a change in accounting principle when SFAS No. 142 is adopted. SFAS No. 142 no longer permits the amortization of goodwill and intangible assets with indefinite lives. Instead these assets must be reviewed annually, or more frequently in certain circumstance, for impairment. Intangible assets that have determinable lives will continue to be amortized over their useful lives and reviewed for impairment.

Goodwill recorded prior to July 1, 2001 was recognized as the excess of acquisition cost over the fair value of net assets acquired and was being amortized over 10 to 20 years on a straight-line basis. The amortization of goodwill is included in *Non-interest expenses Other*. Goodwill recorded after June 30, 2001 and, upon adoption of SFAS No. 142, goodwill acquired prior to July 1, 2001 is not amortized. Nomura periodically assesses the recoverability of goodwill by comparing the fair value of the businesses to which goodwill relates to the carrying amount of the businesses including goodwill. If such assessment indicates that the fair value is less than the related carrying amount, a goodwill impairment determination is made.

Prior to the year ended March 31, 2003, negative goodwill, which was recognized as the excess of the fair value of net assets acquired over the acquisition cost on the accompanying balance sheets, and was being amortized over a 10 year period, on a straight-line basis. The amortization of negative goodwill was included in *Non-interest expenses Other*. Nomura adopted SFAS No. 142 effective April 1, 2002, which resulted in the write-offs of negative goodwill arising from a previous business combination of ¥109,799 million, net of taxes, as of March 31, 2002.

New accounting pronouncements

In January 2003, the FASB issued FIN 46. FIN 46 provides guidance on what constitutes a variable interest entity (VIE) and the circumstances under which it is to be consolidated. VIEs are entities which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or in which equity investors do not have the characteristics of a controlling financial interest. VIEs are required to be consolidated by the primary beneficiaries of a VIE, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. In accordance with the original provisions, Nomura adopted FIN 46 immediately for all VIEs created after January 31, 2003. For VIEs created before February 1, 2003, Nomura was initially required to adopt FIN 46 in the period beginning after June 15, 2003, i.e., July 1, 2003 in Nomura's case.

In October, 2003, the FASB deferred the effective date for applying the provisions of FIN 46 to VIEs created before February 1, 2003, until the end of the period ending after December 15, 2003, i.e., December 31, 2003 in Nomura's case. The FASB also deferred the effective date for applying FIN 46 to non-registered investment companies until the AICPA finalizes its proposed Statement of Position (SOP) on the clarification of the scope of the Audit Guide (AICPA Audit and Accounting Guide Audits of Investment Companies) and accounting by parent companies and equity method investors for investments in investment companies. In December 2003, the FASB issued a revision to FIN 46 (FIN 46-R), which incorporated October 2003 deferral provisions and clarified and revised the accounting guidance for VIEs. Nomura applied FIN 46-R to all VIEs other than non-registered investment companies created before February 1, 2003, in which it held a variable interest as of December 2003. The implementation of FIN 46-R did not have a material impact on Nomura's consolidated financial statements for the year ended March 31, 2004.

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In April 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The

F-17

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

new guidance amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group (DIG) process that effectively required amendments to SFAS No. 133, and decisions made in connection with other FASB projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative and characteristics of a derivative that contains financing components. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The implementation of SFAS No. 149 did not have a material impact on Nomura's consolidated financial statements for the year ended March 31, 2004.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 requires an issuer to classify certain financial instruments with characteristics of both liabilities and equity as liabilities (or an asset in some circumstances). Many of those instruments were previously classified as equity. Under SFAS No. 150, certain financial instruments issued in the form of shares that are mandatorily redeemable, that embody an obligation to repurchase the issuer's equity shares, and that the issuer must or may settle by issuing a variable number of its equity shares, are classified as liabilities. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The implementation of SFAS No. 150 did not have a material impact on Nomura's consolidated financial statements for the year ended March 31, 2004.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), Employers' Disclosure about Pensions and Other Postretirement Benefits. SFAS No. 132 revises employers' disclosure about pension plans and other postretirement benefits by requiring additional disclosures such as description of the type of plan assets, investment strategies, measurement dates, plan obligations, cash flows and components of net periodic benefit costs recognized during the periods. The statement does not change the measurement or recognition of the plans. The additional required annual disclosures are effective for Nomura's fiscal year ended March 31, 2004.

2. U.S. dollar amounts:

The U.S. dollar amounts are included solely for the convenience of the reader and have been translated at the rate of ¥104.18 = 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, 2004. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars.

3. Business combinations:

Prior to the fiscal year ended March 31, 2000, the Company directly held only 5.0% of the outstanding share capital of Nomura Asset Management Co., Ltd. (NAM), which provides investment management services and manages mutual funds. From the year ended March 2000 through the year ended March 2002, the Company acquired all remaining equity interest in NAM, for cash of ¥48,695 million and shares of the Company. Unamortized negative goodwill of ¥109,799 million related to the acquisition of NAM was written off upon the adoption of SFAS

No.142, Goodwill and Other Intangible Assets on April 1, 2002.

F-18

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following summarized unaudited pro forma financial information assumes the acquisition of NAM shares during the year ended March 31, 2002 had occurred on April 1, 2000.

	Millions of yen
	Year ended March 31 2002
Total revenue	¥ 1,873,805
Net income	159,316

	Yen
	Year ended March 31 2002
Net income per share basic	¥ 81.12
diluted	80.75

The following table presents a reconciliation of reported net income and earnings per share (EPS) to the amounts adjusted for the exclusion of goodwill amortization and negative goodwill amortization. Goodwill is not deductible for tax purposes.

	Millions of yen, except per share amounts			Translation into millions of U.S. dollars, except per share amounts
	Year ended March 31			
	2002	2003	2004	2004
Net income:				
Net income, as reported	¥ 168,046	¥ 119,913	¥ 172,329	\$ 1,654
Exclusion: Goodwill and Negative goodwill amortization	(2,380)	(109,799)		

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Net income, as adjusted	¥ 165,666	¥ 10,114	¥ 172,329	\$ 1,654
Basic EPS:				
Net income, as reported	¥ 85.57	¥ 61.26	¥ 88.82	\$ 0.85
Exclusion: Goodwill and Negative goodwill amortization	(1.21)	(56.09)		
Net income, as adjusted	¥ 84.36	¥ 5.17	¥ 88.82	\$ 0.85
Diluted EPS:				
Net income, as reported	¥ 85.32	¥ 61.26	¥ 88.82	\$ 0.85
Exclusion: Goodwill and Negative goodwill amortization	(1.21)	(56.09)		
Net income, as adjusted	¥ 84.11	¥ 5.17	¥ 88.82	\$ 0.85

4. Financial instruments:

Nomura enters into transactions in financial instruments including cash instruments and derivatives primarily for trading activities and, where needed, non-trading activities.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Trading activities**

Nomura's trading activities consist primarily of securities brokerage, trading, and underwriting; derivatives dealing and brokerage; and securities financing transactions. Trading assets and trading liabilities consist of cash instruments (such as securities) and derivative instruments used for trading purposes or for hedging other trading assets or liabilities.

Securities inventory and securities sold but not yet purchased

Nomura pledges firm-owned securities to collateralize repurchase agreements and other secured financings. Pledged securities that can be sold or repledged by the secured party, including Gensaki Repo transactions, are classified as *Securities pledged as collateral* of ¥3,360 billion and ¥5,233 billion (\$50 billion) on the consolidated balance sheets at March 31, 2003 and 2004, respectively.

Securities inventory, including *securities pledged as collateral* and *securities sold but not yet purchased* at March 31, 2003 and 2004 consist of trading securities at fair value classified as follows. Certain non-trading securities were included in *securities pledged as collateral* and were excluded from the following table:

	Millions of yen				Translation into millions of U.S. dollars	
	March 31					
	2003		2004		2004	
Securities inventory	Securities sold but not yet purchased	Securities inventory	Securities sold but not yet purchased	Securities inventory	Securities sold but not yet purchased	
Equity securities and convertible bonds	¥ 1,669,100	¥ 907,635	¥ 2,091,565	¥ 1,301,983	\$ 20,076	\$ 12,497
Government and government agency bonds	3,840,167	2,260,809	7,702,731	3,957,335	73,937	37,986
Bank and corporate debt securities	1,382,211	204,231	1,153,693	223,983	11,074	2,150
Commercial paper and certificates of deposit	34,012		24,998		240	
Options and warrants	38,033	27,191	41,900	62,871	402	603
Mortgage and mortgage-backed securities	1,007,928	1,750	773,083	13,414	7,421	129

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Beneficiary certificates and other	540,749	99	1,278,993	12	12,277	0
	<u>¥ 8,512,200</u>	<u>¥ 3,401,715</u>	<u>¥ 13,066,963</u>	<u>¥ 5,559,598</u>	<u>\$ 125,427</u>	<u>\$ 53,365</u>

Concentrations of credit risk

Concentrations of credit risk may arise from trading, securities financing transactions and underwriting activities, and may be impacted by changes in political or economic factors. Nomura's significant single concentrations of credit risk were with the Japanese Government and U.S. Government and its agencies. These concentrations generally arise from taking trading securities positions. Government and government agency bonds (which are mainly sovereign to Japan and the United States of America), including those classified as *Securities pledged as collateral*, represented 18.1% and 25.9% of Nomura's total assets as of March 31, 2003 and 2004, respectively.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Securities financing transactions*

Nomura enters into secured borrowing and lending transactions mainly to meet customers' needs and finance trading inventory positions. The balance of receivables and payables under resale and repurchase agreements and securities borrowed and loaned transactions at March 31, 2003 and 2004 are as follows:

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004
Receivables under:			
Resale agreements	¥ 4,224,229	¥ 5,701,646	\$ 54,728
Securities borrowed transactions	4,378,941	7,180,106	68,920
Total	¥ 8,603,170	¥ 12,881,752	\$ 123,648
Payables under:			
Repurchase agreements	¥ 7,024,677	¥ 9,622,727	\$ 92,366
Securities loaned transactions	3,927,458	5,157,814	49,509
Total	¥ 10,952,135	¥ 14,780,541	\$ 141,875

Under these agreements and transactions, Nomura either receives or provides collateral, including Japanese Government and agencies, mortgage backed, bank and corporate debt securities, non-Japanese government securities and equities. In many cases, Nomura is permitted to use the securities received to secure repurchase agreements, enter into securities lending transactions or deliver to counterparties to cover short positions.

In Japan, there is a market in which participants lend and borrow debt securities without collateral to/from financial institutions under agreements known as lending and borrowing debt securities contracts. Under these agreements, Nomura lends and borrows debt securities without collateral. At March 31, 2003 and 2004, the aggregate contractual amounts of borrowing debt securities contracts without collateral were ¥736 billion and ¥720 billion (\$7 billion), respectively. There were no lending securities contracts without collateral at March 31, 2003 or 2004.

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The fair value of securities received as collateral and securities borrowed without collateral where Nomura is permitted to sell or repledge the securities and the portion that has been sold or repledged at March 31, 2003 and 2004 are as follows:

	Billions of yen		Translation into billions of U.S. dollars
	March 31		
	2003	2004	2004
The fair value of securities received as collateral and securities borrowed without collateral where Nomura is permitted to sell or repledge the securities	¥ 13,056	¥ 16,274	\$ 156
The portion of the above that has been sold (included in <i>Securities sold but not yet purchased</i> on the consolidated balance sheets) or repledged	11,258	12,882	124

F-21

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In the normal course of business, Nomura enters into Gensaki transactions which involve selling securities to customers and repurchasing them from the customers on a specific future date at a specific price. As the Gensaki transactions are recorded as sales, the related securities and repurchase obligations are not reflected on the accompanying consolidated balance sheets. As of March 31, 2003 and 2004, securities sold under Gensaki agreements but not yet reacquired amounted to ¥35,000 million and ¥25,000 million (\$240 million), respectively. The contractual repurchase value of the above Gensaki transactions at March 31, 2003 and 2004 approximated the market value of the securities at those dates.

Nomura seeks to minimize the market and credit risks associated with its customer securities activities through various control policies and procedures, including continuous monitoring of market and customer exposures, hedging strategies, and requiring collateral or additional margin or reduced positions when necessary.

Financial instruments pledged without the right to sell or repledge as collateral

Securities and loans receivables owned by Nomura, which have been pledged as collateral, primarily to stock exchanges and clearing organizations, without allowing the secured party the right to sell or repledge them as at March 31, 2003 and 2004, are summarized in the table below:

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004
Trading assets:			
Equity securities and convertible bonds	¥ 286,940	¥ 278,000	\$ 2,668
Government and government agency bonds	365,585	430,614	4,133
Bank and corporate debt securities	749,398	698,647	6,707
Warrants	172	1,087	10
Mortgage and mortgage-backed securities	842,561	629,736	6,045
	<u>¥ 2,244,656</u>	<u>¥ 2,038,084</u>	<u>\$ 19,563</u>
Loans receivable and Investments:			
Loans receivable	¥ 43,367	¥	\$
Non-trading debt securities	50,483	48,099	462

¥	93,850	¥	48,099	\$	462
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Derivatives utilized for trading purposes

In the normal course of business, Nomura enters into transactions involving derivative financial instruments to meet customer needs, for its trading activities, and to reduce its own exposure to loss due to adverse fluctuations in interest rates, currency exchange rates and market prices of securities, etc. These financial instruments include contractual agreements such as commitments to swap interest payment streams, exchange currencies or purchase or sell securities and other financial instruments on specific terms at specific future dates.

These instruments involve, to varying degrees, off-balance sheet market and credit risk under which default by the counterparty and future changes in interest rates, foreign currency exchange rates or the market values of the securities underlying the instruments may ultimately result in cash settlements in excess of the amounts recognized on the consolidated balance sheets.

F-22

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Nomura enters into various derivative financial instrument transactions including futures, forwards, swap and option contracts involving securities, foreign currency, interest rate and other money market instruments as part of its normal trading activities and for market risk management of certain non-trading assets and liabilities. The Company's U.S.-based indirect wholly-owned subsidiary, Nomura Derivative Products Inc. (NDPI), engages in the swap business. Counterparties to transactions executed with NDPI rely solely on the creditworthiness of NDPI and have no claims against the assets of any other Nomura group entities.

Nomura maintains active trading positions in a variety of derivative financial instruments. Most of Nomura's trading activities are customer oriented. Nomura utilizes a variety of derivative financial instruments as a means of bridging customers' specific financial needs and investors demands in the securities markets. Nomura also actively trades securities and various derivatives in order to assist its customers in adjusting their risk profiles as markets change. In performing these activities, Nomura carries an inventory of capital markets instruments and maintains its access to market liquidity by quoting bid and offer prices to and trading with other market makers. These activities are essential to provide customers with securities and other capital markets products at competitive prices.

Forward and futures contracts are commitments to either purchase or sell securities, foreign currency or money market instruments at a specific future date for a specified price and may be settled in cash or through delivery. Foreign exchange contracts include spot, and forward contracts and involve the exchange of two currencies at a rate agreed to by the contracting parties. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in market prices. Futures contracts are conducted through regulated exchanges which clear and guarantee performance of counterparties. Accordingly, credit risk associated with futures contracts are considered minimal. In contrast, forward contracts are generally negotiated between two counterparties and, therefore, are subject to the performance of the related counterparties.

Options are contracts that grant the purchaser, for a premium payment, the right to either purchase or sell a financial instrument at a specified price within a specified period of time or on a specified date from or to the writer of the option. The writer of options receives premiums and bears the risk of unfavorable changes in the market price of the financial instruments underlying the options.

Swaps are contractual agreements in which two counterparties agree to exchange certain cash flows, at specified future dates, based on an agreed contract. Certain agreements may result in combined interest rate and foreign currency swap transactions. Entering into swap agreements may involve the risk of credit loss in the event of the counterparties' default.

To the extent these derivative financial instruments are economically hedging offsetting financial instruments or securities positions of Nomura, the overall off-balance sheet risk of loss may be fully or partly mitigated by the hedged position.

Nomura seeks to minimize its exposure to market risk arising from its use of these derivative financial instruments through various control policies and procedures, including position limits, monitoring procedures and hedging strategies whereby Nomura enters into offsetting or other positions in a variety of financial instruments. Credit risk associated with these financial instruments is controlled by Nomura through credit approvals, limits and monitoring procedures. To reduce default risk, Nomura requires collateral, principally government securities, for certain

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derivative transactions. From an economic standpoint, Nomura evaluates default risk exposure net of related collateral. Furthermore, Nomura generally enters into International Swaps and Derivatives Association, Inc. master agreements or their equivalents (master netting agreements) with each of its counterparties. Master netting agreements provide protection in bankruptcy in certain circumstances and

F-23

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

mitigate the credit risk exposure from these transactions. In some cases, they enable unrealized gains and losses arising from Nomura's dealings in over-the-counter derivatives to be presented on a net-by-counterparty basis in accordance with FIN No. 39.

In November 2002, the EITF reached a consensus on EITF Issue No. 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities. EITF Issue No. 02-3 precludes mark-to-market accounting for energy-trading contracts that are not derivatives pursuant to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. EITF Issue No. 02-3 also communicates the FASB staff's view that the transaction price for a derivative contract is the best information available with which to estimate fair value at the inception of a contract when the estimate is not based on other observable market data. Nomura defers recognition of certain gains and losses at the inception of a contract in accordance with EITF Issue No. 02-3.

The table below discloses the fair values at March 31, 2003 and 2004 of derivative financial instruments for trading purposes held or issued by Nomura. These amounts are not reported net of collateral, which Nomura obtained to reduce credit risk exposure.

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004
Trading Assets:			
Foreign exchange forwards	¥ 16,558	¥ 34,807	\$ 334
FRA ⁽¹⁾ and other OTC ⁽²⁾ forwards	296	1,073	10
Swap agreements	410,912	293,883	2,821
Options other than securities options purchased	75,651	149,896	1,439
Sub-total	503,417	479,659	4,604
Securities options purchased ⁽³⁾	37,704	40,593	390
Total	¥ 541,121	¥ 520,252	\$ 4,994
Trading Liabilities:			
Foreign exchange forwards	¥ 16,999	¥ 29,629	\$ 284
FRA and other OTC forwards	8	1,324	13
Swap agreements	443,408	297,856	2,859
Options other than securities options written	26,590	88,559	850
Sub-total	487,005	417,368	4,006

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Securities options written ⁽¹⁾	26,900	61,481	590
	<u> </u>	<u> </u>	<u> </u>
Total	¥ 513,905	¥ 478,849	\$ 4,596
	<u> </u>	<u> </u>	<u> </u>

(1) FRA is Forward Rate Agreements.

(2) OTC is Over The Counter.

(3) Included in *Securities inventory* and *Securities sold but not yet purchased*, as appropriate.

Net gain on trading

While trading activities are primarily generated by client order flow, Nomura also takes proprietary positions in interest rate, debt and equity instruments. Revenues from trading include realized and unrealized

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

gains and losses arising from trading as principal. Revenues also include realized and unrealized gains and losses on debt and equity securities and derivatives utilized in arbitrage strategies for Nomura's own account. Nomura manages its trading business by product groupings. The following table of net trading gains by business unit has been prepared in order to present Nomura's net trading gains and losses in a format which reflects the manner in which Nomura manages its businesses.

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Merchant Banking-including units managing principal finance business and some other private equity business	¥ (6,828)	¥ 2,779	¥ 1,548	\$ 15
Equity trading-including units trading primarily in stocks, convertible bonds, stock subscription warrants, and related derivatives	113,036	35,919	75,232	722
Fixed income trading-including units trading primarily in government bonds, corporate debt securities, related derivatives, and foreign exchange in connection with Nomura's securities business	56,020	133,610	152,262	1,462
	¥ 162,228	¥ 172,308	¥ 229,042	\$ 2,199

Non-trading activities

Nomura's non-trading activities consist primarily of investments in equity securities for Nomura's operating purposes and derivatives for purposes other than trading. Non-trading assets and non-trading liabilities consist of accounts other than *Trading assets and private equity investments*, *Trading liabilities* and trading balances of secured borrowings contained in *Long-term borrowings* which are shown in Note 8.

Derivatives utilized for non-trading purposes

Nomura's principal objective in utilizing derivatives for purposes other than trading is market risk management for certain non-trading assets and liabilities such as non-trading debt securities, loans receivable from customers and other assets as well as bonds and notes issued. The operations of Nomura are subject to the risk of interest rate and currency rate fluctuations to the extent that there is a difference between the amounts of

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Nomura's interest-bearing and/or foreign currency assets and liabilities which mature or reprice in specified periods. To manage its exposures to market movements, Nomura uses derivative financial instruments.

Nomura issues Japanese yen and foreign currency denominated debt with both fixed and floating interest rates. Nomura generally enters into swap agreements to convert fixed or floating rate interest payments on its debt obligations to floating rate or fixed payments. The maturity structure of the swaps corresponds with the maturity of the debt obligations being hedged. Nomura also uses interest rate swaps to modify the interest rate characteristics of certain assets including loans receivable from customers. Credit risk associated with derivatives utilized for non-trading purposes is controlled and managed in the same way as credit risk associated with derivatives utilized for trading purposes.

F-25

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Estimated fair value of financial instruments**

Nomura's financial instruments are recorded using several methods, including historical cost, amortized cost or fair value. Specific accounting policies for significant financial instruments are discussed in Note 1.

The estimated fair values of Nomura's financial instruments are derived using quoted market prices, where available. Because no quoted market prices exist for a significant portion of Nomura's financial instruments, the fair values of such instruments have been estimated using various valuation techniques that are influenced by numerous subjective assumptions, such as discount rates of future cash flows. It should be noted that different assumptions or estimation methodologies could significantly affect these estimates. Such estimates, therefore, may not be necessarily indicative of the net realizable or liquidation value of these instruments. In addition, the estimated fair values presented are calculated based on market conditions at a specific point in time and may not be reflective of future fair values.

Short-term financial assets and liabilities carried at amounts which approximate fair value include: cash and cash deposits, receivables from customers/other than customers, receivables under resale agreements and securities borrowed transactions, short-term borrowings, time and other deposits received, payables to customers/other than customers and payables under repurchase agreements and securities loaned transactions. These financial instruments mature principally within one year and bear interest at rates that approximate market.

The estimated fair values of loans receivable approximate carrying value. The estimated fair values of loans are determined based on loan characteristics. The fair value of fixed rate loans was estimated by discounting estimated cash flows. The discount rates are based on the current market rates for the applicable maturity. Where quoted market prices are available, such market prices were utilized as estimated fair values. For Nomura's floating rate loans receivable, carrying value approximates fair value.

The following table presents financial instruments with carrying values that differ from their estimated fair values.

Billions of yen				Translation into billions of U.S. dollars	
March 31					
2003		2004		2004	
Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value

Financial liabilities:

Long-term borrowings	¥ 2,269	¥ 2,293	¥ 2,385	¥ 2,399	\$ 23	\$ 23
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Long-term borrowings

For certain bonds and notes issued by Nomura, Nomura enters into interest rate and currency swap contracts designated as hedges. The estimated fair values of the bonds and notes and related hedging instruments were estimated using quoted market prices where available or by discounting future cash flows.

5. Private equity investments:*Terra Firma investments*

Nomura had been actively involved in the private equity business, through its UK based Principal Finance Group (PFG). As a result of a review to determine the optimum structure to run this business going forward, on

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

March 27, 2002, Nomura restructured PFG and, as a result, contributed its investments in certain of its remaining investee companies (the PFG entities) to Terra Firma Capital Partners I (TFCP I), a limited partnership which is engaged in the private equity business, in exchange for a limited partnership interest. Total assets and liabilities of PFG entities at the time of the restructuring were ¥1,348,195 million and ¥1,629,215 million, respectively. Terra Firma Investments (GP) Limited (Terra Firma), the general partner of TFCP I, which is independent of Nomura, assumed management of these investments, together with one investment, Annington Holdings plc, which was not transferred to the partnership. With effect from March 27, 2002, Nomura ceased consolidating the PFG entities and accounts for these investments managed by Terra Firma (collectively referred to as Terra Firma investments) at fair value in accordance with the accounting practices for broker-dealers and applicable to investment companies. This accounting treatment is effective only for periods on and after March 27, 2002. Thus, operating results for the years ended March 31, 2003 and 2004 are not directly comparable to prior years regarding the PFG entities.

Nomura recognized revenue amounting to ¥232,472 million through the deconsolidation of the PFG entities during the fiscal year ended March 31, 2002. This gain was as a result of the March 31, 2002 estimated fair value exceeding the carrying value of the investment. The carrying value was the cost of the investment less book losses incurred during the period of ownership. In other words, the 2002 gain is primarily the reversal of losses that had previously been consolidated. The fair value of the Terra Firma investments was derived from their projected future cash flows discounted at their weighted average cost of capital and, in some cases, real estate property valuations received from independent valuation specialists. The estimated fair value of Terra Firma investments was ¥265,742 million and ¥287,246 million (\$2,757 million) at March 31, 2003 and 2004, respectively. Of this, the respective percentages at March 31, 2003 and 2004 are 64% and 65% for Real Estate, 6% and 12% for the Services Sector and the remaining balance of 30% and 23% is in Consumer Businesses, which includes Retail and Consumer Finance.

In July 2001, PFG acquired an effective 59% equity interest in Meridien Capital Limited (Meridien). Cash consideration paid, net of cash acquired, was ¥270,629 million. The results of Meridien's operations have been included in the consolidated financial statements from the date of acquisition to March 27, 2002, the date Nomura ceased to consolidate Meridien. In February and March 2002, Nomura sold certain PFG investments in the U.K. pub business totaling 5,400 pubs for ¥176,493 million. The sale of these businesses resulted in a realized gain on disposal of ¥116,324 million, net of transaction expenses.

Other private equity investments

Terra Firma Capital Partners Limited (TFCPL) has been established by former employees of Nomura to advise Terra Firma in relation to the management of TFCP I as well as the raising and investing of additional capital. Nomura also agreed to be a 10% founder investor in a new private equity fund (TFCP II), which has been raised by TFCPL. At March 31, 2004, TFCP II closed commitments of ¥251 billion (\$2.4 billion) and Nomura has a commitment of ¥25,073 million (\$241 million), of which ¥3,996 million (\$38 million) had been drawn down for investments. Nomura also accounts for its investment in TFCP II at fair value.

Nomura also has a growing private equity business in Japan, which it operates through a wholly owned subsidiary, Nomura Principal Finance Co., Ltd. (NPF). Since its inception, NPF has made 13 investments for an aggregate value of ¥71,250 million (\$684 million) and exited from 2 of these investments. During the year ended March 31, 2004, NPF acquired three businesses in separate transactions. These acquisitions were not significant individually. The purchase price, net of cash acquired was ¥29,491 million (\$283million). The NPF investments are accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries, depending on the attributes of each investment pending a

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determination of whether investment company accounting is appropriate for NPF. The AICPA is expected to issue in 2004 a Statement of Position (SOP) *Clarification of the Scope of the Audit and Accounting Guide Audits of Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies*. When the SOP is issued, Nomura will make a determination under the guidance provided by the SOP as to whether NPF qualifies

F-27

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

as an investment company. If NPF qualifies as an investment company, these investments will be carried at fair value.

Nomura does not apply FIN 46-R to entities that are non-registered investment companies that account for their investments in accordance with the investment Company Audit Guide (the Audit Guide). As discussed in Note 1, the FASB has deferred application of FIN 46 to non-registered investment companies until the Investment Company SOP is finalized. The most significant of the entities currently excluded from FIN46-R are the Terra Firma investments. Nomura's interest in these investments totals ¥287 billion (\$2.8 billion), which is already recorded on the consolidated balance sheet at March 31, 2004. This amount represents Nomura's maximum exposure to loss at that date. When the SOP is issued, Nomura will determine whether it remains appropriate to continue to carry the Terra Firma investments at fair value. Depending on the terms of the final SOP and the results of Nomura's review, it is possible that either all or some of the Terra Firma investments could require re-consolidation, thus FIN 46-R could have a material impact on Nomura's consolidated financial statements in the future. However, adopting FIN 46-R will not materially change Nomura's economic exposure with respect to these investments.

Terra Firma investments valuation

As stated above, Terra Firma investments are carried at fair value. Corresponding changes in the fair value of these investments are included in *Gain (loss) on private equity investments*. The determination of fair value is significant to Nomura's financial condition and results of operations and requires management to make judgments based on complex factors.

As the underlying investments are in non-publicly listed companies, there are no externally quoted market prices available. As a result, Nomura's Risk Management unit meets with TFCPL and the management teams of the underlying investments to discuss, among other things, Terra Firma's valuation of the investments, current business performance, actual versus budgeted results, revised full year projections and the status of major initiatives to boost sales, or reduce operating costs. Terra Firma also provides regular performance reports for each investment. The information obtained from these meetings and reports, together with comparisons made to similar quoted businesses and, in the case of any property based investments, input from external advisors allows Nomura to produce its own estimates of the fair value for each underlying investment.

In estimating fair value, Nomura estimates the price that would be obtained between a willing buyer and a willing seller dealing at arm's length.

Valuations are typically based on projected future cash flows to be generated from the underlying investment, discounted at a weighted average cost of capital. The cost of capital is estimated, where possible, by reference to quoted comparables with a similar risk profile. Cash flows are derived from bottom up, detailed projections prepared by management of each respective investment. These projections will reflect the business drivers specific to each investment.

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Examples of the factors affecting the business valuations are set out in the table below:

<u>Sector</u>	<u>Valuation Factors</u>
Hotels	Room rate achieved and occupancy, which in turn are driven by business and leisure travel. Revenue from conference facilities and food and beverage sales. Staff and other costs and central overheads.
Real Estate	Sales values, leaseback and open market rental values achieved, driven by underlying demand for housing in both the homeowner and rental markets. Property holding and refurbishment and head office costs. Profit share payable to third parties Availability and cost of finance.

F-28

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

<u>Sector</u>	<u>Valuation Factors</u>
Consumer Finance	Number of rental agreements outstanding, average revenue per rental agreement (taking into account arrears), rental acquisition costs, rental maintenance costs, as well as overheads and head office costs.
Retail	Market share, changes in market size, underlying trends in consumer behavior. Gross margin and operating costs, including outlet overheads and head office costs.
Services	Contract terms negotiated at beginning of contract. Initial contract set up costs and capital expenditure. Ongoing servicing costs, including staff costs and central overheads. Additional contracts and additional non-contracted works. Availability and cost of finance.

Where possible these valuations are compared with price/earnings data for comparable quoted companies or recent market price data for comparable transactions. Any significant differences are analyzed and consideration given to whether this analysis indicates an adjustment to the Discounted Cash Flow valuation is required. While it is likely that certain potential purchasers may have special interests in the relevant investments that would allow them to justify a premium price, such as synergy or strategic benefits, no such premium has been included within the valuation models. Conversely, no discounts have been taken for the fact that there may only be a limited number of potential purchasers of the investments. These valuations are then stress tested to assess the impact of particular risk factors. Examples of such stress tests include:

Stressing exit assumptions, either by altering the timing or the exit multiple used. In particular, using exit multiples in line with 5-year lows of trading multiples for similar companies are considered

Stressing growth assumptions, to assume lower growth. Where possible, the impact of a mild recession is considered

Removing or curtailing any assumptions about increases in operating margins.

An assessment of the results of the fair value exercise and the stress tests allows the final estimated valuation to be established. The fair value of Terra Firma investments represents the sum of the fair values of the individual investments less any performance bonuses that may be payable, either to the management team of a particular business or to Terra Firma.

For recently acquired investments (i.e., those acquired within 12 months, such as the investment in TFCP II), fair value is equal to acquisition cost unless there has been a material change to the operating performance of the specific investment or a significant event has occurred in the marketplace.

The use of different valuation models, methodologies or assumptions could produce materially different estimates of fair value, which could materially affect the results of operations or statement of financial condition.

Subsequent event

In April 2004, NPF has entered into an agreement to strengthen the capital base of Millennium Retailing Group (MRG), a major Japanese department store chain. Under the agreement, NPF will acquire ¥20 billion (\$0.2 billion) of new shares to be issued by MRG around July 2004 and additional ¥30 billion (\$0.3 billion) around the end of January 2005, giving NPF a majority stake.

F-29

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Securitization and Variable Interest Entities (VIEs):

Securitization activities

Nomura utilizes special purpose entities, or SPEs to securitize commercial and residential mortgage loans, government and corporate bonds and other types of financial assets. Nomura's involvement with SPEs includes structuring SPEs and acting as an administrator of SPEs and underwriting, distributing and selling debt instruments and beneficial interests issued by SPEs to investors. Nomura derecognizes financial assets transferred in securitizations provided that Nomura has relinquished control over such assets. Nomura may obtain an interest in the financial assets, including residual interests in the SPEs subject to prevailing market conditions. Any such interests are accounted for at fair value and included in *Securities inventory* within Nomura's consolidated balance sheets, with the change in fair value included in revenues.

During the years ended March 31, 2003 and 2004, Nomura securitized ¥110 billion and ¥170 billion (\$1.6 billion) of financial assets, respectively. In addition, Nomura received ¥45 billion and ¥17 billion (\$0.2 billion) from securitization trusts and paid ¥38 billion and ¥12 billion (\$0.1 billion) to securitization trusts, respectively. Nomura held ¥5 billion and ¥2 billion (\$0.02 billion) of retained interests in transferred assets at March 31, 2003 and 2004, respectively.

Variable Interest Entities (VIEs)

In January 2003, the FASB issued FIN 46. FIN 46 provides guidance on what constitutes a variable interest entity (VIE) and the circumstances under which it is to be consolidated. VIEs are entities which do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or in which equity investors do not have the characteristics of a controlling financial interest. VIEs are required to be consolidated by the primary beneficiaries of a VIE, generally defined as the enterprise that will absorb a majority of the expected losses or receive a majority of the expected residual returns of the entity, or both. In accordance with the original provisions, Nomura adopted FIN 46 immediately for all VIEs created after January 31, 2003. For VIEs created before February 1, 2003, Nomura was initially required to adopt FIN 46 in the period beginning after June 15, 2003, i.e., July 1, 2003 in Nomura's case.

In October, 2003, the FASB deferred the effective date for applying the provisions of FIN 46 to VIEs created before February 1, 2003, until the end of the period ending after December 15, 2003, i.e., December 31, 2003 in Nomura's case. The FASB also deferred the effective date for applying FIN 46 to non-registered investment companies until the AICPA finalizes its proposed Statement of Position (SOP) on the clarification of the scope of the AICPA Audit and Accounting Guide Audits of Investment Companies (Audit Guide) and accounting by parent companies and equity method investors for investments in investment companies. In December 2003, the FASB issued a revision to FIN 46 (FIN 46-R), which incorporated the October 2003 deferral provisions and clarified and revised the accounting guidance for VIEs. Nomura applied FIN 46-R to all VIEs other than non-registered investment companies created before February 1, 2003, in which it held a variable interest as of December 31, 2003. The implementation of FIN 46-R did not have a material impact on Nomura's consolidated financial statements for the year ended March 31, 2004.

In the normal course of business, Nomura acts as a transferor of financial assets to VIEs, administrator of VIEs, and underwriter, distributor and seller of asset-repackaged financial instruments issued by VIEs in connection with its securitization activities. Nomura purchases and sells variable interests in VIEs in connection with its market-making and investing activities. At March 31, 2004, Nomura consolidated a VIE of which Nomura currently is the primary beneficiary, that was created to market structured bonds to investors by repackaging corporate convertible bonds.

F-30

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura also sells beneficial interests regarding leveraged or operating leases for aircraft using VIEs. In such transactions, Nomura may have significant variable interests. In addition, Nomura may have equity interest in VIEs which acquire assets primarily high yield leveraged loans and other debt obligations rated below investment grade, by issuing debt and equity.

The following table sets forth the aggregate total assets of VIEs for which Nomura holds the significant variable interests and maximum exposure to loss associated with these significant variable interests at March 31, 2004. Maximum exposure to loss does not reflect Nomura's estimate of the actual losses that could result from adverse changes, nor does it reflect the economic hedges Nomura enters into to reduce its exposure:

	Translation	
	into	
	billions of	
	Billions of yen	U.S. dollars
	<u> </u>	<u> </u>
VIE assets	¥ 120	\$ 1.2
Maximum exposure to loss	19	0.2

Nomura does not apply FIN 46-R to entities that are non-registered investment companies that account for their investments in accordance with the Audit Guide. As discussed in Note 1, the FASB has deferred application of FIN 46 to non-registered investment companies until the Investment Company SOP is finalized. The most significant of these entities are the Terra Firma investments. Nomura's interest in these investments totals ¥287 billion (\$2.8 billion), which is already recorded on the consolidated balance sheet at March 31, 2004. This amount represents Nomura's maximum exposure to loss at that date. When the SOP is issued, Nomura will determine whether it remains appropriate to continue to carry the Terra Firma investments at fair value. Depending on the terms of the final SOP and the results of Nomura's review, it is possible that either all or some of the Terra Firma investments could require re-consolidation, thus FIN 46-R could have a material impact on Nomura's consolidated financial statements in the future. However, adopting FIN 46-R will not materially change Nomura's economic exposure with respect to these investments. (See Note 5 for the impact of de-consolidation in March 2002.)

7. Receivables from and payables to customers and other:

Loans receivable consist primarily of margin transaction loans related to broker dealers (margin transaction loans), loans receivable in connection with banking/financing activities (banking/financing activities loans) and loans receivable from financial institutions in the inter-bank money market used for short-term financing (inter-bank money market loans). Margin transaction loans amounting to ¥47,243 million and ¥149,114 million (\$1,431 million) at March 31, 2003 and 2004, respectively, are collateralized by customers' securities and are also collateralized by customers' deposits of securities. Banking/financing activities loans amount to ¥272,562 million and ¥214,825 million (\$2,062 million) at March 31, 2003 and 2004, respectively. Inter-bank money market loans amount to ¥113,569 million and ¥176,866 million (\$1,698

million) at March 31, 2003 and 2004, respectively.

Receivables from and payables to customers/other than customers include amounts due to securities transactions. Net receivables/payables arising from unsettled trades were included in *Receivables from customers* amounting to ¥389,790 million at March 31, 2003, and *Payables to customers* in the amount of ¥506,318 million (\$4,860 million) at March 31, 2004. *Payables to customers/other than customers* include funds received from customers/other than customers. Deposits received from customers of ¥150,357 million and ¥190,163 million (\$1,825 million) are included in *Payables to customers* at March 31, 2003 and 2004, respectively.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Nomura establishes an *Allowance for doubtful accounts* for amounts estimated to be uncollectible. Changes in the *Allowance for doubtful accounts* for the years ended March 31, 2002, 2003 and 2004 are shown below:

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Balance at beginning of year	¥ (26,529)	¥ (18,410)	¥ (15,159)	\$ (146)
Additions:				
Charged to costs and expenses	(5,002)		(13)	0
Deductions:				
Reversal of allowance for doubtful accounts		3,661		
Charge-offs	6,078	650	9,237	89
Other:				
Contribution of PFG entities	8,461			
Other net	(1,418)	(1,060)	157	2
Balance at end of year	¥ (18,410)	¥ (15,159)	¥ (5,778)	\$ (55)

8. Borrowings:

Borrowings of Nomura at March 31, 2003 and 2004 are shown below:

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004

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Short-term borrowings:			
Commercial paper	¥ 251,151	¥ 283,000	\$ 2,717
Bank loans ⁽¹⁾	85,460	464,545	4,459
Other ⁽²⁾	846,924	2,276,796	21,854
Total	¥ 1,183,535	¥ 3,024,341	\$ 29,030
Long-term borrowings:			
Long-term loans from banks and other financial institutions	¥ 492,020	¥ 520,468	\$ 4,996
Funding balances of bonds and notes issued:			
Fixed-rate obligations:			
Japanese yen denominated ⁽³⁾	503,874	518,820	4,980
Variable-rate obligations:	45,319	34,200	328
Japanese yen denominated	33,826	34,200	328
Non-Japanese yen denominated	11,493		
Medium-term notes:			
Japanese yen denominated	1,040,278	1,190,826	11,431
Non-Japanese yen denominated	791,245	982,548	9,432
	249,033	208,278	1,999
	1,589,471	1,743,846	16,739
Trading balances of secured borrowings	187,879	121,155	1,163
Total	¥ 2,269,370	¥ 2,385,469	\$ 22,898

F-32

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (1) Include interbank secured Call Loans of Nil at March 31, 2003 and ¥350 billion (\$3 billion) at March 31, 2004.
 (2) Includes secured loans from the Bank of Japan of ¥838 billion at March 31, 2003 and ¥2,230 billion (\$21 billion) at March 31, 2004.
 (3) Warrants included in Fixed-rate obligations: Japanese yen denominated are shown below:

	Millions of yen		Translation into millions of U.S. dollars
	March 31		
	2003	2004	2004
1.01% warrant at ¥2,305.00 per share due year ending March 31, 2005	¥ 2,631	¥ 2,631	\$ 25

At March 31, 2004, fixed-rate obligations are due between 2004 and 2018 at interest rates ranging from 0.40% to 4.15%. Variable-rate obligations, which are generally based on LIBOR, are due between 2004 and 2015 at interest rates ranging from 0.10% to 2.34%. Medium-term notes are due between 2004 and 2034 at interest rates ranging from 0.00% to 20.00%.

Certain borrowing agreements of subsidiaries contain provisions whereby the borrowings are redeemable at the option of the holder at specified dates prior to maturity and include various equity-linked or other indexed instruments.

Nomura enters into swap agreements to manage its exposure to interest rate and currency risks. Principally, bonds and notes issued by subsidiaries are effectively converted to LIBOR-based floating rate obligations through such swap agreements. Carrying value of the long-term borrowings include adjustments to reflect fair value hedges.

The effective weighted-average interest rates of borrowings, some of which include the effect of hedges, at March 31, 2003 and 2004 were as follows:

	March 31	
	2003	2004
Short-term borrowings	0.16%	0.20%
Long-term borrowings	0.56%	0.36%

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Fixed-rate obligations	0.61%	0.58%
Variable-rate obligations	0.83%	0.65%
Medium-term notes	0.43%	0.14%

Trading balances of secured borrowings

These balances of secured borrowings represent secured loans from special purpose entities. These borrowings were not borrowed for the purpose of Nomura's funding but for trading purposes for Nomura to gain profits from distribution of the bonds and notes by the special purpose entities to investors. Such bonds and notes are secured by or referenced to certain assets pledged from Nomura to the special purpose entities, and the interest rates and/or redemption values or maturity have been linked to the performance of these referenced assets. The outstanding balances of these assets are included in the consolidated balance sheets as *Securities inventory*, and approximate the outstanding balances of related secured borrowings.

F-33

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges, as of March 31, 2003 consist of the following ⁽¹⁾:

<u>Year ending March 31</u>	<u>Millions of yen</u>
2004	¥ 313,933
2005	220,113
2006	213,025
2007	176,283
2008	224,411
2009 and thereafter	1,121,605
	<u>¥ 2,269,370</u>

The aggregate annual maturities of long-term borrowings, including adjustments related to fair value hedges, as of March 31, 2004 consist of the following ⁽¹⁾:

<u>Year ending March 31</u>	<u>Millions of yen</u>	<u>U.S. dollars</u>
2005	¥ 199,349	\$ 1,914
2006	195,068	1,872
2007	190,412	1,828
2008	246,401	2,365
2009	270,792	2,599
2010 and thereafter	1,283,447	12,320
	<u>¥ 2,385,469</u>	<u>\$ 22,898</u>

(1) The maturities tables above are presented on a contractual maturity basis.

Borrowing facilities

At March 31, 2003 and 2004, Nomura had unused committed lines of credit amounting to ¥921,385 million and ¥805,814 million (\$7,735 million), respectively.

9. Assets pledged:

In the normal course of business, certain of Nomura's assets are pledged to collateralize borrowing transactions, securities financing transactions, derivative transactions and for other purposes. At March 31, 2003 and 2004, the carrying value of assets pledged, except for those disclosed in Notes 4 and 8, are as follows:

	Millions of yen		Translation into millions of
	2003	2004	U.S. dollars
	March 31		
	2003	2004	2004
Trading securities	¥ 773,267	¥ 2,440,316	\$ 23,424
Loans receivable		73,752	708
Non-trading debt securities		37,013	355
Land and buildings	8,606		
Investments in and advances to affiliated companies		6,648	64
	¥ 781,873	¥ 2,557,729	\$ 24,551

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Assets in the above table were mainly pledged to financial institutions for loans payable and derivative transactions.

In addition, Nomura repledged ¥168,472 million and ¥193,652 million (\$1,859 million) of securities borrowed at March 31, 2003 and 2004 as collateral for bank loans and other loans.

10. Earnings per share:

The reconciliation of the amounts and the numbers used in the basic and diluted earnings per share (EPS) computations is as follows:

	Yen amounts in millions			Translation into
	except per share data presented in yen			millions of U.S. dollars
	Year ended March 31			except per share data presented in U.S. dollars
	2002	2003	2004	2004
Basic				
Income before cumulative effect of accounting change applicable to common stock	¥ 168,046	¥ 10,114	¥ 172,329	\$ 1,654
Cumulative effect of accounting change applicable to common stock		109,799		
Net income applicable to common stock	¥ 168,046	¥ 119,913	¥ 172,329	\$ 1,654
Weighted average number of shares outstanding (in thousands)	1,963,881	1,957,316	1,940,116	
Basic EPS:				
Income before cumulative effect of accounting change	¥ 85.57	¥ 5.17	¥ 88.82	\$ 0.85
Cumulative effect of accounting change		56.09		
Net income	¥ 85.57	¥ 61.26	¥ 88.82	\$ 0.85

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Diluted				
Income before cumulative effect of accounting change applicable to common stock on which diluted net income per share is calculated	¥ 168,324	¥ 10,114	¥ 172,329	\$ 1,654
Cumulative effect of accounting change applicable to common stock		109,799		
Net income applicable to common stock	¥ 168,324	¥ 119,913	¥ 172,329	\$ 1,654
Weighted average number of shares outstanding used in diluted EPS computations (in thousands)	1,972,903	1,957,316	1,940,239	
Diluted EPS:				
Income before cumulative effect of accounting change	¥ 85.32	¥ 5.17	¥ 88.82	\$ 0.85
Cumulative effect of accounting change		56.09		
Net income	¥ 85.32	¥ 61.26	¥ 88.82	\$ 0.85

F-35

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

There were warrants to purchase 1,041 thousand shares of common stock at March 31, 2002, and warrants and options to purchase 3,230, and 3,148 thousand common shares, at March 31, 2003 and 2004, respectively, which were not included in the computation of diluted EPS because their exercise prices were greater than the average market prices of the common shares for each fiscal year.

11. Employee benefit plans:

Nomura provides various severance indemnities and pension plans which cover certain employees world-wide. In addition, Nomura provides health care benefits to certain active and retired employees through its Nomura Securities Health Insurance Society (NSHIS). The following summarizes these plans:

Severance indemnities and pension plans

Employees of the Company and subsidiaries other than private equity investees in Japan (the Japanese entities) who terminate employment are usually entitled to lump-sum severance indemnities or pension payments. The unfunded retirement plans generally provide lump-sum severance indemnities for employees in the Japanese entities with at least two years of service calculated by a formula based upon position, years of service and reason of retirement according to company regulations. The amounts of lump-sum severance indemnities under the unfunded retirement plans are subject to certain deductions if the participants receive pension payments. Some Japanese entities also have non-contributory defined benefit pension plans which provide annuity payments subsequent to retirement or lump-sum payments at the time of retirement for employees who retire at or after the age of 53 with at least 20 years of service or for survivors according to company regulations. The annuity is payable commencing at the age of 60 and is guaranteed for 15 years or for life, whichever is longer. Lump-sum payments are also provided to employees with at least 20 years of service. The annuity or lump-sum payments are calculated using a formula based upon position, years of service and reason of retirement. Nomura's funding policy is to contribute annually the amount necessary to satisfy local funding standards.

In addition to the plans above, the Company and Nomura Securities Co., Ltd. adopted defined contribution pension plans in December 2001. Other Japanese entities started defined contribution pension plans in 2002 and 2003.

PFG entities operate a number of defined benefit and defined contribution plans throughout the world, which are financed according to local practice. The majority of PFG entities' defined benefit pension benefits are provided for its employees and former employees in the UK, Norway, Sweden and Germany. In addition, retirement indemnities are provided for employees in France. Pension benefits provided for other overseas participants are, in general, either government-provided or defined contribution.

Substantially all overseas subsidiaries, excluding PFG entities, have various local defined benefit plans or defined contribution pension plans covering certain employees.

Net Periodic Benefit Expense

The net pension and severance costs of the defined benefit plans for the years ended March 31, 2002, 2003 and 2004 include the following components. Nomura uses a measurement date of December 31 for its defined benefit plans.

F-36

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Japanese plans

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Service cost	¥ 7,109	¥ 7,270	¥ 8,064	\$ 77
Interest cost	4,255	4,241	3,944	38
Expected return on plan assets	(3,111)	(2,910)	(2,542)	(24)
Amortization of net transition assets	(424)	(424)	(417)	(4)
Amortization of net actuarial losses	3,044	3,722	5,375	52
Amortization of prior service cost	356	356	356	3
Net periodic pension and severance costs	¥ 11,229	¥ 12,255	¥ 14,780	\$ 142

PFG entities plans

	Millions of yen
	Year ended March 31
	2002
Service cost	¥ 2,163
Interest cost	7,293
Expected return on plan assets	(8,816)
Amortization of prior service cost	(55)
Net periodic pension costs	¥ 585
Curtailment/settlement gain	¥ (390)

Nomura also recognized net periodic costs of plans other than Japanese plans and PFG entities' plans, which are not significant.

The prior service cost is amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of 10% of the greater of the benefit obligation or the fair value of plan assets are amortized over the average remaining service period of active participants.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Benefit Obligations and Funded Status*

The following table presents a reconciliation of the changes in Japanese plans benefit obligation and fair value of plan assets for the years ended March 31, 2003 and 2004 and a summary of the funded status at March 31, 2003 and 2004.

	Millions of yen		Translation into millions of U.S. dollars
	As of or for the year ended March 31		
	2003	2004	2004
Change in projected benefit obligation:			
Benefit obligation at beginning of year	¥ 185,410	¥ 198,047	\$ 1,901
Service cost	7,270	8,064	77
Interest cost	4,241	3,944	38
Actuarial loss	9,842	8,763	84
Benefits paid	(8,780)	(9,210)	(88)
Other	64	(230)	(2)
Benefit obligation at end of year	198,047	209,378	2,010
Change in plan assets:			
Fair value of plan assets at beginning of year	111,080	96,979	931
Actual return on plan assets	(13,512)	19,413	186
Employer contributions	5,474	5,432	52
Benefits paid	(6,063)	(6,493)	(62)
Fair value of plan assets at end of year	96,979	115,331	1,107
Funded status	(101,068)	(94,047)	(903)
Unrecognized net assets at transition	(417)		
Unrecognized net actuarial loss	89,323	75,841	728
Unrecognized prior service cost	833	477	5
Net accrued pension liabilities	(11,329)	(17,729)	(170)
Intangible asset	(1,595)	(477)	(5)
Minimum pension liability adjustment	(68,168)	(54,414)	(522)
Accrued pension/severance cost recognized in the consolidated balance sheets	¥ (81,092)	¥ (72,620)	\$ (697)

Nomura also recognized accrued pension/severance costs for other plans amounting to ¥5,490 million at March 31, 2003 and ¥13,819 million (\$133 million) at March 31, 2004.

The accumulated benefit obligation for Japanese plans was ¥178,071 million and ¥187,951 million (\$1,804 million) as of March 31, 2003 and 2004, respectively.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Assumptions*

The following table presents the weighted-average assumptions used to determine Japanese plans benefit obligations at year end:

	March 31	
	2003	2004
Discount rate	2.0%	1.8%
Rate of increase in compensation levels	4.0%	4.0%

The following table presents the weighted-average assumptions used to determine Japanese plans net periodic benefit costs for the year:

	Year ended March 31		
	2002	2003	2004
Discount rate	2.4%	2.3%	2.0%
Rate of increase in compensation levels	4.1%	4.1%	4.0%
Expected long-term rate of return on plan assets	2.6%	2.6%	2.6%

The weighted-average discount rate, rate of increase in compensation levels, expected long-term rate of return on plan assets and pension increase used to determine PFG entities' plans net periodic benefit costs for the year ended March 31, 2002 were 6.0%, 4.4%, 5.7% and 2.5%, respectively.

Nomura uses the expected long-term rate of return on plan assets to compute the expected return on assets. Nomura's approach in determining the long-term rate of return on plan assets is primarily based on historical financial market relationships that have existed over time with the presumption that this trend will generally remain constant in the future.

Plan Assets

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The following table presents the composition of plan assets for Japanese plans by asset category:

	March 31	
	2003	2004
Equity securities	47.4%	57.6%
Debt securities	46.4%	37.1%
Other	6.2%	5.3%
Total	100.0%	100.0%

Nomura's investment policies are to protect plan assets while generating sufficiently stable real returns to help cover current and future benefit payment needs. Risk is controlled through diversification of asset types in domestic and overseas equity securities, debt securities and other. For Japanese plans, the target of strategic allocation is principally 53.5% equity securities, 38.5% debt securities and 8.0% other. The asset mix and when and how to rebalance the portfolio are reviewed periodically.

Cash Flows

Nomura expects to contribute approximately ¥5,358 million (\$51 million) to Japanese plans in the year ending March 31, 2005 based upon their current funded status and expected asset return assumptions. Certain Japanese entities' policy is to fund amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan participants.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Expected benefit payments associated with Japanese plans for the next five fiscal years and in aggregate for the five fiscal years thereafter are as follows:

<u>Year ending March 31</u>	<u>Millions of yen</u>	<u>Translation into millions of U.S. dollars</u>
2005	¥ 9,209	\$ 88
2006	7,269	70
2007	7,583	73
2008	8,165	78
2009	7,922	76
2010-2014	46,625	448

Defined Contribution Plans

Japanese entities contributed ¥176 million, ¥724 million and ¥733 million (\$7 million) to the defined contribution pension plans for the years ended March 31, 2002, 2003, and 2004, respectively.

The contributions to the overseas defined contribution pension plans other than PFG entities plans are ¥2,631 million ¥2,407 million and ¥2,223 million (\$21 million) for the years ended March 31, 2002, 2003 and 2004, respectively.

Japan Securities Dealers Employees Pension Fund (JSDE Fund)

Substantially all employees of the Japanese entities were covered under an industry-wide multi-employer non-contributory welfare pension plan, which is administered by the JSDE Fund in coordination with the contributory governmental welfare pension plan. Most of the Japanese entities withdrew from the JSDE Fund at the end of August 2001, and paid a special withdrawal charge of ¥18,892 million that was charged to income in the year ended March 31, 2002. The rest of the Japanese entities also withdrew from the JSDE Fund at the end of August 2003, and paid a special withdrawal charge of ¥2,825 million (\$27 million) that was charged to income in the year ended March 31, 2004.

Health care benefits

The Company and certain subsidiaries provide certain health care benefits to both active and retired employees through NSHIS and these benefits are currently funded and provided through NSHIS. The Company and certain subsidiaries sponsor certain health care benefits to retired employees (Special Plan) and these retirees are permitted to continue participation in the Special Plan on a pay-all basis, i.e., by requiring a retiree contribution based on the estimated per capita cost of coverage. The Special Plan is a multi-employer post-retirement plan because it is jointly administered by NSHIS and the national government, and the funded status of it is not computed separately. Therefore, although the Company and certain subsidiaries contribute some portion of cost of retiree health care benefits not covered through retiree contributions, the Company and certain subsidiaries do not provide any provision for the future cost. The net postretirement benefit costs, which are equivalent to the required contribution, amount to ¥4,111 million, ¥3,974 million and ¥4,569 million (\$44 million) for the years ended March 31, 2002, 2003 and 2004, respectively.

12. Stock-based compensation plans:

At March 31, 2004, the Company has three stock-based compensation plans (Stock Option Plans). The first commenced in August 2000, the second commenced in August 2002 and the third commenced in July 2003.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In August 2000, upon the issuance of unsecured bonds with detachable warrants, the Company purchased all of the detachable warrants and delivered 2,619 warrants for the acquisition of 1.1 million shares to directors, statutory auditors and certain employees as stock options. The warrants vested 6 months after the date of grant. In August 2002, the Company granted 2,227 stock acquisition rights as stock options for the acquisition of 2.2 million shares to directors, statutory auditors, and certain employees. The options vest two years after the date of grant. In July 2003, the Company granted 2,252 stock acquisition rights as stock options for the acquisition of 2.3 million shares to directors, executive officers, and certain employees. The options vest two years after the date of grant.

The activity related to these Stock Option Plans is set forth below:

	Options outstanding	Weighted average exercise price	Weighted average remaining life (years)
Outstanding at March 31, 2001	1,133,622	¥ 2,305	3.4
Granted			
Exercised	(2,603)	2,305	
Repurchased	(89,805)	2,305	
Forfeited			
Outstanding at March 31, 2002	1,041,214	2,305	2.4
Granted	2,227,000	1,807	
Exercised			
Repurchased	(37,744)	2,305	
Forfeited			
Outstanding at March 31, 2003	3,230,470	1,962	4.8
Granted	2,252,000	1,631	
Exercised			
Repurchased	(65,076)	2,305	
Forfeited	(27,000)	1,742	
Outstanding at March 31, 2004	5,390,394	1,820	4.8

At March 31, 2002, 2003, and 2004, options exercisable were 1,041,214, 1,003,470, and 938,394, respectively.

The following table details the distribution of stock options at March 31, 2004:

Exercise prices	Options outstanding			Options exercisable	
	Options outstanding	Weighted-average exercise	Weighted-average remaining contractual	Options exercisable	Weighted-average exercise

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			price		life (years)		price
¥1,500	1,999	4,452,000	¥	1,718	5.8		¥
¥2,000	2,499	938,394	¥	2,305	0.4	938,394	¥ 2,305
Total		5,390,394	¥	1,820	4.8	938,394	¥ 2,305

Total stock-based compensation expense included in net income for the year ended March 31, 2002, 2003 and 2004, were Nil, ¥349 million, and ¥928 million (\$9 million), respectively.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The fair value of options granted during the years ended March 31, 2003 and 2004 was ¥451 and ¥516 (\$5) per share, respectively, at the grant date. Fair value as of the date of grant was estimated using a Black-Scholes option-pricing model with the following assumptions:

	Year ended	
	March 31	
	2003	2004
Expected dividend yield	0.99%	0.97%
Expected volatility	43.72%	44.58%
Risk-free interest rate	0.73%	0.62%
Expected lives	7 years	7 years

Subsequent event

On May 21, 2004, the Company approved the issuance of stock acquisition rights effective June 4, 2004 in accordance with Articles 280-20 and 280-21 of the Commercial Code of Japan and a resolution passed at the annual general meeting of shareholders held on June 26, 2003. Total number of stock acquisition rights to be issued is 1,363 stock acquisition rights as stock options (shinkabu-yoyaku-ken) for the acquisition of 1.4 million shares. Each right will allow the holder to acquire 1,000 shares. The exercise price shall be ¥ 1 per share. The options vest two years after the date of grant.

The Company will issue additional stock acquisition rights as stock options (shinkabu-yoyaku-ken) as incentives for the directors, executive officers and employees of the Company and its subsidiaries to maintain high levels of performance and to recruit talented human resources. Issuance of stock acquisition rights as stock options (shinkabu-yoyaku-ken) without receipt of consideration in accordance with Articles 280-20 and 280-21 of the Commercial Code of Japan was approved at the annual meeting of shareholders held on June 25, 2004. Pursuant to the approval, the Company will introduce the following two additional types of stock option plans, the Stock Option A plan and the Stock Option B plan. According to the Stock Option A plan, the Company will grant up to 2,500 stock acquisition rights as stock options (shinkabu-yoyaku-ken) for the acquisition of 2.5 million shares. Each right will allow the holder to acquire 1,000 shares. The exercise price will be the amount that is equal to 1.05 times the higher of either the average of the daily closing prices of the common stock of the Company in regular trading at the Tokyo Stock Exchange during the calendar month immediately prior to the month including the issue date of the stock acquisition rights, or the closing price on the issue date. According to the Stock Option B plan, the Company will grant up to 2,500 stock acquisition rights as stock options (shinkabu-yoyaku-ken) for the acquisition of 2.5 million shares. Each right will allow the holder to acquire 1,000 shares. The exercise price shall be ¥ 1 per share.

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Income taxes:

The components of income tax expense reflected in the consolidated income statements are as follows:

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Current:				
Domestic	¥ 36,539	¥ 21,570	¥ 107,989	\$ 1,037
Foreign	25,359	3,949	445	4
	<u>61,898</u>	<u>25,519</u>	<u>108,434</u>	<u>1,041</u>
Deferred:				
Domestic	(72,650)	22,367	10,222	98
Foreign	15,678	(10,591)	(8,309)	(80)
	<u>(56,972)</u>	<u>11,776</u>	<u>1,913</u>	<u>18</u>
Total	<u>¥ 4,926</u>	<u>¥ 37,295</u>	<u>¥ 110,347</u>	<u>\$ 1,059</u>

The Company and subsidiaries in Japan were subject to a normal effective statutory tax rate of approximately 42% for the year ended March 31, 2002.

From the year ended March 31, 2003, the Company and its wholly-owned domestic subsidiaries adopted the consolidated tax return system. In addition to the basic corporate tax rate, a 2% surtax was imposed until the year ended March 31, 2004. As a result, the normal effective statutory tax rate of the Company and subsidiaries in Japan was approximately 44% for the years ended March 31, 2003 and 2004.

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New Japanese tax legislation was issued in March 2003, reducing the standard enterprise tax rate and creating new taxes on capital and certain expenses defined in the law, which became effective on April 1, 2004 for the Company and its domestic subsidiaries. When this legislation was first released, it was expected that the domestic effective statutory tax rate effective on April 1, 2004 would be approximately 40%; however, as the determination of tax rates were finalized, the actual effective tax rate became 41% as of March 31, 2004. The changes in the future effective tax rate decreased existing deferred tax assets, resulting in increasing *Income tax expense Deferred* by ¥7,935 million for the year ended March 31, 2003, and increased existing deferred tax assets, resulting in decreasing *Income tax expense Deferred* by ¥1,435 million (\$14 million) for the year ended March 31, 2004.

Foreign subsidiaries are subject to income taxes of the countries in which they operate. The relationship between income tax expense and pretax accounting income is affected by a number of items, including various tax credits, certain expenses not allowable for income tax purposes and different tax rates applicable to foreign subsidiaries.

F-43

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation of the effective income tax rate reflected in the consolidated income statements to the normal effective statutory tax rate is as follows:

	Year ended March 31		
	2002	2003	2004
Normal effective statutory tax rate	42.0%	44.0%	44.0%
Impact of:			
Change in deferred tax valuation allowance	19.5	12.4	2.1
Non-deductible expenses	1.9	6.6	1.3
Dividends from subsidiaries	1.3	2.1	0.5
Amortization of negative goodwill	(3.2)		
Contribution of PFG entities	(25.4)		
Non-taxable revenue	(2.4)	(6.0)	(1.1)
Loss on sale/impairment of investments in subsidiaries and affiliates	(18.2)		
Tax effect of undistributed earnings of foreign subsidiaries	(0.4)	(7.6)	(3.4)
Different tax rate applicable to income (loss) of foreign subsidiaries	(14.0)	10.3	(1.6)
Effect of revision of future statutory tax rates		15.5	(0.9)
Others	1.7	1.4	(1.9)
Effective tax rate	2.8%	78.7%	39.0%

The net deferred tax assets of ¥112,313 million and ¥105,901 million (\$1,017 million) included in the consolidated balance sheets at March 31, 2003 and 2004, respectively, represent tax effects of the total of the temporary differences and tax loss carryforwards in components of those tax jurisdictions with net deductible amounts in future years. The net deferred tax liabilities of ¥4,367 million and ¥13 million (\$0.1 million) included in *Other liabilities* *Other* in the consolidated balance sheets at March 31, 2003 and 2004, respectively, represent the total of the temporary differences in components of those tax jurisdictions with net taxable amounts in future years.

Details of deferred tax assets and liabilities at March 31, 2003 and 2004 are as follows:

Millions of yen	Translation into millions of U.S. dollars
-----------------	---

	March 31		
	2003	2004	2004
Deferred tax assets			
Depreciation, amortization and valuation of fixed assets	¥ 17,795	¥ 16,842	\$ 162
Valuation of financial instruments	80,505	87,570	841
Accrued pension and severance costs	38,267	45,784	439
Other accrued expenses and provisions	34,294	32,916	316
Operating losses	131,504	123,313	1,184
Others	9,652	5,592	54
	<u>312,017</u>	<u>312,017</u>	<u>2,996</u>
Less Valuation allowance	(127,747)	(120,798)	(1,160)
	<u>184,270</u>	<u>191,219</u>	<u>1,836</u>
Deferred tax liabilities			
Valuation of financial instruments	56,914	83,206	799
Undistributed earnings of foreign subsidiaries	12,982	1	0
Others	6,428	2,124	20
	<u>76,324</u>	<u>85,331</u>	<u>819</u>
Total deferred tax assets	<u>184,270</u>	<u>191,219</u>	<u>1,836</u>
Total deferred tax liabilities	<u>76,324</u>	<u>85,331</u>	<u>819</u>
Net deferred tax assets	<u>¥ 107,946</u>	<u>¥ 105,888</u>	<u>\$ 1,017</u>

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The valuation allowance mainly relates to deferred tax assets of the consolidated subsidiaries with operating loss carryforwards for tax purposes. Based on the cumulative and continuing losses of these subsidiaries, management of the Company believes that it is more likely than not that the related deferred tax assets will not be realized. Changes in the valuation allowance for deferred tax assets for the years ended March 31, 2002, 2003 and 2004 are shown below:

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Balance at beginning of year	¥ 176,837	¥ 129,153	¥ 127,747	\$ 1,226
Net change during the year	(47,684)	(1,406)	(6,949)	(66)
Balance at end of year	¥ 129,153	¥ 127,747	¥ 120,798	\$ 1,160

At March 31, 2004, no deferred income taxes have been provided on undistributed earnings of foreign subsidiaries not expected to be remitted in the foreseeable future totaling ¥125,593 million (\$1,206 million). It is not practicable to determine the amount of income taxes payable in the event all such foreign earnings are repatriated.

In the year ended March 31, 2004, the Company determined that it would not repatriate undistributed earnings of its three regional holding companies within the foreseeable future. As a result, ¥ 8,496 million (\$82 million) of previously provided deferred tax liabilities have been reversed. This decreased the effective tax rate for the year ended March 31, 2004 by approximately 3%.

At March 31, 2004, Nomura has net operating loss carryforwards, for income tax purposes, of ¥390,739 million (\$3,751 million) resulting from operations primarily in Japan and the U.S. These losses, except for ¥68,631 million (\$659 million), which can be carried forward indefinitely, expire as follows: 2005 through 2011 ¥119,949 million (\$1,151 million), 2012 and thereafter ¥202,159 million (\$1,940 million). Nomura believes that it is more likely than not that these loss carryforwards, less valuation allowance, will be realized.

14. Common stock, legal reserve and retained earnings:

The balance of retained earnings at March 31, 2003 and 2004 includes statutory legal reserves required under the Japanese Commercial Code and Japanese Securities and Exchange Law that restricts the payments of dividends under the Commercial Code to shareholders. At March 31, 2004, ¥942,177 million (\$9,044 million) of statutory retained earnings of the Company is not subject to this restriction, which was based on the amount recorded in the Company's statutory books of account maintained in accordance with accounting principles and practices prevailing in Japan. The U.S. GAAP adjustments incorporated in the accompanying consolidated financial statements but not recorded in the statutory books of account have no effect on the determination of retained earnings restricted for dividends under the Commercial Code.

Retained earnings include Nomura's equity in undistributed earnings of affiliated companies accounted for by the equity method in the amount of ¥10,082 million (\$97 million) at March 31, 2004.

Dividends on common stock per share were ¥15.0 (\$0.14) for the years ended March 31, 2002, 2003, and 2004, respectively.

The shareholders of the Company approved a stock repurchase program in accordance with Article 210 of the Commercial Code of Japan on June 26, 2002, as follows: (a) total number of shares authorized for repurchase

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

is up to 100 million shares, (b) total value of shares authorized for repurchase is up to ¥250 billion, (c) the Company is authorized to repurchase its stock by the closing of the annual meeting of shareholders for the fiscal year ended March 31, 2003.

Under this repurchase program, the Company repurchased 25 million shares of common stock at a cost of ¥32,914 million (\$316 million). In addition, common stock held in treasury includes shares acquired from investors holding shares less than one standard trading unit. Common stock held in treasury also includes 755 thousand shares, or ¥1,532 million (\$15 million), held by affiliated companies at March 31, 2004.

The shareholders of the Company approved a stock repurchase program in accordance with Article 210 of the Commercial Code of Japan on June 26, 2003, as follows: (a) total number of shares authorized for repurchase is up to 100 million shares, (b) total value of shares authorized for repurchase is up to ¥150 billion, (c) the Company is authorized to repurchase its stock by the closing of the annual meeting of shareholders for the fiscal year ending March 31, 2004. As of March 31, 2004, the Company has made no share repurchases under this program.

In September, 2003, the Company sold 4,650 thousand shares of treasury shares at a value of ¥7,967 million (\$76 million) by a secondary offering, and also, the Company sold treasury shares by adding-to-holdings requests from investors holding shares less than one standard trading unit.

The appropriation of retained earnings with respect to the year ended March 31, 2004, which has been incorporated in the accompanying consolidated financial statements, was approved at the meeting of the board of directors held on May 18, 2004, and recorded in the statutory books of account in accordance with the Commercial Code afterward, and reported to shareholders at the annual meeting of shareholders held on June 25, 2004.

15. Regulatory requirements:

Under the Securities and Exchange Law, securities companies in Japan are subject to the capital adequacy rules of the Financial Services Agency. This rule requires the maintenance of a capital adequacy ratio, which is defined as the ratio of adjusted capital to a quantified total of business risk, of not less than 120%. Adjusted capital is defined as net worth (which includes shareholders' equity, net unrealized gains and losses on securities held, reserves and subordinated debts) less illiquid assets. The business risks are divided into three categories, (1) market risks, (2) counterparty risks, and (3) basic risks. Under this rule, there are no restrictions on the operations of the companies provided that the resulting net capital adequacy ratio exceeds 120%. At March 31, 2003 and 2004, the capital adequacy ratio of Nomura Securities Co., Ltd. exceeded 120%.

A securities company in Japan is required to segregate cash deposited by customers on securities transactions under the Japanese Securities and Exchange Law. At March 31, 2003 and 2004, Nomura Securities Co., Ltd. segregated bonds with a market value of ¥163,544 million and ¥

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187,507 million (\$1,800 million) and equities with a market value of ¥55,298 million and ¥101,824 million (\$977 million), respectively, which were either included in *Securities inventory* on the accompanying consolidated balance sheet or borrowed under lending and borrowing securities contracts, as a substitute for cash.

A subsidiary in the United States is registered as a broker-dealer under the Securities Exchange Act of 1934 and as a futures commissions merchant with the Commodity Futures Trading Commission. The subsidiary is subject to the Securities and Exchange Commission's Uniform Net Capital Rule, which requires net capital, as defined under the alternative method, of not less than the greater of \$1,000,000 or 2% of aggregate debit items arising from customer transactions. The subsidiary is also subject to CFTC Regulation 1.17 which requires the

F-46

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

maintenance of net capital of 4% of funds required to be segregated in accordance with Section 4d(2) of the Commodity Exchange Act or \$250,000, whichever is greater. The subsidiary is required to maintain net capital in accordance with the SEC, CFTC, or various other exchange requirements, whichever is greater. At March 31, 2003 and 2004, the subsidiary was in compliance with all applicable regulatory capital adequacy requirements.

A subsidiary in the United Kingdom, a registered securities and futures firm, is subject to the capital requirements of The Financial Services Authority of the United Kingdom. Certain other subsidiaries, including a banking subsidiary, are subject to various regulatory requirements that may limit cash dividends and advances to Nomura and that establish minimum capital requirements. At March 31, 2003 and 2004, these subsidiaries were in compliance with all applicable regulatory capital adequacy requirements.

16. Investments in and transactions with affiliated companies:

Entities comprising a material portion of Nomura's investments in affiliated companies or having a material impact on Nomura's financial condition and results of operations include JAFCO Co., Ltd., Nomura Research Institute, Ltd. and Nomura Land and Building Co., Ltd.

JAFCO Co., Ltd. (JAFCO)

JAFCO, which is a listed company in Japan, manages various venture capital funds and provides private equity-related investment services to portfolio companies. Nomura held 21.1% of the outstanding share capital at March 31, 2001 and has applied the equity method of accounting for the investment in JAFCO in the consolidated financial statements. During the year ended March 31, 2002, the Company acquired an additional 0.6% equity interest in JAFCO for a cash consideration of ¥2,122 million at quoted market prices. The unamortized balance of excess of the cost of the investments in affiliated company over JAFCO's equity in the net assets at the dates of acquisition amounted to ¥36,356 million at March 31, 2002, and was being amortized over a 10 year period. During the year ended March 31, 2003, the Company acquired an additional 3.6% equity interest in JAFCO from Nomura Land and Building Co., Ltd. The unamortized balance of equity method goodwill arising from JAFCO was ¥22,186 million (\$213 million) at March 31, 2004.

The valuation of Nomura's investment in JAFCO declined significantly because the Japanese and global capital markets slowed, limiting opportunities for financing activities and raising equity capital through initial public offerings. Nomura recorded impairment losses of ¥92,441 million and ¥21,165 million related to the write-down of its investment in JAFCO for the years ended March 31, 2002 and 2003, respectively, because these losses in value of the investment were other than temporary decline. The losses were included in *Non-interest expenses Other* on the accompanying consolidated income statements.

Nomura Research Institute, Ltd. (NRI)

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NRI develops and manages computer systems and provides investigation/research services and management consulting services. One of the major customers of NRI is Nomura. Nomura has held 25.2% of the outstanding share capital since March 31, 2000 and applies the equity method of accounting for the investment in NRI in the consolidated financial statements.

NRI was listed on the First Section of the Tokyo Stock Exchange on December 17, 2001 and completed an initial public offering and issued 2 million shares of common stock to third parties at a price of ¥11,000 per share. Nomura recognized a pretax gain of ¥3,504 million, due to the offering price exceeding Nomura's carrying value per share, for the year ended March 31, 2002. As a result of this issuance, Nomura's equity interest in NRI

F-47

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

declined from 25.2% to 24.1%. The unamortized balance of excess of the cost of the investments in affiliated company over NRI's equity in the net assets at the dates of acquisition amounted to ¥10,284 million at March 31, 2002, and was being amortized over a 10 year period.

During the year ended March 31, 2003, the Company acquired an additional 1.0% equity interest in NRI from Nomura Land and Building Co., Ltd. The unamortized balance of equity method goodwill arising from NRI was ¥13,059 million (\$125 million) at March 31, 2004.

Subsequent events

On May 18, 2004, the Company acquired an additional 17.2% equity interest in NRI for ¥81,214 million (\$780 million) at quoted market price from Nomura Land and Building Co., Ltd. through Nomura Realty Capital Management Co., Ltd. (NRCM), a wholly-owned subsidiary of the Company.

Nomura Land and Building Co., Ltd. (NLB)

NLB owns a substantial portion of Nomura's leased office space in Japan. The lease transactions with Nomura are disclosed in Note 17. Nomura has held 24.9% of NLB's outstanding share capital since March 31, 2000 and applies the equity method of accounting for the investment in NLB in the consolidated financial statements. During the year ended March 31, 2003, the Company acquired an additional 4.4% equity interest in NLB from a financial institution for cash consideration of ¥102 million. The excess of the cost of the investments in NLB over Nomura's equity in NLB's net assets is immaterial.

Subsequent events

On May 18, 2004, NRCM entered into an agreement with NLB to acquire certain assets and assume certain liabilities of NLB in exchange for cash. The transaction is scheduled to close on August 1, 2004.

A summary of balances and transactions with these affiliated companies, except for the lease transactions with NLB, which are disclosed in Note 17, is presented below:

Millions of yen **Translation**

	March 31			into millions of U.S. dollars
	2003	2004	2004	
Investments in affiliated companies	¥ 124,464	¥ 135,168	\$ 1,297	
Advances to affiliated companies	99,506	72,500	696	

	Year ended March 31			Translation into millions of U.S. dollars
	2002	2003	2004	2004
Revenues	¥ 8,214	¥ 3,592	¥ 2,443	\$ 23
Non-interest expenses	24,995	27,242	34,734	333
Purchase of software and tangible assets	26,013	27,946	25,389	244

Advances to affiliated companies consist mainly of loans to NLB, which amount to ¥99,500 million and ¥72,500 million (\$696 million), at March 31, 2003 and 2004, respectively. The interest rates of the long-term loans vary from 1.00% to 1.63% per annum, and the repayment dates will be between 2005 and 2007.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The aggregate carrying amount and market value of investments in affiliates for which a quoted market price is available are as follows:

	Millions of yen		U.S. dollars
	March 31		
	2003	2004	2004
Carrying amount	¥ 112,410	¥ 122,082	\$ 1,172
Market value	129,111	269,792	2,590

Equity in earnings (losses) of the above mentioned and other affiliates amounted to (¥6,012) million, (¥3,013) million and ¥9,479 million (\$91 million) for the years ended March 31, 2002, 2003, and 2004, respectively. Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2002, 2003, and 2004 were ¥391 million, ¥504 million and ¥790 million (\$8 million), respectively.

17. Commitments, contingencies and guarantees:**Credit and investment commitments**

In the normal course of its subsidiaries' banking/financing activities, Nomura enters into contractual commitments to extend credit, which generally have a fixed expiration date. In connection with its investment banking activities, Nomura has entered into agreements with customers under which Nomura has committed to underwrite notes that may be issued by the customers. The outstanding commitments under these agreements are included in Commitments to extend credit.

Nomura has commitments to invest in various partnerships, primarily in connection with its merchant banking activities and also have commitments to provide financing for investments related to these partnerships. The outstanding commitments under these agreements are included in Commitments in connection with merchant banking activities.

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Contractual amounts of these commitments at March 31, 2003 and 2004 were as follows:

	Millions of yen		Translation into millions of U.S. dollars
	2003	2004	2004
	March 31		
Commitments to extend credit	¥ 188,959	¥ 102,508	\$ 984
Commitments in connection with merchant banking activities	58,385	57,581	553

At March 31, 2004, these commitments had the following expirations:

	Millions of yen				
	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	¥ 102,508	¥ 30,019	¥ 54,550	¥	¥ 17,939
Commitments in connection with merchant banking activities	57,581	298	22,204	13,159	21,920

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Translation into millions of U.S. dollars				
	Total contractual amount	Years to Maturity			
		Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Commitments to extend credit	\$ 984	\$ 288	\$ 524	\$	\$ 172
Commitments in connection with merchant banking activities	553	3	213	126	211

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

Other commitments

Nomura has commitments to enter into resale and repurchase agreements of ¥1,957 billion and ¥3,514 billion at March 31, 2003 and ¥2,527 billion (\$ 24 billion) and ¥3,538 billion (\$34 billion) at March 31, 2004, respectively.

Leases*Leases as lessee*

Nomura leases its office space and certain employees' residential facilities in Japan under cancelable lease agreements which are customarily renewed upon expiration. Nomura also leases certain equipment and facilities under noncancelable lease agreements. Rental expenses for the years ended March 31, 2002, 2003 and 2004 were ¥41,379 million, ¥40,678 million and ¥38,476 million (\$369 million), respectively. A substantial portion of such rentals was paid to NLB, an affiliated company. Also, see Note 16, Investments in and transactions with affiliated companies for subsequent events.

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Lease deposits and rent paid to NLB were as follows:

	Millions of yen			Translation into millions of U.S. dollars
	March 31			
	2002	2003	2004	2004
Lease deposits	¥ 55,744	¥ 52,448	¥ 49,408	\$ 474
Rent paid during the year	24,556	22,203	21,429	206

F-50

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Presented below is a schedule of minimum future rentals under operating leases with remaining terms exceeding one year as of March 31, 2004:

Year ending March 31	Millions of yen	Translation into millions of U.S. dollars
	March 31, 2004	
2005	¥ 5,963	\$ 57
2006	4,895	47
2007	4,290	41
2008	3,904	38
2009	3,498	34
2010 and thereafter	10,446	100
Total minimum lease payments	32,996	317
Sub lease income	2,139	21
Net minimum lease payments	¥ 30,857	\$ 296

Certain leases contain renewal options or escalation clauses providing for increased rental payments based upon maintenance, utility, and tax increases.

Guarantees

In November 2002, the FASB issued FIN No. 45. FIN No. 45 specifies the disclosures to be made in regards to obligations under certain issued guarantees and requires a liability to be recognized for the fair value of a guarantee obligation. The recognition and measurement provisions of the interpretation apply prospectively to guarantees issued or amended after December 31, 2002. The disclosure provisions were effective with Nomura's year ended March 31, 2003.

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Nomura enters into, in the normal course of its subsidiaries' banking/financing activities, various guarantee arrangements with counterparties in the form of standby letters of credit and other guarantees, which generally have a fixed expiration date.

In addition, Nomura enters into certain derivative contracts that meet the FIN No. 45 definition of guarantees. FIN No. 45 defines guarantees to include derivative contracts that contingently require a guarantor to make payment to a guaranteed party based on changes in an underlying that relate to an asset, liability or equity security of a guaranteed party. These derivative contracts include certain written options and credit default swaps. Because Nomura does not track whether its clients enter into these derivative contracts for speculative or hedging purposes, Nomura has disclosed information about derivative contracts that could meet the FIN No. 45 definition of guarantees.

For information about the maximum potential amount of future payments that Nomura could be required to make under certain derivatives, the notional amount of contracts has been disclosed. However, the maximum potential payout for certain derivative contracts, such as written interest rate caps and written currency options, cannot be estimated, as increases in interest or foreign exchange rates in the future could be theoretically unlimited.

Nomura records all derivative contracts at fair value on its consolidated balance sheets. Nomura does not monitor its risk exposure to such derivative contracts based on notional amounts, rather Nomura manages its risk exposure on a fair value basis. Overall risk limits have been established and the extent of risk exposure is routinely monitored against these limits. Nomura believes the notional amounts generally overstate its risk exposure.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table sets forth information about Nomura's derivative contracts that could meet the definition of a guarantee and certain other guarantees as of March 31, 2003 and 2004:

	Millions of yen				Translation into millions of U.S. dollars	
	March 31					
	2003		2004			
Carrying value	Maximum Potential Payout/Notional Total	Carrying value	Maximum Potential Payout/Notional Total	Carrying value	Maximum Potential Payout/Notional Total	
Derivative contracts	¥ 193,140	¥ 6,898,950	¥ 320,887	¥ 10,962,532	\$ 3,080	\$ 105,227
Standby letters of credit and other guarantees	11	49,449	75	29,424	0	282

The following table sets forth expiration information about Nomura's derivative contracts that could meet the definition of a guarantee and certain other guarantees as of March 31, 2004:

	Millions of yen					
	Maximum Potential Payout/Notional					
	Carrying value	Total	Years to Maturity			More than 5 years
Less than 1 year			1 to 3 years	3 to 5 years		
Derivative contracts	¥ 320,887	¥ 10,962,532	¥ 4,140,452	¥ 2,367,666	¥ 1,776,000	¥ 2,678,414
Standby letters of credit and other guarantees ⁽¹⁾	75	29,424	26,492	407	424	2,101

(1) There was no collateral held in connection with standby letters of credit and other guarantees as of March 31, 2004.

Translation into million of U.S. dollars

	Maximum Potential Payout/Notional					
	Carrying value	Total	Years to Maturity			
			Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Derivative contracts	\$ 3,080	\$ 105,227	\$ 39,743	\$ 22,727	\$ 17,047	\$ 25,710
Standby letters of credit and other guarantees	0	282	254	4	4	20

Litigation

In the normal course of its business, Nomura is involved in lawsuits and other legal proceedings and, as a result of such activities, is subject to ongoing legal risk. The management of Nomura believes that the ultimate resolution of such litigation will not be material to the financial statements.

Table of Contents

NOMURA HOLDINGS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Segment information:

Operating segments

Nomura reports its results in three distinct core segments: Domestic Retail, Global Wholesale, and Asset Management. Nomura structures its business segments based upon the nature of specific products and services, its main customer base and its management structure.

The accounting policies for segment information materially follow U.S. GAAP, except as described below:

The impact of unrealized gains/losses on long-term investments in equity securities held for relationship purposes, which under U.S. GAAP is included in net income, is excluded from segment information.

Investments in the PFG entities (through March 27, 2002) and the NPF investments are treated as private equity positions for management reporting purposes, as management views these entities not as operating subsidiaries but as investments held for ultimate sale and the realization of capital gains. Any changes in management's estimate of fair value of these investments are included in the non-interest revenue line under Global Wholesale. For the PFG entities through March 27, 2002 and for substantially all of the NPF investments through the years ended March 31, 2003 and 2004, these investments were not carried at fair value, but were accounted for either as equity method investees or as consolidated subsidiaries under U.S. GAAP. The impact of consolidating these investments, and the impact of deconsolidating the PFG entities on March 27, 2002, including the elimination impact under U.S. GAAP, is excluded from the segment information and described in the reconciliation table.

Revenues and expenses directly associated with each business segment are included in determining their operating results. Revenues and expenses that are not directly attributable to a particular segment are allocated to each business segment or included in "Other" based upon Nomura's allocation methodologies as used by management to assess each segment's performance.

Nomura introduced certain methodologies to allocate Headquarters expenses to the three business segments effective April 1, 2002. Several global Headquarters accounts were created and Nomura allocated expenses from these accounts to business segments according to benefits received by each business segment. This allocation of Headquarters expenses was made to improve segment reporting and includes items not previously allocated. Had Nomura not applied the current allocation methodologies for the year ended March 31, 2003, income before income taxes for Domestic Retail, Global Wholesale and Asset Management would have been ¥42,758 million, ¥99,734 million and ¥3,883 million, respectively.

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Business segments results for the years ended March 31, 2002, 2003 and 2004 are shown in the following table. Net interest revenue is disclosed because management views interest revenue net of interest expense for its operating decisions. Business segments information on total assets is not disclosed because management does not utilize such information for its operating decisions and therefore, it is not reported to management.

	Millions of yen				Total
	Domestic Retail	Global Wholesale	Asset Management	Other (Inc. elimination)	
Year ended March 31, 2002					
Non-interest revenue	¥ 226,156	¥ 385,430	¥ 46,840	¥ 11,171	¥ 669,597
Net interest revenue	2,949	54,505	367	14,422	72,243
Net revenue	229,105	439,935	47,207	25,593	741,840
Non-interest expenses	208,621	248,657	37,031	168,990	663,299
Income (loss) before income taxes	¥ 20,484	¥ 191,278	¥ 10,176	¥ (143,397)	¥ 78,541
Year ended March 31, 2003					
Non-interest revenue	¥ 246,938	¥ 196,675	¥ 34,828	¥ (2,966)	¥ 475,475
Net interest revenue	2,313	101,794	2,232	20,939	127,278
Net revenue	249,251	298,469	37,060	17,973	602,753
Non-interest expenses	213,562	207,436	33,866	58,678	513,542
Income (loss) before income taxes	¥ 35,689	¥ 91,033	¥ 3,194	¥ (40,705)	¥ 89,211
Year ended March 31, 2004					
Non-interest revenue	¥ 304,035	¥ 290,845	¥ 34,300	¥ (83)	¥ 629,097
Net interest revenue	1,722	74,891	1,657	22,156	100,426
Net revenue	305,757	365,736	35,957	22,073	729,523
Non-interest expenses	226,213	227,227	37,004	13,574	504,018
Income (loss) before income taxes	¥ 79,544	¥ 138,509	¥ (1,047)	¥ 8,499	¥ 225,505

Translation into millions of U.S. dollars

Year ended March 31, 2004					
Non-interest revenue	\$ 2,919	\$ 2,792	\$ 329	\$ (1)	\$ 6,039

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Net interest revenue	16	719	16	213	964
Net revenue	2,935	3,511	345	212	7,003
Non-interest expenses	2,171	2,182	355	130	4,838
Income (loss) before income taxes	\$ 764	\$ 1,329	\$ (10)	\$ 82	\$ 2,165

Transactions between operating segments are recorded within segment results on commercial terms and conditions and are eliminated in the Other column.

F-54

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents the major components of income/(loss) before income taxes in Other.

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Gain/(loss) on undesignated hedging instruments included in Net gain on trading	¥ 31,435	¥ 2,065	¥ (12,544)	\$ (120)
Gain/(loss) on investment securities	218	(561)	1,590	15
Equity in (losses)/earnings of affiliates	(9,551)	(3,842)	8,514	82
Amortization of negative goodwill	13,316			
Corporate items	(41,730)	(9,356)	(10,666)	(102)
Impairment loss on investment in an affiliated company	(92,441)	(21,165)		
Impairment loss on long-lived assets	(5,321)	(305)	(66)	(1)
Multi-employer pension plan	(18,720)			
Gain from changes in equity of an affiliated company	3,504			
Others	(24,107)	(7,541)	21,671	208
Total	¥ (143,397)	¥ (40,705)	¥ 8,499	\$ 82

The table below presents reconciliation of the combined business segments results included in the preceding table to Nomura's reported net revenue and income before income taxes and cumulative effect of accounting change in the consolidated income statements.

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004

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	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
Net revenue	¥ 741,840	¥ 602,753	¥ 729,523	\$ 7,003
Unrealized (loss)/gain on investments in equity securities held for relationship purpose	(60,177)	(43,017)	54,729	525
Effect of consolidation/deconsolidation of private equity investee companies	639,688	6,538	18,851	181
Consolidated net revenue	¥ 1,321,351	¥ 566,274	¥ 803,103	\$ 7,709
Income before income taxes	¥ 78,541	¥ 89,211	¥ 225,505	\$ 2,165
Unrealized (loss)/gain on investments in equity securities held for relationship purpose	(60,177)	(43,017)	54,729	525
Effect of consolidation/deconsolidation of private equity investee companies	154,608	1,215	2,442	23
Consolidated income before income taxes and cumulative effect of accounting change	¥ 172,972	¥ 47,409	¥ 282,676	\$ 2,713

F-55

Table of Contents**NOMURA HOLDINGS, INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Geographic Information**

In general, Nomura's identifiable assets, revenues and expenses are allocated based on the country of domicile of the legal entity providing the service. However, because of the integration of the global capital markets and the corresponding globalization of Nomura's activities and services, it is not always possible to make a precise separation by location. As a result, various assumptions, which are consistent among years, have been made in presenting the following geographic data.

The table below presents a geographic allocation of net revenue and income (loss) before income taxes and cumulative effect of accounting change from operations by geographic areas, and long-lived assets associated with Nomura's operations. Net revenue in Americas and Europe substantially represents Nomura's operations in the United States and the United Kingdom, respectively.

	Millions of yen			Translation into millions of U.S. dollars
	Year ended March 31			
	2002	2003	2004	2004
Net revenue:				
Americas	¥ 20,772	¥ 58,019	¥ 56,514	\$ 543
Europe	845,775	47,872	57,751	554
Asia and Oceania	10,629	8,902	14,814	142
Sub-total	877,176	114,793	129,079	1,239
Japan	444,175	451,481	674,024	6,470
Consolidated	¥ 1,321,351	¥ 566,274	¥ 803,103	\$ 7,709
Income (loss) before income taxes and cumulative effect of accounting change:				
Americas	¥ (40,156)	¥ 14,851	¥ 1,015	\$ 10
Europe	225,002	(34,314)	(13,162)	(126)
Asia and Oceania	(9,906)	(10,026)	(5,809)	(56)
Sub-total	174,940	(29,489)	(17,956)	(172)
Japan	(1,968)	76,898	300,632	2,885

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Consolidated	¥ 172,972	¥ 47,409	¥ 282,676	\$ 2,713
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	March 31			
	2002	2003	2004	2004
Long-lived assets:				
Americas	¥ 10,898	¥ 9,938	¥ 5,493	\$ 53
Europe	36,926	38,451	41,042	394
Asia and Oceania	1,499	1,630	2,197	21
Sub-total	49,323	50,019	48,732	468
Japan	127,120	145,134	156,951	1,506
Consolidated	¥ 176,443	¥ 195,153	¥ 205,683	\$ 1,974

There is no revenue greater than 10% of total revenue derived from transactions with a single external customer for the years ended March 31, 2002, 2003 and 2004.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

NOMURA HOLDINGS, INC.

By: /s/ NOBUYUKI KOGA

Name: Nobuyuki Koga

Title: President and Chief Executive Officer

Date: June 25, 2004

Table of Contents**INDEX OF EXHIBITS**

Exhibit Number	Description
1.1	Articles of Incorporation of the registrant (English translation)
1.2	Share Handling Regulations of the registrant (English translation)
1.3	Regulations of the Board of Directors of the registrant (English translation)
1.4	Regulations of the Nomination Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003)
1.5	Regulations of the Audit Committee (English translation)
1.6	Regulations of the Compensation Committee (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003)
2.1	Specimen common stock certificates of the registrant (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003)
2.2	Form of Deposit Agreement among the registrant, The Bank of New York as Depositary and all owners and holders from time to time of American Depositary Receipts, including the form of American Depositary Receipt (incorporated by reference to the Registration Statement on Form F-6 (File No. 333-14178) filed on December 10, 2001)
4.1	Liabilities Limitation Agreement (English translation) (incorporated by reference to the Annual Report on Form 20-F (File No. 1-15270) filed on June 27, 2003) (*)
8.1	Subsidiaries of the registrant
11.1	Code of Ethics
12.1	Certification of the principal executive officer required by 17 C.F.R. 240.13a-14(a)
12.2	Certification of the principal financial officer required by 17 C.F.R. 240.13a-14(a)
13.1	Certification of the chief executive officer required by 18 U.S.C. Section 1350
13.2	Certification of the chief financial officer required by 18 U.S.C. Section 1350

(*) Nomura and each of Masaharu Shibata, Hideaki Kubori, Haruo Tsuji and Koji Tajika entered into a Liabilities Limitation Agreement, dated June 26, 2003, in the form of this exhibit.