NOMURA HOLDINGS INC
Form 6-K
December 21, 2012
Table of Contents

FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of December 2012

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F x Form 40-F ¨

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

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

Table of Contents

Incorporation by Reference

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

Information furnished on this form:

EXHIBITS

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

Table of Contents

SIGNATURES

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

NOMURA HOLDINGS, INC.

Date: December 21, 2012

By: /s/ Eiji Miura
Eiji Miura
Senior Managing Director

Table of Contents

Exhibit 1

NOMURA HOLDINGS, INC.

INTERIM OPERATING AND FINANCIAL REVIEW

TABLE OF CONTENTS

Presentation of Financial and Other Information	1
Recent Developments	2
Risk Factors	3
Operating and Financial Review and Prospects	5
Interim Consolidated Financial Statements (UNAUDITED)	
Consolidated Balance Sheets as of March 31, 2012 and September 30, 2012	F-2
Consolidated Statements of Income for the Six Months and Three Months Ended September 30, 2011 and 2012	F-5
Consolidated Statements of Comprehensive Income for the Six Months and Three Months Ended September 30, 2011 and 2012	F-7
Consolidated Statements of Changes in Equity for the Six Months Ended September 30, 2011 and 2012	F-8
Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2011 and 2012	F-9
Notes to the Interim Consolidated Financial Statements	F-10
Report of Independent Registered Public Accounting Firm	F-77

Presentation of Financial and Other Information

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

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

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

Amounts shown within this Form 6-K have been rounded to the nearest indicated digit unless otherwise specified. In tables and graphs with rounded figures, sums may not add up due to rounding.

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

Table of Contents

Recent Developments

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

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

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

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

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

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

2

Table of Contents

Risk Factors

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

Table of Contents

Special Note Regarding Forward-Looking Statements

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

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

Table of Contents

Operating and Financial Review and Prospects

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

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

Overview

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

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

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

Table of Contents

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

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

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

We are subject to a number of different taxes in Japan and have adopted the consolidation tax system permitted under Japanese tax law. The consolidation tax system only imposes a national tax. Between April 1, 2004 and March 31, 2012, our effective statutory tax rate was 41%. Due to the revisions of domestic tax laws during the third quarter ended December 31, 2011, effective statutory tax rates are 38% for the fiscal years beginning between April 1, 2012 and March 31, 2015, and 36% thereafter. Our foreign subsidiaries are subject to the income tax rates of the countries in which they operate, which are generally lower than those in Japan. Our effective tax rate in any one year is therefore dependent on our geographic mix of profits and losses and also on the specific tax treatment applicable in each location.

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

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

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

Table of Contents

Retail

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

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

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

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

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

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

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

Table of Contents

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

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

Asset Management

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

Wholesale

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

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

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

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

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

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

The breakdown of net revenue for Wholesale is as follows:

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

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

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

Table of Contents

Other Operating Results

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

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

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

Number of Employees

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

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

Summary of Regional Contributions

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

Regulatory Capital Requirements

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

Translation Exposure

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

Critical Accounting Policies and Estimates

Use of Estimates

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

Fair Value for Financial Instruments

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

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

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

Table of Contents

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

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

Private Equity Business

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

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

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

Assets and Liabilities Associated with Investment and Financial Services Business

Exposure to Certain Financial Instruments and Counterparties

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

Securitization Products

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

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

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

(1) The balances shown exclude those for which we transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sales under ASC 860 *Transfers and Servicing* (ASC 860), and in which we have no continuing economic exposures.

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

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

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

Table of Contents

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

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

(1) GSE refers to government sponsored enterprises.

Leveraged Finance

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

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

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

Special Purpose Entities

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

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

Accounting Developments

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

Private Equity Business

We make private equity investments primarily in Japan and Europe.

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

Table of Contents

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

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

Private Equity Business in Japan

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

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

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

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

Private Equity Business in Europe

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

Terra Firma Investments

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

With effect from March 27, 2002, we ceased consolidating the Terra Firma Investments and accounted for those investments at fair value in accordance with ASC 946.

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

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

Other Terra Firma Funds

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

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

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

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

Other Investments

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

Subsequent events

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

Deferred Tax Assets Information

Details of deferred tax assets and liabilities

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

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

Calculation method of deferred tax assets

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

Legal Proceedings

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

Table of Contents

Liquidity and Capital Resources

Funding and Liquidity Management

We define liquidity risk as the potential inability to meet financial obligations as they become due. This risk could arise from an inability to access the secured or unsecured debt markets, a deterioration in our credit ratings, a failure to manage unplanned changes in funding requirements, a failure to liquidate assets quickly and with minimal loss in value, or changes in regulatory capital restrictions which may prevent the free flow of funds between different group entities. Liquidity risk could be due both to Nomura-specific and market-wide events. Liquidity risk management policy is based on liquidity risk appetite which the Group Integrated Risk Management Committee formulates upon delegation by the Executive Management Board (EMB). Our primary objective for liquidity risk management is to ensure continuous liquidity across market cycles and periods of market stress, and to ensure that all funding requirements and unsecured debt obligations that fall due within one year can be met without additional unsecured funding or forced liquidation of assets.

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

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

1. Centralized Control of Residual Cash

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

In order to enable us to transfer funds smoothly among the group entities, we limit issuance of securities by regulated broker-dealers or banking entities. We actively seek to concentrate issuance of all long-term unsecured, non-deposit funding instruments at either Nomura or unregulated issuing entities. The primary benefits of this strategy include cost minimization, wider investor name recognition and greater flexibility in providing funding to various subsidiaries across Nomura Group.

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other debt or equity securities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivative positions and/or the underlying assets to maintain funding consistency with our unsecured long-term debt. The proportion of our non-yen denominated long-term debt decreased to 24.9% of total term debt outstanding as of September 30, 2012 from 28.0% as of March 31, 2012.

2.1 Short-Term Unsecured Debt

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

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

The table below summarizes our short-term unsecured debt:

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

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

2.2 Long-Term Unsecured Debt

We also routinely issue long-term debt in various maturities and currencies to maintain a long-term funding surplus, and to also achieve both cost-effective funding and a maturity profile where the average duration of our debt is sufficient to meet our long-term cash capital requirements.

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

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

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

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

The table below summarizes our long-term unsecured debt:

	Billions of yen	
	March 31, 2012	September 30, 2012
Long-term unsecured debt total	¥ 6,373.0	¥ 6,405.7
Long-term deposit at banking entities	80.2	79.2
Long-term bank borrowings	2,589.1	