NOMURA HOLDINGS INC
Form 6-K
February 24, 2010
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

Supplement for the month of February 2010.

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): ______

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No __X__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-____ .

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Information furnished on this form:

EXHIBIT

Exhibit Number

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SIGNATURES

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

NOMURA HOLDINGS, INC.

Date: February 24, 2010

By: /s/ Shinichiro Watanabe
Shinichiro Watanabe
Senior Corporate Managing Director

NOMURA HOLDINGS, INC.

INTERIM OPERATING AND FINANCIAL REVIEW

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Presentation of Financial and Other Information

As used in this Form 6-K, references to Nomura are to Nomura Holdings, Inc. when the references relate to the period after, and including, October 1, 2001, and to Nomura Securities Co., Ltd. when the references relate to the period prior to, and including, September 30, 2001. References to NHI as part of certain line items in Nomura s financial statements and information included in this Form 6-K are to Nomura Holdings, Inc. References to the Nomura group are to Nomura and its subsidiaries. Also, as used in this Form 6-K, references to we , us , our and similar references are to Nomura and, except as the context otherwise requires, its consolidated subsidiaries. References to Nomura Securities in this Form 6-K are to Nomura Securities Co., Ltd.

Unless otherwise stated, references in this Form 6-K to yen and ¥ are to Japanese yen, and references to U.S. dollars and $ are to United States dollars. 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 in 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 accounting principles generally accepted in the United States, or U.S. GAAP. Our consolidated financial statements, including the notes thereto, for the six months ended September 30, 2008 and 2009 are included elsewhere in this Form 6-K. The interim financial statements included in this Form 6-K have been reviewed in accordance with the standards of the Public Company Accounting Oversight Board (United States) by our independent auditors.

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Recent Developments

NikkoCiti Trust In July 2009, we entered into a share purchase agreement with Nikko Citi Holdings Inc. and Citigroup International LLC with respect to our acquisition of all the shares of NikkoCiti Trust and Banking Corporation through The Nomura Trust and Banking Co., Ltd. Completed on October 1, 2009, this acquisition is designed to support The Nomura Trust and Banking Co., Ltd. s strategy of positioning fund trustee and administration services as part of its core business.

Saudi Arabia operation In July 2009, we commenced operations in Saudi Arabia as the first Asian securities firm to provide investment banking services in the Kingdom. We are working to offer corporate finance, capital markets and wealth management services for clients in Saudi Arabia as well as deal in overseas securities as an agent-dealer in Saudi Arabia.

U.S. Primary Dealer In July 2009, and consistent with our overall strategy to bolster its global fixed income franchise, Nomura Securities International, Inc., a U.S. broker-dealer within Nomura group, was designated to join the ranks of Primary Dealers by the Federal Reserve Bank of New York. By being a Primary Dealer, Nomura Securities International, Inc. can serve as counterparties in open market operations, participate directly in treasury auctions and provide analysis and market information to trading desks at the Federal Reserve Bank of New York.

Indian Primary Dealer In September 2009, Nomura Fixed Income Securities Private Limited, an Indian broker-dealer within Nomura group, has been granted a Primary Dealer license by the Reserve Bank of India. Part of Nomura s overall strategy to deepen its fixed income market presence in Asia, the license enables Nomura to access and trade Indian interest rate risk via underwriting and distributing government bonds as well as trading in local currency interest rate swaps.

Equity Financing In October 2009, we raised ¥435.5 billion through issuance of shares of our common stock in a global offering. The proceeds from the offering were used for working capital and other general corporate purposes.

Recent Developments in Capital Adequacy Regulations In December 2009, the Basel Committee on Banking Supervision, or the Basel Committee, announced consultative proposals to strengthen the resilience of the banking sector, laying out a new framework of capital and liquidity regulations in response to the global financial crisis. The proposals include raising the quality, consistency and transparency of the capital base (including, in particular, deduction of goodwill and other intangibles and net deferred tax assets from the predominant form of Tier 1 capital, and expanding the limitation on the double counting of capital to cover the wider financial system), strengthening the risk coverage of the capital framework (in addition to the higher capital requirements for trading book exposures announced in July 2009), introducing a leverage ratio requirement as a supplemental measure to the risk-based framework and introducing a series of measures to address concerns over the procyclicality of the current framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. While the full set of standards is expected by the end of 2010 with plans for implementation to commence by the end of 2012, the Basel Committee will wait for an impact assessment and more visibility on the world economy before setting exact requirements and timetables.

Recent Developments in Japanese Regulations on Financial Instruments Firms On December 25, 2009, the Financial Services Agency of Japan, or the FSA, issued for public comment a proposed amendment to the Comprehensive Guidelines for Supervision of the Financial Instruments Business Operators, etc. , which is scheduled to become effective by March 31, 2010. This amendment is intended to require corporate groups of financial instruments firms (i.e., firms engaging in the securities business, investment advisory business or certain other financial services) that engage in international operations, including Nomura, to strengthen their management and compliance systems in view of the increasingly significant growth, complication and development of their international operations. These new requirements include strengthening the groups business management system, compliance system and risk management system, as well as public disclosure of detailed information regarding their capital adequacy ratios, in accordance with the Basel II framework. In addition, the proposed amendment includes restrictions on their compensation system, which are designed to reduce excessive risk taking by their executives and employees.

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Obama Administration s January 14, 2010 Proposal for Financial Crisis Responsibility Fee On January 14, 2010, the Obama Administration of the United States proposed a Financial Crisis Responsibility Fee to be levied on the debts (excluding FDIC-assessed deposits and insurance policy reserves, as appropriate) of financial firms with more than $50 billion in consolidated assets. The fee is also designed as a deterrent against excessive leverage for large financial firms. As proposed, the fee would apply to certain financial firms organized in the United States, including subsidiaries of foreign firms. If approved by U.S. Congress, the fee would go into effect on June 30, 2010 and remain in place at least 10 years, subject to extension should any TARP losses remain uncovered at the end of that period. The proposed fee is currently expected to raise $117 billion over about 12 years, 60% of which is expected to come from the ten largest financial firms in the United States.

Australian Securities Exchange License On January 20, 2010, Nomura announced the continued expansion of its Australian business with the Australian Securities Exchange (ASX) admitting Nomura as a market participant. The ASX license complements the growth of Nomura s Asia-Pacific equity platform and continues to strengthen its cash equities business.

Obama Administration s January 21, 2010 Proposal for New Restrictions on Size and Scope of Financial Institutions On January 21, 2010, the Obama Administration proposed a set of new restrictions on size and scope of banks and other financial institutions designed to rein in excessive risk taking. Under the proposal, a bank or a financial institution that contains a bank would be prohibited from owning, investing in or sponsoring a hedge fund or a private equity fund, or proprietary trading operations unrelated to serving customers for its own profit. The proposal would also place broader limits on the growth of the market shares of liabilities at certain large financial firms, with a view to limiting the consolidation of the U.S. financial sector.

Risk Factors

You should consider carefully the following risks and uncertainties before making a decision to invest in our securities. If any event related to the following risks actually occurs, our business, prospects, financial condition or results of operations could be materially adversely affected. Following the occurrence of any such event, the value of our securities could also decline and you could lose all or a part of your investment.

We have described the risks and uncertainties that our management believes are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including ones that we currently are not aware of or do not currently deem material, may also result in decreased revenues or increased expenses or have other consequences that could result in a decline in the value of our securities.

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

During 2008, particularly the second half of the year, the business environment was extremely adverse. Despite signs of recovery in the first half of 2009, the business environment remains extremely uncertain in the mid- to long-term. Starting in mid-2007 in the United States and Europe, and particularly during the second half of 2008, the financial services industry and global securities markets were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in the values of subprime mortgages in the U.S. market, but spread to all mortgage and real estate asset classes, to leveraged loans and to nearly all asset classes, including equities. The first half of 2009 has seen reversals in some of these valuations (although they remain significantly below peak levels), highlighting the continued volatility of the markets.

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Market conditions have also led to the failure or merger of a number of prominent financial institutions, primarily in the United States. Financial institution failures or problems have resulted in further losses as a consequence of defaults on securities issued by them and defaults on derivatives and other contracts entered into with such entities. The geographic reach of such consequences has extended globally. In addition, the United States, large parts of Europe and Japan have experienced a significant downturn in their economies as a whole. Even though the economic situation has stabilized in recent months, business activity across a wide range of industries and regions continues to be significantly reduced and many companies continue to be in serious difficulty due to the lack of demand for their products or services, primarily due to significantly reduced consumer spending, lack of liquidity in the credit markets and high unemployment rates. Any failure to achieve desired results from the recent government aid or stimulus programs around the world, or any phase-out or termination of such programs, could further adversely affect our business environment.

In response to these challenges in the business environment, we have been implementing several strategic initiatives. We are seeking to expand our customer base, focusing on growing market share in client-driven flow businesses and continuing to review and reduce asset size through targeted disposition of assets not suited to our business focus. We are implementing cost reduction through selective downsizing with a concentration on core businesses in the short-term, as well as reengineering our business processes for savings in the longer-term. As to the latter, our service-related firms in India will attempt to bring about cost reductions and productivity increases group-wide. There can be no assurance, however, that we will be able to carry out any of these strategic initiatives or that, even if they are carried out, they will have the intended effect or will be effective in addressing the difficulties we have or we may have under the then current business environment. Also, there can be no assurance that the economic environment will not worsen in the future (as exemplified by the substantial drop in the world stock markets resulting from the announcement by the Dubai government in late November 2009 that it had requested the creditors of Dubai World, one of the holding companies that are backed by the Dubai government, to agree to deferment of repayment of its debt until May 30, 2010), in which case our financial condition and results of operations may be materially and adversely affected.

We may have difficulty achieving the targeted synergies or other benefits from the acquisition of the former Lehman operations, which may have a material adverse effect on our business, results of operations and financial condition

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

We believe that achieving the targeted synergies and other benefits from the integrated businesses will be fundamental to our strategy and financial success over the coming years. Doing so in a timely manner will involve a number of challenges, risks and uncertainties, including:

- potential loss of key former Lehman employees, the risk of which may be heightened after the payment of retention guarantee bonuses that we have agreed to pay to a number of such employees contingent upon their continued service with us through the end of certain vesting periods specified in their respective employment contracts, most of which end by March 31, 2010, or as other global firms in the financial services industry seek to hire employees to enhance and expand their recently contracted operations in expectation of longer-term market recovery;

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

deterioration or loss of relationships with former Lehman customers, which may occur due to loss of former Lehman employees, customers dissatisfaction with our services relative to Lehman s, or otherwise;

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

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

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

If we do not successfully achieve the targeted synergies and other benefits from the acquisition of the former Lehman operations in a timely manner, and as a result, fail to gain higher earnings to offset the higher level of on-going expenses resulting from the Lehman acquisition, our business, results of operations and financial condition may materially suffer.

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, acts of terrorism, natural disasters or other similar events. A sustained market downturn can adversely affect our business and can result in substantial losses. Even in the absence of a prolonged market downturn, we may incur substantial losses due to market volatility.

Our brokerage and asset management revenues may decline

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

Our investment banking revenues may decline

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

We may incur significant losses from our trading and investment activities

We maintain large trading and investment positions in the fixed income, equity and other markets, both for our own account and for the purpose of facilitating our customers trades. Our positions consist of various types of assets, including financial derivatives transactions in equity, interest rate, currency, credit, commodity, real estate and other markets, as well as in loans and real estate. Fluctuations in the markets where these assets are traded can adversely affect the value of these assets. To the extent that we own assets, or have long positions, a market downturn could result in losses if the value of these long positions decreases. Furthermore, to the extent that we have sold assets we do not own, or have short positions, an upturn in the prices of the assets could expose us to potentially significant losses. This could result in losses due to the decline in value of the assets we own, although we have worked to mitigate these position risks with a variety of hedging techniques. We can incur losses if the markets move in a way we have not anticipated, as a result of specific events such as the Russian economic crisis in 1998, and the global financial and credit crisis in the autumn of 2008. Also, we may face losses if the level of volatility of the markets where the foregoing assets are traded differs from our expectation, which may occur particularly in the emerging markets.

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

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

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

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

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

Extended market declines can reduce liquidity and lead to material losses

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

Our hedging strategies may not prevent losses

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

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

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

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Market risk may increase other risks that we face

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

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

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

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

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

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

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

We may be unable to access the debt capital markets

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

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

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

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

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

We may be unable to sell assets

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

Lowering of our credit ratings could increase our borrowing costs

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

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

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

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

- sudden changes in trading, tax, accounting, laws and other related rules which may make our trading strategy obsolete, less competitive or not workable, or

- an unexpected failure in a corporate transaction in which we participate resulting in our not receiving the consideration we should have received, as well as bankruptcy, deliberate acts of fraud, and criminal prosecution with respect to the issuers of our trading and investment assets.

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

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

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

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

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

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

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

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

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

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

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

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The financial services industry is intensely competitive and rapidly consolidating

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

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

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

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

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

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

We believe that significant opportunities and challenges will arise for us outside of Japan. In order to take advantage of these opportunities, we will have to compete successfully with financial services firms based in important non-Japanese markets, including the United States, Europe and Asia. Some of these financial services firms are larger, better capitalized and have a stronger local presence and a longer operating history in these markets. As a means to bolster our international operations, we acquired certain Lehman operations, including some of the Lehman employees in Europe and the Middle East and a majority of the Lehman employees in Asia, as well as certain specialized service companies in India in 2008. There can be no assurance, however, that we will successfully achieve the targeted synergies or other intended benefits from the acquisition of former Lehman operations as contemplated. In addition, we are currently rebuilding our operations in the United States. In particular, we are increasing headcount to service client-related businesses, including cross-border transactions such as sales in Europe or Asia of products originated in the United States and vice versa. We believe that strong U.S. business will be essential to our global success because there is an increasing demand for us to provide services in all major financial centers in the world, including the United States and, accordingly, if we fail to expand and strengthen our operations in the United States, it may materially and adversely affect our global strategy. At the same time, we are likely to face significant challenges in carrying out our expansion plans, and there can be no assurance that our efforts will be successful. On January 14, 2010, the Obama Administration of the United States proposed a Financial Crisis Responsibility Fee to be levied on certain debts of financial firms with more than $50 billion in consolidated assets. Also, on January 21 2010, the Obama Administration announced a proposed set of new restrictions on size and scope of banks and other financial institutions to curtail excessive risk taking. For more information about such measures, see Recent Developments Obama Administration s January 14, 2010 Proposal for Financial Crisis Responsibility Fee , Recent Developments Obama Administration s January 21, 2010 Proposal for New Restrictions on Size and Scope of Financial Institutions in this document. Although the details or the timing of the Obama Administration s January 2010 proposals are not fully known, as a result of the implementation of those new measures, these restrictions could adversely affect our expansion and strengthening of our operations.

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

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

- Failure to settle securities transactions;
- Failure by officers or employees to perform proper administrative activities prescribed in regular procedures, such as orders to securities exchanges;
- Suspension or malfunction of systems, many of which are developed and maintained by our affiliate, Nomura Research Institute, Ltd.;
- The destruction of our facilities or systems due to large-scale disasters or acts of terrorism, which are beyond anticipation and could not be covered by our contingency plan; or
- The disruption of our business due to pandemic diseases or illnesses, such as avian influenza and swine flu.

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

Substantial legal liability or a significant regulatory action against us could have a material financial effect 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 in connection with securities underwriting and offering transactions, liability arising from the purchase or sale of any securities or other products, disputes over the terms and conditions of complex trading arrangements or the validity of contracts for transactions with us and legal claims concerning our merchant banking business.

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

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

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

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

If regulations that apply to our businesses are introduced, modified or removed, we could be adversely affected directly or through resulting changes in market conditions. For example, in accordance with the amendments to the FIEA, effective from December 1, 2004, banks and certain other financial institutions became able to act as agents of securities companies in the securities brokerage business. In addition, in accordance with the amendments to the FIEA effective from June 1, 2009, firewalls between commercial banks and securities firms were partially deregulated. Therefore, we may face increased competition as our competitors will be able to cooperate more closely with their affiliated commercial banks. In addition, we currently calculate and disclose our consolidated capital adequacy ratio by applying the FSA s capital adequacy rules applicable to bank holding companies with international operations, as allowed under the guideline published by the FSA. In July 2009, the Basel Committee approved a basic package of measures designed to strengthen its rules for capital adequacy measures, commonly referred to as Basel II, upon which the above-mentioned FSA s capital adequacy rules are based. Also, in December 2009, the Basel Committee announced consultative proposals to strengthen the resilience of the banking sector, laying out a new framework of capital and liquidity regulations in response to the global financial crisis. For more information about such measures, see Recent Developments Recent Developments in Capital Adequacy Regulations , Operating and Financial Review and Prospects Regulatory Capital Requirements in this document and Regulatory Capital Rules Japan under Item 4.B. of our annual report on Form 20-F for the year ended March 31, 2009. Although specific rules implementing such measures designed to strengthen Basel II as well as the FSA s rules implementing such measures in Japan are yet to be finalized, as a result of the implementation of those new measures, our capital adequacy ratio may decrease or we may be required to liquidate assets, raise additional capital or otherwise restrict our business activities in a manner that could adversely increase our funding costs or could otherwise adversely affect our operating or financing activities or the interests of our shareholders.

The FSA plans to amend the Comprehensive Guidelines for Supervision of the Financial Instruments Business Operators, etc. Such amendment will include, among others, restrictions on the compensation systems of corporate groups of financial instruments firms engaging in international operations, including Nomura, which are designed to reduce excessive risk taking by their executives and employees. For more information about such amendments, see Recent Developments Recent Developments in Japanese Regulations on Financial Instruments Firms . The impact of the regulations and legislation on us and our industry is still unknown and other countries where we operate could introduce similar measures. Tightening of regulations applicable to us and our industry in many countries could adversely affect our business, our financial condition and operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have affiliates and investees, accounted for under the equity method in our consolidated financial statements, whose shares are publicly traded. Under U.S. GAAP, if there is a decline in the fair value, *i.e*., the market price, of the shares we hold in such affiliates over a period of time, and we determine, based on the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 323 *Investments Equity Method and Joint Ventures* , formerly Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* , that the decline is other-than-temporary, then we record an impairment loss for the applicable fiscal period.

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

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

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

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

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

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

Rights of shareholders under Japanese law may be more limited than under the laws of other jurisdictions

Our Articles of Incorporation, our Regulations of the Board of Directors and the Companies Act govern our corporate affairs. Legal principles relating to such matters as the validity of corporate procedures, directors and executive officers fiduciary duties and shareholders rights may be different from those that would apply if we were a non-Japanese company. Shareholders rights under Japanese law may not be as extensive as shareholders rights under the laws of other jurisdictions, including 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 another jurisdiction.

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

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

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

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

Operating and Financial Review and Prospects

Results of Operations Six Months Ended September 30, 2008 and 2009

The interim financial statements of 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 30, 2009.

Overview

The following table provides selected consolidated statements of operations information for the six months ended September 30, 2008 and 2009.

	Six Months Ended September 30, 2008	2009
	(in millions, except percentages)	
Non-interest revenues:		
Commissions	¥ 167,084	¥ 197,462
Fees from investment banking	23,433	45,309
Asset management and portfolio service fees	85,190	64,347
Net gain (loss) on trading	(10,500)	269,619
Gain (loss) on private equity investments	(14,496)	(106)
Gain (loss) on investments in equity securities	(8,840)	7,493
Other	28,787	22,953
Total non-interest revenues	270,658	607,077
Net interest revenue	(7,506)	(8,693)
Net revenue	263,152	598,384
Non-interest expenses	416,886	539,671
Income (loss) before income taxes	(153,734)	58,713
Income tax expense (benefit)	(4,141)	19,629
Net income (loss)	(149,593)	39,084
Less: Net income (loss) attributable to noncontrolling interests	(129)	(51)
Net income (loss) attributable to NHI[1]	¥ (149,464)	¥ 39,135
Return on equity (annualized)[2]	(15.7)%	5.0%

Note:

(1) Net income (loss) attributable to NHI was previously reported as Net income (loss).

(2) Calculation method: Net income (loss) attributable to NHI divided by average Total NHI shareholders equity multiplied by two.

(3) The following table shows the number of employees as of the date indicated:

	As of September 30,	
	2008	**2009**
Japan	14,759	15,405
Europe	2,020	4,369
Americas	1,012	1,468
Asia (excluding Japan) and Oceania	1,180	4,675
Total	18,971	25,917

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Net revenue increased by 127.4% from ¥263,152 million for the six months ended September 30, 2008 to ¥598,384 million for the six months ended September 30, 2009. Commissions increased by 18.2%, due primarily to increasing brokerage commissions and commissions for distribution of investment trusts. Asset management and portfolio service fees decreased by 24.5%, due primarily to a decrease in assets under management. Net gain on trading increased from a net loss of ¥10,500 million for the six months ended September 30, 2008 to a net gain of ¥269,619 million during the six months ended September 30, 2009, due primarily to revenues from trading activities. Our losses on private equity investments during the six months ended September 30, 2009 decreased to ¥106 million from ¥14,496 million during the comparable period in 2008. We recorded a gain on our investments in equity securities in the amount of ¥7,493 million for the six months ended September 30, 2009 which compares with the loss of ¥8,840 million for the comparable period in 2008, due primarily to the general rebound of the stock market. These investments refer to our investments in unaffiliated companies, which we hold on a long-term basis in order to promote existing and potential business relationships. In our consolidated financial statements, these investments are recorded at fair value, with unrealized gains and losses on these investments recognized through earnings.

Net interest revenue was negative ¥8,693 million for the six months ended September 30, 2009 and negative ¥7,506 million for the six months ended September 30, 2008. Net interest revenue is a function of the level and the total mix of 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 Global Markets operation in particular, we view net interest revenue and non-interest revenues in aggregate.

Non-interest expenses increased by 29.5% from ¥416,886 million for the six months ended September 30, 2008 to ¥539,671 million for the six months ended September 30, 2009. The increase in non-interest expenses consisted mainly of compensation and benefits. Most of the increase in compensation and benefits was attributable to our hiring of former Lehman employees.

We are subject to a number of different taxes in Japan and have adopted the consolidation tax system permitted under Japanese tax law, which targets only national tax. Since April 1, 2004, our domestic statutory tax rate is approximately 41%. Our foreign subsidiaries are subject to the income tax rates 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, 2009, the difference between the domestic statutory tax rate of approximately 41% and the effective tax rate of 33.4% was mainly due to a reversal of valuation allowance relating to losses of foreign subsidiaries.

For the six months ended September 30, 2008, the difference between the domestic statutory tax rate of approximately 41% and the effective tax rate of 2.7% was mainly due to an increase in valuation allowance relating to losses of foreign subsidiaries.

Net income attributable to NHI was ¥39,135 million for the six months ended September 30, 2009 compared to a net loss attributable to NHI of ¥149,464 million for the six months ended September 30, 2008. Our annualized return on equity was 5.0% for the six months ended September 30, 2009 and negative 15.7% for the six months ended September 30, 2008.

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Retail

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

	Six Months Ended September 30,	
	2008	2009
	(in millions)	
Non-interest revenues	¥ 158,034	¥ 186,926
Net interest revenue	2,230	1,604
Net revenue	160,264	188,530
Non-interest expenses	138,767	134,317
Income before income taxes	¥ 21,497	¥ 54,213

Net revenue for the six months ended September 30, 2009 was ¥188,530 million, an increase of 17.6% from ¥160,264 million for the six months ended September 30, 2008, due primarily to increasing brokerage commissions and commissions for distribution of investment trusts.

Non-interest expenses for the six months ended September 30, 2009 were ¥134,317 million, a decrease of 3.2% compared to ¥138,767 million for the six months ended September 30, 2008.

Income before income taxes increased 152.2% from ¥21,497 million for the six months ended September 30, 2008 to ¥54,213 million for the six months ended September 30, 2009.

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The graph below shows the revenue composition by product in terms of Retail non-interest revenues for the six months ended September 30, 2008 and 2009.

Revenue Composition by Product

As shown above, the percentage of revenue composed of investment trusts and asset management increased from 54% for the six months ended September 30, 2008 to 57% for the six months ended September 30, 2009, due primarily to an increase in commissions for distribution of investment trusts. The percentage of revenue composed of equities increased from 20% for the six months ended September 30, 2008 to 25% for the six months ended September 30, 2009, due primarily to the rebound of the stock market. The percentage of revenue composed of bonds decreased from 23% for the six months ended September 30, 2008 to 16% for the six months ended September 30, 2009, due primarily to a decrease in revenue reflecting the decrease in the sales of bonds. The percentage of revenue composed of variable annuity insurance decreased from 3% for the six months ended September 30, 2008 to 2% for the six months ended September 30, 2009.

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Retail client assets increased by ¥0.3 trillion from ¥68.6 trillion at September 30, 2008 to ¥68.9 trillion at September 30, 2009. Retail client assets consist of customers assets held in our custody, and assets relating to the variable annuity insurance products.

The following graph shows amounts and details regarding retail client assets at September 30, 2008 and 2009.

Retail Client Assets

Global Markets

We have a proven track record of sales and trading bonds, stocks, and foreign exchange, as well as derivatives based on these financial instruments, mainly to institutional investors. In response to the increasingly diverse and complex needs of our customers, we are building up our trading and product origination capabilities to offer superior products not only to institutional investors but also to Retail and Asset Management. This cross-divisional approach also extends to Investment Banking, where close collaboration leads to high value-added solutions for our customers. In Asset Finance, we use our broad customer base at a maximum advantage and offer sophisticated financial solutions for raising capital through real estate and other asset securitization schemes.

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

	Six Months Ended September 30, 2008	2009
	(in millions)	
Non-interest revenues	¥ 20,852	¥ 367,072
Net interest revenue	(16,420)	(5,445)
Net revenue	4,432	361,627
Non-interest expenses	152,739	252,707
Income (loss) before income taxes	¥ (148,307)	¥ 108,920

Net revenue increased from ¥4,432 million for the six months ended September 30, 2008 to ¥361,627 million for the six months ended September 30, 2009. Net revenue increased due primarily to recovering net gain on trading. This strong performance reflects our new enhanced platform following the integration of our 2008 acquisitions. Growth was particularly strong in Europe and Asia.

Non-interest expenses increased by 65.5% from ¥152,739 million for the six months ended September 30, 2008 to ¥252,707 million for the six months ended September 30, 2009, due primarily to the acquisition of certain operations of former Lehman Brothers.

Loss before income taxes was ¥148,307 million for the six months ended September 30, 2008 and income before income taxes was ¥108,920 million for the six months ended September 30, 2009.

Investment Banking

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

	Six Months Ended September 30, 2008	2009
	(in millions)	
Non-interest revenues	¥ 33,351	¥ 44,626
Net interest revenue	882	1,992
Net revenue	34,233	46,618
Non-interest expenses	30,381	61,757
Income (loss) before income taxes	¥ 3,852	¥ (15,139)

Net revenue increased by 36.2% from ¥34,233 million for the six months ended September 30, 2008 to ¥46,618 million for the six months ended September 30, 2009, due primarily to an increase of transaction volume in equity finance of Japanese companies and the expansion of our overseas operations.

Non-interest expenses increased by 103.3% from ¥30,381 million for the six months ended September 30, 2008 to ¥61,757 million for the six months ended September 30, 2009, due primarily to the acquisition of certain former Lehman operations.

Income before income taxes was ¥3,852 million for the six months ended September 30, 2008, and loss before income taxes was ¥15,139 million for the six months ended September 30, 2009.

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Merchant Banking

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

	Six Months Ended September 30,	
	2008	2009
	(in millions)	
Non-interest revenues	¥ (13,447)	¥ 6,758
Net interest revenue	(3,062)	(3,979)
Net revenue	(16,509)	2,779
Non-interest expenses	8,210	5,104
Loss before income taxes	¥ (24,719)	¥ (2,325)

Net revenue was ¥2,779 million for the six months ended September 30, 2009, due primarily to realized and unrealized gains of equity securities of certain investees companies, as compared to net revenue of negative ¥16,509 million for the six months ended September 30, 2008.

Non-interest expenses decreased by 37.8% from ¥8,210 million for the six months ended September 30, 2008 to ¥5,104 million for the six months ended September 30, 2009 due primarily to a decrease in professional fees.

Loss before income taxes was ¥24,719 million for the six months ended September 30, 2008, and ¥2,325 million for the six months ended September 30, 2009.

Asset Management

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

	Six Months Ended September 30,	
	2008	2009
	(in millions)	
Non-interest revenues	¥ 33,715	¥ 33,960
Net interest revenue	2,108	1,157
Net revenue	35,823	35,117
Non-interest expenses	26,876	25,515
Income before income taxes	¥ 8,947	¥ 9,602

Net revenue decreased by 2.0% from ¥35,823 million for the six months ended September 30, 2008 to ¥35,117 million for the six months ended September 30, 2009.

Non-interest expenses decreased by 5.1% from ¥26,876 million for the six months ended September 30, 2008 to ¥25,515 million for the six months ended September 30, 2009.

Income before income taxes increased by 7.3% from ¥8,947 million for the six months ended September 30, 2008 to ¥9,602 million for the six months ended September 30, 2009.

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

	September 30, 2008		September 30, 2009	
	(in billions)			
Nomura Asset Management Co., Ltd.	¥	23,688	¥	23,000
Nomura Funds Research and Technologies Co., Ltd.		2,368		1,630
Nomura Corporate Research and Asset Management Inc.		990		1,212
Private Equity Funds Research and Investments Co., Ltd.		622		564
Nomura Funds Research and Technologies America, Inc.		312		244
MAINTRUST KAG mbH.		264		197
Combined total	¥	28,244	¥	26,847
Total[(1)]	¥	24,264	¥	22,870

Note:

(1) Overlapping asset amounts among group companies are adjusted in Total.

Assets under management were ¥22.9 trillion as of September 30, 2009, a ¥1.4 trillion decrease from September 30, 2008. The greatest proportion of these assets was managed by Nomura Asset Management with assets under management of ¥ 23.0 trillion as of September 30, 2009.

Investment trust assets included in the assets under management by Nomura Asset Management were ¥14.8 trillion as of September 30 2009, down ¥1.1 trillion, or 7%, from the same date in the previous year. While the balance of many investment trusts decreased under the harsh environment, the sales of newly-launched investment trusts remained robust.

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 was 22% as of September 30, 2009, 17% for stock investment trusts and 43% for bond investment trusts.

	September 30, 2008	September 30, 2009
Total of publicly offered investment trusts	21%	22%
Stock investment trusts	16%	17%
Bond investment trusts	43%	43%

Other Operating Results

Other operating results include net gain on trading related to economic hedging transactions, realized loss on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items and other financial adjustments.

Net revenue was ¥52,538 million for the six months ended September 30, 2008 and negative ¥44,195 million for the six months ended September 30, 2009. Loss before income taxes in other operating results was ¥7,375 million for the six months ended September 30, 2008 and ¥104,466 million for the six months ended September 30, 2009. Other operating results for the six months ended September 30, 2009 include the losses from changes in the fair value of our financial liabilities, for which the fair value option was elected, attributable to the change in our creditworthiness, of ¥38,035 million, the negative impact of our own creditworthiness on derivative liabilities, which resulted in loss of ¥22,474 million and the gains from changes in counterparty credit spread of ¥15,101 million.

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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 13 to our interim consolidated financial statements included in this Form 6-K.

Accounting Developments

See Note 1 to our interim consolidated financial statements included in this Form 6-K.

Private Equity Business

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

As of April 1, 2007 we adopted FASB ASC 946 *Financial Services Investment Companies* (ASC 946), formerly American Institute of Certified Public Accountants Statement of Position 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (SOP 07-1). Certain entities which we consolidate under either a voting interest or variable interest model (investment company subsidiaries) are investment companies pursuant to the provisions of ASC 946. Investment company accounting applied by each of these investment company subsidiaries is retained in these consolidated financial statements.

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

We also adopted ASC 825 *Financial Instruments* (formerly Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115*) on April 1, 2008. As a result, all private equity investments are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to the adoption of ASC 946, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

Private equity business in Japan

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

Since its inception in 2001, NPF has made 21 investments and exited from 16 of these investments (including partial sales) and the fair value of its investment portfolio was ¥96,783 million as of September 30, 2009.

NPF is a consolidated investment company 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 from the adoption date of ASC 946 on April 1, 2007, rather than applying the equity method of accounting or consolidation, which was the accounting applied to certain investments prior to that date.

We also make private equity investments through another wholly-owned subsidiary Nomura Financial Partners Co., Ltd., or NFP. NFP is not an investment company pursuant to ASC 946, as it invests in entities engaged in our core business.

Private equity business in Europe

In Europe, our private equity investments primarily comprise legacy investments made by our former Principal Finance Group, PFG now managed by TFCPL, investments in other funds managed by Terra Firma, or Other Terra Firma Funds, and through other investment company subsidiaries, or Other Investments.

Terra Firma Investments

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

With effect from March 27, 2002, we ceased consolidating the Terra Firma Investments and accounted for our investment managed by Terra Firma at fair value in accordance with the AICPA Audit and Accounting Guide, Investment Companies until March 31, 2007, following the adoption of ASC 946.

The Terra Firma Investments are held by entities which are consolidated investment companies pursuant to the provisions of ASC 946 and therefore we continue to account for these investments at fair value, with changes in fair value recognized through earnings.

The estimated fair value of the Terra Firma Investments was ¥93,130 million at September 30, 2009.

Other Terra Firma Funds

In addition to the Terra Firma Investments, we are a 10% investor in a ¥255 billion private equity fund, or TFCP II, and a 2% investor in a ¥681 billion private equity fund, or TFCP III, also raised and managed by Terra Firma Capital Partners Limited.

Our total commitment for TFCP II was originally ¥25,546 million and reduced to ¥5,307 million as a result of adjustments for recyclable distributions. As of September 30, 2009, ¥4,593 million had been drawn down for investments.

For TFCP III, our total commitment is ¥13,172 million and ¥7,250 million had been drawn down for investments as at September 30, 2009.

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

Other Investments

We also make private equity investments in Europe through wholly owned subsidiaries and other consolidated entities which have third party pooling of funds. These entities are consolidated investment companies pursuant to the provision of ASC 946 and therefore all investments are carried at fair value, with changes in fair value recognized through earnings.

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Regulatory Capital Requirements

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

Under the FIEA, Nomura Securities as a Japanese securities company, is required to maintain a capital adequacy ratio of not less than 120% on a non-consolidated basis. Such capital adequacy ratio is the ratio of adjusted capital to a quantified total of business risks, as described in Regulatory Capital Rules Japan under Item 4.B. of our annual report on Form 20-F for the year ended March 31, 2009. As of September 30, 2009, the non-consolidated capital adequacy ratio of Nomura Securities was 294.7% compared to 268.8% as of March 31, 2009.

In addition, we, as a financial conglomerate and a corporate group of financial instruments firms engaging in international operations, are subject to the capital adequacy rule of the FSA. Under this rule, we must maintain a capital adequacy ratio on a consolidated basis.

Beginning March 31, 2009, as permitted under the above rule, we elected to calculate and disclose our consolidated capital adequacy ratio pursuant to the public notice on capital adequacy of the FSA applicable to Japanese bank holding companies, or the Bank Holding Companies Notice . The Bank Holding Companies Notice follows the amended rules for capital adequacy measures adopted in 2004 by the Basel Committee, commonly referred to as Basel II. Therefore, our capital adequacy ratio as calculated pursuant to the Bank Holding Companies Notice is comparable to those of other major global financial service firms, virtually all of which apply Basel II, as adopted by their home country regulators, in calculating their capital adequacy ratios. We are required to maintain a capital adequacy ratio of not less than 8.0% on a consolidated basis. As of September 30, 2009, we were in compliance with this requirement, with a ratio of total capital to risk-weighted assets of 20.8%.

The following table presents our consolidated capital adequacy ratio as of March 31 and September 30, 2009:

	March 31, 2009	September 30, 2009
	(in millions, except ratios)	
Qualifying Capital		
Tier 1 capital	1,405,118	1,488,465
Tier 2 capital	612,678	584,748
Tier 3 capital	297,541	302,172
Deductions for total qualifying capital	(58,375)	(57,211)
Total qualifying capital	¥ 2,256,962	¥ 2,318,174
Risk-Weighted Assets		
Credit risk-weighted assets	5,422,107	4,421,410
Market risk equivalent assets	5,206,973	5,288,015
Operational risk equivalent assets	1,306,788	1,421,898
Total risk-weighted assets	¥ 11,935,867	¥ 11,131,323
Consolidated Capital Adequacy Ratios		
Consolidated capital adequacy ratio	18.9%	20.8%
Tier 1 capital ratio	11.7%	13.3%

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Total qualifying capital is comprised of Tier 1, Tier 2 and Tier 3 capital. Deduction for Tier 1 capital mainly consists of goodwill, certain intangible fixed assets, and net deferred tax assets in excess of 20% threshold of Tier 1 before deferred tax asset adjustment.

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

Market risk is calculated using our Value-at-Risk model as permitted under Comprehensive Guidelines for Supervision of the Financial Instruments Business Operators, etc . Credit risk assets are calculated using the Standardized Approach which is defined in the Bank Holding Companies Notice and applies fixed percentage to the fair value of the assets. Operational risk is calculated under the Basic Indicator Approach which is also defined in the Bank Holding Companies Notice, where the average net revenues over the previous three years are multiplied by a fixed percentage.

The Basel Committee has issued a series of announcements regarding a broader program designed to strengthen the regulatory capital framework in light of weaknesses revealed by the financial crises. The following is a summary of those parts of the announcements that are of particular importance to us.

On March 12, 2009, the Basel Committee, recognizing the need to strengthen the level of capital in the banking system, announced that the regulatory minimum level of capital would be reviewed in 2010. On July 13, 2009, the Basel Committee announced its approval of a package of measures designed to strengthen its rules governing trading book capital and to enhance the three pillars of the Basel II framework. This announcement states that the Basel Committee s trading book rules, which will take effect at the end of 2010, introduce higher capital requirements to capture the credit risk of complex trading activities. Such trading rules also include a stressed value-at-risk (VaR) requirement, which the Basel Committee believes will help dampen the cyclicality of the minimum regulatory capital framework. On September 7, 2009, the Group of Central Bank Governors and Heads of Supervision, the oversight body of the Basel Committee, reached agreement on certain key measures designed to strengthen regulation of the banking sector, including an increase in the quality, consistency and transparency of the Tier 1 capital base. In particular, it was agreed that the predominant form of Tier 1 capital should be common stock and retained earnings. Calibration of these new requirements is expected to be completed by the end of 2010.

In December 2009, in an effort to promote a more resilient banking sector, the Basel Committee approved for consultation a package of proposals to strengthen global capital and liquidity regulations. The proposals include raising the quality, consistency and transparency of the capital base (including, in particular, deduction of goodwill and other intangibles and net deferred tax assets from the predominant form of Tier 1 capital, and expanding the limitation on the double counting of capital to cover the wider financial system), strengthening the risk coverage of the capital framework (in addition to the higher capital requirements for trading book exposures announced in July 2009), introducing a leverage ratio requirement as a supplemental measure to the risk-based framework and introducing a series of measures to address concerns over the procyclicality of the current framework. The proposals also introduce a minimum liquidity standard including a 30-day liquidity coverage ratio as well as a longer-term structural liquidity ratio. Additional capital, liquidity or other supervisory measures to reduce the externalities created by systemically important institutions are also under review. After a comprehensive impact assessment, the Committee will develop the fully calibrated set of standards by the end of 2010 to be phased in as financial conditions improve and the economic recovery is assured, with plans for implementation to commence by the end of 2012.

The Bank Holding Companies Notice is expected to be amended to follow the new measures described above after they are officially adopted by the Basel Committee. See Risk Factors Our business is subject to substantial legal, regulatory and reputational risks .

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On December 25, 2009, the FSA issued for public comment a proposed amendment to the Comprehensive Guidelines for Supervision of the Financial Instruments Business Operators, etc. , which is scheduled to become effective by March 31, 2010. This amendment is intended to require corporate groups of financial instruments firms engaging in international operations, including Nomura, to strengthen their management and compliance systems in view of the increasingly significant growth, complication and development of their international operations. These new requirements include strengthening the groups business management system, compliance system and risk management system, as well as public disclosure of detailed information regarding their capital adequacy ratios, in accordance with the Basel II framework. For more information about such amendments, see Recent Developments Recent Developments in Japanese Regulations on Financial Instruments Firms .

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

Translation Exposure

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

Critical Accounting Policies and Estimates

Use of estimates

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

Fair value for financial instruments

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

In all cases, fair value is determined in accordance with ASC 820 *Fair Value Measurements and Disclosures* (ASC 820) (formerly SFAS No. 157, *Fair Value Measurements*), which defines fair value as the amount that would be exchanged to sell a financial asset or transfer a financial liability in an orderly transaction between market participants at the measurement date. It assumes that the transaction occurs in our principal market, or in the absence of the principal market, the most advantageous market for the relevant financial asset or financial liability.

Further information on the determination of fair value is provided in Note 3, Fair value of financial instruments to our interim consolidated financial statements in this Form 6-K.

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Fair value hierarchy

In accordance with ASC 820, all financial instruments measured at fair value have been categorized into a three-level hierarchy based on the transparency of inputs used to establish fair value.

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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The following table presents information about Nomura s financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2009 within the fair value hierarchy.

	September 30, 2009				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of September 30, 2009
	(in billions)				
Assets:					
Trading assets and private equity investments					
Equities[2]	¥ 662	¥ 824	¥ 234	¥	¥ 1,720
Private equity[2]	2	0	319		321
Japanese government bonds	2,856				2,856
Japanese agency and municipal securities	129	1	0		130
Foreign government, agency and municipal securities	3,130	638	35		3,803
Bank and corporate debt securities and loans for trading purpose	109	896	189		1,194
Commercial mortgage-backed securities (CMBS)		25	71		96
Residential mortgage-backed securities (RMBS)	0	299	10		309
Mortgage and other mortgage backed securities		0	189		189
Collateralized debt obligation (CDO)		17	28		45
Investment trust funds and other	16	26	10		52
Derivatives	1,217	12,604	790	(11,887)	2,724
Sub Total	¥ 8,121	¥ 15,330	¥ 1,875	¥ (11,887)	¥ 13,439
Loans and receivables[3]	0	330	3		333
Other assets	457	59	42		558
Total	¥ 8,578	¥ 15,719	¥ 1,920	¥ (11,887)	¥ 14,330
Liabilities:					
Trading liabilities					
Equities	¥ 1,017	¥ 151	¥ 0	¥	¥ 1,168
Japanese government bonds	1,631				1,631
Foreign government, agency and municipal securities	1,904	263			2,167
Bank and corporate debt securities		109	1		110
Residential mortgage-backed securities (RMBS)		17			17
Mortgage and other mortgage backed securities		2			2
Investment trust funds and other	0				0
Derivatives	1,485	12,328	653	(11,751)	2,715
Sub Total	¥ 6,037	¥ 12,870	¥ 654	¥ (11,751)	¥ 7,810
Short-term borrowings[4][5]	28	84	6		118
Payables and deposits[6]		0	(1)		(1)
Long-term borrowings[4][5][7]	42	876	(25)		893
Other liabilities	132	18	0		150
Total	¥ 6,239	¥ 13,848	¥ 634	¥ (11,751)	¥ 8,970

Notes:

(1) Represents the amount netted under counterparty netting of derivative assets and liabilities as well as cash collateral netting against net derivatives in accordance with ASC 210-20 Offsetting (ASC 210-20) (formerly FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts and formerly FSP No. FIN 39-1, Amendment of FASB Interpretation No. 39 .).

(2) Includes equity investments that would have been accounted for under the equity method had Nomura not chosen to apply the fair value option under ASC 825 *Financial Instruments* (ASC 825) (formerly SFAS No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities*).

(3) Includes loans and receivables for which Nomura elected the fair value option under ASC 825.

(4) Includes structured notes for which Nomura elected the fair value option under either ASC 815, Derivatives and Hedging (formerly SFAS No. 155 Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140), or ASC 825.

(5) Includes embedded derivatives bifurcated in accordance with ASC 815 (formerly SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities), from the structured notes issued. If unrealized gain is greater than unrealized loss, borrowings are reduced by the excess amount.

(6) Includes embedded derivatives bifurcated in accordance with ASC 815 from the deposits received at banks. If unrealized gain is greater than unrealized loss, deposits are reduced by the excess amount.

(7) Includes liabilities arising from secured financing transactions that are accounted for as financing rather than sales in accordance with ASC 860 *Transfers and Servicing* (ASC 860) (formerly Statement of Financial Accounting Standards No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*). Nomura elected the fair value option under ASC 825 for those liabilities.

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The following table presents the proportion of the net Level 3 financial assets, which is the net of Level 3 assets and derivative liabilities, against the net total financial assets measured at fair value (after net of derivative assets and liabilities) as of September 30, 2009.

	September 30, 2009 (in billions, except percentage)	
Level 3 financial assets	¥	1,920
Deduct: Level 3 Derivative (Liabilities)		(653)
Net Level 3 financial assets (after netting derivative assets and liabilities)	¥	1,267
Total financial assets measured at fair value		26,217
Deduct: Derivative (Liabilities)		(14,466)
Net total financial assets measured at fair value (after netting derivative assets and liabilities)	¥	11,751
The proportion of the net Level 3 financial assets in the net total financial assets carried at fair value after netting of derivative assets and liabilities		11%

For information on changes in the balance of Level 3 financial assets as well as unrealized gains (losses) relating to those financial instruments which Nomura classified as Level 3, during the six months ended, or as of, September 30, 2009, see Note 3 to our interim consolidated financial statements included in this Form 6-K.

Private equity business

As of April 1, 2007 we adopted ASC 946, as a result, all private equity investments made by investment company subsidiaries pursuant to the provisions of ASC 946 are now accounted for at fair value, with changes in fair value recognized through earnings. Prior to adoption of ASC 946, private equity investments were accounted for at fair value, by the equity method of accounting or as consolidated subsidiaries depending on the attributes of each investment.

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

Any changes to valuations are then stress tested to assess the impact of particular risk factors in order to establish the final estimated valuation.

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 Nomura has certain exposure. Nomura also has exposures to monoline insurers in the normal course of business.

Securitization Products

Nomura s exposure to securitization products mainly consists of commercial mortgage-backed securities, or CMBS, residential mortgage-backed securities, or RMBS, and commercial real estate-backed securities. Nomura holds these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of Nomura s exposure to securitization products by geographic location of the underlying collateral as of September 30, 2009.

	September 30, 2009				
	Japan	Asia	Europe (in millions)	America	Total
Commercial mortgage-backed securities[3]	¥ 8,456	¥	¥ 1,294	¥ 28,053	¥ 37,803
Residential mortgage-backed securities[4]	6,138		13,585	78,258	97,981
Commercial real estate-backed securities	32,506				32,506
Other securitization products	37,665	2,537	9,120	4,927	54,249
Total	¥ 84,765	¥ 2,537	¥ 23,999	¥ 111,238	¥ 222,539

Notes:

(1) The balances shown exclude those for which Nomura transferred financial assets to securitization vehicles where such transfers were accounted for as secured financings rather than sale under ASC 860, and in which Nomura has no continuing economic exposure.
(2) Nomura has ¥31,286 million exposure, as whole loans and commitment, to U.S. CMBS-related business as at September 30, 2009.
(3) The balance excludes Government National Mortgage Association.
(4) The balance excludes mortgage pass-through securities and U.S. government guaranteed collateralized mortgage obligations or CMO.

The following table sets forth Nomura s exposure to CMBS by geographical region and external credit rating of the underlying collateral as of September 30, 2009.

	September 30, 2009							
	AAA	AA	A	BBB (in millions)	BB	Not rated	GSE[1]	Total
Japan	¥ 2,292	¥ 2,767	¥ 98	¥ 186	¥ 9	¥ 3,104	¥	¥ 8,456
Europe	817			62	369	46		1,294
America	13,929	3,539	5,222	2,593	2,607	24	139	28,053
Total	¥ 17,038	¥ 6,306	¥ 5,320	¥ 2,841	¥ 2,985	¥ 3,174	¥ 139	¥ 37,803

Notes:

(1) GSE refers to government sponsored enterprises.
(2) Rating based on the lowest rating given by Standard & Poor s, Moody s Investors Service, Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd., or Rating and Investment Information, Inc. as of September 30, 2009.

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Leveraged Finance

Nomura provides 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, Nomura has both funded and unfunded exposures on these transactions.

The following table sets forth Nomura s exposure to leveraged finance by geographic location of the target company as of September 30, 2009.

	September 30, 2009		
	Funded	Unfunded (in millions)	Total
Japan	¥ 9,255	¥ 1,895	¥ 11,150
Europe	73,082	5,213	78,295
Total	¥ 82,337	¥ 7,108	¥ 89,445

Monoline Insurers (Financial Guarantors)

The following table sets forth our notional amounts, gross exposure, counterparty risk reserves and other adjustments, net exposure, and CDS protection to monoline insurers (financial guarantors) by credit rating in structured credit trading business of Global Markets in Europe as of September 30, 2009. The table below does not include the fully reserved or hedged exposure.

	September 30, 2009				
Monoline Insurers by Credit Rating(1)	**Notional(2)**	**Gross Exposure(3)**	**Counterparty Risk Reserves and Other Adjustments (in millions)**	**Net Exposure**	**CDS Protection(4)**
AA	$ 211	$ 63	$ 7	$ 56	$ 47
Non-investment grade	8,297	3,125	2,659	466	48
Total	$ 8,508	$ 3,188	$ 2,666	$ 522	$ 95

Notes:

(1) Rating based on Standard & Poor s or Moody s Investors Service as of September 30, 2009 depending on which rating is lower.
(2) The gross notional value of the credit derivative contract. There is no exposure related to U.S. RMBS as reference assets.
(3) Gross exposure represents the estimated fair value prior to Counterparty Risk Reserves and Other Adjustments.
(4) Notional less estimated fair value of CDS protection acquired against the monoline insurers.

In addition to the above derivatives exposure, Nomura also had U.S.$173 million of debt securities, such as utility bonds, at September 30, 2009, guaranteed by monoline insurers. The estimated fair value of the wrap included in carrying value of these debt securities is not significant.

Liquidity and Capital Resources

Liquidity

Overview.

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

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We have in place a number of liquidity policies designed to achieve our primary liquidity objective. These include (1) ensure appropriate funding mix such that we have sufficient long term debt to meet our cash capital needs; (2) diversify unsecured funding sources; (3) manage unsecured funding; (4) maintain liquidity portfolios of cash and highly liquid unencumbered securities that can be converted into cash in order to meet our immediate liquidity requirements; (5) maintain committed bank facilities and (6) maintain and periodically test our Contingency Funding Plan.

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

1. *Ensure Appropriate Funding Mix.*

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

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

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

(iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating. In addition, other unencumbered assets held at exchanges for chaining requirements are also funded with long-term liquidity.

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

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

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

We routinely issue long term debt in various maturities and currencies to maintain a long term funding surplus, and to achieve both cost effective funding and a maturity profile where the average duration of our debt is sufficient to meet our long-term cash capital requirements. We therefore seek to maintain an average maturity for vanilla instruments greater than three years. The average maturity (for debt securities and borrowings with maturities longer than one year) was 3.8 years as of September 30, 2009. Approximately 85% of our medium-term notes were structured and linked to interest or equity, indices, currencies or commodities as of September 30, 2009. Conditions for such calls by indexes are individually set. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called.

On this basis, the average maturity of structured notes (notes with maturities longer than one year) was 13.84 years as of September 30, 2009. The average maturity of our entire long term debt portfolio including plain vanilla debt securities and borrowings was 7.39 years as of September 30, 2009.

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Note:

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

2. *Diversify Unsecured Funding Sources.*

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

We also seek to diversify funding by currency. The proportion of our non-yen denominated long-term debt was 14.2% of total term debt outstanding as of September 30, 2009.

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.

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	March 31, 2009		September 30, 2009	
	(in billions, except percentages)			
Short-term unsecured debt total[1]	¥ 1,932.4	23.8%	¥ 2,075.0	23.6%
Short-term bank borrowings	796.7		768.6	
Other loans	137.4		54.6	
Commercial paper	318.7		393.4	
Deposit at banking entities	354.6		377.9	
Certificates of deposit	61.0		96.4	
Bonds and notes maturing within one year	264.0		384.1	
Long-term unsecured debt total	4,646.4	57.2%	5,089.1	58.0%
Long-term deposit at banking entities	24.7		26.3	
Long-term bank borrowings	1,706.4		1,828.5	
Other loans	124.0		160.1	
Bonds and notes[2]	2,791.3		3,074.2	
Total NHI shareholders equity[3]	1,539.4	19.0%	1,615.9	18.4%

Notes:

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

(2) Excluding Long term bonds and notes issued by consolidated VIEs that meet the definition of Variable Interest Entities (VIE) under ASC 810 *Consolidation* (ASC 810) (formerly FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*) and Financial liabilities recognized within long term borrowings as a result of transfers of financial assets that are accounted for as financings rather than sales in accordance with ASC 860.

(3) On April 1, 2009, we adopted ASC 810 (formerly, SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*). See Note 1 to our interim consolidated financial statements included in this Form 6-K.

3. *Unsecured Funding Management.*

We manage the overall level of unsecured funding and have created internal limits on the additional amount of unsecured funding available across Nomura and its consolidated subsidiaries, or the Nomura group. The availability of unsecured funding is set by the Executive Management Board, and monitored closely by Global Treasury.

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

4. *Maintain Liquidity Portfolios.*

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

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

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

(i) Upcoming maturities of unsecured debt (maturities less than one year);

(ii) Potential buybacks of our outstanding debt;

(iii) Loss of secured funding lines particularly for less liquid assets, over and above our cash capital estimates;

(iv) Normal business volatility; and

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

As of September 30, 2009, our total liquidity portfolio was ¥3,505.1 billion. Our liquidity portfolio is composed of the following highly liquid products.

	March 31, 2009	September 30, 2009
	(in billions)	
Liquidity portfolios	¥ 2,400.5	¥ 3,505.1
Cash, cash equivalent and time deposits	1,150.7	674.8
Overnight call loans	45.9	30.2
Government securities	1,203.9	2,800.1

In addition to our liquidity portfolio, as of September 30, 2009, we had ¥1,081.9 billion of other unencumbered business assets comprising mainly unpledged trading inventory that can be used as an additional source of funding. The aggregate value of our liquidity portfolios and other unencumbered assets as of September 30, 2009 was ¥4,587.0 billion this represented 221.1% of our total unsecured debt maturing within the year ending September 30, 2010.

	March 31 2009	September 30, 2009
	(in billions)	
Net liquidity value of other unencumbered assets	¥ 907.9	¥ 1,081.9
Liquidity portfolios	2,400.5	3,505.1
Total	¥ 3,308.4	¥ 4,587.0

5. *Maintain Committed Bank Facilities.*

In addition to our liquidity portfolio, we maintain undrawn committed facilities with a group of globally recognized banks in order to provide contingent financing sources. Total committed facilities were ¥170.3 billion as of September 30, 2009. We have structured the facilities to ensure that the maturity dates of these facilities are evenly distributed throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw these facilities. We may occasionally test the effectiveness of our drawdown procedures.

6. *Maintain and Test of our Contingency Funding Plan (CFP).*

We have developed a detailed contingency funding plan. As a part of the CFP, we have developed an approach for analyzing and specifying the extent of any liquidity events. This allows us to estimate the likely impact of both a Nomura-specific and market-wide crises and specifies the immediate action to be taken to mitigate any risk. The CFP lists details of key internal and external parties to be contacted and the processes by which information is to be disseminated. The CFP has been developed at the legal entity level in order to capture specific cash requirements at the local level it assumes that the parent company does not have access to cash that may be trapped at the subsidiary level due to regulatory, legal or tax constraints. We periodically test the effectiveness of our funding plans for different Nomura-specific events and market-wide events. We also have access to operations at central banks such as the Bank of Japan and European Central Bank, which provide financing against various types of securities. These operations are accessed in the normal course of business and are important tools in mitigating contingent risk from market disruptions.

Since November 2009, we have revised the CFP to further integrate liquidity risk control into our comprehensive risk management and enhance the quantitative aspects of our liquidity risk control procedures. Under the revised CFP, we monitor our liquidity based on an internal model which simulates changes in cash outflow under specified stress scenarios. Such stress scenarios are in turn tailored to the liquidity requirements in view of the risk appetite formulated by the Global Integrated Risk Management Committee, our risk management body functioning under the supervision of the Board of Directors and the Executive Management Board. Where the liquidity requirements are not met as a result of the stress test, the CFP specifies an action plan depending on the nature of the contingency.

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Cash Flow.

Cash and cash equivalents balance as of September 30, 2008 and as of September 30, 2009 were ¥430.9 billion and ¥508.4 billion respectively. Cash flows from operating activities for the six months ended September 30, 2008 were outflows of ¥403.3 billion due mainly to an increase of *Loans and receivables*. Those for the six months ended September 30, 2009 were outflows of ¥608.3 billion mainly due to the movement of *Trading assets* and *Trading Liabilities*, and a decrease of *Other secured borrowings*. Cash flows from investing activities for the six months ended September 30, 2008 were outflows of ¥59.2 billion due mainly to the payments for purchases of *Office buildings, land, equipment* and *facilities* and those for the six months ended September 30, 2009 were outflows of ¥114.4 billion due mainly to an increase of *Loans receivable at bank*. Cash flows from financing activities for the six months ended September 30, 2008 and September 30, 2009 were inflows of ¥379.9 billion and of ¥610.6 billion respectively, mainly due to an increase of *Long-term Borrowings*.

Consolidated Balance Sheets and Financial Leverage.

Total assets as of September 30, 2009 were ¥27,661.4 billion, an increase of ¥2,823.6 billion compared to ¥24,837.8 billion as of March 31, 2009, reflecting an increase in collateralized agreements and trading assets. Total liabilities as of September 30, 2009 were ¥26,034.4 billion, an increase of ¥2,748.1 billion compared to ¥23,286.3 billion as of March 31, 2009, reflecting an increase in collateralized financing and trading liabilities. Total NHI shareholders equity as of September 30, 2009 was ¥1,615.9 billion, an increase of ¥76.5 billion compared to ¥1,539.4 billion as of March 31, 2009, due in an increase in Common stock and Retained earnings.

We seek to maintain sufficient capital at all times to withstand losses due to extreme market movements. The Executive Management Board is responsible for implementing and enforcing capital policies. This includes the determination of our balance sheet size and required capital levels. We continually 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.

The following table sets forth Total NHI shareholders equity, total assets, adjusted assets and leverage ratios as of the dates indicated:

	March 31, 2009	September 30, 2009
	(in billions, except ratios)	
Total NHI shareholders equity	¥ 1,539.4	¥ 1,615.9
Total assets	24,837.8	27,661.4
Adjusted assets(1)	16,425.2	17,937.1
Leverage ratio(2)	16.1x	17.1x
Adjusted leverage ratio(3)	10.7x	11.1x

Notes:

(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 Total NHI shareholders equity.
(3) Adjusted leverage ratio equals adjusted assets divided by Total NHI shareholders equity.

Capital Management

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

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Recent Capital-raising Activities.

Our recent capital-raising activities are as follows:

In June and July 2008, Nomura Securities raised ¥480.0 billion through a subordinated loan from a number of financial institutions on a bilateral basis.

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

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

In October 2009, we raised ¥435.5 billion through issuance of shares of our common stock in a global offering. The proceeds from the offering were used for working capital and other general corporate purposes.

In November 2009, we raised ¥70 billion through issuance of unsecured straight bonds to both institutional and retail investors in Japan.

In December 2009, Nomura Europe Finance N.V., a subsidiary of Nomura Holdings, Inc., raised 1,000,000,000 through issuance of fixed-rate notes due December 9, 2014, which are guaranteed by Nomura Holdings, Inc.

Dividends.

We seek to enhance shareholder value and intend to maintain sufficient capital to expeditiously and securely capture business opportunities as they develop. We review our sufficiency of capital as appropriate, taking into consideration economic risks inherent in our businesses, regulatory requirements, the current economic environment and maintenance of a sufficient debt rating for a global financial institution.

When determining the amount of cash dividend, we strive to achieve sustainable dividend pay-outs by taking into account a pay-out ratio of 30% as a key benchmark and we also intend to pay dividends at stable rates to the extent appropriate. In recent years, we paid dividends on a quarterly basis, but as from the year ending March 31, 2010, in principle, we expect to pay out any dividends on a semi-annual basis, with the record dates of March 31 and September 30.

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

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

Fiscal year ended or ending March 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2005		¥ 10.00		¥ 10.00	¥ 20.00

2006		12.00		36.00	48.00
2007	¥ 8.00	8.00	¥ 8.00	20.00	44.00
2008	8.50	8.50	8.50	8.50	34.00
2009	8.50	8.50	8.50		25.50
2010		4.00			

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

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

Preferred Stock. Effective June 25, 2009, we have amended our Articles of Incorporation in order to enable issuance of four classes of preferred stock, of which Class 1 and Class 2 will not be convertible into common stock, while Class 3 and Class 4 will be convertible into common stock. A robust capital base is essential to ensuring the expansion and enhancement of our business platform. Although our capital and financial structure currently does not require any immediate issuance of preferred stock, we have made this amendment to expand our fundraising options and speedily respond to future changes in the economic and business environment. Currently, we do not have concrete plans to issue preferred stocks.

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

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 operate, reputation, earnings structure, trend and volatility of our earnings, risk management framework, liquidity and capital management. An adverse change in any of these factors could result in a 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 credit ratings can have a significant impact on certain of our trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions.

As of September 30, 2009, the credit ratings of Nomura Holdings, Inc. and Nomura Securities were as follows:

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

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

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

- an obligation under a guarantee contract;
- a retained or contingent interest in assets transferred to an off-balance sheet entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets;
- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument; or
- any obligation, including contingent obligation, arising out of a variable interest in an off-balance sheet entity that is held by, and material to, Nomura, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, Nomura.

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Off-balance sheet entities may take the form of a corporation, partnership, fund, trust or other legal vehicle which are designed to fulfill a limited, specific purpose by its sponsor. We both create or sponsor these entities and also enter into arrangements with entities created or sponsored by others. Such entities generally meet the definition of a Variable Interest Entity, or VIE, under ASC 810, or meet the definition of a Qualifying Special Purpose Entity, or QSPE, under ASC 860.

A VIE, as defined by ASC 810, is an entity with insufficient equity at risk to support its operations without additional subordinated financial support or whose equity investors lack the features of a controlling interest in the entity. In other words, equity investors in these entities lack either the ability to make significant decisions through their voting rights, an obligation to absorb the expected losses of the entity or a right to receive the expected residual returns of the entity. A QSPE is generally a passive vehicle whose activities are restricted and predetermined at inception in accordance with criteria under ASC 860. Such vehicles are generally used to securitize financial assets such as loans and debt instruments.

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

Our involvement with these entities includes structuring, underwriting, distributing and selling debt instruments and beneficial interests issued by these entities, subject to prevailing market conditions. In the normal course of business, we also act as transferor of financial assets to, and underwriter, distributor and seller of asset-repackaged financial instruments issued by these entities, in connection with our securitization and equity derivative activities. We retain, purchase and sell variable interests in Special Purpose Entities, or SPEs, in connection with our market-making, investing and structuring activities. Our other types of off-balance sheet arrangements include guarantee agreements and derivative contracts. For further information about off-balance arrangements with VIEs, see Note 6, Securitization and Variable Interest Entities (VIEs) to our interim consolidated financial statements.

The following table sets forth Nomura s exposures from consolidated VIEs and exposures to unconsolidated significant VIEs and unconsolidated sponsored VIEs (of which Nomura is a sponsor that holds a variable interest in a VIE) as at September 30, 2009, arising from our continuing involvement with these entities. Nomura considers maximum exposures to loss to be limited to the amounts presented below, which are reflected in our consolidated balance sheet or the footnote discussing guarantees. Exposures do not reflect 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.

	As of September 30, 2009		
	Exposures from consolidated VIEs	Exposures to unconsolidated significant VIEs and sponsored VIEs[2]	Total
		(in billions)	
Trading assets:			
Equities	¥ 273	¥ 55	¥ 328
Debt securities	149	20	169
Mortgage and mortgage-backed securities	75	75	150
Investment trust funds and other	1	2	3
Derivatives[1]	11	12	23
Private equity	4		4
Office buildings, land, equipment and facilities	51		51
Others	64	77	141

Notes:

(1) The amounts present current balance sheet carrying value of derivatives. Notional amount for exposures from consolidated VIEs is ¥96 billion and notional for exposures to unconsolidated significant VIEs and sponsored VIEs (using the VIEs total assets as the maximum amount) is ¥50 billion.

(2) We held ¥22 billion of commitment to extend credit, standby letters of credit and other guarantees to unconsolidated significant VIEs and sponsored VIEs as of September 30, 2009.

Nomura may be required to consolidate off-balance sheet entities which are currently not consolidated under the provisions of ASC 810, should it become the primary beneficiary of those vehicles. The primary beneficiary of an entity is determined through an assessment of which entity absorbs the majority of the expected losses or is entitled to the majority of the expected benefits of that entity, or both. Such an assessment takes into account Nomura s variable interests in the entity as well the seniority of its interests in relation to those of other variable interest holders.

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

- The obligation to absorb expected losses or the right to receive expected residual returns is reallocated between the existing primary beneficiary and other parties due to a change in the entity s governing documents or contractual arrangements;
- The existing primary beneficiary sells or disposes of all or part of its variable interests to unrelated parties;
- The variable interest entity issues new variable interests to parties other than the primary beneficiary and its related parties; or
- Nomura acquires additional variable interests in the variable interest entity.

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

See Note 1 to our interim consolidated financial statements for information on SFAS No. 166, *Accounting for Transfers of Financial Assets* (as codified in ASC 860, *Transfers and Servicing*), and SFAS No. 167, *Amendments to FASB Interpretation No. 46 (R)* (as codified in ASC 810, *Consolidation*).

Tabular Disclosure of Contractual Obligations

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

Standby letters of credit and other guarantees:

- In the normal course of our banking and 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.

Operating lease commitments

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

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Commitments to extend credit:

In connection with our banking and financing activities, we enter into contractual commitments to extend credit, which generally have fixed expiration dates;

In connection with our investment banking activities, we enter into agreements with customers under which we commit to underwrite notes that may be issued by the customers.

Commitments to invest in partnership:

In connection with our merchant banking activities, we have commitments to invest in interests in various partnerships and other entities and commitments to provide financing for investments related to these partnerships.

Note 12 to our interim consolidated financial statements contains further details on our commitments, contingencies and guarantees.

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

The following table shows our key contractual obligations and contingent commitments as well as their maturities as of September 30, 2009:

	Total contractual amount	Years to Maturity Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
			(in millions)		
Standby letters of credit and other guarantees	¥ 7,789	¥ 7,476	¥ 101	¥ 204	¥ 8
Operating lease commitments	85,150	14,604	26,869	16,765	26,912
Commitments to extend credit	201,964	86,719	97,325	16,180	1,740
Commitments to invest in partnerships	40,158	5,560	15,121	6,603	12,874

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

Risk Management

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

We established the Structure for Ensuring Appropriate Business , which is a principle, at the Board of Directors. Within this is established the Structure for Regulations and others regarding Management of Risk Loss .

In accordance with these structures, we are constantly seeking to upgrade the risk management expertise and we are trying to strengthen and promote the risk management.

Global Risk Management Structure

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

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

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

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

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

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Market Risk

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

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

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

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

				As of			
	Mar. 31, 2009	**Apr. 30, 2009**	**May 30, 2009**	**Jun. 30, 2009**	**Jul. 31, 2009**	**Aug. 31, 2009**	**Sep. 30, 2009**
				(in hundred millions)			
Equity	¥ 37.9	¥ 29.0	¥ 23.1	¥ 44.3	¥ 26.1	¥ 39.0	¥ 26.4
Interest Rate	67.0	36.7	52.2	39.9	47.7	40.1	34.2
Foreign Exchange	86.6	95.2	116.8	120.9	117.6	111.5	109.2
Sub-total	191.5	160.8	192.1	205.1	191.4	190.6	169.9
Less:							
Diversification Benefit	(74.8)	(54.9)	(66.3)	(71.4)	(61.0)	(70.7)	(51.7)
Value at Risk	¥ 116.6	¥ 106.0	¥ 125.8	¥ 133.7	¥ 130.4	¥ 119.9	¥ 118.2

Value at Risk		
(maximum)	¥142.9	July 27, 2009
(average)	122.5	Average for the period from April 1, 2009 to September 30, 2009
(minimum)	98.8	April 28, 2009

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	As of												
	Mar. 31, 2008	Apr. 30, 2008	May 31, 2008	Jun. 29, 2008	Jul. 31, 2008	Aug. 31, 2008	Sep. 28, 2008	Oct. 31, 2008	Nov. 30, 2008	Dec. 31, 2008	Jan. 31, 2009	Feb. 27, 2009	Mar. 31, 2009
	(in hundred millions)												
Equity	¥ 41.6	¥ 41.0	¥ 44.5	¥ 32.6	¥ 38.3	¥ 32.4	¥ 26.8	¥ 29.7	¥ 23.8	¥ 24.6	¥ 21.6	¥ 36.4	¥ 37.9
Interest Rate	47.0	80.2	54.8	37.4	34.3	31.5	33.8	49.2	40.9	42.2	39.7	72.4	67.0
Foreign Exchange	80.0	65.4	70.6	47.6	38.4	43.0	63.0	124.3	127.7	118.0	102.0	92.1	86.6
Sub-total	168.7	186.6	169.8	117.5	111.1	106.9	123.7	203.2	192.3	184.8	163.4	200.9	191.5
Less: Diversification Benefit	(67.6)	(92.7)	(88.2)	(54.6)	(49.1)	(45.4)	(50.8)	(72.0)	(61.2)	(61.7)	(54.0)	(77.4)	(74.8)
Value at Risk	¥ 101.0	¥ 94.0	¥ 81.6	¥ 63.0	¥ 62.0	¥ 61.6	¥ 72.9	¥ 131.1	¥ 131.1	¥ 123.1	¥ 109.4	¥ 123.5	¥ 116.6

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

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

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

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VaR relating to equity risk decreased from ¥3.79 billion at the end of March 2009 to ¥2.64 billion at the end of September 2009 mainly due to a reduction of equity volatility risk. VaR relating to interest rate risk decreased from ¥6.70 billion at the end of March 2009 to ¥3.42 billion at the end of September 2009 mainly due to a reduction of Delta. VaR relating to foreign exchange risk increased from ¥8.66 billion at the end of March 2009 to ¥10.92 billion at the end of September 2009 mainly due to a rise in foreign exchange volatility.

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

For the fiscal year ended March 31, 2008, VaR relating to equity risk decreased from ¥4.65 billion at the end of March 2007 to ¥4.16 billion at the end of March 2008. VaR relating to interest rate risk increased from ¥3.74 billion at the end of March 2007 to ¥4.70 billion at the end of March 2008 mainly due to a rise of interest rate related volatility. VaR relating to foreign exchange risk significantly increased from ¥1.43 billion at the end of March 2007 to ¥8.00 billion at the end of March 2008 mainly due to a rise in foreign exchange volatility.

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

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

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

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

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

We use regression analysis covering the previous 500 days which tracks and compares fluctuations in the TOPIX and the market value of our operating equity investments held for operating purposes. Our simulation indicates that, for each 10% change in the TOPIX, the market value of our operating equity investments held for operating purposes can be expected to change by ¥11,983 million as of March 31, 2009 and ¥11,604 million as of September 30, 2009. On March 31, 2009, the TOPIX closed at 773.66 points and on September 30, 2009, the TOPIX closed at 909.84 points. This simulation analyzes data for our entire portfolio of equity investments held for operating purposes. Therefore, it is very important to note that the actual results differ from our expectations because of price fluctuations of individual equities.

Credit Risk

The framework for the management of our credit risk and investment risk is outlined in the Credit Risk Management Policy approved by the GIRMC.

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

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

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

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

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

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

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

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

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

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

Counterparty Credit Ratings for Replacement Cost (Net of Collateral) of Trading Derivative Assets

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

Notes:

(1) This item represents netting of payable balances with receivable balances for the same counterparty across maturity band categories. Receivable and payable balances with the same counterparty in the same maturity category, however, are net within the maturity category. Cash collateral netting against net derivatives in accordance with ASC 210-20 are included.

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

Operational Risk

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

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

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

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

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

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

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

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Interim Consolidated Financial Statements

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Consolidated Financial Statements

(1) Consolidated Balance Sheets (UNAUDITED)

	Millions of yen		Translation into millions of U.S. dollars
	September 30, 2009	March 31, 2009	September 30, 2009
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents	¥ 508,434	¥ 613,566	$ 5,681
Time deposits	166,411	537,084	1,860
Deposits with stock exchanges and other segregated cash	179,636	272,059	2,007
	854,481	1,422,709	9,548
Loans and receivables:			
Loans receivable (including ¥333,010 million ($3,721 million) and ¥12,431 million measured at fair value by applying the fair value option at September 30, 2009 and at March 31, 2009)	933,751	519,179	10,434
Receivables from customers	34,790	23,619	389
Receivables from other than customers	893,179	1,103,974	9,981
Allowance for doubtful accounts	(7,551)	(3,765)	(85)
	1,854,169	1,643,007	20,719
Collateralized agreements:			
Securities purchased under agreements to resell	4,437,473	2,657,151	49,586
Securities borrowed	5,286,822	5,755,467	59,077
	9,724,295	8,412,618	108,663
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥3,800,330 million ($42,467 million) at September 30, 2009 and ¥2,851,759 million at March 31, 2009; including ¥15,663 million ($175 million) and ¥21,189 million measured at fair value by applying the fair value option at September 30, 2009 and at March 31, 2009)	13,118,046	11,348,747	146,587
Private equity investments (including ¥62,060 million ($693 million) measured at fair value by applying the fair value option at September 30, 2009 and ¥62,108 million at March 31, 2009)	320,600	323,865	3,582
	13,438,646	11,672,612	150,169
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥231,042 million ($2,582 million) at September 30, 2009 and ¥225,475 million at March 31, 2009)	377,929	357,256	4,223
Non-trading debt securities	253,490	244,027	2,833
Investments in equity securities	122,378	118,902	1,368
Investments in and advances to affiliated companies	242,779	243,474	2,713
Other	793,231	723,243	8,864

	1,789,807	1,686,902	20,001
Total assets	¥ 27,661,398	¥ 24,837,848	$ 309,100

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	Millions of yen		Translation into millions of U.S. dollars
	September 30, 2009	March 31, 2009	September 30, 2009
LIABILITIES AND EQUITY			
Short-term borrowings (including ¥119,469 million ($1,335 million) and ¥36,304 million measured at fair value by applying the fair value option at September 30, 2009 and at March 31, 2009)	¥ 1,243,287	¥ 1,183,374	$ 13,893
Payables and deposits:			
Payables to customers	363,787	403,797	4,065
Payables to other than customers	380,909	398,187	4,256
Deposits received at banks	500,564	440,334	5,594
	1,245,260	1,242,318	13,915
Collateralized financing:			
Securities sold under agreements to repurchase	6,533,554	5,000,787	73,009
Securities loaned	1,275,519	2,243,152	14,253
Other secured borrowings	1,241,045	2,914,015	13,868
	9,050,118	10,157,954	101,130
Trading liabilities	7,810,019	4,752,054	87,273
Other liabilities	623,324	467,574	6,965
Long-term borrowings (including ¥1,363,337 million ($15,235 million) and ¥913,790 million measured at fair value by applying the fair value option at September 30, 2009 and at March 31, 2009)	6,062,350	5,483,028	67,743
Total liabilities	26,034,358	23,286,302	290,919
Commitments and contingencies			
NHI shareholders equity:			
Common stock			
No par value share;			
Authorized 6,000,000,000 shares at September 30, 2009 and March 31, 2009			
Issued 2,832,914,058 shares at September 30, 2009 and 2,661,092,760 shares at March 31, 2009			
Outstanding 2,781,478,197 shares at September 30, 2009 and 2,604,779,843 shares at March 31, 2009	359,265	321,765	4,015
Additional paid-in capital	384,272	374,413	4,294
Retained earnings	1,060,227	1,038,557	11,847
Accumulated other comprehensive income (loss)	(117,520)	(118,437)	(1,313)
	1,686,244	1,616,298	18,843
Common stock held in treasury, at cost 51,435,861 shares and 56,312,917 shares at September 30, 2009 and at March 31, 2009	(70,305)	(76,902)	(786)
Total NHI shareholders equity	1,615,939	1,539,396	18,057
Noncontrolling interests	11,101	12,150	124
Total equity	1,627,040	1,551,546	18,181
Total liabilities and equity	¥ 27,661,398	¥ 24,837,848	$ 309,100

Notes:

(1) Noncontrolling interests, which were previously included in Other liabilities, are classified as Equity in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810 *Consolidation* (updated noncontrolling interests guidance).

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

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

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(2) Consolidated Statements of Operations (UNAUDITED)

	Millions of yen		Translation into millions of U.S. dollars
	Six months ended September 30		
	2008	2009	2009
Revenue:			
Commissions	¥ 167,084	¥ 197,462	$ 2,207
Fees from investment banking	23,433	45,309	506
Asset management and portfolio service fees	85,190	64,347	719
Net gain (loss) on trading	(10,500)	269,619	3,013
Gain (loss) on private equity investments	(14,496)	(106)	(1)
Interest and dividends	244,950	111,988	1,251
Gain (loss) on investments in equity securities	(8,840)	7,493	84
Other	28,787	22,953	256
Total revenue	515,608	719,065	8,035
Interest expense	252,456	120,681	1,348
Net revenue	263,152	598,384	6,687
Non-interest expenses:			
Compensation and benefits	168,008	284,714	3,182
Commissions and floor brokerage	38,977	41,749	467
Information processing and communications	67,991	84,084	940
Occupancy and related depreciation	33,048	44,590	498
Business development expenses	14,951	12,636	141
Other	93,911	71,898	803
	416,886	539,671	6,031
Income (loss) before income taxes	(153,734)	58,713	656
Income tax expense (benefit)	(4,141)	19,629	219
Net income (loss)	(149,593)	39,084	437
Less: Net income (loss) attributable to noncontrolling interests	(129)	(51)	(0)
Net income (loss) attributable to NHI	¥ (149,464)	¥ 39,135	$ 437

	Yen		Translation into U.S. dollars
	Six months ended September 30		
	2008	2009	2009
Per share of common stock:			
Basic			
Net income (loss) attributable to NHI common shareholders	¥ (78.32)	¥ 14.70	$ 0.16
Diluted			
Net income (loss) attributable to NHI common shareholders	¥ (78.42)	¥ 13.38	$ 0.15

Notes:

(1) Net income (loss) is net income (loss) before subtracting Net income (loss) attributable to noncontrolling interests in accordance with the updated noncontrolling interests guidance. Also, Net income (loss) attributable to NHI was previously reported as Net income (loss).

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

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

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	Millions of yen		Translation into millions of U.S. dollars
	Three months ended September 30		
	2008	2009	2009
Revenue:			
Commissions	¥ 84,886	¥ 95,438	$ 1,066
Fees from investment banking	10,026	15,580	174
Asset management and portfolio service fees	42,411	34,016	380
Net gain (loss) on trading	(21,015)	148,487	1,659
Gain on private equity investments	23,167	2,033	23
Interest and dividends	126,993	53,561	599
Gain (loss) on investments in equity securities	(9,804)	(2,308)	(26)
Other	1,068	8,663	97
Total revenue	257,732	355,470	3,972
Interest expense	129,667	55,445	619
Net revenue	128,065	300,025	3,353
Non-interest expenses:			
Compensation and benefits	80,098	146,633	1,639
Commissions and floor brokerage	20,343	21,706	243
Information processing and communications	34,632	43,924	491
Occupancy and related depreciation	17,180	22,598	253
Business development expenses	7,919	6,380	71
Other	37,284	31,492	351
	197,456	272,733	3,048
Income (loss) before income taxes	(69,391)	27,292	305
Income tax expense (benefit)	3,531	(1,049)	(12)
Net income (loss)	(72,922)	28,341	317
Less: Net income (loss) attributable to noncontrolling interests	(50)	626	7
Net income (loss) attributable to NHI	¥ (72,872)	¥ 27,715	$ 310

	Yen		Translation into U.S. dollars
	Three months ended September 30		
	2008	2009	2009
Per share of common stock:			
Basic			
Net income (loss) attributable to NHI common shareholders	¥ (38.18)	¥ 10.22	$ 0.11
Diluted			
Net income (loss) attributable to NHI common shareholders	¥ (38.23)	¥ 8.87	$ 0.10

Notes:

(1) Net income (loss) is net income (loss) before subtracting Net income (loss) attributable to noncontrolling interests in accordance with the updated noncontrolling interests guidance. Also, Net income (loss) attributable to NHI was previously reported as Net income (loss).

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

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

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(3) Consolidated Statements of Changes in Equity (UNAUDITED)

	Millions of yen		Translation into millions of U.S. dollars
	Six months ended September 30		
	2008	2009	2009
Common Stock			
Balance at beginning of year	¥ 182,800	¥ 321,765	$ 3,596
Conversion of convertible bonds		37,500	419
Balance at end of the period	182,800	359,265	4,015
Additional paid-in capital			
Balance at beginning of year	177,227	374,413	4,184
Conversion of convertible bonds		37,500	419
Gain on sales of treasury stock	1,922	4,490	50
Issuance and exercise of common stock options	3,264	(5,045)	(56)
Adjustments on initial application of Contracts in entity s own equity		(26,923)	(301)
Beneficial conversion feature relating to subordinated convertible bond		413	4
Other net change in additional paid-in capital		(576)	(6)
Balance at end of the period	182,413	384,272	4,294
Retained earnings			
Balance at beginning of year	1,779,783	1,038,557	11,605
Net income (loss) attributable to NHI[(2)]	(149,464)	39,135	437
Cash dividends[(4)]	(32,447)	(11,126)	(124)
Adjustments on initial application of Fair value measurements	10,383		
Adjustments on initial application of The fair value option	5,258		
Adjustments on initial application of Contracts in entity s own equity		(6,339)	(71)
Balance at end of the period	1,613,513	1,060,227	11,847
Accumulated other comprehensive income (loss):			
Cumulative translation adjustments			
Balance at beginning of year	(28,416)	(73,469)	(821)
Net change during the period	(19,880)	982	11
Balance at end of the period	(48,296)	(72,487)	(810)
Defined benefit pension plans			
Balance at beginning of year	(42,695)	(44,968)	(502)
Pension liability adjustment	496	(65)	(1)
Balance at end of the period	(42,199)	(45,033)	(503)
Balance at end of the period	(90,495)		