NOMURA HOLDINGS INC
Form 6-K
February 28, 2013
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FORM 6-K

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

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

the Securities Exchange Act of 1934

Commission File Number: 1-15270

For the month of February 2013

NOMURA HOLDINGS, INC.

(Translation of registrant s name into English)

9-1, Nihonbashi 1-chome

Chuo-ku, Tokyo 103-8645

Japan

(Address of principal executive offices)

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

Form 20-F x Form 40-F ¨

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

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

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Information furnished on this form:

EXHIBITS

Exhibit Number

1. (English Translation) Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Nine Months Ended December 31, 2012

2. (English Translation) Confirmation Letter

3. Ratio of Earnings to Fixed Charges and Computation Thereof for the Nine Months Ended December 31, 2012

The registrant hereby incorporates Exhibits 1, 2 and 3 to this report on Form 6-K by reference (i) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-169682) of the registrant and Nomura America Finance, LLC, filed with the Securities and Exchange Commission (SEC) on September 30, 2010 and (ii) in the prospectus that is part of the Registration Statement on Form F-3 (Registration No. 333-186755) of the registrant, filed with the SEC on February 20, 2013.

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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 28, 2013	By: /s/ Eiji Miura Eiji Miura Senior Managing Director

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Exhibit 1

Quarterly Securities Report Pursuant to the Financial Instruments and Exchange Act for the Nine Months Ended December 31, 2012

Items included in the Quarterly Securities Report

Note: Translations for the underlined items are attached to this form as below.

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Part I Corporate Information

Item 1. Information on Company and Its Subsidiaries and Affiliates

1. Selected Financial Data

		Nine months ended December 31, 2011	Nine months ended December 31, 2012	Three months ended December 31, 2011	Three months ended December 31, 2012	Year ended March 31, 2012
Total revenue	(Mil yen)	1,286,358	1,359,800	481,501	458,981	1,851,760
Net revenue	(Mil yen)	1,036,891	1,160,019	404,937	389,086	1,535,859
Income before income taxes	(Mil yen)	24,199	68,048	34,473	12,965	84,957
Net income (loss) attributable to Nomura Holdings, Inc. (NHI) shareholders	(Mil yen)	(10,499)	24,812	17,822	20,112	11,583
Comprehensive income (loss) attributable to NHI shareholders	(Mil yen)	(50,941)	52,030	14,568	66,043	(3,870)
Total equity	(Mil yen)	2,347,610	2,435,083			2,389,137
Total assets	(Mil yen)	33,494,863	38,562,229			35,697,312
Net income (loss) attributable to NHI shareholders per share basic	(Yen)	(2.89)	6.73	4.87	5.44	3.18
Net income (loss) attributable to NHI shareholders per share diluted	(Yen)	(2.89)	6.60	4.84	5.33	3.14
Total NHI shareholders equity as a percentage of total assets	(%)	6.2	5.6			5.9
Cash flows from operating activities	(Mil yen)	(296,651)	346,356			290,863
Cash flows from investing activities	(Mil yen)	51,473	(125,079)			9,942
Cash flows from financing activities	(Mil yen)	(340,050)	(490,423)			(844,311)
Cash and cash equivalents at end of the period	(Mil yen)	1,014,576	820,045			1,070,520

1 The selected financial data of Nomura Holdings, Inc. (Company) and other entities in which it has a controlling financial interest (collectively referred to as Nomura , we , our , or us) are stated in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

2 Taxable transactions do not include consumption taxes and local consumption taxes.

3 As the consolidated financial statements have been prepared, selected financial data on the Company are not disclosed.

2. Business Overview

There was no significant change for the business of the Company and its 785 consolidated subsidiaries for the nine months ended December 31, 2012.

There were 17 affiliated companies which were accounted for by the equity method as of December 31, 2012.

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Item 2. Operating and Financial Review

1. Risk Factors

Significant changes in our Risk Factors which were described on the annual securities report are stated below. The titles below correspond to the titles of Part I Corporate Information Item 2. Operating and Financial Review 3. Risk Factors in the annual securities report.

The discussion below contains future matters that are based on the assessments made as of the date of submission of this report (February 14, 2013), unless noted separately.

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

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

We may have to record impairment charges, as well as profits and losses associated with subsequent transactions, with regard to the amount of goodwill and tangible and intangible assets and if recorded, they may adversely affect our results of operations and financial condition.

2. Significant Contracts

Not applicable.

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3. Operating, Financial and Cash Flows Analysis

(1) Operating Results

Nomura reported net revenue of ¥1,160.0 billion, non-interest expenses of ¥1,092.0 billion, income before income taxes of ¥68.0 billion, and net income attributable to NHI shareholders of ¥24.8 billion for the nine months ended December 31, 2012.

The breakdown of net revenue and non-interest expenses on the consolidated statements of income are as follows:

	Millions of yen Nine months ended December 31 2011	 2012
Commissions	¥ 256,689	¥ 233,327
Brokerage commissions	133,482	113,980
Commissions for distribution of investment trust	99,026	95,700
Other	24,181	23,647
Fees from investment banking	44,835	40,541
Underwriting and distribution	22,734	21,445
M&A / financial advisory fees	21,197	17,470
Other	904	1,626
Asset management and portfolio service fees	109,165	102,241
Asset management fees	95,849	89,510
Other	13,316	12,731
Net gain on trading	173,631	261,516
Gain on private equity investments	26,286	6,543
Net interest	93,975	96,267
Gain (loss) on investments in equity securities	(5,919)	14,767
Other	338,229	404,817
Net revenue	¥ 1,036,891	¥ 1,160,019

	Millions of yen Nine months ended December 31 2011	 2012
Compensation and benefits	¥ 406,659	¥ 392,967
Commissions and floor brokerage	69,518	66,800
Information processing and communications	133,488	130,341
Occupancy and related depreciation	73,247	68,429
Business development expenses	34,391	34,553
Other	295,389	398,881
Non-interest expenses	¥ 1,012,692	¥ 1,091,971

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Business Segment Information

Results by business segment are noted below.

Reconciliations of *Net revenue* and *Income (loss) before income taxes* on segment results of operations and the consolidated statements of income are set forth in Item 4. Financial Information, 1. Consolidated Financial Statements, Note 16. *Segment and geographic information*.

Net revenue

	Millions of yen Nine months ended December 31 2011	2012
Retail	¥ 257,882	¥ 259,176
Asset Management	50,095	50,643
Wholesale(1)	396,650	447,945
Other (Incl. elimination)(1)	338,365	387,323
Total	¥ 1,042,992	¥ 1,145,087

Non-interest expenses

	Millions of yen Nine months ended December 31 2011	2012
Retail	¥ 215,040	¥ 215,766
Asset Management	33,693	33,395
Wholesale(1)	446,158	411,946
Other (Incl. elimination)(1)	317,801	430,864
Total	¥ 1,012,692	¥ 1,091,971

Income (loss) before income taxes

	Millions of yen Nine months ended December 31 2011	2012
Retail	¥ 42,842	¥ 43,410
Asset Management	16,402	17,248
Wholesale(1)	(49,508)	35,999
Other (Incl. elimination)(1)	20,564	(43,541)
Total	¥ 30,300	¥ 53,116

(1) In accordance with the realignment in April 2012, certain prior period amounts of Wholesale and Other have been reclassified to conform to the current period presentation.

Retail

We provided consulting services meeting client needs, and as a result, net revenue was ¥259.2 billion. Non-interest expenses were ¥215.8 billion and income before income taxes was ¥43.4 billion. Retail client assets were ¥73.6 trillion as of December 31, 2012, a ¥1.6 trillion increase from March 31, 2012.

Asset Management

Net revenue was ¥50.6 billion. Non-interest expenses were ¥33.4 billion and income before income taxes was ¥17.2 billion. Assets under management were ¥25.1 trillion as of December 31, 2012, a ¥0.5 trillion increase from March 31, 2012, because of the improved investment environment and inflows.

Wholesale

Net revenue was ¥447.9 billion. Non-interest expenses were ¥411.9 billion and loss before income taxes was ¥36.0 billion.

The breakdown of net revenue for Wholesale is as follows:

	Millions of yen	
	Nine months ended December 31	
	2011	2012
Fixed Income	¥ 187,532	¥ 270,758
Equities	129,649	116,560
Investment Banking (Net)	54,198	48,643
Investment Banking (Other)	25,271	11,984
Investment Banking	79,469	60,627
Net revenue	¥ 396,650	¥ 447,945
Investment Banking (Gross)	¥ 101,193	¥ 98,927

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

For Fixed Income, as a result of contribution across regions and products, net revenue was ¥270.8 billion. For Equities, market turnover continued to decline globally, client revenues decreased, net revenue was ¥116.6 billion. For Investment Banking, net revenue was ¥60.6 billion.

Other Operating Results

Other operating results include net gain (loss) related to economic hedging transactions, realized gain (loss) on investments in equity securities held for operating purposes, equity in earnings of affiliates, corporate items, and other financial adjustments. Other operating results for the nine months ended December 31, 2012 include the losses from changes in the fair value of the financial liabilities, for which the fair value option was elected, attributable to the change in Nomura s creditworthiness, of ¥11.5 billion, the negative impact of its own creditworthiness on derivative liabilities, which resulted in loss of ¥17.0 billion and the gains from changes in counterparty credit spread of ¥13.5 billion. Net revenue was ¥387.3 billion, non-interest expenses were ¥430.9 billion and loss before income taxes was ¥43.5 billion for the nine months ended December 31, 2012.

Geographic Information

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 16. *Segment and geographic information* for net revenue and income (loss) before income taxes by geographic allocation.

Cash Flow Information

Please refer to (6) Liquidity and Capital Resources .

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(2) Assets and Liabilities Associated with Investment and Financial Services Business

1) Exposure to Certain Financial Instruments and Counterparties

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

Securitization Products

Our exposure to securitization products consists of commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), commercial real estate-backed securities and other securitization products. We hold these securitization products in connection with securitization, financing, trading and other activities. The following table provides a summary of our exposure to securitization products by geographic region of the underlying collateral as of December 31, 2012.

	Millions of yen December 31, 2012				
	Japan	Europe	Americas	Asia and Oceania	Total(1)
CMBS(2)	¥ 2,420	¥ 10,377	¥ 58,492	¥	¥ 71,289
RMBS(3)	47,565	32,319	245,257	660	325,801
Commercial real estate-backed securities	3,454				3,454
Other securitization products(4)	62,673	7,291	110,873	1,415	182,252
Total	¥ 116,112	¥ 49,987	¥ 414,622	¥ 2,075	¥ 582,796

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

(2) We have ¥12,099 million exposure, as whole loans and commitments, to U.S. CMBS-related business as of December 31, 2012.

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

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

The following table provides our exposure to CMBS by geographic region and the external credit ratings of the underlying collateral as of December 31, 2012. Ratings are based on the lowest ratings given by Standard & Poor s Financial Services LLC, Moody s Investors Service, Inc., Fitch Ratings Ltd., Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc. as of December 31, 2012.

	Millions of yen December 31, 2012								
	AAA	AA	A	BBB	BB	B	Others	GSE(1)	Total
Japan	¥ 50	¥ 499	¥ 702	¥ 987	¥	¥ 96	¥ 86	¥	¥ 2,420
Europe		36	3,103	1,757	3,362	896	1,223		10,377
Americas	5,547	2,752	9,601	12,647	9,601	10,381	7,963		58,492
Total	¥ 5,597	¥ 3,287	¥ 13,406	¥ 15,391	¥ 12,963	¥ 11,373	¥ 9,272	¥	¥ 71,289

(1) GSE refers to government sponsored enterprises.

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Leveraged Finance

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

The following table sets forth our exposure to leveraged finance by geographic region of the target company as of December 31, 2012.

	Millions of yen December 31, 2012		
	Funded	**Unfunded**	**Total**
Europe	¥ 45,093	¥ 17,446	¥ 62,539
Americas	6,042	107,142	113,184
Asia and Oceania	2,033	487	2,520
Total	¥ 53,168	¥ 125,075	¥ 178,243

Special Purpose Entities

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

For further discussion on Nomura s involvement with variable interest entities (VIEs), see Item 4. Financial Information, 1. Consolidated Financial Statements, Note 6. *Securitizations and Variable Interest Entities* .

2) Fair Value of Financial Instruments

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

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

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

Level 3 financial assets excluding derivatives as a proportion of total financial assets excluding derivatives, carried at fair value on a recurring basis was 3% as of December 31, 2012 as listed below:

	Billions of yen December 31, 2012					
	Level 1	**Level 2**	**Level 3**	**Counterparty and Cash Collateral Netting**	**Total**	**The proportion of Level 3**
Financial assets measured at fair value (Excluding derivative assets)	¥ 9,394	¥ 8,688	¥ 540	¥	¥ 18,622	3%
Derivative assets	514	25,982	425	(25,209)	1,712	

Derivative liabilities	581	26,083	416	(25,433)	1,647

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 2. *Fair value of financial instruments* for further information.

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(3) Trading Activities

Assets and liabilities for trading purposes

Please refer to Item 4. Financial Information, 1. Consolidated Financial Statements, Note 2. *Fair value of financial instruments* and Note 3. *Derivative instruments and hedging activities* regarding the balances of assets and liabilities for trading purposes.

Risk management of trading activity

We adopt Value at Risk (VaR) for measurement of market risk arising from trading activity.

1) Assumptions on VaR

Confidence Level: 99%

Holding period: One day

Consideration of price movement among the products

2) Records of VaR

	Billions of yen	
	March 31, 2012	**December 31, 2012**
Equity	¥ 1.4	¥ 2.4
Interest rate	6.5	6.4
Foreign exchange	2.5	2.1
Subtotal	10.4	11.0
Diversification benefit	(3.2)	(3.8)
VaR	¥ 7.2	¥ 7.2

	Billions of yen		
	Nine months ended December 31, 2012		
	Maximum	**Minimum**	**Average**
VaR	¥ 8.7	¥ 4.3	¥ 6.2

(4) Deferred Tax Assets Information

1) Details of deferred tax assets and liabilities

Details of deferred tax assets and liabilities reported within *Other assets Other* and *Other liabilities* respectively in the consolidated balance sheets as of December 31, 2012 are as follows:

Millions of yen

		December 31, 2012
Deferred tax assets		
Depreciation, amortization and valuation of fixed assets	¥	71,947
Investments in subsidiaries and affiliates		174,994
Valuation of financial instruments		162,625
Accrued pension and severance costs		26,142
Other accrued expenses and provisions		90,074
Operating losses		320,331
Other		18,160
Gross deferred tax assets		864,273
Less Valuation allowance		(507,663)
Total deferred tax assets		356,610
Deferred tax liabilities		
Investments in subsidiaries and affiliates		82,017
Valuation of financial instruments		37,407
Undistributed earnings of foreign subsidiaries		2,991
Valuation of fixed assets		117,795
Other		7,828
Total deferred tax liabilities		248,038
Net deferred tax assets	¥	108,572

2) Calculation method of deferred tax assets

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

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(5) Qualitative Disclosures about Market Risk

1) Risk Management

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

2) Global Risk Management Structure

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

Market Risk

Market risk refers to the potential loss in the value of an asset resulting from changes in market prices, rates, indices, volatilities, correlations or other market factors. This type of risk primarily impacts our trading activities. Effective management of this risk requires the ability to analyze a complex and constantly changing global market environment, identify problematic trends and ensure that appropriate action is taken in a timely manner.

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

Credit Risk

The Nomura Group defines credit risk as risk of losses arising from decrease or disappearance of asset values (including off-balance sheet items) due to deterioration in creditworthiness or default of an obligor.

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

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

Operational Risk Management

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

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

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

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(6) Liquidity and Capital Resources

Funding and Liquidity Management

Overview

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

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

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

1. Centralized Control of Residual Cash.

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

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

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

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

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

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

(iii) Collateral requirements on derivative contracts arising as a result of a two-notch downgrade in our credit rating. Collateral requirements to support potential increased intraday collateral requirements from our clearers and settlement agents arising as a result of a two-notch downgrade in our credit rating. In addition, other unencumbered assets held at exchanges for chaining requirements are also funded with long-term liquidity.

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

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

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

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

We diversify funding by issuing various types of debt instruments these include both structured loans and notes. Structured notes are debt obligations with returns linked to other debt or equity securities, indices, currencies or commodities. We issue structured notes in order to increase the diversity of our debt instruments. We typically hedge the returns we are obliged to pay with derivative positions and/or the underlying assets to maintain funding consistency with our unsecured long-term debt.

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2.1 Short-Term Unsecured Debt

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

2.2 Long-Term Unsecured Debt

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

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

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

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

2.3 Maturity Profile

We also seek to maintain an average maturity for plain vanilla instruments greater than or equal to three years. A major part of our medium-term notes are structured and linked to interest or equity, indices, currencies or commodities. Conditions for calling notes by indices are individually determined. These maturities are evaluated based on our internal model and monitored by Global Treasury. Maturities for plain vanilla debt securities and borrowings are evaluated based on contractual maturities. Where there is a possibility that notes may be called prior to their scheduled maturity date, maturities are based on our internal stress option adjusted model. This model values the embedded optionality under stress market conditions in order to determine when the note is likely to be called.

2.4 Secured Borrowings

We typically fund our trading activities on a secured basis through secured borrowings, repurchase agreements and Japanese Gensaki transactions. Repo transactions involve the selling of government and government agency securities under agreements with clients to repurchase these securities from clients. Japanese Gensaki transactions have no margin requirements or substitution right. We believe these funding activities in the secured markets are more cost-efficient and less credit-rating sensitive than financing in the unsecured market. Also, repurchase agreements tend to be short-term, often overnight. We manage the liquidity risks arising from secured funding by transacting with a diverse group of global counterparties, providing with a various range and types of securities collateral and actively seeking to term out the tenor of certain transactions. For more detail on secured borrowings and repurchase agreements, see Item 4. Financial Information, 1. Consolidated Financial Statements, Note 4. *Collateralized transactions* .

3. Management of Credit Lines to Nomura Group entities.

We maintain committed facility agreements with financial institutions for Nomura Group entities in order to provide contingent financing sources. We have structured the facilities to ensure that the maturity dates of these facilities are distributed evenly throughout the year in order to prevent excessive maturities of facilities in any given period. While the ability to borrow under these facilities is subject to customary lending conditions and covenants, we do not believe that any of the covenant requirements will impair our ability to draw on the facilities. We occasionally test the effectiveness of our drawdown procedures.

4. Implementation of Liquidity Stress Tests.

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

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

To ensure a readily available source for a potential liquidity requirement, we maintain a liquidity portfolio in the form of cash and highly liquid, unencumbered securities that may be sold or pledged to provide liquidity. We recognize that the liquidity standards for financial institutions continue to be the subject of further discussion among the relevant supervisory bodies including the Basel Committee. The existing model and simulations upon which we currently rely may need to be reviewed depending on any new development in this area. Our liquidity portfolio is composed of the highly liquid products such as cash and cash deposits, and government securities.

In addition to the liquidity portfolio, we have other unencumbered assets comprising mainly unpledged trading assets that can be used as an additional source of secured funding. This represented enough unsecured debt maturing within one year. The aggregate value of our liquidity portfolios and other unencumbered assets is sufficient against our total unsecured debt maturing within one year.

In the stress test, we assume the cash outflow as shown below and also consider the assumption that in certain instances, legal and regulatory requirements can restrict the flow of funds between entities in our consolidated group, and funds or securities may not freely move among us.

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

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

(ii) Potential buybacks of our outstanding debt

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

(iv) Fluctuation of funding needs under normal business circumstances

(v) Cash and collateral outflows in a stress event

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

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

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

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

These two standards are comprised mainly of specific parameters which are internationally harmonised with prescribed values. Certain parameters, however, contain elements of national discretion to reflect jurisdiction-specific conditions. After an observation period, the LCR, including any revisions, will be introduced on January 1, 2015. The NSFR, including any revisions, will move to a minimum standard by January 1, 2018.

5. Contingency Funding Plan.

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

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Cash Flows

Cash and cash equivalents balance as of December 31, 2011 and as of December 31, 2012 were ¥1,014.6 billion and ¥820.0 billion, respectively. Cash flows from operating activities for the nine months ended December 31, 2011 were outflows of ¥296.7 billion due primarily to a decrease in *Trading liabilities* and those for December 31, 2012 were inflows of ¥346.4 billion due primarily to an increase in *Securities sold under agreements to repurchase*. Cash flows from investing activities for the nine months ended December 31, 2011 were inflows of ¥51.5 billion due primarily to a decrease in *Other, net* and those for December 31, 2012 were outflows of ¥125.1 billion due primarily to *Payments for purchases of office buildings, land, equipment and facilities.* Cash flows from financing activities for the nine months ended December 31, 2011 and December 31, 2012 were outflows of ¥340.1 billion and ¥490.4 billion respectively due primarily to a decrease in *Borrowings*.

Balance Sheet and Financial Leverage

Total assets as of December 31, 2012 were ¥38,562.2 billion, an increase of ¥2,864.9 billion compared to ¥35,697.3 billion as of March 31, 2012, due primarily to increases in *Trading assets* and *Securities purchased under agreements to resell*. Total liabilities as of December 31, 2012 were ¥36,127.1 billion, an increase of ¥2,819.0 billion compared to ¥33,308.2 billion as of March 31, 2012, due primarily to increases in *Securities sold under agreements to repurchase* and *Securities loaned*. NHI shareholders equity as of December 31, 2012 was ¥2,167.9 billion, an increase of ¥60.6 billion compared to ¥2,107.2 billion as of March 31, 2012, due to an increase in *Accumulated other comprehensive income.*

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

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

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

	Billions of yen, except ratios	
	March 31, 2012	**December 31, 2012**
NHI shareholders equity	¥ 2,107.2	¥ 2,167.9
Total assets(1)	35,697.3	38,562.2
Adjusted assets(2)	21,954.7	25,086.9
Leverage ratio(3)	16.9x	17.8x
Adjusted leverage ratio(4)	10.4x	11.6x

(1) Reconciles to the total assets amount disclosed on the face of our consolidated balance sheets and therefore excludes the fair value of securities transferred to counterparties under repo-to-maturity and certain Japanese securities lending transactions which are accounted for as sales rather than collateralized financing arrangements. The fair value of securities derecognized under these agreements has not had a significant impact on our reported leverage and adjusted leverage ratios as of March 31, 2012 and December 31, 2012.
(2) Represents total assets less *Securities purchased under agreements to resell* and *Securities borrowed*.
(3) Equals total assets divided by NHI shareholders equity.
(4) Equals adjusted assets divided by NHI shareholders equity.

Total assets increased by 8.0% reflecting primarily increases in *Trading assets* and *Securities purchased under agreements to resell*. NHI shareholders equity increased by 2.9%. Our leverage ratio went up from 16.9 times as of March 31, 2012 to 17.8 times as of December 31, 2012.

Adjusted assets increased due primarily to the increase in *Trading assets*. As a result, our adjusted leverage ratio went up from 10.4 times as of March 31, 2012 to 11.6 times as of December 31, 2012.

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Consolidated Regulatory Capital Requirements

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

Beginning from the end of March 2009, we elected to calculate the consolidated capital adequacy ratio according to the Criteria for bank holding companies to judge whether their capital adequacy status is appropriate in light of their own and their subsidiaries asset holdings, etc. under Article 52-25 of the Banking Act as permitted under the provision in the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. , although we continue to be monitored as a financial conglomerate governed by the Financial Conglomerates Guideline.

The Company has been assigned as Final Designated Parent Company who must calculate the consolidated capital adequacy ratio according to the Notice of the Establishment of Standards for Determining Whether the Adequacy of Equity Capital of a Final Designated Parent Company and its Subsidiary Corporations, etc. is Appropriate Compared to the Assets Held by the Final Designated Parent Company and its Subsidiary Corporations, etc. (2010 FSA Regulatory Notice No. 130; Capital Adequacy Notice on Final Designated Parent Company) in April 2011. Since then, we have been calculating our Basel II-based consolidated capital adequacy ratio according to the Capital Adequacy Notice on Final Designated Parent Company. Note that the Capital Adequacy Notice on Final Designated Parent Company has been revised in line with Basel 2.5 and we have calculated our Basel 2.5-based consolidated capital adequacy ratio since December 2011. From December 31, 2012, upon approval from the FSA, we started using internal model method for credit risk exposure calculation of majority of derivative and repurchase transactions instead of current exposure method or comprehensive method.

In accordance with Article 3 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio is calculated based on the amounts of qualifying capital, credit risk-weighted assets, market risk and operational risk. Also in accordance with Article 2 of the Capital Adequacy Notice on Final Designated Parent Company, our consolidated capital adequacy ratio should be higher than 8%. As of December 31, 2012, we were in compliance with this requirement, with a consolidated capital adequacy ratio of 19.4%.

The following table presents the Company s consolidated capital adequacy ratios as of December 31, 2012:

	Billions of yen, except ratios December 31, 2012
Qualifying Capital	
Tier 1 capital	¥ 2,174.4
Tier 2 capital	320.8
Tier 3 capital	251.0
Deductions	253.9
Total qualifying capital	2,492.4
Risk-Weighted Assets	
Credit risk-weighted assets	6,078.6
Market risk equivalent assets	4,392.6
Operational risk equivalent assets	2,363.0
Total risk-weighted assets	12,834.3
Consolidated Capital Adequacy Ratios	
Consolidated capital adequacy ratio	19.4%
Tier 1 capital ratio	16.9%

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(7) Current Challenges

The new challenges on operating and financing activities that arose during the nine months ended December 31, 2012 and until the submission date of this Quarterly Securities Report are as follows:

On March 21, May 29 and June 8, 2012, the Securities and Exchange Surveillance Commission (SESC) recommended orders for administrative monetary penalties against certain entities for insider trading. On findings that these entities had received inside information from employees of NSC, a consolidated subsidiary of the Company, a committee of external attorneys and other members commissioned by the Company and NSC (Committee) conducted an extensive investigation to identify the facts and analyze the causes of these incidents. On June 29, 2012, the Company and NSC received a report from the Committee setting forth their findings on the facts of the matter above as well as issues in connection with NSC s institutional equity sales and its system for managing corporate-related information and preventative measures.

Also on June 29, 2012, the Company and NSC announced a series of improvement measures in consideration of the Committee s recommendations for preventative measures, and the cause factors that NSC had recognized. On July 26, 2012, the Company and NSC announced the status of progress of the improvement measures. The outline of the improvement measures is as follows:

1. Transmission of Information from Private-side to Public-side Departments

    (1) Voluntary review of rules by Trading Compliance Department

    (2) Transfer of the Institutional Equity Sales Department s person in charge of public offerings

    (3) Review of control system for Corporate-related Information

    (4) Restriction on contact with analysts and private-side departments by departments in charge of sales to institutional investors

Private-side Departments: Departments handling corporate-related information such as equity public offerings, other types of financing and M&A transactions

Public-side Departments: Departments which do not handle corporate-related information, but rather engage in sales activities facing institutional and individual investors

2. Reinforcing information control system in respect of departments relevant to equity business with institutional investors

    (1) Establishment of an Equity Administration Department

    (2) Restrictions on chat functionalities in the departments in charge of institutional equity sales

    (3) Compulsory use of mobile phones with a recording function

    (4) Extending the retention period of call recordings

3. Transmission of information to clients from salesperson in charge of institutional investors

   (1) Drawing up of guidelines pertaining to provision of information to institutional investors

   (2) Appropriate use of entertainment and meeting expenses

4. Improvement of recruitment, education and performance appraisals

   (1) Reinforcement of recruitment process

   (2) Reinforcement of training

   (3) Improvement of performance appraisals

5. Comprehensive imbuement of business ethics

   (1) Implementation of regular training on business ethics for all officers and employees

   (2) Improvement of functions of the departmental compliance officers

   (3) Spreading awareness regarding the firm s Compliance Hotline and utilization

6. Other

(1) Voluntary suspension of business of the Institutional Equity Sales Department and Syndicate Department and intensive training

(2) Drastic reforms to the institutional equity sales related teams

(3) Reassignment of institutional equity salespersons and Syndicate Department personnel

(4) Intensive training to departments relevant to this matter

(5) Segregation of compliance between the Holding Company and its subsidiaries

(6) Drawing up rules of conduct for analysts

(7) Reevaluating the time line of an equity public offering in case of a fall in share price prior to its public announcement

(8) Clarification of location of responsibilities of officers and employees

On July 31, 2012, the SESC issued a recommendation to the Prime Minister and the Commissioner of the FSA to bring administrative action against NSC. The recommendation was based on the findings of an inspection of NSC conducted by the SESC in which violations of laws and regulations were identified in business practices relating to the control of corporate-related information concerning public offerings that inadequately addressed the necessary and appropriate measures to prevent unfair trading as well as acts of soliciting customers for the sale and purchase and/or other transactions of securities by providing corporate-related information and other inappropriate business practices. In accordance with this recommendation, on August 3, 2012, FSA issued a business improvement order against NSC which contains (1) To thoroughly implement and firmly establish the preventative measures described in the internal investigation report; (2) To regularly report the status of the implementation of the preventative measures; and (3) To regularly review the effectiveness of the preventative measures and report the findings of the reviews. On August 8, 2012, NSC submitted a report on its business improvement measures to FSA in accordance with the business improvement order dated August 3, 2012. We take this matter very seriously and we apologize again to our clients and all other concerned parties for the trouble that has been caused. We have established the Improvement Measures Implementation Committee under the direct control of the President of NSC, which is composed of Internal Control Supervisory Manager, relevant executive officers and department heads of NSC. The committee continuously monitors the implementation of improvement measures and reports to FSA periodically. We continuously review and monitor transactions under the management structure led by the Internal Control Supervisory Manager, including the Equity Administration Department. In case we identify any suspicious transaction or transmission of information, we continue to report to the FSA and the SESC.

In relation to a recommendation to impose administrative monetary penalty issued by SESC on November 2, 2012, there is a strong possibility that Japan Advisory LLC found out about an upcoming public offering by noticing the issuer s name being left out of a sector report provided by NSC in July 2011. During one of its voluntary investigations, NSC learned of circumstances with such strong possibility of being related to this incident and reported its findings to the SESC. NSC s practice to comply with the law to prevent solicitation prior to the filing of the registration statement for the respective public offering may have led Japan Advisory LLC to infer non-public corporate-related information.

Since implementing the improvement measures, we have revised the procedures and in principle, the rule now allows providing reports on the companies preparing for a public offering and also mentioning names of such companies in research reports and sector reports, prior to the issuer s resolution on an issuance or official announcement. In addition, salespersons are prohibited from making inquiries to analysts trying to extract information related to financing, and we have adopted a code of conduct for analysts.

Implementation of all improvement measures including those to be implemented by December 31, 2012 have been completed and by integrating them into the firm s operations, we aim to regain the trust of the capital markets and enhance our internal controls through further voluntary inspections and investigations.

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Item 3. Company Information

1. Share Capital Information

(1) Total Number of Shares

A. Number of Authorized Share Capital

Type	Authorized Share Capital (shares)
Common stock	6,000,000,000
Class 1 preferred stock	200,000,000
Class 2 preferred stock	200,000,000
Class 3 preferred stock	200,000,000
Class 4 preferred stock	200,000,000
Total	6,000,000,000

The Authorized Share Capital is stated by the type of stock and the Total is the number of authorized share capital as referred in the Articles of Incorporation.

B. Issued Shares

Type	Number of Issued Shares as of December 31, 2012	Number of Issued Shares as of February 14, 2013	Trading Markets	Details
Common stock	3,822,562,601	3,822,562,601	Tokyo Stock Exchange(2)	1 unit is 100 shares
			Osaka Securities Exchange(2)	
			Nagoya Stock Exchange(2)	
			Singapore Stock Exchange	
			New York Stock Exchange	
Total	3,822,562,601	3,822,562,601		

(1) Shares that may have increased from exercise of stock options between February 1, 2013 and the submission date (February 14, 2013) are not included in the number of issued shares as of the submission date.

(2) Listed on the First Section of each stock/securities exchange.

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(2) Stock Options

Stock acquisition rights issued during the current period are as follows:

Stock Acquisition Rights No. 51

Date of Resolution	October 26, 2012
Number of Stock Acquisition Right	28,570(1)
Number of Stock Acquisition Right for Treasury (out of above number)	
Type of Share under the Stock Acquisition Right	Common stock 1 unit is 100 shares
Number of Shares under the Stock Acquisition Rights	2,857,000
The Amount to be Paid upon Exercising the Stock Acquisition Right(2)	¥298 per share
Exercise Period of the Stock Acquisition Right	From November 13, 2014 to November 12, 2019
Issue Price of Shares and Capital Inclusion Price if Shares are Issued upon Exercise of the Stock Acquisition Rights	Issue Price of Shares ¥298 Capital Inclusion Price ¥188
Conditions to Exercise of Stock Acquisition Right	1. No Stock Acquisition Right may be exercised partially. 2. The Grantee maintains a position as an Executive or Employee of the Company or the Company s Subsidiary during the period between the granting of the stock acquisition right and the commencement of the exercise period. The Grantee is deemed to maintain such a position as an Executive or Employee of the Company or the Company s Subsidiary even where the Grantee loses such position as a result of the situations determined in terms of the options. 3. A Grantee does not fall within either of the following cases at the time of the exercising the stock acquisition right. a) The Company or a Company s Subsidiary has determined, in accordance with their Employment Regulations to dismiss the Grantee by warning or disciplinary procedures; or b) There is any other reason similar to a).
Restriction of Transfer of Stock Acquisition Rights	

Any assignment of stock acquisition rights shall be subject to approval by resolution adopted by the Board of Directors of the Company.

Substituted Payment

Issue of the Stock Acquisition Right Attendant on Reorganization

1. 100 shares will be issued per one stock acquisition right.
2. In the event that the shares are split or consolidated, the Exercise Price shall be adjusted in accordance with the following formula, and any fractions less than one (1) yen shall be rounded up to the nearest yen.

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$$\text{Adjusted Exercise Price} = \text{Exercise Price before Adjustment} \times \frac{1}{\text{Ratio of Split or Consolidation}}$$

In the event that the Company offers for subscription of the issuance of the new shares of common stock or the disposal of treasury shares of common stock of the Company at a paid-in amount below the market price of the common stock of the Company which is used in the adjustment formula for the Exercise Price (excluding Stock Acquisition Rights (including those attached to bonds with stock subscription rights) which is able to request for the delivery of the common shares of the Company and any other securities or the conversion, replacement or the exercise of the Stock Acquisition Rights and any request for purchase of additional less-than-a-full-unit shares) or in the event of the shares with acquisition request right that the Company issues the common stock of the Company in exchange of its acquisition as prescribed at a compensation below the market price of the common stock of the Company which is used in the adjustment formula for the Exercise Price (including the grant without any consideration), or in the event that the Company issues the stock acquisition right which is able to request for the delivery of the common stock of the Company (including those attached to bonds with stock subscription rights) and any other securities or rights (including the grant without any consideration) at a compensation below the market price of the common stock of the Company which is used in the adjustment formula for the Exercise Price, the Exercise Price shall be adjusted in accordance with the following formula, and any fraction of less than one (1) yen resulting from the adjustment shall be rounded up to the nearest yen.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before Adjustment} \times \frac{\text{Number of Outstanding Shares} + \dfrac{\text{Number of Shares to be Delivered} \times \text{Paid-in Amount Per Share}}{\text{Market Price per Share}}}{\text{Number of (Outstanding + Shares to be Delivered)}}$$

(3) Exercise of Moving Strike Bonds with Subscription Warrant

None

(4) Rights Plan

None

(5) Changes in Issued Shares, Shareholders Equity, etc.

Date	Increase/Decrease of Issued Shares	Total Issued Shares	Increase/Decrease of Shareholders Equity	Shareholders Equity	Increase/Decrease of Additional paid-in capital	Additional paid-in capital
			Millions of yen			
December 31, 2012		3,822,562,601		594,493		559,676

(6) Major Shareholders

Not applicable as this is the third quarter.

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(7) Voting Rights

A. Outstanding Shares

	As of December 31, 2012		
	Number of Shares	**Number of Votes**	**Description**
Stock without voting right			
Stock with limited voting right (Treasury stocks, etc.)			
Stock with limited voting right (Others)			
Stock with full voting right (Treasury stocks, etc.)	(Treasury Stocks) Common stock 115,165,900 (Crossholding Stocks) Common stock 4,693,800		
Stock with full voting right (Others)	Common stock 3,700,877,100	37,008,771	
Shares less than 1 unit	Common stock 1,825,801		Shares less than 1 unit (100 shares)
Total Shares Issued	3,822,562,601		
Voting Rights of Total Shareholders		37,008,771	

2,000 shares held by Japan Securities Depository Center, Inc. are included in Stock with full voting right (Others) . 6 shares of treasury stocks and 55 shares of crossholding stocks are included in Shares less than 1 unit .

B. Treasury Stocks

		As of December 31, 2012			
Name	**Address**	**Directly held shares**	**Indirectly held shares**	**Total**	**Percentage of Issued Shares (%)**
(Treasury Stocks)					
Nomura Holdings, Inc.	1-9-1, Nihonbashi, Chuo-Ku, Tokyo, Japan	115,165,900		115,165,900	3.01
(Crossholding Stocks)					
The Asahi Fire and Marine Insurance Co., Ltd.	7, Kanda Mitoshirocho, Chiyoda-Ku, Tokyo, Japan	2,528,800		2,528,800	0.07
Nomura Research Institute, Ltd.	1-6-5, Marunouchi, Chiyoda-Ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Nomura Real Estate Development Co., Ltd.	1-26-2, Nishi Shinjuku, Shinjuku-Ku, Tokyo, Japan	1,000,000		1,000,000	0.03
Takagi Securities Co., Ltd.	1-3-1-400, Umeda, Kita-Ku, Osaka-Shi, Osaka, Japan	100,000		100,000	0.00
Tokyo Aircraft Instrument Co., Ltd.	2-2-6, Oyamagaoka, Machida-Shi, Tokyo, Japan	60,000		60,000	0.00
Nomura Japan Corporation	2-1-3 Nihonbashi Horidomecho, Chuo-Ku, Tokyo, Japan	5,000		5,000	0.00

Total	119,859,700	119,859,700	3.14

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Item 4. Financial Information

1 Preparation Method of Consolidated Financial Statements

(1) The consolidated financial statements have been prepared in accordance with accounting principles, procedures, and presentations which are required in order to issue American Depositary Shares, i.e., U.S. generally accepted accounting principles, pursuant to Article 95 of Regulations Concerning the Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64, 2007).

(2) The consolidated financial statements have been prepared by making necessary adjustments to the financial statements of each consolidated company which were prepared in accordance with the accounting principles generally accepted in each country. Such adjustments have been made to comply with the principles noted in (1) above.

2 Quarterly Review Certificate

Under Article 193-2 Section 1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed a quarterly review of the consolidated financial statements for the three and nine months ended December 31, 2012.

<Note>

Although Ernst & Young ShinNihon LLC reported that they applied limited procedures in accordance with professional standards in Japan on the interim consolidated financial statements, prepared in Japanese for the three and nine months ended December 31, 2012, they have not performed any such limited procedures nor have they performed an audit on the English translated version of the consolidated financial statements for the above-mentioned periods which are included in this report on Form 6-K.

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1. Consolidated Financial Statements

(1) Consolidated Balance Sheets (UNAUDITED)

	Notes	Millions of yen March 31, 2012	Millions of yen December 31, 2012
ASSETS			
Cash and cash deposits:			
Cash and cash equivalents		¥ 1,070,520	¥ 820,045
Time deposits		653,462	439,082
Deposits with stock exchanges and other segregated cash		229,695	264,418
Total cash and cash deposits		1,953,677	1,523,545
Loans and receivables:			
Loans receivable (including ¥458,352 million and ¥467,148 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2, 7	1,293,372	1,296,883
Receivables from customers		58,310	79,855
Receivables from other than customers		864,629	884,240
Allowance for doubtful accounts	*7	(4,888)	(4,361)
Total loans and receivables		2,211,423	2,256,617
Collateralized agreements:			
Securities purchased under agreements to resell (including ¥752,407 million and ¥1,032,458 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2	7,662,748	8,379,315
Securities borrowed		6,079,898	5,096,044
Total collateralized agreements		13,742,646	13,475,359
Trading assets and private equity investments:			
Trading assets (including securities pledged as collateral of ¥4,732,118 million and ¥7,676,359 million as of March 31, 2012 and December 31, 2012, respectively; including ¥16,548 million and ¥18,105 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2, 3	13,921,639	17,566,074
Private equity investments (including the ¥53,635 million and ¥44,143 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2	201,955	89,545
Total trading assets and private equity investments		14,123,594	17,655,619
Other assets:			
Office buildings, land, equipment and facilities (net of accumulated depreciation and amortization of ¥355,804 million as of March 31, 2012 and ¥383,691 million as of December 31, 2012)		1,045,950	1,097,812
Non-trading debt securities	*2, 5	862,758	945,236
Investments in equity securities	*2	88,187	101,784
Investments in and advances to affiliated companies	*7	193,954	201,079
Other (including ¥1,627 million and ¥2,044 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2, 5, 10	1,475,123	1,305,178
Total other assets		3,665,972	3,651,089

Total assets	¥ 35,697,312	¥ 38,562,229

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(1) Consolidated Balance Sheets (Continued) (UNAUDITED)

	Notes	Millions of yen March 31, 2012	December 31, 2012
LIABILITIES AND EQUITY			
Short-term borrowings (including ¥153,497 million and ¥72,924 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2	¥ 1,185,613	¥ 933,756
Payables and deposits:			
Payables to customers		764,857	457,551
Payables to other than customers		767,860	759,508
Deposits received at banks		904,653	961,405
Total payables and deposits		2,437,370	2,178,464
Collateralized financing:			
Securities sold under agreements to repurchase (including ¥307,083 million and ¥270,089 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2	9,928,293	13,110,371
Securities loaned		1,700,029	2,267,597
Other secured borrowings		890,952	913,630
Total collateralized financing		12,519,274	16,291,598
Trading liabilities	*2, 3	7,495,177	7,246,288
Other liabilities (including ¥4,246 million and ¥3,002 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2, 10	1,165,901	1,125,264
Long-term borrowings (including ¥1,925,421 million and ¥1,853,541 million measured at fair value by applying the fair value option as of March 31, 2012 and December 31, 2012, respectively)	*2	8,504,840	8,351,776
Total liabilities		33,308,175	36,127,146
Commitments and contingencies	*15		
Equity:			
Nomura Holdings, Inc. (NHI) shareholders equity:			
Common stock			
No par value share			
Authorized 6,000,000,000 shares as of March 31, 2012 and December 31, 2012			
Issued 3,822,562,601 shares as of March 31, 2012 and December 31, 2012			
Outstanding 3,663,483,895 shares as of March 31, 2012 and 3,704,073,196 shares as of December 31, 2012		594,493	594,493
Additional paid-in capital		698,771	689,680
Retained earnings		1,058,945	1,076,367
Accumulated other comprehensive income (loss)		(145,149)	(117,931)
Total NHI shareholders equity before treasury stock		2,207,060	2,242,609
Common stock held in treasury, at cost 159,078,706 shares as of March 31, 2012 and 118,489,405 shares as of December 31, 2012		(99,819)	(74,719)
Total NHI shareholders equity		2,107,241	2,167,890
Noncontrolling interests		281,896	267,193
Total equity		2,389,137	2,435,083

Total liabilities and equity	¥ 35,697,312	¥ 38,562,229

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(1) Consolidated Balance Sheets (Continued) (UNAUDITED)

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

	Billions of yen	
	March 31, 2012	December 31, 2012
Cash and cash deposits	¥ 52	¥ 48
Trading assets and private equity investments	999	1,081
Other assets	555	515
Total assets	¥ 1,606	¥ 1,644
Trading liabilities	¥ 42	¥ 24
Other liabilities	35	32
Borrowings	992	994
Total liabilities	¥ 1,069	¥ 1,050

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

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(2) Consolidated Statements of Income (UNAUDITED)

	Notes	Millions of yen Nine months ended December 31 2011	 2012
Revenue:			
Commissions		¥ 256,689	¥ 233,327
Fees from investment banking		44,835	40,541
Asset management and portfolio service fees		109,165	102,241
Net gain on trading	*2, 3	173,631	261,516
Gain on private equity investments		26,286	6,543
Interest and dividends		343,442	296,048
Gain (loss) on investments in equity securities		(5,919)	14,767
Other	*9	338,229	404,817
Total revenue		1,286,358	1,359,800
Interest expense		249,467	199,781
Net revenue		1,036,891	1,160,019
Non-interest expenses:			
Compensation and benefits		406,659	392,967
Commissions and floor brokerage		69,518	66,800
Information processing and communications		133,488	130,341
Occupancy and related depreciation		73,247	68,429
Business development expenses		34,391	34,553
Other	*9, 10	295,389	398,881
Total non-interest expenses		1,012,692	1,091,971
Income before income taxes		24,199	68,048
Income tax expense	*14	25,870	56,520
Net income (loss)		¥ (1,671)	¥ 11,528
Less: Net income (loss) attributable to noncontrolling interests		8,828	(13,284)
Net income (loss) attributable to NHI shareholders		¥ (10,499)	¥ 24,812

	Notes	Yen Nine months ended December 31 2011	 2012
Per share of common stock:	*11		
Basic			
Net income (loss) attributable to NHI shareholders per share		¥ (2.89)	¥ 6.73
Diluted			
Net income (loss) attributable to NHI shareholders per share		¥ (2.89)	¥ 6.60

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

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(2) Consolidated Statements of Income (Continued) (UNAUDITED)

		Millions of yen Three months ended December 31	
	Notes	2011	2012
Revenue:			
Commissions		¥ 73,983	¥ 83,681
Fees from investment banking		17,246	13,027
Asset management and portfolio service fees		33,398	35,017
Net gain on trading	*2, 3	80,147	88,188
Gain on private equity investments		34,551	11,631
Interest and dividends		103,067	99,745
Gain (loss) on investments in equity securities		(2,778)	8,858
Other	*9	141,887	118,834
Total revenue		481,501	458,981
Interest expense		76,564	69,895
Net revenue		404,937	389,086
Non-interest expenses:			
Compensation and benefits		127,783	134,698
Commissions and floor brokerage		22,521	22,918
Information processing and communications		46,397	42,672
Occupancy and related depreciation		26,184	22,179
Business development expenses		12,723	12,051
Other	*9, 10	134,856	141,603
Total non-interest expenses		370,464	376,121
Income before income taxes		34,473	12,965
Income tax expense	*14	9,923	12,874
Net income		¥ 24,550	¥ 91
Less: Net income (loss) attributable to noncontrolling interests		6,728	(20,021)
Net income attributable to NHI shareholders		¥ 17,822	¥ 20,112

		Yen Three months ended December 31	
	Notes	2011	2012
Per share of common stock:	*11		
Basic			
Net income attributable to NHI shareholders per share		¥ 4.87	¥ 5.44
Diluted			
Net income attributable to NHI shareholders per share		¥ 4.84	¥ 5.33

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

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(3) Consolidated Statements of Comprehensive Income (UNAUDITED)

	Millions of yen	
	Nine months ended December 31	
	2011	2012
Net income (loss)	¥ (1,671)	¥ 11,528
Other comprehensive income (loss):		
Change in cumulative translation adjustments, net of tax	(41,426)	21,374
Defined benefit pension plans:		
Pension liability adjustment	1,263	5,612
Deferred income taxes	(643)	(1,547)
Total	620	4,065
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	(1,219)	5,393
Deferred income taxes		(1,239)
Total	(1,219)	4,154
Total other comprehensive income (loss)	(42,025)	29,593
Comprehensive income (loss)	¥ (43,696)	¥ 41,121
Less: Comprehensive income (loss) attributable to noncontrolling interests	7,245	(10,909)
Comprehensive income (loss) attributable to NHI shareholders	¥ (50,941)	¥ 52,030

	Millions of yen	
	Three months ended December 31	
	2011	2012
Net income	¥ 24,550	¥ 91
Other comprehensive income (loss):		
Change in cumulative translation adjustments, net of tax	(1,431)	42,717
Defined benefit pension plans:		
Pension liability adjustment	373	1,550
Deferred income taxes	(282)	(424)
Total	91	1,126
Non-trading securities:		
Net unrealized gain (loss) on non-trading securities	(2,258)	6,425
Deferred income taxes	375	(1,222)
Total	(1,883)	5,203
Total other comprehensive income (loss)	(3,223)	49,046
Comprehensive income	¥ 21,327	¥ 49,137
Less: Comprehensive income (loss) attributable to noncontrolling interests	6,759	(16,906)
Comprehensive income attributable to NHI shareholders	¥ 14,568	¥ 66,043

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

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

	Millions of yen Nine months ended December 31 2011	2012
Common stock		
Balance at beginning of year	¥ 594,493	¥ 594,493
Balance at end of period	594,493	594,493
Additional paid-in capital		
Balance at beginning of year	646,315	698,771
Issuance of common stock	30,356	
Gain (loss) on sales of treasury stock	273	(1,589)
Issuance and exercise of common stock options	14,343	(7,560)
Purchase / sale of subsidiary shares, net	1,915	58
Balance at end of period	693,202	689,680
Retained earnings		
Balance at beginning of year	1,069,334	1,058,945
Net income (loss) attributable to NHI shareholders	(10,499)	24,812
Cash dividends[(1)]	(14,645)	(7,390)
Balance at end of period	1,044,190	1,076,367
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments		
Balance at beginning of year	(97,426)	(110,652)
Net change during the period	(40,142)	20,128
Balance at end of period	(137,568)	(90,524)
Defined benefit pension plans		
Balance at beginning of year	(32,270)	(35,132)
Pension liability adjustment	620	3,980
Balance at end of period	(31,650)	(31,152)
Non-trading securities		
Balance at beginning of year		635
Net unrealized gain (loss) on non-trading securities	(920)	3,110
Balance at end of period	(920)	3,745
Balance at end of period	(170,138)	(117,931)
Common stock held in treasury		
Balance at beginning of year	(97,692)	(99,819)
Repurchases of common stock	(8,943)	(4)
Sales of common stock	1	0
Common stock issued to employees	6,206	25,309
Other net change in treasury stock	156	(205)

Balance at end of period	(100,272)	(74,719)
Total NHI shareholders equity		
Balance at end of period	2,061,475	2,167,890
Noncontrolling interests		
Balance at beginning of year	8,882	281,896
Cash dividends	(1,552)	(1,471)
Net income attributable to noncontrolling interests	8,828	(13,284)
Accumulated other comprehensive income (loss) attributable to noncontrolling interests	(1,583)	2,375
Purchase / sale of subsidiary shares, net	274,023	61
Other net change in noncontrolling interests	(2,463)	(2,384)
Balance at end of period	286,135	267,193
Total equity		
Balance at end of period	¥ 2,347,610	¥ 2,435,083

(1) Dividends per share	Nine months ended December 31, 2011	¥ 4.00	Three months ended December 31, 2011	¥ 0.00
	Nine months ended December 31, 2012	¥ 2.00	Three months ended December 31, 2012	¥ 0.00

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

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(5) Consolidated Statements of Cash Flows (UNAUDITED)

	Millions of yen Nine months ended December 31 2011	2012
Cash flows from operating activities:		
Net income (loss)	¥ (1,671)	¥ 11,528
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	73,524	68,145
(Gain) loss on investments in equity securities	5,919	(14,767)
Deferred income taxes	9,685	32,690
Changes in operating assets and liabilities:		
Time deposits	(153,968)	224,727
Deposits with stock exchanges and other segregated cash	(126,650)	(22,337)
Trading assets and private equity investments	1,621,791	(2,839,669)
Trading liabilities	(2,012,483)	(560,581)
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	74,233	2,285,985
Securities borrowed, net of securities loaned	843,319	1,585,939
Other secured borrowings	(168,236)	22,679
Loans and receivables, net of allowance for doubtful accounts	(441,934)	100,018
Payables	(106,793)	(443,801)
Bonus accrual	(39,196)	(8,955)
Accrued income taxes, net	1,646	(1,977)
Other, net	124,163	(93,268)
Net cash provided by (used in) operating activities	(296,651)	346,356
Cash flows from investing activities:		
Payments for purchases of office buildings, land, equipment and facilities	(107,787)	(179,789)
Proceeds from sales of office buildings, land, equipment and facilities	58,662	85,423
Payments for purchases of investments in equity securities	(113)	(219)
Proceeds from sales of investments in equity securities	5,365	1,401
Decrease in loans receivable at banks, net	30,825	36,916
Decrease (increase) in non-trading debt securities, net	23,193	(70,949)
Other, net	41,328	2,138
Net cash provided by (used in) investing activities	51,473	(125,079)
Cash flows from financing activities:		
Increase in long-term borrowings	1,664,644	1,272,364
Decrease in long-term borrowings	(2,121,349)	(1,535,886)
Increase (decrease) in short-term borrowings, net	74,221	(253,824)
Increase in deposits received at banks, net	79,777	41,616
Proceeds from sales of common stock held in treasury	9	41
Payments for repurchases of common stock held in treasury	(8,286)	(4)
Payments for cash dividends	(29,066)	(14,730)
Net cash used in financing activities	(340,050)	(490,423)
Effect of exchange rate changes on cash and cash equivalents	(20,536)	18,671
Net decrease in cash and cash equivalents	(605,764)	(250,475)
Cash and cash equivalents at beginning of year	1,620,340	1,070,520

Cash and cash equivalents at end of period	¥ 1,014,576	¥ 820,045
Supplemental information:		
Cash paid during the period for		
Interest	¥ 269,622	¥ 212,239
Income tax payments, net	¥ 14,540	¥ 25,806
Non cash activities		

Business acquisitions:

During the nine months ended December 31, 2011, as a result of business acquisitions, the total amount of increased assets, excluding *cash and cash equivalents* and total amount of increased liabilities, were ¥2,132,740 million and ¥1,784,621 million, respectively.

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

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Notes to the Consolidated Financial Statements (UNAUDITED)

1. Basis of accounting:

In December 2001, Nomura Holdings Inc. (Company) filed a registration statement, in accordance with the Securities Exchange Act of 1934, with the United States Securities and Exchange Commission (SEC) in order to list its American Depositary Shares (ADS) on the New York Stock Exchange. Since then, the Company has an obligation to file an annual report, Form 20-F, with the SEC in accordance with the Securities Exchange Act of 1934.

Therefore, the Company and other entities in which it has a controlling financial interest (collectively Nomura) prepares its consolidated financial statements in accordance with the accounting principles, procedures and presentations which are required in order to issue ADS, i.e., the U.S. generally accepted accounting principles (U.S. GAAP), pursuant to Article 95 of Regulations Concerning the Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64, 2007).

The following paragraphs describe the major differences between U.S. GAAP applied by Nomura and accounting principles generally accepted in Japan (Japanese GAAP) for the nine and three months ended December 31, 2012. Where the effect of these major differences are significant to *Income before income taxes,* Nomura discloses as (higher) or (lower) below the amount by which *Income before income taxes* based on U.S. GAAP was higher or lower than Japanese GAAP, respectively.

Scope of consolidation

Under U.S. GAAP, the scope of consolidation is mainly determined by the ownership of a majority of the voting interest in an entity or by identifying the primary beneficiary of variable interest entities. Under Japanese GAAP, the scope of consolidation is determined by Financial controlling model, which takes into account of ownership level of voting interest in an entity and other factors beyond the ownership level.

In addition, U.S. GAAP provides a definition of investment companies for which a specialized audit and accounting guide applies, and entities that are subject to this guide carry all of their investments at fair value, with changes in fair value recognized through earnings. Under Japanese GAAP, under situations such as where a venture capital fund holds other companies shares for trading and investment promotion purposes, such companies are not considered as subsidiaries even if such shareholding otherwise meets the control criteria.

Unrealized gains and losses on investments in equity securities

Under U.S. GAAP applicable to broker-dealers, minority investments in equity securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these investments are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in net assets as a separate item. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥6,101 million (lower) and ¥14,932 million (higher) for the nine months ended December 31, 2011 and 2012, respectively, and ¥2,462 million (lower) and ¥8,900 million (higher) for the three months ended December 31, 2011 and 2012, respectively.

Unrealized gains and losses on non-trading debt and equity securities

Under U.S. GAAP applicable to broker-dealers, non-trading securities are measured at fair value with changes in fair value recognized in earnings. Under Japanese GAAP, these securities are also measured at fair value, but unrealized gains and losses, net of applicable income taxes, are reported in net assets as a separate item. *Income before income taxes* prepared under U.S. GAAP, therefore, was ¥7,300 million (higher) and ¥4,107 million (higher) for the nine months ended December 31, 2011 and 2012, respectively, and ¥181 million (higher) and ¥512 million (lower) for the three months ended December 31, 2011 and 2012, respectively for non-trading debt securities. *Income before income taxes* prepared under U.S. GAAP was ¥6,309 million (lower) and ¥4,519 million (lower) for the nine months ended December 31, 2011 and 2012, respectively, and ¥2,891 million (lower) and ¥2,792 million (lower) for the three months ended December 31, 2011 and 2012, respectively for non-trading equity securities.

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Retirement and severance benefits

Under U.S. GAAP, gains or losses resulting from either experience that is different from an actuarial assumption or a change in assumption is amortized over the average remaining service period of employees when such gain or loss at the beginning of the year exceeds the Corridor which is defined as 10% of the larger of projected benefit obligation or the fair value of plan assets. Further, U.S. GAAP requires recognition of the funded status of postretirement plans as an asset or a liability, measured as the difference between the fair value of the plan asset and the projected benefit obligation. Under Japanese GAAP, the gain or loss is amortized over a certain period regardless of the Corridor.

Amortization of goodwill and equity method goodwill

Under U.S. GAAP, goodwill is not amortized and must be tested for impairment periodically. Under Japanese GAAP, goodwill must be amortized over a certain periods of less than 20 years based on the straight-line method. Therefore, under U.S. GAAP, *Income before income taxes* was ¥4,640 million (higher) and ¥3,515 million (lower) for the nine months ended December 31, 2011 and 2012, respectively, and ¥1,524 million (higher) and ¥1,545 million (higher) for the three months ended December 31, 2011 and 2012, respectively.

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Changes in the fair value of derivative contracts

Under U.S. GAAP, all derivative contracts, including derivative contracts that have been designated as hedges to specific assets or specific liabilities, are valued at fair value, with changes in fair value recognized either in earnings or other comprehensive income. Under Japanese GAAP, derivative contracts that have been entered into for hedging purposes are valued at fair value and changes in fair value of derivative contracts, net of applicable income taxes, are recognized in net assets as a separate item.

Fair value for financial assets and financial liabilities

Under U.S. GAAP, the fair value option may be elected for eligible financial assets and liabilities which are otherwise not to be measured at fair value (the fair value option). If an entity elects the fair value option, changes in the fair value in subsequent reporting periods must be recognized in earnings. Under Japanese GAAP, the fair value option is not permitted. Therefore, under U.S. GAAP, *Income before income taxes* was ¥6,187 million (lower) and ¥4,504 million (higher) for the nine months ended December 31, 2011 and 2012, respectively, and ¥2,194 million (lower) and ¥6,590 million (lower) for the three months ended December 31, 2011 and 2012*,* respectively. In addition, non-marketable equity securities which are valued at fair value in the consolidated financial statements shall be valued at cost except in case of impairment loss recognition under Japanese GAAP.

Offsetting of amounts related to certain contracts

U.S. GAAP allows an entity that is party to a master netting arrangement to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments that have been offset under the same master netting arrangement. Japanese GAAP does not allow such offsetting of amounts.

Stock issuance costs

Under U.S. GAAP, stock issuance costs are deducted from capital. Under Japanese GAAP, stock issuance costs are either immediately expensed at once or capitalized as deferred asset and amortized over up to three years.

New accounting pronouncements recently adopted

No new accounting pronouncements relevant to Nomura were adopted during the three months ended September 30 and December 31, 2012.

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

Goodwill impairment testing

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

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

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

Presentation of comprehensive income

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

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

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

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

Future accounting developments

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

Testing indefinite-lived intangible assets for impairment

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

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

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

Disclosures about offsetting assets and liabilities

In December 2011, the FASB issued amendments to ASC 210-20 *Balance Sheet Offsetting* (ASC 210-20) through issuance of ASU 2011-11 *Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11), and issued a related amendment in January 2013 through ASU 2013-01 *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (ASU 2013-01). These amendments require an entity to disclose information about rights of offset and related arrangements to enable users of its financial statements to understand the effect or potential effect of those arrangements on its financial position.

ASU 2011-11 and 2013-01 are effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013 with required disclosures made retrospectively for all comparative periods presented.

Nomura will adopt ASU 2011-11 and 2013-01 from April 1, 2013. Because these amendments only require enhanced disclosures rather than change the guidance around when assets and liabilities can be offset, they are not expected to have a material impact on these consolidated financial statements.

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued amendments to ASC 220-10 *Comprehensive Income Overall* through issuance of ASU 2013-02 *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income* (ASU 2013-02). The amendments require an entity to disclose additional information about amounts reclassified out of accumulated other comprehensive income, including changes in accumulated other comprehensive income balances by component of accumulated other comprehensive income and information about significant items reclassified out of accumulated other comprehensive income.

ASU 2013-02 supersedes the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and 2011-12. ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012, with early adoption permitted.

Nomura will adopt ASU 2013-02 from April 1, 2013. Because these amendments only require changes in presentation and disclosure of amounts reclassified out of accumulated other comprehensive income rather than change the guidance regarding recognition of such amounts, they are not expected to have a material impact on these consolidated financial statements.

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2. Fair value of financial instruments:

The fair value of financial instruments

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

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

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

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

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

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

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

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

Where quoted prices are available in active markets, no valuation adjustments are taken to modify the fair value of assets or liabilities marked using such prices. Other instruments may be measured using valuation techniques, such as valuation pricing models incorporating observable parameters, unobservable parameters or a combination of both. Valuation pricing models use parameters which would be considered by market participants in valuing similar financial instruments.

Valuation pricing models and their underlying assumptions impact the amount and timing of unrealized and realized gains and losses recognized, and the use of different valuation pricing models or underlying assumptions could produce different financial results. Valuation uncertainty results from a variety of factors, including the valuation technique or model selected, the quantitative assumptions used within the valuation model, the inputs into the model, as well as other factors. Valuation adjustments are used to reflect the assessment of this uncertainty. Common valuation adjustments include model reserves, credit adjustments, close-out adjustments, and other appropriate instrument-specific adjustments, such as those to reflect transfer or sale restrictions.

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

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For example, the fair value of certain financial instruments includes adjustments for credit risk; both with regards to counterparty credit risk on positions held and Nomura s own creditworthiness on positions issued. Credit risk on financial assets is significantly mitigated by credit enhancements such as collateral and netting arrangements. Any net credit exposure is measured using available and applicable inputs for the relevant counterparty. The same approach is used to measure the credit exposure on Nomura s financial liabilities as is used to measure counterparty credit risk on Nomura s financial assets.

Such valuation pricing models are calibrated to the market on a regular basis and inputs used are adjusted for current market conditions and risks. The global risk management unit reviews pricing models and assesses model appropriateness and consistency independently of the front office. The model reviews consider a number of factors about a model s suitability for valuation and sensitivity of a particular product. Valuation models are calibrated to the market on a periodic basis by comparison to observable market pricing, comparison with alternative models and analysis of risk profiles.

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

Fair value hierarchy

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

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

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

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

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

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

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	Billions of yen December 31, 2012				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting[1]	Balance as of December 31, 2012
Assets:					
Trading assets and private equity investments[2]					
Equities[3]	¥ 1,151	¥ 1,025	¥ 129	¥	¥ 2,305
Private equity investments[3]			90		90
Japanese government securities	3,708				3,708
Japanese agency and municipal securities		82	0		82
Foreign government, agency and municipal securities	3,666	1,321	87		5,074
Bank and corporate debt securities and loans for trading purposes		1,353	51		1,404
Commercial mortgage-backed securities (CMBS)		146	2		148
Residential mortgage-backed securities (RMBS)		2,615	6		2,621
Mortgage and other mortgage-backed securities			74		74
Collateralized debt obligations (CDO) and other[4]		133	9		142
Investment trust funds and other	259	26	11		296
Total cash instruments	8,784	6,701	459		15,944
Derivative assets[5]					
Equity contracts	512	902	73		1,487
Interest rate contracts	2	21,911	189		22,102
Credit contracts		1,439	150		1,589
Foreign exchange contracts		1,714	13		1,727
Commodity contracts	0	16	0		16
Netting				(25,209)	(25,209)
Total derivative assets	514	25,982	425	(25,209)	1,712
Subtotal	¥ 9,298	¥ 32,683	¥ 884	¥ (25,209)	¥ 17,656
Loans and receivables[6]		459	8		467
Collateralized agreements[7]		1,032			1,032
Other assets					
Non-trading debt securities	466	475	4		945
Other[3]	144	21	69		234
Total	¥ 9,908	¥ 34,670	¥ 965	¥ (25,209)	¥ 20,334
Liabilities:					
Trading liabilities					
Equities	¥ 774	¥ 66	¥ 0	¥	¥ 840
Japanese government securities	1,505				1,505
Japanese agency and municipal securities		1			1
Foreign government, agency and municipal securities	2,515	454			2,969
Bank and corporate debt securities		236	0		236
Residential mortgage-backed securities (RMBS)		3			3
Collateralized debt obligations (CDO) and other[4]		0			0
Investment trust funds and other	34	11			45
Total cash instruments	4,828	771	0		5,599
Derivative liabilities[5]					

Equity contracts	577	989	60		1,626
Interest rate contracts	3	21,551	229		21,783
Credit contracts	0	1,667	113		1,780
Foreign exchange contracts	0	1,861	14		1,875
Commodity contracts	1	15	0		16
Netting				(25,433)	(25,433)
Total derivative liabilities	581	26,083	416	(25,433)	1,647
Subtotal	¥ 5,409	¥ 26,854	¥ 416	¥ (25,433)	¥ 7,246
Short-term borrowings(8)		72	1		73
Payables and deposits(9)		0	(0)		(0)
Collateralized financing(7)		270			270
Long-term borrowings(8)(10)(11)	173	1,488	93		1,754
Other liabilities(12)	25	17	0		42
Total	¥ 5,607	¥ 28,701	¥ 510	¥ (25,433)	¥ 9,385

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

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Valuation techniques by major class of financial instrument

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

Equities and equity securities reported within *Other assets* Equities and equity securities reported within *Other assets* include direct holdings of both listed and unlisted equity securities, and fund investments. Listed equity securities are valued using quoted prices for identical securities from active markets where available. These valuations should be in line with market practice and therefore can be based on bid/offer prices as applicable or mid-market prices. Nomura determines whether the market is active depending on the sufficiency and frequency of trading activity. Where these securities are classified in Level 1 of the fair value hierarchy, no valuation adjustments are made to fair value. Listed equity securities traded in inactive markets are valued using the exchange price as adjusted to reflect liquidity and bid offer spreads and are classified in Level 2. Unlisted equity securities are valued using the same methodology as private equity investments described below and are usually classified as Level 3 because of the management judgment involved. As a practical expedient, fund investments are generally valued using NAV per share where available. Publicly traded mutual funds which are valued using a daily NAV per share are classified as Level 1. Investments in funds where Nomura has the ability to redeem its investment with the investee at NAV per share as of the balance sheet date or within the near term are classified as Level 2. Investments in funds where Nomura does not have the ability to redeem in the near term or does not know when it can redeem are classified as Level 3. The Direct Capitalization Method (DCM) is used as a valuation technique for certain equity investments in real estate funds, with net operating income used as a measure of financial performance which is then applied to a capitalization rate dependent on the characteristics of the underlying real estate. Equity investments which are valued using DCM valuation techniques are generally classified as Level 3 since observable market capitalization rates are usually not available for identical or sufficiently similar real estate to that held within the real estate funds being valued. Nomura refined fair value measurement of investments in unlisted equity securities reported within *Other assets* during the nine months ended December 31, 2012.

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

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

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

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

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

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

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

Derivatives Exchange-traded derivatives are usually valued using unadjusted quoted market prices and are therefore classified as Level 1. Where exchange-traded derivatives are not valued at the exchange price due to timing differences, these are classified as Level 2. OTC derivatives are valued by internal models using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Valuation techniques include simple DCF techniques, Black-Scholes and Monte Carlo simulations. For OTC derivatives that trade in liquid markets, such as plain vanilla forwards, swaps and options, model inputs can generally be verified and model selection does not involve significant management judgment. OTC derivatives are classified within Level 2 of the fair value hierarchy when all of the significant inputs can be corroborated to market evidence. Derivatives that are valued using models with significant unobservable inputs such as correlation, long-dated volatility, credit curves or other unobservable inputs are classified within Level 3. Examples of derivatives classified as Level 3 by Nomura include exotic interest rate derivatives, exotic foreign exchange derivatives, exotic equity derivatives, exotic derivatives including a combination of interest rate, foreign exchange and equity risks and certain other transactions including long-dated or exotic credit derivatives. Valuation adjustments are recorded to model valuations which do not calibrate to market and consider all factors that would impact fair value including bid offer, liquidity and credit risk; both with regards to counterparty credit risk on derivative assets and Nomura s own creditworthiness on derivative liabilities. During the year ended March 31, 2012, Nomura began using the Overnight Indexed Swap curve rather than the LIBOR curve to estimate the fair value of certain collateralized derivative contracts. During the three months ended December 31, 2012, Nomura has further refined this valuation methodology to incorporate additional features of the collateral. Nomura believes the changes introduced are more representative of how market participants in the principal market for these derivatives would determine fair value. The impact of this change on the fair value measurements applied to these derivatives was a loss of ¥11 billion during the period.

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

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

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

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

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

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Valuation processes

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

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

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

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

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

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Independent price verification processes

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

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

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

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

Model review and validation

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

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

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

Revenue substantiation

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

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Level 3 financial instruments

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

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

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

During the three months ended December 31, 2012, a lack of liquidity continues to persist in certain classes of financial instrument which have impacted the observability of certain inputs which are significant to Nomura s financial instrument valuations. These inputs include those listed below.

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Quantitative information regarding significant unobservable inputs and assumptions

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

	March 31, 2012			
Financial Instrument	**Fair value in billions of yen**	**Valuation technique(s)**	**Unobservable inputs**	**Range of input values**
Assets:				
Trading assets and private equity investments				
Equities	¥ 125	DCF	Credit spreads Liquidity discounts	6.5 7.5% 20.0 30.0%
		Market multiples	PE ratios	12.2 x
			Price/Book ratios	1.7 x
			Liquidity discounts	20.0%
		DCM	Capitalization rates	5.2 6.5%
Private equity investments	202	DCF	WACC	6.8 12.0%
			Growth rates	0.0 2.0 %
			Operating margins	23.0%
			Liquidity discounts	0.0 30.0%
		Market multiples	EV/EBITDA ratios	4.3 12.6 x
			PE ratios	12.9 x
			Price/Book ratios	0.5 0.7 x
			Price/Embedded values Liquidity discounts	0.5 x 0.0 50.0%
Japanese agency and municipal securities	10	DCF	Credit spreads	0.1%
Foreign government, agency and municipal securities	37	DCF	Credit spreads	0.6 17.0%
Bank and corporate debt securities and loans for trading purposes	62	DCF	Credit spreads	0.4 25.6%
Commercial mortgage-backed securities (CMBS)	8	DCF	Yields	3.0 24.5%
			Prepayment rates	0.0 25.0%

			Default probabilities	0.0	60.0%
			Loss severities	0.0	50.0%
Residential mortgage-backed securities (RMBS)	5	DCF	Yields	1.6	30.0%
			Prepayment rates	1.0	5.0%
			Default probabilities	2.0	4.0%
			Loss severities	20.0	40.0%
Mortgage and other mortgage-backed securities	91	DCF	Yields	4.0	15.0%
			Default probabilities	24.0	65.0%
			Loss severities	80.0	100.0%
		DCM	Capitalization rates	6.7	11.4%
Collateralized debt obligations (CDO) and other	20	DCF	Yields	12.0	30.0%
			Prepayment rates	0.0	15.0%
			Default probabilities	1.5	3.0%
			Loss severities	30.0	60.0%
Investment trust funds and other	9	DCF	Credit spreads	0.0	13.6%
			Correlations	0.50	0.70
Derivatives, net:					
Equity contracts	14	Option models	Dividend yield	0.1	13.5%
			Volatilities	12.1	65.1%
			Correlations	(0.95)	0.94
Interest rate contracts	(39)	DCF	Forward FX rates	53.2	105.4
			Interest rates	0.8	4.7%
			Volatilities	5.5	121.0%
			Correlations	(0.55)	1.00
Credit contracts	(11)	DCF	Credit spreads	1.3	1,912.4 bps
			Recovery rates	5.0	52.0%
			Volatilities	10.0	75.0%
			Correlations	0.11	1.00

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

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			December 31, 2012	
Financial Instrument	**Fair value in billions of yen**	**Valuation technique(s)**	**Unobservable inputs**	**Range of input values**
Assets:				
Trading assets and private equity investments				
Equities	¥ 129	DCF	Credit spreads	6.5 7.5%
			Liquidity discounts	25.0 30.0%
		DCM	Capitalization rates	5.2 6.7%
Private equity investments	90	DCF	WACC	8.2%
			Growth rates	0.0%
			Liquidity discounts	25.0%
		Market multiples	EV/EBITDA ratios	4.2 12.4 x
			PE ratios	12.2 x
			Price/Book ratios	0.5 x
			Price/Embedded values	0.4 x
			Liquidity discounts	0.0 25.0%
Foreign government, agency and municipal securities	87	DCF	Credit spreads	0.0 9.5%
Bank and corporate debt securities and loans for trading purposes	51	DCF	Credit spreads	0.0 51.4%
			Recovery rates	3.5 8.0%
Commercial mortgage-backed securities (CMBS)	2	DCF	Yields	0.5 25.0%
			Prepayment rates	0.0 10.0%
			Default probabilities	15.0 100.0%
			Loss severities	0.0 80.0%
Residential mortgage-backed securities (RMBS)	6	DCF	Yields	0.0 21.2%
			Prepayment rates	0.0 7.7%
			Default probabilities	0.0 5.0%
			Loss severities	50.0 100.0%
Mortgage and other mortgage-backed securities	74	DCF	Yields	4.0 15.0%
			Default probabilities	24.0 65.0%

			Loss severities	80.0	100.0%
		DCM	Capitalization rates	6.8	8.8%
Collateralized debt obligations (CDO) and other	9	DCF	Yields	0.0	56.2%
			Prepayment rates	0.0	15.0%
			Default probabilities	2.0	4.0%
			Loss severities	30.0	75.0%
Investment trust funds and other	11	DCF	Credit spreads	0.1	13.5%
			Correlations	0.50	0.71
Derivatives, net:					
Equity contracts	13	Option models	Dividend yield	0.0	13.2%
			Volatilities	5.7	68.9%
			Correlations	(0.85)	0.96
Interest rate contracts	(40)	DCF	Forward FX rates	59.4	120.1
			Interest rates	0.8	4.2%
			Volatilities	8.6	124.2%
			Correlations	(0.68)	0.99
Credit contracts	37	DCF	Credit spreads	8.3	750.0 bps
			Recovery rates	15.0	40.0%
			Volatilities	10.0	70.0%
			Correlations	0.12	1.00
Foreign exchange contracts	(1)	Option models	Volatilities	1.4	21.2%
		DCF	Forward FX rates	2.5	12,490.0
Loans and receivables	8	DCF	Credit spreads	3.0	7.8%
Other assets					
Non-trading debt securities	4	DCF	Credit spreads	0.3%	
Other[1]	69	DCF	WACC	7.1	8.2%
			Growth rates	0.0	1.0%
			Liquidity discounts	25.0	30.0%
		Market multiples	EV/EBITDA ratios	2.6	13.6 x

			PE ratios	10.0	26.0 x
			Price/Book ratios	0.4	1.3 x
			Liquidity discounts	25.0	30.0%
Liabilities:					
Long-term borrowings	¥ 93	DCF	Volatilities	12.8	124.2%
			Correlations	(0.85)	0.99

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

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Sensitivity of fair value to changes in unobservable inputs

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

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

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

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

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

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

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

Movements in Level 3 financial instruments

The following tables present gains and losses as well as increases and decreases of financial instruments measured at fair value on a recurring basis which Nomura classified as Level 3 for the nine and three months ended December 31, 2011 and 2012. Financial instruments classified as Level 3 are often hedged with instruments within Level 1 or Level 2 of the fair value hierarchy. The gains or losses presented below do not reflect the offsetting gains or losses for these hedging instruments. Level 3 financial instruments are also measured using both observable and unobservable inputs. Fair value changes presented below, therefore, reflect realized and unrealized gains and losses resulting from movements in both observable and unobservable parameters.

For the three months ended December 31, 2012, gains and losses related to Level 3 assets did not have a material impact on Nomura s liquidity and capital resources management.

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

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	Billions of yen								
	Nine months ended December 31, 2011								
	Beginning balance as of nine months ended December 31, 2011	Total gains (losses) recognized in net revenue(1)	Total gains (losses) recognized in other comprehensive income	Purchases / issues(2)	Sales / redemptions(2)	Settlements	Foreign exchange movements	Net transfers into / (out of) Level 3(3)	Balance as of nine months ended December 31, 2011
Assets:									
Trading assets and private equity investments									
Equities	¥ 121	¥ (13)	¥	¥ 47	¥ (17)	¥	¥ (4)	¥ (11)	¥ 123
Private equity investments	289	22		4	(30)		(10)		275
Japanese agency and municipal securities		0		5	(5)				0
Foreign government, agency and municipal securities	23	7		265	(260)			(10)	25
Bank and corporate debt securities and loans for trading purposes	51	(0)		122	(106)		(2)	13	78
Commercial mortgage-backed securities (CMBS)	28	0		6	(23)		(1)	3	13
Residential mortgage-backed securities (RMBS)	3	(0)		3	(1)		(0)	13	18
Mortgage and other mortgage-backed securities	128	2		7	(28)		(0)		109
Collateralized debt obligations (CDO) and other	34	(1)		12	(15)		(1)	(10)	19
Investment trust funds and other	10	0		2	(2)		(0)		10
Total cash instruments	687	17		473	(487)		(18)	(2)	670
Derivatives, net(4)									
Equity contracts	28	(8)				(11)	(1)	(3)	5
Interest rate contracts	11	(1)				(28)	(6)	(14)	(38)
Credit contracts	(55)	14				36	3	(1)	(3)
Foreign exchange contracts	2	20				(5)	(0)	0	17
Commodity contracts	(2)	0				(1)	(0)	2	(1)
Total derivatives, net	(16)	25				(9)	(4)	(16)	(20)
Subtotal	¥ 671	¥ 42	¥	¥ 473	¥ (487)	¥ (9)	¥ (22)	¥ (18)	¥ 650
Loans and receivables	11	(1)		5	(5)		(1)		9
Other assets									
Non-trading debt securities	0	0	(0)	7	(2)		(0)		5
Other	25	1	(0)	66	(8)		(0)	0	84
Total	¥ 707	¥ 42	¥ (0)	¥ 551	¥ (502)	¥ (9)	¥ (23)	¥ (18)	¥ 748
Liabilities:									
Trading liabilities									
Bank and corporate debt securities	¥	¥	¥	¥ 1	¥ (1)	¥	¥	¥	¥

Subtotal	¥	¥	¥	¥ 1	¥ (1)	¥	¥	¥	¥
Short-term borrowings	1	0		16	(15)		0	(1)	1
Payables and deposits	1	(0)		(0)	(1)				(0)
Long-term borrowings	144	8		81	(108)		(14)	(44)	51
Total	¥ 146	¥ 8	¥	¥ 98	¥ (125)	¥	¥ (14)	¥ (45)	¥ 52

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	Billions of yen Nine months ended December 31, 2012									
	Beginning balance as of nine months ended December 31, 2012	Total gains (losses) recognized in net revenue(1)	Total gains (losses) recognized in other comprehensive income	Purchases / issues(2)	Sales / redemptions(2)	Settlements	Foreign exchange movements	Transfers into Level 3(3)	Transfers out of Level 3(3)	Balance as of nine months ended December 31, 2012
Assets:										
Trading assets and private equity investments										
Equities	¥ 125	¥ 1	¥	¥ 34	¥ (16)	¥	¥ 1	¥ 6	¥ (22)	¥ 129
Private equity investments	202	7		3	(131)		9			90
Japanese agency and municipal securities	10	0		1	(11)			0	(0)	0
Foreign government, agency and municipal securities	37	23		512	(517)		0	49	(17)	87
Bank and corporate debt securities and loans for trading purposes	62	4		208	(253)		4	58	(32)	51
Commercial mortgage-backed securities (CMBS)	8	2		6	(14)		1	4	(5)	2
Residential mortgage-backed securities (RMBS)	5	0		19	(19)		0	2	(1)	6
Mortgage and other mortgage-backed securities	91	1		1	(19)		(0)			74
Collateralized debt obligations (CDO) and other	20	(1)		8	(15)		0	2	(5)	9
Investment trust funds and other	9	1		2	(1)		0	0	(0)	11
Total cash instruments	569	38		794	(996)		15	121	(82)	459
Derivatives, net(4)										
Equity contracts	14	(10)				2	1	(3)	9	13
Interest rate contracts	(39)	(16)				20	1	(3)	(3)	(40)
Credit contracts	(11)	(19)				46	1	1	19	37
Foreign exchange contracts	18	2				(2)	(0)	(6)	(13)	(1)
Commodity contracts	(0)	0				(0)	(0)	0	(0)	(0)
Total derivatives, net	(18)	(43)				66	3	(11)	12	9
Subtotal	¥ 551	¥ (5)	¥	¥ 794	¥ (996)	¥ 66	¥ 18	¥ 110	¥ (70)	¥ 468
Loans and receivables	11	(0)		0	(1)		0		(2)	8
Other assets										
Non-trading debt securities	6	(0)	0	0	(2)		0			4
Other(5)	72	12	(0)	0	(15)		0	0	(0)	69
Total	¥ 640	¥ 7	¥ (0)	¥ 794	¥ (1,014)	¥ 66	¥ 18	¥ 110	¥ (72)	¥ 549
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ 0	¥	¥	¥ (0)	¥	¥ 0	¥ 0	¥	¥ 0
Bank and corporate debt securities	1	(0)		0	(1)		0			0

Subtotal	¥ 1	¥ (0)	¥	¥ 0	¥ (1)	¥	¥ 0	¥ 0	¥	¥ 0
Short-term borrowings	0	0		2	(0)		(0)	1	(2)	1
Payables and deposits	(0)	(0)		(0)	(0)					(0)
Long-term borrowings	(13)	(77)		36	(52)		1	94	(50)	93
Other liabilities		0		0	(0)		0			0
Total	¥ (12)	¥ (77)	¥	¥ 38	¥ (53)	¥	¥ 1	¥ 95	¥ (52)	¥ 94

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	Billions of yen Three months ended December 31, 2011								
	Beginning balance as of three months ended December 31, 2011	Total gains (losses) recognized in net revenue(1)	Total gains (losses) recognized in other comprehensive income	Purchases / issues(2)	Sales / redemptions(2)	Settlements	Foreign exchange movements	Net transfers into / (out of) Level 3(3)	Balance as of three months ended December 31, 2011
Assets:									
Trading assets and private equity investments									
Equities	¥ 134	¥ (1)	¥	¥ 6	¥ (6)	¥	¥ 0	¥ (10)	¥ 123
Private equity investments	260	34		3	(23)		1		275
Japanese agency and municipal securities		0		2	(2)				0
Foreign government, agency and municipal securities	24	3		141	(144)			1	25
Bank and corporate debt securities and loans for trading purposes	66	1		45	(36)		0	2	78
Commercial mortgage-backed securities (CMBS)	8	(0)		6	(3)		0	2	13
Residential mortgage-backed securities (RMBS)	4	(0)		3	(1)		0	12	18
Mortgage and other mortgage-backed securities	111	4			(6)		0		109
Collateralized debt obligations (CDO) and other	19	(1)		2	(4)		0	3	19
Investment trust funds and other	9	1		1	(1)		(0)		10
Total cash instruments	635	41		209	(226)		1	10	670
Derivatives, net(4)									
Equity contracts	9	(0)				(0)	0	(4)	5
Interest rate contracts	(18)	(7)				(5)	1	(9)	(38)
Credit contracts	(22)	13				2	(0)	4	(3)
Foreign exchange contracts	17	1				(2)	1	0	17
Commodity contracts	(1)	0				(0)	(0)	(0)	(1)
Total derivatives, net	(15)	7				(5)	2	(9)	(20)
Subtotal	¥ 620	¥ 48	¥	¥ 209	¥ (226)	¥ (5)	¥ 3	¥ 1	¥ 650
Loans and receivables	7	(1)		3			0		9
Other assets									
Non-trading debt securities	7	0	(0)	0	(2)		0		5
Other	78	(0)	(0)	6	(0)		0	(0)	84
Total	¥ 712	¥ 47	¥ (0)	¥ 218	¥ (228)	¥ (5)	¥ 3	¥ 1	¥ 748
Liabilities:									
Trading liabilities									
Bank and corporate debt securities	¥ 1	¥ (0)	¥	¥	¥ (1)	¥	¥	¥	¥
Subtotal	¥ 1	¥ (0)	¥	¥	¥ (1)	¥	¥	¥	¥

Short-term borrowings	15	0		0	(14)		0	(0)	1
Payables and deposits	1	0			(1)				(0)
Long-term borrowings	(66)	(30)		81	8		1	(3)	51
Total	¥ (49)	¥ (30)	¥	¥ 81	¥ (8)	¥	¥ 1	¥ (3)	¥ 52

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	Billions of yen Three months ended December 31, 2012									
	Beginning balance as of three months ended December 31, 2012	**Total gains (losses) recognized in net revenue(1)**	**Total gains (losses) recognized in other comprehensive income**	**Purchases / issues(2)**	**Sales / redemptions(2)**	**Settlements**	**Foreign exchange movements**	**Transfers into Level 3(3)**	**Transfers out of Level 3(3)**	**Balance as of three months ended December 31, 2012**
Assets:										
Trading assets and private equity investments										
Equities	¥ 121	¥ 1	¥	¥ 25	¥ (6)	¥	¥ 4	¥ 1	¥ (17)	¥ 129
Private equity investments	188	13		1	(128)		16			90
Japanese agency and municipal securities		0		0	(0)			0		0
Foreign government, agency and municipal securities	49	16		203	(196)		0	26	(11)	87
Bank and corporate debt securities and loans for trading purposes	90	3		52	(116)		6	19	(3)	51
Commercial mortgage-backed securities (CMBS)	11	0		1	(11)		1			2
Residential mortgage-backed securities (RMBS)	5	(0)		1	(1)		1	0		6
Mortgage and other mortgage-backed securities	77	1		1	(5)		0			74
Collateralized debt obligations (CDO) and other	11	(0)		3	(5)		1		(1)	9
Investment trust funds and other	10	1		0	(0)		0		(0)	11
Total cash instruments	562	35		287	(468)		29	46	(32)	459
Derivatives, net(4)										
Equity contracts	15	(9)				(0)	2	2	3	13
Interest rate contracts	(6)	(4)				8	4	(38)	(4)	(40)
Credit contracts	(2)	(12)				37	1	0	13	37
Foreign exchange contracts	11	2				(4)	0	(11)	1	(1)
Commodity contracts	(0)	0				0	(0)		(0)	(0)
Total derivatives, net	18	(23)				41	7	(47)	13	9
Subtotal	¥ 580	¥ 12	¥	¥ 287	¥ (468)	¥ 41	¥ 36	¥ (1)	¥ (19)	¥ 468
Loans and receivables	8	(0)		0	(1)		1			8
Other assets										
Non-trading debt securities	4	(0)	0	0	(0)		0			4
Other(5)	81	(4)	(0)	0	(8)		0		(0)	69
Total	¥ 673	¥ 8	¥ (0)	¥ 287	¥ (477)	¥ 41	¥ 37	¥ (1)	¥ (19)	¥ 549
Liabilities:										
Trading liabilities										
Equities	¥ 0	¥ 0	¥	¥	¥ (0)	¥	¥ 0	¥	¥	¥ 0
Bank and corporate debt securities	0	(0)		0			0			0

Subtotal	¥ 0	¥ (0)	¥	¥ 0	¥ (0)	¥	¥ 0	¥	¥	¥ 0
Short-term borrowings	1	(0)		0	(0)			0	(0)	1
Payables and deposits	(0)	(0)		(0)						(0)
Long-term borrowings	(14)	(91)		3	(6)		4	52	(37)	93
Other liabilities	0	0		0	0		0			0
Total	¥ (13)	¥ (91)	¥	¥ 3	¥ (6)	¥	¥ 4	¥ 52	¥ (37)	¥ 94

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

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

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

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

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

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Unrealized gains and losses recognized for Level 3 financial instruments

The following tables present the amounts of unrealized gains (losses) for the nine and three months ended December 31, 2011 and 2012, relating to those financial instruments which Nomura classified as Level 3 within the fair value hierarchy and that were still held by Nomura at the relevant consolidated balance sheet date:

	Billions of yen Nine months ended December 31	
	2011	2012
	Unrealized gains / (losses)[1]	
Assets:		
Trading assets and private equity investments		
Equities	¥ (2)	¥ (0)
Private equity investments	20	(12)
Japanese agency and municipal securities	(0)	0
Foreign government, agency and municipal securities	1	2
Bank and corporate debt securities and loans for trading purposes	(2)	0
Commercial mortgage-backed securities (CMBS)	1	0
Residential mortgage-backed securities (RMBS)	(1)	0
Mortgage and other mortgage-backed securities	2	0
Collateralized debt obligations (CDO) and other	(2)	(0)
Investment trust funds and other	1	1
Total cash instruments	18	(9)
Derivatives, net[2]		
Equity contracts	(3)	3
Interest rate contracts	(15)	(28)
Credit contracts	16	(8)
Foreign exchange contracts	14	(2)
Commodity contracts	(1)	0
Total derivatives, net	11	(35)
Subtotal	¥ 29	¥ (44)
Loans and receivables	(2)	(0)
Other assets		
Non-trading debt securities	0	